



AFE S.A. SICAV-RAIF

**Annual Report
For the Year Ended 31 December 2024**

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General Information

Fund

AFE S.A. SICAV-RAIF
43-45, Allée Scheffer
L-2520
Luxembourg
Grand Duchy of Luxembourg

Alternative Investment Fund Manager ("AIFM")

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

Custodian, Depositary Bank

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

Portfolio Manager

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

Réviseur d'entreprises agréé (Independent Auditors)

KPMG Audit S.à r.l.
39, Avenue J.F. Kennedy Luxembourg
L-1855 Luxembourg
Grand Duchy of Luxembourg

Board of Directors

Audrey Lewis
Graham Parry-Dew (resigned 9 July 2024)
Christopher Foss-Roberts
Eric Verret (resigned 15 August 2024)
Anthony Place (resigned 13 September 2024)
James Culshaw (appointed 9 February 2024)
Gregory McKenzie (appointed 9 July 2024)
Clarissa Steland (appointed 15 August 2024)

Board of Directors of the AIFM and Portfolio Manager

Anouk Agnes
John Alldis
Veronica Buffoni
Jacqueline O'Connor
Glenn Thorpe (resigned 27 March 2025)

Central Administrative, Registrar and Transfer Agent

Belasko Luxembourg S.à r.l.
43-45, Allée Scheffer
L-2520 Luxembourg
Grand Duchy of Luxembourg

Investment Advisor

Since 9 February 2024:
AGG Capital Management Limited
27 Esplanade
St. Helier
Jersey
JE1 1SG

Until 21 December 2023:
Veld Capital Limited
105 Wigmore Street
London
W1U 1QY

Directors' Report

The Directors of AFE S.A. SICAV-RAIF ("AFE") are pleased to present the Directors' Report and Consolidated Annual Report of AFE and its subsidiaries (together, the "Group") for the year ended 31 December 2024.

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, including mixed portfolios, with a view to generating strong risk-adjusted returns on an ongoing basis.

Fund Performance Summary

	Year ended 31 December 2024 EUR '000	Year ended 31 December 2023 EUR '000
ERC	468,659	475,714
Purchases of loan portfolios and loan notes	40,230	22,892
Operating expenses	30,655	31,433
Core collections	68,576	61,657
Collection cost ratio	45%	51%
Adjusted EBITDA	37,871	39,588
Cumulative number of investments	67	65
YTD core collections	66,286	61,657
Last twelve months adjusted EBITDA	37,871	39,588
Last twelve months net interest expenses	38,835	30,892

	As at 31 December 2024 EUR '000	As at 31 December 2023 EUR '000
Net Debt		
The Notes (in issue)	343,214	307,500
The Notes (held by AFE)	(2,868)	-
Revolving Credit Facility	157,703	95,745
Less:		
Cash at bank	(16,579)	(22,635)
Cash held on AFE's account at servicers' and others	(4,986)	(9,979)
Cash collected on behalf of secured loan note holders	186	1,749
Net Debt	476,670	372,380

Key Facts	As at 31 December 2024	As at 31 December 2023
LTV ratio at period end	101.71%	78.30%
Adjusted EBITDA leverage ratio	12.59	9.41
Fixed charge cover ratio ("FCCR")	0.98	1.28

Directors' Report (continued)

Key risks and uncertainties

Risk	Definition	Impact	Mitigation
Market/economic risk	Changes in the economic environment in the markets in which the Group operates may negatively impact the Group's performance.	The current inflationary environment could lead to further rate rises which could impact the Group's debt service costs.	The Group reviews and revises as necessary business plans for underlying portfolios on a periodic basis and also monitors closely economic growth and the economic and inflationary environment across Europe.
Credit/liquidity risk	The value of the Group's investments may deteriorate, or the Group may not be able to meet its day to day working capital requirements if collections performance fall.	This could lead to reduced recoveries from debtors, as well as the risk that the Group may not be able to finance its debt or remain competitive due to a lack of capital to deploy and potentially putting pressure on the Group's ability to meet financial covenants.	The Group closely and regularly monitors actual collections performance against forecasted targets in order to quickly assess whether any portfolio is underperforming. The Group also works closely with its engaged servicers in order to quickly establish recovery strategies for any underperforming portfolios. The Group also monitors its cash position on a regular basis to ensure that there is sufficient cash available to manage the day to day operations of the Group.
Compliance/regulatory/tax risk	Failure to comply with applicable legislation/regulatory requirements within the geographies and markets the Group operates within. The Group also operates in an environment where tax legislation is continually evolving.	Potential breach of compliance acts/regulatory provisions or non-compliance or misinterpretation of local tax legislations may result in potential reputational damage in the industry, potential large fines, impairments etc. which may impact the Groups ability to remain competitive in the market.	The Group maintains strong operational compliance controls and has various legal advisors in different jurisdictions in order to keep up to date with any changes to any regulatory environment which could adversely impact the Group. The Group continually monitors its corporate and structural set up and tax reporting requirements to ensure full compliance with local tax legislation.

Directors' Report (continued)

Key risks and uncertainties (continued)

Risk	Definition	Impact	Mitigation
Third party/operational risk	Risk of loss of relationship/ underperformance/ over reliance of servicers/ third parties that the Group engages with.	Any failure by third parties/servicers that the Group engages with could materially impact cash flows, income, and profitability of the portfolios, and therefore adversely impact the Groups results.	The Group constantly assesses the capabilities and value that is delivered by third parties in order to determine whether there is any underperformance. Regular audits are carried out of servicers to ensure that they are compliant with necessary regulations and that they are performing as expected.

Significant recent developments

2024 Performance

The Group reported core collections of €68.6m against a target of €153.1m set in December 2023. This represents a €84.5m under performance, the majority of it driven by a delay in sale and collections.

New investments and disposals

During the year ended 31 December 2024, AFE made new investments of €19.6m in real estate in Portugal and non-performing loans in Italy. It made follow on investments of c.€20.6m in the investments across the geographies, bringing the total purchases of loan portfolios and loan notes to €40.2m. No portfolio was completely disposed in the year.

Environmental, Social and Governance

As AFE is deemed to fall within the scope of Article 6 of SFDR, the investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Going Concern

The Board of Directors has assessed the Group's ability to continue as a going concern for a period of at least 12 months from the date the Financial Statements are signed while considering the impact of the economic adversities and political uncertainties.

The Group has incurred losses of EUR 154 million during the year ended 31 December 2024, and as at that date, the Group reported net liabilities of EUR 197 million. The Group is currently meeting its obligations through collections and sales from its real estate and NPL portfolios, as well as the term facilities provided by the facility lenders. Given the net liabilities position and dependence on the successful realization of the Group's portfolio of real estate and NPLs and available term facilities in the future, a material uncertainty exists that may cast significant doubt upon the Group's ability to continue as a going concern.

The Group has implemented several mitigating measures to address its financial challenges and ensure continued operations.

On 9 February 2024, the Group was recapitalised, which has provided additional capital, liquidity flexibility, and enhanced the capital structure, allowing the Group to better manage its obligations going forward.

As part of the recapitalisation process, the following measures were taken:

a. The indenture governing the Loan Notes was amended and restated, following the Consent Solicitation, with the maturity date of the Loan Notes extended from 2024 to 2030.

b. The Group had a EUR 148.9m Term facility as at 31 December 2024 available to use to help facilitate its working capital requirements pursuant to an amended and restated term loan facilities agreement originally dated 21 December 2023 and subsequently amended and restated on 26 January 2024 and 11 December 2024. This facility was replaced by a Term Loan Facility with maturity date of 15 January 2030, and EUR 7.5 million is available to be drawn as at 31 December 2024. On 16 April 2025, the amended and restated Term Loan Facility limit was increased, for which an amount of EUR 23.4 million is available to be drawn.

Directors' Report (continued)

c. A going concern assessment conducted by Management, covering the period from 31 March 2025 to 30 June 2031, has estimated surplus liquidity of around EUR 29 million. This assessment is dependent on the successful realization of the assets, and continued access to financing.

d. A General Meeting of the Shareholders took place on 25 April 2025, where it was decided not to dissolve the Group but to continue its operation as a SICAV-RAIF under the RAIF Law.

These events provide reasonable assurance to Management that the Group will be able to meet its obligations as they fall due. The Board of Directors believe that the Group is able to meet its liabilities and obligation and therefore the financial statements have been prepared on a going concern basis.



Gregory McKenzie

Director
28 May 2025

Statement of Directors' Responsibilities

The Board of Directors of AFE S.A. SICAV-RAIF submits its report and the audited consolidated financial statements (the "Financial Statements") for the Group for the year ended 31 December 2024.

The Financial Statements have been prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and adopted by the European union (hereinafter referred to as "IFRS Accounting Standards").

In preparing the Financial Statements the Board of Directors is required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the Financial Statements in compliance with the Issuing Document; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board of Directors is responsible for keeping accounting records, which disclose with reasonable accuracy at any time, the financial position of the Group, to enable it to comply with the Issuing Document. The Board of Directors also has general responsibility for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Board of Directors is required to act in the best interest of the Group and to perform its obligations as detailed under the Issuing Document.



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To the Shareholder of
AFE S.A. SICAV-RAIF
43-45, Allée Scheffer
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Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Opinion

We have audited the consolidated financial statements of AFE S.A. SICAV-RAIF and its subsidiaries ("the Fund"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Fund as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Fund in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty related to Going Concern

We draw attention to Note 3 of the consolidated financial statements, which indicates that the Fund has incurred losses of EUR 154 million during the year ended 31 December 2024, and as at that date, the Fund reported net liabilities of EUR 197 million. Management's going concern assessment and conclusion include the anticipated receipts from the collections and sales of the real estate and non-performing loan portfolios, as well as the drawdowns from the term facilities, which are dependent, inter alia, on the successful realization of these assets, on the outcome of measures taken to support the Fund and continued access to financing which are outside the control of the Fund. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Fund's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



Other Matter

The consolidated financial statements of the Fund as at and for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 14 May 2024.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report but does not include the consolidated financial statements and our report of the “réviseur d’entreprises agréé” thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the “réviseur d’entreprises agréé” for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d’entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Luxembourg, 28 May 2025

KPMG Audit S.à r.l.
Cabinet de révision agréé



T. Ramphul

Consolidated Statement of Financial Position as at 31 December 2024

		As at 31 December 2024	As at 31 December 2023
	Notes	EUR '000	EUR '000
Assets			
Non-current assets			
Property, plant and equipment		55	90
Loans or Debt instruments in joint ventures at amortised cost	13	39,493	47,535
Loans or Debt instruments in joint ventures at FVPL	13	121,638	103,518
Investment in joint ventures	14	15,462	61,168
Goodwill	12	770	770
Total non-current assets		177,418	213,081
Current assets			
Cash and cash equivalents	3	16,579	22,635
Trade and other receivables	16	8,703	31,463
Tax receivable		-	389
Other assets	16	3,673	3,928
Purchased loan portfolios	13	59,900	65,044
Purchased loan notes	13	3,265	6,869
Loans or Debt instruments in joint ventures at amortised cost	13	29,781	33,196
Inventory	15	12,462	21,758
Total current assets		134,363	185,282
Total Assets		311,781	398,363
Liabilities			
Non-current liabilities			
Borrowings	24	487,947	-
Secured loan notes	24	8,055	9,019
Total non-current liabilities		496,002	9,019
Current liabilities			
Borrowings	24	6,203	407,635
Secured loan notes	24	549	562
Trade and other payables	17	6,096	21,730
Tax payable		107	-
Tax provisions	25	-	1,688
Total current liabilities		12,955	431,615
Total Liabilities		508,957	440,634
Equity			
Share capital	18	1,250	1,250
Accumulated losses		(198,426)	(43,521)
Total shareholders' deficit		(197,176)	(42,271)
Total shareholders' deficit and liabilities		311,781	398,363
Net Asset Value as per Offering Memorandum	20	277,057	318,431
Net Asset Value per share	18	(157.74)	(33.82)

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes. The Consolidated Financial Statements for the year ended 31 December 2024 were approved by the Board of Directors and authorised for issue on its behalf by:

Gregory McKenzie
Director, 28 May 2025



Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2024

		Year ended 31 December 2024	Year ended 31 December 2023 restated *
	Notes	EUR '000	EUR '000
Revenue			
Interest income calculated using the effective interest method	13	27,145	42,732
Other interest income	13	746	-
Net Fair value (loss)/gain on loans in joint ventures at FVPL	13	-	16,718
Net foreign currency exchange gain	7	3,632	986
Other income	8	3,813	3,780
Total Revenue	5	35,336	64,216
Expenses			
Collection activity costs	3	(13,477)	(14,214)
Impairment losses on financial instruments	13	(5,867)	(56,662)
Loss on disposal of financial instruments	13	-	(7,100)
Other operating expenses	7	(17,178)	(17,219)
Total Expenses		(36,522)	(95,195)
Operating Loss		(1,186)	(30,979)
Finance income		566	-
Finance costs	9	(59,520)	(34,500)
Restructuring costs	10	(39,618)	-
Share of (loss)/profit in investment in joint venture	14	(55,427)	9,691
Loss Before Tax		(155,185)	(55,788)
Taxation	11	280	2,618
(Loss)/Profit for the year		(154,905)	(53,170)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

* The comparative information is restated on account of a change in the classification of interest income. See Note 3.

Consolidated Statement of Cash Flows for the Year Ended 31 December 2024

		Year ended 31 December 2024	Year ended 31 December 2023
	Notes	EUR '000	EUR '000
Cash flows from operating activities			
Loss before tax		(155,185)	(55,788)
Adjustments for:			
Interest income calculated using the effective interest method	13	(27,145)	(42,732)
Other interest income	13	(746)	-
Fair value movement of investment in joint ventures at FVPL	13	-	(16,718)
Finance income		(566)	-
Impairment losses on financial instruments	13	5,867	56,662
Loss on disposal of financial instruments	13	-	7,100
Finance costs	9	59,520	34,500
Restructuring costs	10	39,618	-
Unrealised foreign currency gain	7	(3,906)	(1,104)
Share of loss/(profit) in joint venture accounted for using equity method	14	55,427	(9,691)
Operating cash flows before movements in working capital		(27,116)	(27,771)
Change in trade and other receivables*		18,821	5,248
Change in trade and other payables*		(15,684)	9,938
Cash used in operating activities before collections and purchases		(23,979)	(12,585)
Taxes paid		(912)	(960)
Collections in the year - sale of inventory	13	11,122	5,948
Collections in the year - loans	13	32,880	44,773
Collections in the year - joint ventures	13	24,760	18,351
Acquisition of purchased loan portfolios	13	(2,150)	-
Acquisition of purchased loan notes	13	(46)	(967)
Acquisition of joint ventures	13	(38,034)	(16,873)
Net cash generated from operating activities		3,641	37,687
Cash flows from investing activities			
Consideration paid for the acquisition of Galata		-	(400)
Net cash used in investing activities		-	(400)
Cash flows from financing activities			
Proceeds from borrowings	24	47,973	39,417
Repayment of borrowings	24	(2,282)	(40,376)
Senior Secured Notes issued	24	24,019	-
Senior Secured Notes repurchased	24	(1,295)	-
Repayment of secured loan notes	24	(1,944)	(1,607)
Finance income received		540	-
Finance costs paid	24	(76,434)	(30,892)
Net cash used in financing activities		(9,423)	(33,458)
Net (decrease)/increase in cash and cash equivalents		(5,782)	3,829
Effect of exchange rate changes on cash and cash equivalents		(274)	-
Cash and cash equivalents at the beginning of the year		22,635	18,806
Cash and cash equivalents at the end of the year		16,579	22,635

*Movement in working capital is net of accruals and prepayments related to the Notes and the Revolving Credit Facility. The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2024

	Notes	Share Capital EUR '000	Accumulated losses EUR '000	Total shareholders' deficit EUR '000
Balance as at 1 January 2024	18	1,250	(43,521)	(42,271)
(Loss)/profit for the year		-	(154,905)	(154,905)
Balance as at 31 December 2024		1,250	(198,426)	(197,176)

Comparative figures from 1 January to 31 December 2023:

	Notes	Share Capital EUR '000	Accumulated losses EUR '000	Total shareholders' deficit EUR '000
Balance as at 1 January 2023	18	1,250	9,649	10,899
(Loss)/profit for the year		-	(53,170)	(53,170)
Balance as at 31 December 2023		1,250	(43,521)	(42,271)

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



Clarissa Steland



Gregory McKenzie

28.05.2025

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

1. General information

AFE 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*). The Company is registered with the Luxembourg Registre du Commerce des Sociétés under number B216080 and has its registered office at 43-45 Allée Scheffer, L-2520 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 30 September 2022 the AIFM became the portfolio manager. Veld Capital Limited ("Veld") acted as investment advisor to the Portfolio Manager until 21 December 2023. AGG Capital Management Limited is acting as investment advisor to the Portfolio Manager since 9 February 2024.

The Fund commenced its investment period on 28 June 2017. The term of the Fund is unlimited. The initial maturity date is 1 August 2030 and it is intended that the Board of Directors will convene an extraordinary general meeting of Shareholders in accordance with the 1915 Law and the 2016 Law for the purpose of deciding whether to continue the Fund or to put the Fund into liquidation.

The principal activity of AFE and its subsidiaries as listed in note 21 (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 backed debt market.

The Fund did not hold any total return swaps or enter in security financing transactions during the year ended 31 December 2024.

The fund has in issue Senior Secured Floating Rate Notes which are listed on The International Stock Exchange (TISE) in Guernsey.

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

AFE's financial year begins on the 1 January and ends on 31 December of each year.

Significant changes in the current reporting year

Changes to the Fund

On 9th February 2024 James Culshaw was appointed to the Board of Directors.

On 9th July 2024 Graham Parry-Dew resigned from the Board of Directors.

On 9th July 2024 Gregory McKenzie was appointed to the Board of Directors.

On 15th August 2024 Eric Verret resigned from the Board of Directors.

On 15th August 2024 Clarissa Steland was appointed to the Board of Directors.

On 13th September 2024 Anthony Place resigned from the Board of Directors.

New Investments and disposals

There was a comprehensive recapitalisation and refinancing of the Fund's capital structure on 9 February 2024 and the acquisition of a majority stake in AFE by funds managed by AGG Capital Management Limited.

During the year ended 31 December 2024, AFE made follow on investments of c.€15.0m in existing real estate backed debt investments in France, Italy and the United Kingdom, €23.0m in a new real estate backed debt investment in Portugal and €2.2m in a new non-performing loan investment in Italy.

Market developments

An increasingly challenging economic backdrop relating to persistent inflationary pressures and rising interest rates has continued in 2024. The group closely monitors market developments and mitigates risks through regular monitoring of the group's liquidity position and business plan. Whilst the group acknowledges increasing macro risks arising from climate change, no material impact has been assessed on AFE's operations at the reporting date. Additionally, no material impact has been identified from the ongoing war in Ukraine or related sanctions.

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

2. Adoption of new and amended IFRS accounting standards and changes in accounting policies

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2024 that have a material effect on the financial statements of the Fund. The amendments to existing accounting standards effective from 1 January 2024 are:

Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities clarify that liabilities are classified as either current or non-current, 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.

Amendments to IFRS 16, 'Lease liability in a Sale and Leaseback'. The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

Amendments to IAS 7, 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures'. The amendments introduce additional disclosure requirements for companies that enter into these arrangements. However, they do not address the classification and presentation of the related liabilities and cash flows.

New standards, amendments and interpretations effective after 1 January 2025 and that have not been early adopted.

- i) Amendments to IAS 21 -- 'Lack of Exchangeability' (effective for annual periods beginning on or after 1 January 2025).
In August 2023, the IASB amended IAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not. The Group does not expect these amendments to have a material impact on its operations or financial statements.
- ii) Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after 1 January 2026).
The IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. Among other amendments, the IASB clarified the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system.
- iii) IFRS 18 'Presentation and Disclosure in Financial Statements' (effective for annual periods beginning on or after 1 January 2027).
The IASB issued the new standard on presentation and disclosure in financial statements, which replaces IAS 1, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:
 - the structure of the statement of profit or loss with defined subtotals;
 - the requirement to determine the most useful structured summary for presenting expenses in the statement of profit or loss;
 - required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
 - enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.
 Management is currently assessing the detailed implications of applying the new standard on the group's consolidated financial statements. Although the adoption of IFRS 18 will have no impact on the group's net profit, the group expects that grouping items of income and expenses in the statement of profit or loss into the new categories will impact how operating profit is calculated and reported. The Group is currently evaluating the need for change, and though it does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. The group will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with IFRS 18.

The Board of Directors has assessed the effect of the forthcoming standard and amendments and concluded that these standards are not expected to have a material effect on the financial statements of the Fund.

No other new standards or amendments to standards are expected to have a material effect on the financial statements of the Fund.

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

3. Summary of material accounting policies

Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and adopted by the European union (hereinafter referred to as "IFRS Accounting Standards").

The preparation of the Financial Statements in conformity with IFRS Accounting Standards as adopted by the European Union requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in note 4.

The Financial Statements are presented in thousands of Euro (€'000s) and are prepared on a historical cost and going concern basis except for certain financial instruments which have been measured at fair value, and on a going concern basis.

Change in classification

During 2024, the Group modified the classification of interest income to include interest income calculated using the effective interest rate method. Comparative amounts in the statement of profit or loss and other comprehensive income were reclassified for consistency. As a result, EUR 42,732 was reclassified from "Interest income from purchased loan portfolios", "Interest income from purchased loan notes" and "Interest income on loans to joint ventures at amortised cost" to "Interest income calculated using the effective interest method".

Going concern

The Board of Directors has assessed the Group's ability to continue as a going concern for a period of at least 12 months from the date the Financial Statements are signed while considering the impact of the economic adversities and political uncertainties.

The Group has incurred losses of EUR 154 million during the year ended 31 December 2024, and as at that date, the Group reported net liabilities of EUR 197 million. The Group is currently meeting its obligations through collections and sales from its real estate and NPL portfolios, as well as the term facilities provided by the facility lenders. Given the net liabilities position and dependence on the successful realization of the Group's portfolio of real estate and NPLs and available term facilities in the future, a material uncertainty exists that may cast significant doubt upon the Group's ability to continue as a going concern.

The Group has implemented several mitigating measures to address its financial challenges and ensure continued operations.

On 9 February 2024, the Group was recapitalised, which has provided additional capital, liquidity flexibility, and enhanced the capital structure, allowing the Group to better manage its obligations going forward.

As part of the recapitalisation process, the following measures were taken:

- a. The indenture governing the Loan Notes was amended and restated, following the Consent Solicitation, with the maturity date of the Loan Notes extended from 2024 to 2030.
- b. The Group had a EUR 148.9m Term facility as at 31 December 2024 available to use to help facilitate its working capital requirements pursuant to an amended and restated term loan facilities agreement originally dated 21 December 2023 and subsequently amended and restated on 26 January 2024 and 11 December 2024. This facility was replaced by a Term Loan Facility with maturity date of 15 January 2030, and EUR 7.5 million is available to be drawn as at 31 December 2024. On 16 April 2025, the amended and restated Term Loan Facility limit was increased, for which an amount of EUR 23.4 million is available to be drawn.
- c. A going concern assessment conducted by Management, covering the period from 31 March 2025 to 30 June 2031, has estimated surplus liquidity of around EUR 29 million. This assessment is dependent on the successful realization of the assets, and continued access to financing.
- d. A General Meeting of the Shareholders took place on 25 April 2025, where it was decided not to dissolve the Group but to continue its operation as a SICAV-RAIF under the RAIF Law.

These events provide reasonable assurance to Management that the Group will be able to meet its obligations as they fall due. The Board of Directors believe that the Group is able to meet its liabilities and obligation and therefore the financial statements have been prepared on a going concern basis.

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

Investment entity

As AFE does not manage its investments on a fair value basis, it does not meet the definition of an investment entity and therefore is required to consolidate the entities that it controls.

Consolidation and accounting for subsidiary entities within the Group

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. AFE has control over and therefore has consolidated the entities listed in note 21 in these consolidated Financial Statements.

Investment in joint ventures

Joint arrangements are classified as either joint ventures or joint operations. The Group's joint arrangements are determined to be joint ventures. The Group is party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principals as control over subsidiaries. Considerations made in determining significant influence are potential voting rights that are currently exercisable or convertible.

The Group accounts for its investments in joint ventures using the equity accounting method in accordance with IAS 28. Equity investments in joint ventures are recognised as a single line item in the consolidated statement of financial position. The investment is recognised at cost and subsequently adjusted to the Group's share of the change in the investments net assets since acquisition date. The equity method is applied from the date a significant influence arises until the time it ceases, or the associated company or joint venture becomes a subsidiary. The Group's share of net assets of the joint venture is recognised in the Consolidated Statement of Profit or Loss.

Investment in joint ventures (continued)

The Group may also provide loan instruments or other financial assets to joint venture entities. In determining the accounting treatment for these instruments, the Group assesses whether they form part of the net investment in the joint venture as defined under IAS 28.38:

- If the loan forms part of the net investment, it is accounted for using the equity method, with impairment assessed under IAS 28;
- If the loan does not form part of the net investment, it is accounted for as a financial instrument under IFRS 9, subject to classification based on business model and cash flow characteristics.

Loans or debt instruments in joint ventures

Loans or debt instruments in joint ventures are measured at amortised cost where cash flows of the loan instruments comprise solely of principal and interest, with an intention to hold to collect. The contractual arrangement is directly linked to the performance of the portfolios purchased by the joint venture. All collections in the joint venture from the portfolios are split between interest income and amortisation of the portfolio in accordance with the effective interest rate method and are paid to the investors pro rata after deduction of collection and overhead costs in the joint venture. Interest income generated from investments in joint ventures at amortised cost is calculated using the effective interest rate ("EIR") method and recognised in the Consolidated Statement of Profit or Loss.

The Group also provide loan instruments to joint venture entities which are measured at fair value through profit or loss ("FVPL") where the loan instrument is held for the intention to be sold. The Group classifies the following financial assets at FVPL:

- debt investments that do not qualify for measurement at amortised cost. These debt investments contractual cash flows do not consist solely of payment of principal and interests and their cash flows depend on the sale of the collateral supporting the loan
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

For assets measured at fair value, gains and losses will be recorded in the Consolidated Statement of Profit or Loss.

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

Financial assets

Financial assets are classified, at initial recognition, as financial assets measured at amortised cost or fair value through profit or loss on the basis of both:

- The Group's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

Financial assets consist primarily of purchased loan portfolios, purchased loan notes and investments in debt instruments of joint ventures. The Group's business model for managing these financial assets is to hold for the collection of the contractual cash flows that consist solely from payment of principal and interest, which meet the condition for classification of financial assets at amortised cost under IFRS 9. The Group only recognises financial instruments as an equity instrument when they do not include a contractual obligation to deliver a financial asset or exchange a financial asset or liability to another entity and when the financial instrument can be settled in the entity's own equity instruments. Any equity instruments would be recognised at fair value through profit or loss.

Financial liabilities

Debt and equity are classified as either financial liabilities, such as secured loan notes, or as equity in accordance with the substance of the contractual arrangement and in conjunction with the application of IFRS Accounting Standards as adopted by EU. In accordance with IAS 32 Financial Instruments: Presentation, the Group only recognises financial instruments as equity when they do not include a contractual obligation to deliver a financial asset or exchange a financial asset or liability to another entity and when the financial instrument can be settled in the Group's own equity instruments. Financial liabilities are held at amortised cost using the effective interest rate ("EIR") method. The EIR is calculated by estimating the cash flows arising from the contractual terms of the instrument over its expected life. Transaction costs are included within the EIR and deducted from the initial carrying value of the debt instrument. Transaction costs related to revolving credit facilities are not included within the EIR but recognised as a separate asset and amortized over the term of the facility.

Initial recognition of financial instruments

The Group recognises a financial asset or a financial liability at the time it becomes a party to a contract because that is the point at which it has contractual rights or obligations. Financial assets and liabilities are initially recognised in the Consolidated Statement of Financial Position at fair value in accordance with IFRS Accounting Standards, being the purchase price plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Purchase price of portfolio

The purchase price of a portfolio is the sale price by the vendor less any cash received between the cut-off date for pricing an asset and the completion date of the purchase (pre-determination cash), and warranty or put back claims plus any external deal costs in purchasing the portfolio. The purchase price of a portfolio is equal to its fair value on the date of purchase.

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. These non-derivative purchased loan notes have been classified as loans and receivables within the Financial Statements. Under IFRS 12 Disclosure of Interests in Other Entities these represent "structured entities".

Purchased loan portfolios

The Group's purchased loan portfolios are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Each portfolio asset is a group of homogenous items and as such is treated as single asset. Such assets are classified as loans and receivables and are measured at amortised cost using the EIR method less any impairment. Purchased loan portfolios are acquired at a deep discount to their principal outstanding and as a result the carrying values at initial recognition reflect incurred credit losses within each portfolio. The portfolio investments are initially recorded at their fair value, being their purchase price, and are subsequently measured at amortised cost using the EIR method. As part of the Group's litigation strategy to recover customer balances the Group incurs legal costs; these costs are expensed as they are incurred. Expected recoveries are included within the estimated forecasts of future cash flows within the purchased loan portfolios balance.

Purchased loan notes, purchased loan portfolios, certain loans or debt instruments in joint ventures at amortised cost and inventory (together, the "Group's Assets") are categorised as current in the Consolidated Statement of Financial Position when 1) the underlying loans and receivables within each of the portfolios are, for most part, "past due" on their contractual payment obligations; and

2) as part of the Group's normal operating cycle (84 months), each of the portfolios is evaluated every 3-6 months, and where necessary, the strategy to recover the maximum value from each portfolio is re-visited.

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

Secured loan notes

External parties invest in portfolios held by entities which are under the control of the Group via secured loan notes and shares issued by entities within the Group, which give the respective investors proportionate rights to the cash flows from the underlying portfolios.

Secured loan notes issued by the Group are non-derivative financial liabilities and are measured at amortised cost using the EIR method. Amounts due to co-investors are classified as liabilities within secured loan notes in accordance with IAS 32 and are measured at amortised cost using the EIR method.

The secured loan note liabilities are categorised as current or non-current in the Consolidated Statement of Financial Position as part of the Group's normal operating cycle.

Expected credit losses ("ECLs")

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- purchased loan portfolios
- purchased loan notes
- loans or debt investments in joint ventures measured at amortised cost.

No impairment loss is recognised on equity investments.

Purchased loan portfolios mainly comprise non-performing loans which are classified as POCI (Purchased or Originated Credit-Impaired) as they are purchased at a deep discount and therefore ECLs are already inherent in the purchase price.

When the Group performs its bi-annual POCI portfolio level review any deviations in lifetime expected credit loss to those anticipated at initial purchase price are reflected and accounted for in the impairment gain or loss line in the Consolidated Statement of Comprehensive Profit or Loss.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The Group does not apply the low credit risk exception to any other financial instruments.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as "Stage 1 financial instruments". Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as "Stage 2 financial instruments". Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as "Stage 3 financial instruments".

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit-impaired (POCI) financial assets: the original effective interest rate;
- POCI assets: a credit-adjusted effective interest rate.

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

Expected credit losses ("ECLs") (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Forward-looking information considered includes the future prospects of the industries in which the group's financial assets operate, obtained from valuation reports and financial analysts of the servicers as well as consideration of various external sources of actual and forecast economic information that relate to the group's core operations.

Irrespective of the outcome of the above assessment, the group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realising security (if any is held); or
- ii) the financial asset is more than 90 days past due.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of Receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

For each stage, the Group computes expected credit loss in a way that reflects both the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group assesses on a forward-looking basis the ECLs associated with its financial instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Expected credit loss allowance is recognised in the Consolidated Statement of Comprehensive Profit or Loss.

Interest income and expense, the effective interest rate and impairment

EIR is the rate that exactly discounts estimated future cash receipts of the acquired portfolio asset to the net carrying amount at initial recognition (i.e. the price paid to acquire the asset, plus the related transaction fees less any pre-determination cash). These estimated future cash receipts are reflective of the conditions within the markets which the Group operates and range for a period of up to 84 months. An initial EIR is determined at the acquisition of the portfolio investment. All portfolios acquired in a year are grouped into a single group of assets as long as they are non-performing loans, euro-denominated and held as purchased loan portfolios. Performing loans, non-euro held assets, assets held through purchased loan notes and assets held as joint ventures are held in separate groups, as they are deemed to have different credit risk. At the end of the year, a weighted average EIR is calculated and applied to groups of portfolios acquired during the year.

The calculation of the EIR includes all fees integral to the EIR (such as transaction costs) and contractual terms of the financial instrument (for example, prepayment options). In most cases, financial assets are acquired at a deep discount that reflects incurred credit losses. Such incurred credit losses are included in the estimated cash flows when computing the EIR as this is consistent with the expected loss method of impairment under IFRS 9. The credit-adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the financial asset. EIR is calculated, and revenue recognised, on a grouped portfolio level.

When there is a change to the expected amount or timing of cash flows for financial assets and liabilities held at amortised cost, the Group recalculates the carrying amount of the financial instrument by computing the present value of estimated future cash flows at the financial instrument's original EIR. Corresponding gains are recognised in the Consolidated Statement of Comprehensive Income within Revenue, with any subsequent reversals to increases in carrying value also recorded in this line. If these reversals of increases in carrying value exceed the previously recognised cumulative increases in carrying value, then impairment is recognised as a separate line in the Consolidated Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of:

- i) the consideration received (including any new asset obtained less any new liability assumed) and
- ii) any cumulative gain or loss that had been recognised in profit or loss

is recognised in the Consolidated Statement of Comprehensive Profit or Loss and Other Comprehensive Income. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Group obligation is discharged, cancelled, or expires. A financial liability (or part of it) is extinguished when the Group either:

- i) discharges the liability (or part of it) by paying the creditor; or
- ii) is legally released from primary responsibility for the liability (or part of it) either by process of law or by the creditor.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Group's best estimate of the consideration required to settle that obligation at the date of the Financial Statements and are discounted to present value where the effect is material.

Operating expenses

Operating expenses relate to administration, staff costs and costs associated with collection activities.

Collection activity costs

Fees for managing the servicing of the portfolio are incurred as the services are provided to the Group and are expensed as incurred in the Consolidated Statement of Comprehensive Income.

The Group enters into incentive arrangements (promote fees) with portfolio servicing providers. These arrangements provide the service providers with an incentive fee in addition to their servicing fee if specific collections targets are met.

These fees are charged as the incentive targets are met and are expensed as incurred in the Consolidated Statement of Comprehensive Income.

Other operating expenses

Other operating expenses include administration fees, audit, legal and professional fees, management fees and other expenses.

Functional currency

The Directors consider the Euro to be the currency that most faithfully represents the economic effect of the underlying transactions, events, and conditions. The Euro is the currency in which the Group measures its performance and reports its results, as well as the currency in which it receives capital funding from its investors.

The Financial Statements are presented in Euro, being the primary economic currency in which the Group operates and are rounded to the nearest thousand Euro (€'000).

Foreign currency translation

Transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each Consolidated Statement of Financial Position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the year in which they arise.

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

Cash and cash equivalents

Cash and cash equivalents include cash in hand, and deposits held at call with banks. Cash is not subject to change in value.

Deal specific transaction fees

Legal transaction fees associated with the purchase of the portfolios are allocated to the purchase price of the portfolio and included within the EIR applied against the asset value. Any costs incurred on investment opportunities that do not complete are expensed to the Consolidated Statement of profit or loss as an abort deal fee within other operating expenses.

Finance income and finance costs

Finance income in the Consolidated Statement of profit or loss represents the unwinding of the computed interest calculated on any deferred consideration receivable on the disposal of the Group's Assets.

Finance costs include charges for secured loan notes, facility fees on bank loans, interest on Senior Secured Notes and similar charges and unwinding of the computed interest calculated on any deferred consideration payable resulting from business combinations.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Senior Secured Floating Rate Notes

Senior Secured Floating Rate Notes ("the Notes") issued by AFE are non-derivative financial liabilities. The Notes are recognised at the time AFE becomes party to the contracts as this is the point at which it assumes contractual obligation. The financial liabilities are initially recognised in the Consolidated Statement of Financial Position at fair value plus transaction cost that are directly attributable to the issue of the Notes. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated Statement of profit or loss over the period of the borrowings using the EIR.

Super Senior Revolving Credit Facility

Super Senior Revolving Credit Facility ("the Facility") is recognised at the time of drawdown because that is the point at which AFE assumes the contractual provision of repayment. The Facility is initially recognised at fair value and subsequently measured at amortised cost using the EIR method. Any fees paid on establishment of the Facility are recognised as transaction cost of the loan to the extent that it is probable that some or all of the Facility will be drawn down. In this case, the fee is deferred until the draw down occurs. Where it is not probable that the Facility will be drawn upon, the fees are capitalised as a prepayment for services and amortised over the period of the Facility to which it relates using the EIR method.

Term Facility

A Term Facility is recognised at the time of drawdown because that is the point at which the Group assumes the contractual provision of repayment.

The loan is initially recognised at fair value and consequently measured at amortised cost using the EIR method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. The right must have substance and exist at the end of the reporting period and the classification of the liability must be unaffected by the likelihood that the Group will exercise that right.

Taxation

Tax charges or credits in the Consolidated Financial Statements have been determined based on the tax charges or credits recorded in the legal entities comprising the Group. Taxable profit differs from the net profit as reported in the Consolidated Statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current taxation is charged or credited in the Consolidated Statement of profit or loss.

Inventory

Inventory represents real estate assets where the Group holds legal title to the assets as a result of repossessing properties as part of the management of certain portfolios. Inventory of real estate assets are held in the ordinary course of business and will be sold within one year. Inventory is initially recognised at cost and subsequently valued at the lower of cost and net realisable value.

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

Inventory (continued)

Net realisable value is assessed at each reporting period and write-downs of inventory property to Net realisable value are charged to expense during such period.

When inventory property is sold, its carrying amount is recognised as an expense in the period in which the related revenue is recognised. When evidence of an increase in Net realisable value exists as a result of changes in economic circumstances, the extent of previous write-downs may be reversed and is recognised as a reduction of the amount of inventory expensed in the period.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors and the Portfolio Manager. The Board of Directors assesses the financial performance and position of the Group. The Portfolio Manager is responsible for portfolio management decisions and related strategic decisions, the Portfolio Manager has been identified as the chief operating decision maker for the group and the segments have been identified on the basis of the aggregated reporting to the portfolio manager. Portfolios are managed and reviewed on a portfolio by portfolio basis. The group identifies two reportable segments, the first is performing and non-performing loans and the second is real estate backed debt investments. These segments offer different products and services, and are managed separately because they have different operational models, risk profiles and marketing strategies. The two segments are regularly reviewed by the Portfolio Manager and there is discrete financial information available, revenues and expenses are recognised from each segment. Portfolios are grouped in the year of acquisition into a single portfolio as long as they meet common criteria.

Offsetting financial instruments

Financial instruments are offset and the net amount reported in the Consolidated Statement of Financial Position only when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Related party transactions

Related parties include parties which have the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, parent entities, and entities under common control.

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 Consolidated Statement of Financial Position. An expected life of 84 months has been used as this most appropriately reflects the period over which cash flows are expected to be received based on management experience.

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

Critical estimates

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

Critical estimates (continued)

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 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, non-performing loan ("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 backed 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.

AFE has deployed capital in the form of loans into real estate investments, the fair value of these investments is determined using discounted cashflow ("DCF") methodology. Valuations are based on analysis of the underlying investments guided by the investment advisor's valuation principles and observable market evidence. Assumptions and estimations are made regarding the discount rate and the timing of cashflows. AFE reassess the assumptions in the DCF methodology on a bi-annual basis.

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. Portfolios include non-performing loans and real estate backed debt investments. 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 December 2024 by €11.5m. A change in the expected future cash flows by -10% would reduce the carrying value of financial assets as at 31 December 2024 by €9.8m.

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.

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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

5. Segmental reporting (continued)

	Performing and non-performing loans	Real estate backed debt investments	Total
Year ended 31 December 2024	EUR '000	EUR '000	EUR '000
Revenue			
Interest income calculated using the effective interest method	23,672	3,473	27,145
Other interest income	-	746	746
Net foreign currency exchange gain	3,632	-	3,632
Other income	3,813	-	3,813
Total segment revenue	31,117	4,219	35,336
Expenses			
Collection activity costs	(12,517)	(960)	(13,477)
Impairment losses on financial instruments	(5,867)	-	(5,867)
Total segment expenses	(18,384)	(960)	(19,344)
Segment profit	12,733	3,259	15,992
Unallocated amounts:			
Other operating expenses			(17,178)
Operating loss			(1,186)

	Performing and non-performing loans	Real estate backed debt investments	Total
Year ended 31 December 2023	EUR '000	EUR '000	EUR '000
Revenue			
Interest income calculated using the effective interest method	38,065	4,667	42,732
Net Fair value gain on loans in joint ventures at FVPL	-	16,718	16,718
Net foreign currency exchange gain	986	-	986
Other income	3,780	-	3,780
Total segment revenue	42,831	21,385	64,216
Expenses			
Collection activity costs	(14,214)	-	(14,214)
Impairment losses on financial instruments	(56,662)	-	(56,662)
Loss on disposal of financial instruments	(7,100)	-	(7,100)
Total segment expenses	(77,976)	-	(77,976)
Segment profit	(35,145)	21,385	(13,760)
Unallocated amounts:			
Other operating expenses			(17,219)
Operating loss			(30,979)

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

5. Segmental reporting (continued)

	As at 31 December 2024 EUR '000	As at 31 December 2023 EUR '000
Purchased loan portfolios	59,900	65,044
Purchased loan notes	3,265	6,869
Loans or Debt instruments in joint ventures at amortised cost	69,274	80,731
Loans or Debt instruments in joint ventures at FVPL	121,638	103,518
Investment in joint ventures	15,462	61,168
Inventory	12,462	21,758
	282,001	339,088
Performing and non-performing loans	105,409	126,868
Real estate backed debt investments	176,592	212,220
Total segment assets	282,001	339,088
Unallocated amounts:		
Property, plant and equipment	55	90
Goodwill	770	770
Cash and cash equivalents	16,579	22,635
Trade and other receivables	8,703	31,463
Tax receivable	-	389
Other assets	3,673	3,928
Total assets	311,781	398,363

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

	Year ended 31 December 2024 EUR '000	Year ended 31 December 2023 EUR '000
Romania	301	402
Poland	1,044	1,936
Netherlands	241	180
Italy, Spain, Portugal	29,531	39,327
Total revenue	31,117	41,845

There was no revenue derived from the country of domicile and no reliance on major customers.

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

	Year ended 31 December 2024 EUR '000	Year ended 31 December 2023 EUR '000
United Kingdom	-	16,466
France	3,473	4,667
Italy	-	252
Portugal	746	-
Total revenue	4,219	21,385

There was no revenue derived from the country of domicile and no reliance on major customers.

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

5. Segmental reporting (continued)

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 December 2024 EUR '000	As at 31 December 2023 EUR '000
Romania	1,734	3,297
Poland	5,843	7,394
Netherlands	263	1,821
Italy, Spain, Portugal	97,569	114,356
Total	105,409	126,868

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

	As at 31 December 2024 EUR '000	As at 31 December 2023 EUR '000
United Kingdom	78,158	113,347
France	38,228	73,697
Italy	25,052	25,176
Portugal	35,154	-
Total	176,592	212,220

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 December 2024 EUR '000	ERC 31 December 2024 EUR '000	Effect of discounting 31 December 2024 EUR '000	Adjusted NAV 31 December 2024 EUR '000
Romania	2,290	2,290	(556)	1,734
Italy	70,571	70,571	(23,480)	47,091
Spain	63,341	50,200	(12,998)	37,202
Portugal	12,569	11,313	(2,982)	8,331
Poland	8,192	8,192	(2,349)	5,843
Netherlands	437	437	(174)	263
Total	157,400	143,003	(42,539)	100,464

Comparative figures for the year ended 31 December 2023:

	Gross ERC 31 December 2023 EUR '000	ERC 31 December 2023 EUR '000	Effect of discounting 31 December 2023 EUR '000	Adjusted NAV 31 December 2023 EUR '000
Romania	4,118	4,118	(974)	3,144
Italy	77,484	77,484	(35,078)	42,406
Spain	82,079	66,283	(22,649)	43,634
Portugal	18,314	16,644	(7,893)	8,751
Poland	10,893	10,893	(3,674)	7,219
Netherlands	1,722	1,722	356	2,078
Total	194,610	177,144	(69,912)	107,232

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

5. Segmental reporting (continued)

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 December 2024 EUR '000	ERC 31 December 2024 EUR '000	Effect of discounting 31 December 2024 EUR '000	Adjusted NAV 31 December 2024 EUR '000
United Kingdom	127,352	127,352	(49,194)	78,158
Italy	49,787	49,787	(24,734)	25,053
Portugal	81,971	81,971	(46,817)	35,154
France	66,546	66,546	(28,318)	38,228
Total	325,656	325,656	(149,063)	176,593

Comparative figures for the year ended 31 December 2023:

	Gross ERC 31 December 2023 EUR '000	ERC 31 December 2023 EUR '000	Effect of discounting 31 December 2023 EUR '000	Adjusted NAV 31 December 2023 EUR '000
United Kingdom	147,903	147,903	(35,578)	112,325
Italy	42,927	42,927	(17,750)	25,177
France	107,740	107,740	(34,043)	73,697
Total	298,570	298,570	(87,371)	211,199

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) Loans and debt instruments in joint ventures measured at amortised cost - Loans and debt instruments 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 is 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 debt investment in joint venture is calculated by discounting the net collections attributable to the Group using the EIR method.
- 4) 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.

6. Auditors' remuneration

The auditors' remuneration disclosed in the Financial Statements within other operating expenses represents the auditors' remuneration for the work carried out at each entity level that comprises the Group.

The table below shows the summary of audit fees incurred during the reporting year and the balances payable at the end of the year:

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

6. Auditors' remuneration (continued)

	As at 31 December 2024 EUR '000	As at 31 December 2023 EUR '000
Fees charged		
Audit fees	1,165	500
Total fees charged during the year	1,165	500
Fees payable		
Audit fees payable	811	987
Audit fees payable at the end of the year	811	987

7. 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:

	Year ended 31 December 2024 EUR '000	Year ended 31 December 2023 EUR '000
Management fees	4,910	6,359
Directors' fees	225	162
Legal and professional fees	3,598	1,016
Administration fees	1,219	1,222
Audit fees	1,165	500
Depositary charges	68	29
Staff costs	4,776	4,651
Other expenses	1,217	3,280
Other operating expenses	17,178	17,219
Realised foreign currency losses	274	118
Unrealised foreign currency gains	(3,906)	(1,104)
Net foreign currency gains	(3,632)	(986)

Staff costs include the total remuneration cost of all employees within the Group during the year. As at 31 December 2024, the Group had 13 employees (31 December 2023: 18). Other expenses include €0.7m borne by the Group from Veld Capital Limited in accordance with the Support Services agreement (year ended 31 December 2023: €3.1m).

8. Other income

	Year ended 31 December 2024 EUR '000	Year ended 31 December 2023 EUR '000
Master Servicing Fee income	1,904	2,683
Fair value uplift on bond buyback	1,573	-
Other income	336	1,097
Total other income	3,813	3,780

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

9. Finance costs

	Year ended 31 December 2024	Year ended 31 December 2023
	EUR '000	EUR '000
Fees on Revolving Credit Facility	955	(4)
Interest on borrowings	17,421	8,166
Interest on Senior Secured Notes and related Charges	39,646	27,071
Interest expense - secured loan notes	1,405	1,789
Revaluation gain on secured loan notes	93	(2,522)
Total finance costs – borrowings	59,520	34,500

10. Restructuring costs

Restructuring costs consist of costs that related to the comprehensive recapitalisation and refinancing of AFE's capital structure on 9 February 2024.

11. Taxation

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.

	Notes	Year ended 31 December 2024	Year ended 31 December 2023
		EUR '000	EUR '000
Loss before tax		(155,185)	(55,788)
Standard income tax rate applicable in Luxembourg		24.94%	24.94%
Theoretical taxation benefit		(38,703)	(13,914)
Effect of profit not subject to income tax		37,805	10,373
Taxation benefit on ordinary activities before other taxes		(898)	(3,541)
Other taxes (Net Wealth Tax etc.)		618	502
Provisions	25	-	421
Taxation		(280)	(2,618)

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 year ended 31 December 2024, the Group's tax credit of €0.3m (31 December 2023: tax credit of €2.6m) comprised Portuguese and other local tax charges. Further information on the Portuguese tax charges or credits can be found in note 25 '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.

12. Goodwill

As at 31 December 2024, the Group's goodwill amounts to €0.77m (as at 31 December 2023: €0.77m). 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

13. Financial assets

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

	As at 31 December 2024 EUR '000	As at 31 December 2023 EUR '000
Expected falling due after one year:		
Purchased loan portfolios	38,051	43,484
Purchased loan notes	359	1,441
Loans or debt instruments in joint ventures at amortised cost	58,977	75,813
Loans or debt instruments in joint ventures at FVPL	110,122	90,268
Total	207,509	211,006
Expected falling due within one year:		
Purchased loan portfolios	21,849	21,560
Purchased loan notes	2,906	5,428
Loans or debt instruments in joint ventures at amortised cost	10,297	4,918
Loans or debt instruments in joint ventures at FVPL	11,516	13,250
Total	46,568	45,156

The above maturities are based on future collections which explains why they do not match the presentation in the Statement of Financial Position. 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.

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

	As at 31 December 2024 EUR '000	As at 31 December 2023 EUR '000
Purchased loan notes as at beginning of year	6,869	7,683
Loan notes acquired during the year	46	967
Interest income from purchased loan notes	717	855
Collections in the year	(421)	(1,167)
Impairment loss	(3,946)	(1,469)
Purchased loan notes at the end of the year	3,265	6,869

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

13. Financial assets (continued)

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

	As at 31 December 2024 EUR '000	As at 31 December 2023 EUR '000
Purchased loan portfolios as at beginning of year	65,044	127,392
Portfolio acquired during the year	2,150	-
Interest income from purchased loan portfolios	18,035	29,543
Collections in the year - sale of inventory	(11,122)	(5,948)
Collections in the year - loans	(23,739)	(29,152)
Collections in the year - derecognition on sale *	-	(7,382)
Impairment gain/(loss) **	(19)	(38,476)
Loss on disposal	-	(7,100)
Add: movement in inventory and other receivables	9,551	(3,833)
Purchased loan portfolios at the end of the year	59,900	65,044

* Includes €7.4m proceeds from asset sales in June 2023. The proceeds from these sales were recognised as collections in the year – derecognition on sale.

** The impairment loss in 2023 arose as a result of the revaluation process and primarily driven by lower expected NPL collections and delayed expected NPL collections.

The movements in loans or debt instruments in joint ventures at amortised cost in the year were as follows:

	As at 31 December 2024 EUR '000	As at 31 December 2023 EUR '000
Loans to joint ventures at amortised cost as at beginning of year	80,731	96,193
Acquired loans in joint ventures at amortised cost	6,699	7,360
Interest income from joint ventures	8,393	12,334
Collections in the year	(24,740)	(18,318)
Collections in the year - derecognition on sale	-	(33)
Impairment loss *	(1,901)	(16,717)
Reclassification	-	(977)
Net foreign currency gain	92	889
Loans to joint ventures at amortised cost at the end of the year	69,274	80,731

* The impairment arose as a result of the revaluation process and primarily driven by lower expected NPL collections and delayed expected NPL collections.

The movements in loans or debt instruments in joint ventures at FVPL in the year were as follows:

	As at 31 December 2024 EUR '000	As at 31 December 2023 EUR '000
Loans to joint ventures at FVPL as at beginning of year	103,518	80,061
Other interest income	746	-
Investment in loans to joint ventures at FVPL	21,594	11,991
Collections in the year	(8,720)	(7,072)
Movement in fair value	-	16,718
Reclassification	(10)	-
Net foreign currency gain	4,510	1,820
Loans to joint ventures at FVPL at the end of the year	121,638	103,518

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

14. Investment in joint ventures

	As at 31 December 2024 EUR '000	As at 31 December 2023 EUR '000
Investment in joint ventures at the beginning of the year	61,168	47,926
Investments acquired during the year	9,741	2,574
Collections in the year	(20)	-
Reclassification	-	977
Share of net profit of joint ventures using equity method	(55,427)	9,691
Investment in joint ventures at the end of the year	15,462	61,168

The share of net profit is the fair value gain attributable to AFE's economic interest in the equity participation in joint ventures of the group.

The table below outlines the unaudited assets and liabilities of entities where the Group exercises joint control, and the percentages indicate the Groups economic share in these Joint Venture vehicles. The contractual arrangement in place with the co-investor in each Joint Venture gives the Group joint control of the arrangement, and unanimous consent is required between the Group and the co-investor in each joint venture for both key strategic and financial decision making. The numbers in the table have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

The movements in investments in joint ventures for the year were as follows:

	Principal place of business	Economic Share %	Current assets EUR '000	Non- current assets EUR '000	Current liabilities EUR '000	Non- current liabilities EUR '000	Equity EUR '000	Profit in the year EUR '000
Aneto NS FIZ	Poland	60.0%	10,030		(564)		1,466	
Green Stone SICAF S.p.A cell Stone 9	Italy	48.0%	12,042		(2,935)	(3,399)	1,107	(3,399)
Green Stone SICAF S.p.A cell Stone 12	Italy	38.4%	1,657	(9,750)	(9,347)	(10,896)	15,692	(3,528)
Green Stone SICAF S.p.A cell Stone 14	Italy	38.4%	1,819	(4,521)	(19,992)	(7,850)	17,707	191
Kervis SGR S.p.A	Italy	38.9%	1,333	(10,400)	(21,488)	(6,458)	171	(2,784)
Precise Equity Solutions 1 S.a r.l	Luxembourg	50.0%	12	1	(108)	(7,011)	185	(7,223)
Precise Credit Solutions 5 SV	Luxembourg	33.3%	13,801	19,476	(7,795)	(35,793)	(311)	
Precise Credit Solutions 10 S.a r.l	Luxembourg	50.0%	135	1,950	(158)	(12,921)	1,264	(6,058)
Precise Credit Solutions 12 S.a r.l	Luxembourg	38.0%	185	1,660	(622)		112	1,211
Precise Credit Solutions 13 S.a r.l	Luxembourg	50.0%	14	17,581	(199)	(80,600)	1,607	(31,761)
Precise Credit Solutions 14 S.a r.l	Luxembourg	39.0%	1,432	15,444	(288)	(72,671)	1,629	(37,712)
Precise Credit Solutions 19 S.a r.l	Luxembourg	33.3%	1,718	18,604	(21,959)	(19,914)	(551)	
Precise Credit Solutions 24 S.a r.l	Luxembourg	33.3%	182	1,999	(71)	(6,389)	179	
Precise Credit Solutions 25 S.a r.l	Luxembourg	38.7%	1,119	12,073	(2,717)	(7,770)	1,674	(7,969)
Precise Credit Solutions 28 S.a r.l	Luxembourg	40.0%	128	1,855	(63)	(12,387)	1,723	(6,090)
Precise Credit Solutions 31 S.a r.l	Luxembourg	38.0%	1,072	13,211	(6,021)	(65,667)	1,468	(24,873)
Precise Credit Solutions 38 S.a r.l	Luxembourg	38.0%	173	19,880	(236)	(14,016)	10,208	(4,407)
Spear ACO Alux 11 S.a r.l	Luxembourg	4.2%	1,299	178,782	(2,431)	(449,453)	131,197	
St Johns JV LP	Guernsey	39.3%	15,770	15,167	(5)	(5,774)	10,932	(5,774)
Tiberius SPV S.r.l. cell 5	Italy	50.0%	12,721		(12,721)			
160 BFR Holdco 3 Limited	Guernsey	38.8%	1,011	19,370	(40)	(59,452)	15,117	(19,228)
Total			105,463	1,027,732	(109,760)	(878,421)	303,818	(158,804)

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

14. Investment in joint ventures (continued)

Comparative figures for the year ended 31 December 2023:

	Principal place of business	Economic Share %	Current assets EUR '000	Non- current assets EUR '000	Current liabilities EUR '000	Non- current liabilities EUR '000	Equity EUR '000	Profit in the year EUR '000
Aneto NS FIZ	Poland	60.0%	12,310		(680)		11,630	
Green Stone SICAF S.p.A cells 9,12,14	Italy	%*	1,906	11,272		(33,220)	3,896	0,062
Kervis SGR S.p.A	Italy	38.9%	1,790	16,350	(2,990)	(6,458)	1,192	1,500
Precise Equity Solutions 1 S.a r.l	Luxembourg	50.0%	3	1,153	(78)		9	1,109
Precise Credit Solutions 5 SV	Luxembourg	33.3%	18,868	17,199	(8,564)	(36,473)	1,030	
Precise Credit Solutions 10 S.a r.l	Luxembourg	50.0%	67	1,320	(1,217)	(4,072)	1,092	1,306
Precise Credit Solutions 12 S.a r.l	Luxembourg	40.0%	8	1,489	(44)		10	1,433
Precise Credit Solutions 13 S.a r.l	Luxembourg	50.0%	107	16,790	(821)	(46,922)	0,754	
Precise Credit Solutions 14 S.a r.l	Luxembourg	39.0%	14	1,436	(5,992)	(24,625)	1,898	(1,165)
Precise Credit Solutions 19 S.a r.l	Luxembourg	33.3%	13,356	15,307	(4,223)	(73,803)	637	
Precise Credit Solutions 24 S.a r.l	Luxembourg	33.3%	1,452	1,955	(25)	(7,371)	11	
Precise Credit Solutions 25 S.a r.l	Luxembourg	38.7%	15	16,290	(426)	(2,697)	18,543	1,669
Precise Credit Solutions 28 S.a r.l	Luxembourg	40.0%	1071	11,380	(4,427)	(5,415)	1,158	1,451
Precise Credit Solutions 31 S.a r.l	Luxembourg	40.0%	1,569	10,793	(5,016)	(40,297)	1,049	
Precise Credit Solutions 38 S.a r.l	Luxembourg	38.0%	1	16,085	(177)	(9,299)	16,962	(332)
St Johns JV LP	Guernsey	39.3%	16,527	15,253	(11)		11,769	
Tiberius SPV S.r.l. cell 5	Italy	50.0%	16,254		(16,254)			
160 BFR Holdco 3 Limited	Guernsey	38.8%	151	16,541	(30,488)	(73,181)	16,177	
Total			133,189	523,613	(81,433)	(363,833)	187,503	24,033

* The Group has a 48% economic share in Greenstone SICAF S.p.A cell Stone 9 and a 38.4% economic share in Greenstone SICAF S.p.A cell Stones 12 and 14.

15. 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 year:

	As at 31 December 2024 EUR '000	As at 31 December 2023 EUR '000
Opening inventory	21,758	18,856
Re-possession	1,719	8,804
Inventory recognised as expense	107	47
Disposals	(11,061)	(4,090)
Impairment loss	(61)	(1,859)
Closing balance at the end of the year	12,462	21,758

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

16. Trade and other receivables

	As at 31 December 2024	As at 31 December 2023
	EUR '000	EUR '000
Collections receivable	6,335	9,981
Other receivables	2,368	21,482
Other assets	3,673	3,928
Total	12,376	35,391

Collections receivable relate to amounts held by servicers which are owed to the Group. Other receivables include VAT receivable, prepayments and deposits on signed transactions (2023: included €17.6m prepaid expenses in relation to fees incurred in obtaining the Term Loan Facility and amending the Notes). Other assets include advances made by REOCOs for properties which are held until all legal documentation is in place confirming the asset title has transferred to the REOCO. There were no significant past due or impaired receivables as at 31 December 2024.

17. Trade and other payables

		As at 31 December 2024	As at 31 December 2023
	Notes	EUR '000	EUR '000
Trade payables		1,349	7,596
Amounts due to related parties	19	1,950	11,912
Accrued expenses		2,797	2,222
Total trade and other payables		6,096	21,730

18. Share capital

	As at 31 December 2024	As at 31 December 2023
	EUR '000	EUR '000
Share capital at 1 January 2024	1,250	1,250
Total share capital at 31 December 2024	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 AFE Holding SCSp SICAV-FAIF, its sole shareholder.

Net Asset Value per share

The NAV per Class A share results from dividing the total net assets of the Fund attributable to such Class of shares on any valuation day by the number of shares of such class then outstanding.

	As at 31 December 2024	As at 31 December 2023	As at 31 December 2022
	EUR '000	EUR '000	EUR '000
NAV attributable to Class A shares	(197,176)	(42,271)	10,899
No. of remaining Class A shares	1,250	1,250	1,250
NAV per Class A shares	(157.74)	(33.82)	8.72

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

19. Related party transactions

Management fees payable to Carne Global Fund Managers (Luxembourg) S.A.

The AIFM is entitled to receive a management fee. Fees payable to Carne Global Fund Managers (Luxembourg) S.A. for the year were €346k (2023: €351k), in relation to Management Company services based on 0.05% of AUM, Portfolio Management Services based on 0.04% of AUM and MLRO Service fees, €98k of which has been fully paid and €248k is payable.

Management fees payable to AGG Capital Management Limited

AGG Capital Management Limited, acting as the investment advisor from 9 February 2024 is entitled to receive a management fee on a quarterly basis, based on 1.5% of AFE's NAV (as defined in the Offering Memorandum, pro-rated for the number of days in each period). The management fee for the year was €4,564k, all of which has been fully paid.

The management fee for the year ended 31 December 2023 was €6,363k which includes fees payable to Veld Capital Limited, acting as the investment advisor until 21 December 2023, all of which has been fully paid.

Other fees payable to AGG Capital Management Limited

During the year, the Group incurred charges of €2,116k to AGG Capital Management Limited (2023: €4,215k to Veld Capital Limited) in relation to support functions and services provided to the Group. This includes central functions, HR and staff costs, €1,354k of which has been fully paid and €1,262k is payable.

The related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

	As at 31 December 2024 EUR '000	As at 31 December 2023 EUR '000
Due to related parties		
Provision of Portfolio Management Services		
Carne Global Fund Managers (Luxembourg) S.A. - AIFM	248	-
AGG Capital Management Limited - Investment Advisor of the Group	1,262	-
Veld Capital Limited - Investment Advisor of the Group	-	3,237
Joint venture	430	8,665
Parent Company Services		
AFE GP S.à r.l.	10	10
Total	1,950	11,912

Directors' fees

Each of the Group entities has a Board of Directors who receives Directors' fees on a fixed basis. The table below shows the payment to the Directors during the year and the balances due to them at the end of the year.

	Year ended 31 December 2024 EUR '000	Year ended 31 December 2023 EUR '000
Fees charged		
Directors' fees	225	162
Total fees charged during the year	225	162

	As at 31 December 2024 EUR '000	As at 31 December 2023 EUR '000
Fees payable		
Directors' fees payable	20	44
Directors' fees payable at the end of the year	20	44

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

20. Reconciliation of Net Asset Value as per Offering Memorandum

The NAV of the Group is the value of the Group's assets, less any borrowings and other liabilities of the Group and therefore corresponds to total equity as shown in the Consolidated Statement of Financial Position.

NAV as per the Offering Memorandum for the Notes ("Adjusted NAV") is defined as the fair value of the purchased loan portfolios and purchased loan notes (net of servicing fees), less fair value of the secured loan notes (net of servicing fees), plus the fair value of investments in associates. NAV also includes the carrying value of inventory which is acquired as a result of re-possession of real estate assets securing loan positions within purchased loan portfolios.

To factor into the NAV calculation investment activity that has occurred since the Offering Memorandum was prepared, the Adjusted NAV calculation now also includes the fair value of investments in joint ventures (net of servicing fees), the fair value of Galata and the tax provision (see note 25 Commitment and contingencies). For the purposes of the Adjusted NAV calculation, the carrying value of the investments in associates and the purchase price paid for the acquisition of Galata (discounted) have been used. The Adjusted NAV forms the basis of the management fee calculation paid each quarter.

The table below shows the reconciliation from total net assets value of the Group to the Adjusted NAV:

	As at 31 December 2024 EUR '000	As at 31 December 2023 EUR '000	As at 31 December 2022 EUR '000
NAV according to the Consolidated Statement of Financial Position	(197,176)	(42,271)	10,899
Adjustments:			
Cash and cash equivalents	(16,579)	(22,635)	(18,806)
Trade and other receivables	(12,376)	(35,780)	(45,348)
Trade and other payables (current and non-current)	6,203	21,730	12,858
Borrowings (current and non-current)	494,150	407,635	403,543
Fair value movement	2,835	(10,248)	(24,991)
Adjusted NAV	277,057	318,431	338,155

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

21. Investments in subsidiaries and controlled entities

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

	Principal place of business	Ownership % as at 31 December 2024	Ownership % as at 31 December 2023	Current status
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
AFE Asset Solutions 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
Veld Asset Solutions Italy S.r.l.****	Italy	0%	100%	Liquidated
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
Belice ITG, S.L.U.	Spain	100%	100%	Active
AFE Asset Solutions, 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 December 2024 the Group had 18 employees spread across 4 different subsidiaries:

- AFE Asset Solutions Limited: 1 (2023: 1)
- AFE Asset Solutions S.a r.l.: 1 (2023: 1)
- Galata Asset Management, S.L: 10 (2023: 10)
- Átila, Unipessoal LDA: 6 (2023: 6)

* The Group does not hold any ownership interests in these entities, however as the sole holder of the notes issued by the Italian securitisation vehicle, the Group can influence decisions taken at the noteholders' general meetings and has the current ability to direct these entities' activities that most significantly affect the returns.

** The Group does not hold any ownership interests in these entities, however the Group has the current ability to direct these entities' activities that most significantly affect the returns by having the same member on the Board.

*** 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.

**** Veld Asset Solutions Italy S.r.l. was liquidated on 19 December 2024.

***** AFE Asset Solutions S.a r.l. was renamed from Veld Asset Solutions S.a r.l. on 10 June 2024.

***** AFE Asset Solutions Limited was renamed from Veld Asset Solutions Limited on 10 June 2024.

***** AFE Asset Solutions, S.L.U. was renamed from Veld Asset Solutions, S.L.U. on 10 June 2024.

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

22. 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 of undervalued performing, semi-performing and non-performing credit assets 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 Group has a concentration of credit risk with cash and cash equivalents of €16,579k (31 December 2023: €22,635k) that is held with commercial banks having a credit rating from Standard & Poor's of A+

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 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Purchased loan portfolios	-	-	-	178,505	178,505
Purchased loan notes	-	-	9,149	-	9,149
Loans or Debt instruments in joint ventures at amortised cost	-	-	91,651	-	91,651
Trade and other receivables	8,703	-	-	-	8,703
Gross carrying amount	8,703	-	100,800	178,505	288,008
Loss allowance	-	-	(28,261)	(118,605)	(146,866)
Carrying amount	8,703	-	72,539	59,900	141,142

Comparative figures for the year ended 31 December 2023:

Financial instrument	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Purchased loan portfolios	-	-	-	183,630	183,630
Purchased loan notes	8,807	-	-	-	8,807
Loans or Debt instruments in joint ventures at amortised cost	101,207	-	-	-	101,207
Trade and other receivables	31,463	-	-	-	31,463
Gross carrying amount	141,477	-	-	183,630	325,107
Loss allowance	(22,414)	-	-	(118,586)	(141,000)
Carrying amount	119,063	-	-	65,044	184,107

The below table shows a reconciliation from the opening balance to the closing balance of the impairment loss allowance:

Loss allowance	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance as at 1 January 2024	-	-	(22,414)	(118,586)	(141,000)
Loss allowance during the year	-	-	(5,847)	(19)	(5,866)
Balance as at 31 December 2024	-	-	(28,261)	(118,605)	(146,866)

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

22. Financial risk management (continued)

Credit risk (continued)

Comparative figures for the year ended 31 December 2023:

Loss allowance	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance as at 1 January 2023	(4,228)	-	-	(80,110)	(84,338)
Loss allowance during the year	(18,186)	-	-	(38,476)	(56,662)
Balance as at 31 December 2023	(22,414)	-	-	(118,586)	(141,000)

For financial instruments classified as POCI the below table shows the percentage of the portfolios which are secured by real estate collateral:

Financial instrument	Carrying amount EUR '000	% secured
Purchased loan portfolios	178,505	64%
Gross carrying amount	178,505	64%
Loss allowance	(118,605)	-
Carrying amount	59,900	64%

The Group reviews its underlying portfolio and the collateral underpinning loan positions on at least a bi-annual basis. For positions that are secured, the Group will analyse asset management strategies available in order to optimise recoveries, which may include the re-possession of the collateral secured on loan positions in order to mitigate credit risk. The Group's portfolio contains a broad range of asset types which secure portfolio loan positions, including residential, commercial, industrial and land assets.

For both unsecured and secured positions within financial instruments classified as POCI, any changes to ECLs is reflected as an impairment loss or gain in the Statement of Comprehensive Income.

The ongoing risk is managed via a formal portfolio reforecast and review process that is undertaken by the Group. The Group also reviews and analyses all loan portfolio acquisitions including reputational and regulatory risk, as well as the assumptions underpinning any maximum bid price to minimise future credit risk resulting from loan portfolio acquisitions.

The carrying value of purchased loan portfolios, purchased loan notes and investments in joint ventures in the Consolidated Statement of Financial Position represent the Group's maximum exposure to credit risk. The tables in note 13 set out the maximum risk at each reporting period end.

The Group monitors its exposure to the geographic concentration risk of its assets, a breakdown of which is shown in note 5.

The debt investments in joint ventures, kept at amortised cost in line with IFRS 9 requirements, have been transferred from Stage 1 to Stage 3 as of 31 December 2024 ("Valuation Date").

The debt instruments in scope aim to finance the activities of the targeted borrowers (i.e.: the joint ventures) and are therefore collateralised by the different joint ventures' target investments, i.e.: either direct real estate assets or portfolios of Non-Performing Loans ("NPLs").

As of Valuation Date, all the debt instruments in scope do not pay contractual cash flows, but uniquely pay the cash flows generated by the joint ventures' target investments (e.g.: real estate sale proceeds, CiC, etc.). Thus, considering the impossibility to collect back the originally agreed contractual cash flows, all positions in scope have been transferred to Stage 3.

As permitted by IFRS 9, a case-by-case assessment is applied to derive the lifetime loss allowance mapped to each debt position in scope. In general, the case-by-case assessment can be summarised as it follows:

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

22. Financial risk management (continued)

Credit risk (continued)

- As expected for assets classified under Stage 3, the Probability of Default mapped to each debt instrument in scope is set to 1.
- Following, the recoverability of each debt instrument is estimated through the assessment of the cash flows expected to be generated by the joint ventures' target investments. Different scenarios are considered to determine the target investments' expected future cash flows.
- Next, the derived future cash flows (expected to be recovered by the joint ventures' target investments) are discounted with the debt instruments' Effective Interest Rate ("EIR"). EIR range from 11% to 25.23%.
- As a last step, the loss allowance of each debt instrument is computed as the difference of the asset's Exposure At Default ("EAD") as of Valuation Date and the expected future recoverability previously quantified.

The below table shows how the impairment charge recognised for the year ended 31 December 2024 can be attributed by geography, taking into consideration the Group's Assets including advances made by REOCOs for property acquisitions (see note 16):

Country	Carrying value as at 31 December 2024	Impairment gain/(losses) for the year	Carrying value as at 31 December 2024
	EUR '000	EUR '000	EUR '000
Italy	72,979	(835)	72,144
Spain	42,028	(453)	41,575
Portugal	44,722	(666)	44,056
Romania	3,408	(1,674)	1,734
United Kingdom	78,158	-	78,158
Poland	6,142	(299)	5,843
France	38,228	-	38,228
Netherlands	2,203	(1,940)	263
Total	287,868	(5,867)	282,001

Comparative figures for the year ended 31 December 2023:

Country	Carrying value as at 31 December 2023	Impairment gain/(losses) for the year	Carrying value as at 31 December 2023
	EUR '000	EUR '000	EUR '000
Italy	96,045	(20,559)	75,486
Spain	74,669	(23,893)	50,776
Portugal	19,583	(6,313)	13,270
Romania	3,850	(553)	3,297
United Kingdom	113,347	-	113,347
Poland	12,738	(5,344)	7,394
France	73,697	-	73,697
Netherlands	1,821	-	1,821
Total	395,750	(56,662)	339,088

Liquidity risk

Liquidity risk is the risk that the Group will have difficulties meeting obligations associated with its financial liabilities that are settled by cash or another financial asset when they become due.

The Group is subject to the risk that it will not have sufficient borrowing facilities and working capital to fund its existing and future growth of the business. The policy adopted by the Group is to reduce its risk by ensuring that there are sufficient committed debt facilities to cover forecast borrowings plus the operating headroom. Further, the aim is to ensure that there is a balanced refinancing profile, diversification of debt funding sources and no over-reliance on a single or small group of lenders. The total undrawn amount on the Facility as at 31 December 2024 was €nil. (31 December 2023: €nil).

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

22. Financial risk management (continued)

Liquidity risk (continued)

The Group monitors cash through daily reporting, monthly management accounts and period review meetings. The Group has well established models used to predict collectability of cash receipts and this represents a key performance indicator of the business. The Group has a low fixed cost base, is highly cash generative with monthly cash receipts and portfolio purchases are discretionary, which helps to mitigate the liquidity risk.

The table below sets out the cash flows payable, including both principal and interest, over the contractual life of the financial liabilities.

	Within 1 year EUR '000	1-3 years EUR '000	3-5 years EUR '000	Over 5 years EUR '000	Total EUR '000	Carrying amount EUR '000
Borrowings	37,577	75,154	75,154	525,132	713,017	494,150
Secured loan notes	549	5,041	(1,283)	4,297	8,604	8,604
Trade and other payables	6,096	-	-	-	6,096	6,096
Total	44,222	80,195	73,871	529,429	727,717	508,850

Comparative figures for the year ended 31 December 2023:

	Within 1 year EUR '000	1-3 years EUR '000	3-5 years EUR '000	Over 5 years EUR '000	Total EUR '000	Carrying amount EUR '000
Borrowings	428,075	-	-	-	428,075	407,635
Secured loan notes	562	3,132	727	5,160	9,581	9,581
Trade and other payables	21,730	-	-	-	21,730	21,730
Total	450,367	3,132	727	5,160	459,386	438,946

Secured loan notes shown in the tables above represent expected repayments based on expected collections; all other balances represent contractual repayment dates.

The value of purchased loan portfolios, purchased loan notes and investments in joint ventures are shown in these Financial Statements discounted back to net present value. The tables below set out the undiscounted estimated remaining collections of the Group's Assets ("Gross ERC") and net of any amounts attributable to the secured loan note holders ("ERC").

	As at 31 December 2024 EUR '000	As at 31 December 2023 EUR '000
Gross ERC	483,056	493,180
ERC	468,659	475,714

A maturity analysis of the Group's Assets (excluding inventory), borrowings and facilities as at 31 December 2024 is presented below:

Notes	Financial assets EUR '000	% of total	Borrowings and facilities EUR '000	% of total
Within one year	46,568	18.3%	6,752	1.3%
After one year	207,509	81.7%	496,002	98.7%
Total	254,077	100%	502,754	100%

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

22. Financial risk management (continued)

Liquidity risk (continued)

Comparative figures for the year ended 31 December 2023:

		Financial assets EUR '000	% of total	Borrowings and facilities EUR '000	% of total
	Notes				
Within one year	11 / 22	45,156	17.6%	408,197	97.8%
After one year		211,006	82.4%	9,019	2.2%
Total		256,162	100%	417,216	100%

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk predominately comprises interest rate risk and currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in interest rates.

The Group is exposed to interest rate risk on its borrowings, principally on the Notes that incur annual interest at a rate equal to the sum of i) three-month Euro Interbank Offered Rate ("EURIBOR") (subject to a 0% floor) plus ii) 7.50%. During the reporting period average interest at a rate of 10.77% has been incurred on the Notes.

The internal procedures require the investment advisor to manage interest rate risk on a daily basis in accordance with the policies and procedures in place. The Fund's interest rate risk is monitored and assessed by the Board of Directors when market conditions cause interest rate risk. The Fund's overall positions are monitored regularly by the investment manager.

The following table shows the impact on finance costs if the EURIBOR had increased by 100 basis points:

	Year ended 31 December 2024 EUR '000	Year ended 31 December 2023 EUR '000
Increase in finance cost	3,446	3,118
Total impact on the Statement of Comprehensive Income for the year	3,446	3,118

The following table shows the impact on finance costs if the EURIBOR had decreased by 100 basis points:

	Year ended 31 December 2024 EUR '000	Year ended 31 December 2023 EUR '000
Decrease in finance cost	(3,446)	(3,118)
Total impact on the Statement of Comprehensive Income for the year	(3,446)	(3,118)

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Group has invested in a loan portfolio denominated in Polish Zloty (PLN). The group holds 13 (31 December 2023: 13) direct real estate investments that are denominated in GBP. Additionally, the Group held cash balances in foreign currencies including GBP at the reporting date. Consequently, the business is subject to three elements of foreign currency risk considered below.

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

22. Financial risk management (continued)

Foreign currency risk (continued)

Statement of Consolidated Profit or Loss exposure

Income and expenses stemming from the Groups' Assets which are denominated in Sterling are converted to Euro using the exchange rate at the prevailing date. Therefore, the risk arises that fluctuations in the foreign currency exchange rate will have an impact on the financial results for the year. A sensitivity analysis has been conducted to consider the impact of movements in the foreign currency exchange rates on the loan portfolio and is shown in the tables below.

Statement of Consolidated Financial Position exposure

Group Assets denominated in foreign currency are converted to Euro using the exchange rate at the reporting date. Therefore, the risk arises that fluctuations in the foreign currency exchange rate will have an impact on the combined carrying value of the Group Assets. A sensitivity analysis has been conducted to consider the impact of movements in the foreign currency exchange rates on the foreign currency denominated loan portfolios and cash balances at reporting date and is shown in the tables below.

Cash flow exposure

The Group is subjected to currency risk in respect of forecasted cash flows to be received in foreign currency. Foreign currency cash flow risk mitigation is managed by the Group by settling any liabilities in that currency due at the same date.

Managing foreign currency risk

The Group aims to match GBP assets and liabilities using the Term Facility to minimize the currency risk.

Foreign currency sensitivity analysis

The below table sets out what the impact on the net assets and net profit/loss would be, had the foreign currencies at the Statement of Financial Position date been 10% weaker in relation to the Euro.

	Year ended 31 December 2024 EUR '000	Year ended 31 December 2023 EUR '000
Equity and net assets		
Polish Zloty (PLN)	(584)	(739)
Sterling (GBP)	(7,816)	(11,335)
Loss		
Polish Zloty (PLN)	(584)	(739)
Sterling (GBP)	(7,816)	(11,335)

The below table sets out what the impact on the net assets and net profit/loss would be, had the foreign currencies at the Statement of Financial Position date been 10% stronger in relation to the Euro.

	Year ended 31 December 2024 EUR '000	Year ended 31 December 2023 EUR '000
Equity and net assets		
Polish Zloty (PLN)	584	739
Sterling (GBP)	7,816	11,335
Profit		
Polish Zloty (PLN)	584	739
Sterling (GBP)	7,816	11,335

The Board of Directors consider 10% to be a good indication as to the reasonable possible change that could arise from foreign currency fluctuations given the current economic environment.

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

22. Financial risk management (continued)

Capital risk management

Capital risk is the risk that the Group's capital structure is not sufficient in order to support the growth of the business.

The Group aims to maintain appropriate capital to ensure that it has a strong Statement of Financial Position but at the same time is providing a good return on equity to the shareholders. The Group's long-term aim is to ensure that the capital structure results in the optimal ratio of debt and equity finance. The Board of Directors reviews the capital structure on an ongoing basis. As part of this review, the Board of Directors consider the cost of capital and the risks associated with each class of capital.

The capital structure of the business consists of borrowings, equity and cash and cash equivalents as shown in the below table. The net capital position for the Group is set out below:

	As at 31 December 2024	As at 31 December 2023
	EUR '000	EUR '000
Equity	(197,176)	(42,271)
Borrowings	494,150	407,635
Less: Cash and cash equivalents	(16,579)	(22,635)
Total	280,395	342,729

23. 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 Accounting Standards):

Financial assets	Fair value hierarchy	Fair Value 31 December 2024	Book value 31 December 2024
		EUR '000	EUR '000
Purchased loan portfolios	Level 3	51,479	59,900
Purchased loan notes	Level 3	3,265	3,265
Loans or debt instruments in joint ventures at amortised cost	Level 3	69,274	69,274
Loans or debt instruments in joint ventures at FVPL	Level 3	121,638	121,638
Cash and cash equivalents	Level 2	16,579	16,579
Trade and other receivables	Level 3	8,703	8,703
Total		270,938	279,359

Financial liabilities	Fair value hierarchy	Fair Value 31 December 2024	Book value 31 December 2024
		EUR '000	EUR '000
Senior Secured Notes	Level 1	175,360	336,383
Term Facility	Level 2	157,767	157,767
Secured loan notes	Level 3	8,604	8,604
Trade and other payables	Level 2	6,096	6,096
Total		347,827	508,850

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

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

Comparative figures as at 31 December 2023:

Financial assets	Fair value hierarchy	Fair Value 31 December 2023 EUR '000	Book value 31 December 2023 EUR '000
Purchased loan portfolios	Level 3	66,000	65,044
Purchased loan notes	Level 3	7,050	6,869
Loans or debt instruments in joint ventures at amortised cost	Level 3	81,814	80,731
Loans or debt instruments joint venture at FVPL	Level 3	103,518	103,518
Cash and cash equivalents	Level 2	22,635	22,635
Trade and other receivables	Level 2	31,463	31,463
Total		312,480	310,260

Financial liabilities	Fair value hierarchy	Fair Value 31 December 2023 EUR '000	Book value 31 December 2023 EUR '000
Senior Secured Notes	Level 1	198,144	311,558
Revolving Credit Facility	Level 2	96,077	96,077
Secured loan notes	Level 3	9,581	9,581
Trade and other payables	Level 2	21,730	21,730
Total		325,532	438,946

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

The financial assets and financial liabilities not measured at FVPL include cash and cash equivalents, trade and other receivables and trade and other payables. These are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

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 December 2024. 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, loans or debt instruments in joint ventures at amortised cost and loans or debt instruments at FVPL 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.

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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

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

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, Veld, on at least a bi-annual basis, with the valuations subsequently approved by Carne 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 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. inflation)

For assets whose fair value is linked to the performance of real estate investments, a 10% reduction to sales price would have a €27.1m impact to the carrying value as of 31 December 2024, and a 12 month delay in forecast exit dates would have a €34.4m impact to the carrying value as of 31 December 2024.

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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

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

Significant unobservable inputs – description and sensitivity

	Class of assets	Balance at 31 December 2024 EUR'000	Valuation Methodology	Significant Unobservable Inputs	Sensitivity Analysis
Financial assets at fair value	Real estate backed loans or debt instruments in joint ventures at FVPL	121,638	<p>Assets are valued based on latest view of fund net cash flows discounted at a market Portfolio Rate of Return ("IRR"). In this regard the Borrowers and Servicers provide on a monthly basis a set of relevant information to the Investment Manager's team.</p> <p>From the 'Portfolio IRR' (at purchase) the Group determines the portfolio 'risk premium', over the geographies 'risk-free rate' – based on taking the Underwriting ("UW") expected net cash flows and discounting them at a rate equal to the initial investment acquisition price. Additionally, the 'Portfolio IRR' to which a credit spread is added and the discount rate is benchmarked to similar investments observed in the market.</p> <p>Post-transaction, the Investment Manager's team has verified that no material changes occurred since the deal completion and therefore no 'risk premium' (credit spread) adjustment is required. Risk-free rates are updated every 12 months following completion of the investment.</p>	Credit Spread / Discount rate (range from 7% to 20%). Note that valuations can be sensitive to the valuation methodology and inputs / unobservable variables, so small changes in key assumptions can have a significant impact on the position's value and P&L impact.	As the credit spread is the key unobservable input the Investment Manager's team believes a 100 bp fluctuation gives a reasonable measure of the possible variability and that this would have an impact on the NAV of €0.1m as of 31 December 2024.

Sensitivity of fair values to changing discount rate

Real estate backed debt investments	Fair value hierarchy	NAV 31 December 2024 EUR '000	Discount rate +100bps EUR '000	Discount rate -100bps EUR '000
Financial assets				
Loans or debt instruments in joint ventures at FVPL	Level 3	121,638	120,430	122,877
Total		121,638	120,430	122,877

Reconciliation of assets measured at FVPL

	As at 31 December 2024 EUR '000	As at 31 December 2023 EUR '000
Financial assets measured at FVPL as at beginning of year	103,518	80,061
Other interest income	746	-
Loans to joint venture at FVPL	21,594	11,991
Collections in the year	(8,720)	(7,072)
Movement in fair value	-	16,718
Reclassification	(10)	-
Net foreign currency gain	4,510	1,820
Financial assets measured at FVPL at the end of the year	121,638	103,518

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. Borrowings are initially measured at fair value and are subsequently measured at amortised cost.

The carrying values of the Term facility (Level 2) and Secured loan notes (Level 3) which have a maturity of less than 1 year are a reasonable approximation of their fair values.

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

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

The fair value estimate of the Term facility and Secured loan notes which have a maturity of more than 1 year have been estimated using a present value technique, by discounting the contractual cash flows using implied yields of loans and term facility of an entity with a similar standing and marketability. The most significant input being the discount rate that reflects the interest rate risk of an entity with a similar standing and marketability.

There have been no transfers between the levels.

The 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.

A reconciliation of the closing balances for the year of the purchased loan portfolios, purchased loan notes and loans or debt instruments in joint ventures can be seen in note 13.

24. Borrowings and facilities

	As at 31 December 2024 EUR '000	As at 31 December 2023 EUR '000
Expected falling due after one year		
Senior Secured Notes	330,244	-
Secured loan notes	8,055	9,019
Term Facility	157,703	-
Total	496,002	9,019
Expected falling due within one year		
Revolving Credit Facility	-	96,077
Term Facility	64	-
Senior Secured Notes	6,139	311,558
Secured loan notes	549	562
Total	6,752	408,197

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"). 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 extension of the maturity date of the Notes from 1 August 2024 to 1 August 2030 and issuance of €35.7m in aggregate principal amount of additional Notes occurred on 9 February 2024. Interest is charged at annual interest rate of 7.5% plus EURIBOR subject to 0% floor. (Until 9 February 2024: 5.00% plus EURIBOR subject to 0% floor).

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, AFE Holdings SCS 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 and the Term Facility. For the year ended 31 December 2024 the Group remained compliant with all covenants outlined on the Senior Secured Notes.

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

24. Borrowings and facilities (continued)

As at 31 December 2024 AFE had a €148.9m Term Facility (2023: €95.7m Bridge Facility) available to use to help facilitate its working capital requirements (the "Facility"). The Facility will bear cash interest at a fixed rate of 1.00% p.a. and pay-in-kind interest at a fixed rate of 11.50% p.a. on the principal amount of the outstanding facility. As at 31 December 2024, €141.4m (31 December 2023: €95.7m) had been drawn as a loan from the Facility. The total amount available to draw upon as at 31 December 2024 is equal to €7.5m (31 December 2023: €nil). The Bridge Facility was paid in full on 9 February 2024 and replaced by a Term Loan Facility of €141.4m with a maturity date of 15 January 2030.

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.

Reconciliation of changes in financial liabilities arising from financing activities

The below table sets out an analysis of the changes in financial liabilities for the year from financing activities:

	Borrowings	Secured loan notes	Total
	EUR '000	EUR '000	EUR '000
As at 1 January 2024	(405,113)	(9,581)	(414,694)
Changes from financing cash flows			
Proceeds from loans and borrowings	(47,973)	-	(47,973)
Repayment of loans and borrowings	3,577	1,944	5,521
Proceeds from issuance	(24,019)	-	(24,019)
Finance income received	(540)	-	(540)
Finance costs	(58,115)	(1,405)	(59,520)
Restructuring costs	(39,618)	-	(39,618)
Finance costs paid	76,434	-	76,434
Other changes			
Foreign exchange adjustments	3,646	-	3,646
Other non-cash movements	93	438	531
As at 31 December 2024	(491,628)	(8,604)	(500,232)

Comparative figures as at 31 December 2023:

	Borrowings	Secured loan notes	Total
	EUR '000	EUR '000	EUR '000
As at 1 January 2023	(403,543)	(12,145)	(415,688)
Changes from financing cash flows			
Proceeds from loans and borrowings	(39,417)	-	(39,417)
Repayment of loans and borrowings	40,376	1,607	41,983
Finance costs	(32,711)	(1,789)	(34,500)
Finance costs paid	30,892	-	30,892
Other changes			
Foreign exchange adjustments	(710)	-	(710)
Other non-cash movements	-	2,746	2,746
As at 31 December 2023	(405,113)	(9,581)	(414,694)

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

25. 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 had been expected in light of the Portuguese tax charge that was settled in 2018 relating to financial years 2013 – 2015. A settlement of €0.3m was made in relation to this notification in 2022. In July 2023 €3.0m of over provision was released. In December 2024 the remaining provision of €1.7m has been released in full on the basis that the relevant years are now outside the statute of limitations and therefore not subject to audit.

The total tax provision reflected in the Financial Statements as at 31 December 2024 is €nil (31 December 2023: €1.7m).

Real estate investments

Under the business plan of the signed and acquired real estate assets, as at 31 December 2024, the Group is expected to fund c. €21.7m (c. €23.3m as at 31 December 2023) for its share of acquisition cost and capital expenditure over the next three years.

26. Ultimate parent entity

As at 31 December 2024, the ultimate parent entity of the Group was Sherwood Topco Limited (along with other ultimate indirect third party investors). Until 1 February 2024, the ultimate parent entity was Veld Offshore LLP.

27. Subsequent events

Changes to the Board of Directors of the AIFM

On 27 March 2025 Glenn Thorpe resigned from the Board of Directors of the AIFM.

Signed and Completed transactions

During the period from 1 January 2025 to the signing of the consolidated annual report AFE made follow on investments in existing real estate backed debt investments for an aggregate amount of c. €7.4m

In January 2025 an existing real estate asset in France was disposed of releasing proceeds of c. €12.6m

In February 2025 AFE repurchased Senior Secured Notes with a nominal value of €8.4m in aggregate for a total consideration of c. €4.3m.

In March 2025 an existing real estate asset in Italy was disposed of releasing proceeds of c. €8.3m and an existing performing loan portfolio in the Netherlands was disposed of releasing proceeds of c. €0.4m.

No other material subsequent events between reporting date and the date of signing have been identified other than those disclosed in the relevant notes in the consolidated financial statements.

28. 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, loans or debt instruments 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

28. 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:

	Year ended 31 December 2024	Year ended 31 December 2023
	EUR '000	EUR '000
Loss before tax	(155,185)	(55,788)
Finance costs	59,520	34,500
Restructuring costs	39,618	-
Share of profit in investment in joint ventures	55,427	(9,691)
Net foreign currency movements	-	(986)
Impairment loss	5,867	56,662
Fair value gain on bond buyback	(1,573)	-
Loss on disposal of financial instruments	-	7,100
Proceeds from portfolio disposals	-	7,415
Collections from portfolios	68,762	61,657
Revenue	(35,336)	(63,230)
Other income	3,813	3,780
Cash collected on behalf of secured loan noteholders	(2,476)	(1,831)
Finance income	(566)	-
Adjusted EBITDA	37,871	39,588
Less assets disposals	-	(7,415)
Normalised Adjusted EBITDA	37,871	32,173

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

	Year ended 31 December 2024	Year ended 31 December 2023
	EUR '000	EUR '000
Net cash generated from operating activities	3,641	37,687
Portfolio acquisitions	40,230	17,840
Taxation paid	912	960
Cash collected on behalf of secured loan noteholders	(2,476)	(1,831)
Working capital adjustments	(3,137)	(15,186)
Fair value gain on bond buyback	(1,573)	-
Realised foreign currency losses	274	118
Adjusted EBITDA	37,871	39,588
Less assets disposals	-	(7,415)
Normalised Adjusted EBITDA	37,871	32,173

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

28. Adjusted EBITDA and Normalised EBITDA (continued)

Reconciliation of core collections to Normalised and Adjusted EBITDA:

	Year ended 31 December 2024	Year ended 31 December 2023
	EUR '000	EUR '000
Core Collections in the year	68,762	61,657
Proceeds from portfolio disposals	-	7,415
Other income	3,813	3,780
Operating expenses	(36,522)	(94,209)
Net foreign currency movements	-	(986)
Impairment loss	5,867	56,662
Fair value gain on bond buyback	(1,573)	-
Loss on disposal of financial instruments	-	7,100
Cash collected on behalf of secured loan noteholders	(2,476)	(1,831)
Adjusted EBITDA	37,871	39,588
Less assets disposals	-	(7,415)
Normalised Adjusted EBITDA	37,871	32,173



Clarissa Steland



Gregory McKenzie

28.05.2025

Disclosures under the Alternative Investment Fund Managers Directive (unaudited)

The Alternative Investment Fund Managers Directive, or the Luxembourg Law of 12 July of 2013 (the "AIFM Law", "AIFMD" or "Directive") requires the managers of alternative investment funds to include various transparency disclosures in the annual report of the alternative investment funds that they manage and/or market in the EU.

Carne Global Fund Managers (Luxembourg) S.A. is the appointed Alternative Investment Fund Manager (the "AIFM") of AFE S.A. SICAV-FAIF (the "Fund").

Liquidity arrangements and liquidity management

There are no assets of the Fund subject to special arrangements such as side pockets, gates or other similar arrangements. No new arrangements or material changes were made to manage the liquidity of the AIF.

The AIFM confirms it has maintained appropriate capital adequacy provisions as required by the Commission de Surveillance du Secteur Financier ("CSSF").

Global Risk Exposure Risk Management Program Description of the process of identifying, assessing, and managing risks:

Market risk:

Market risk is monitored through the computation of the level of leverage using both the Gross and Commitment Methods.

Leverage is calculated by converting each financial derivative instruments into the equivalent position in the underlying assets of those derivatives, on a Net Asset Value ("NAV") basis.

The market risk linked to the concentration risk is mitigated through investment restrictions set according to the basic principle of diversification. The diversification and other investment restrictions are monitored on a NAV basis.

Liquidity risk:

The AIFM employs appropriate liquidity management methods and adopts procedures which enable it to monitor the liquidity risk of each fund. The AIFM ensures that, for each fund it manages, the investment and financing strategy, the liquidity profile and the redemption policy are consistent.

Additionally, the AIFM has put in place a Liquidity Stress Test taking into consideration the asset and liability, the redemption profile of the fund for both open ended or closed ended funds, the assets liquidity, the potential use of leverage and other liquidity management tools.

Credit and counterparty risk:

Transactions involving derivatives are only entered into with counterparties having an appropriate credit quality. The credit risk linked to counterparty risk is managed through processes outlined in the AIFM's Risk Management Policy and cover the diversification rule aspect and the assessment of the credit worthiness of the issuer.

Operational risk:

Operational risks and delegated activities are closely monitored via a due diligence process and ongoing controls materialised through Key Performance Indicators ("KPIs") and Due Diligence reports. The due diligence covers investment management, distribution, central administration and the depositary bank. This follow up is subject to reporting, monitoring and escalation processes and is therefore reviewed by the Management Committee of the AIFM and ultimately the Board of Directors of the AIFM.

Further to the monitoring of risks, the AIFM is covered by Carne's business continuity plan ("BCP") in line with internal procedures and tested on a regular basis. This contingency planning aims to cover situations in which the premises would not be accessible anymore or in case the IT systems are unavailable and includes:

- Business Continuity Plans
- IT Disaster Recovery Plans

Topics detailed are, among others, procedures to follow if the incident takes place during or out of office hours, people in charge of coordination in such occurrences, addresses, maps and indications to get to the backup facilities, communication channels and so on.

Disclosures under the Alternative Investment Fund Managers Directive

(unaudited)

Concentration risk:

Funds which invest in a single, or narrow range of stocks or collective investment schemes or in specialised sectors may be more volatile than more broadly diversified funds.

Risk Management –Leverage:

In accordance with the AIFM Law, the AIFM will for each fund provide to competent authorities and investors the level of leverage of each fund both on a gross and on a commitment method basis in accordance with the gross method as set out in Article 7 of the AIFM Law and the commitment method as set out in Article 8 of the AIFM Law.

The AIFM will set a maximum level of leverage which may be employed within each respective fund. In case the leverage employed in a fund as calculated according to the commitment methodology exceeds three times its Net Asset Value, a special disclosure in accordance with Article 111 of the AIFM Law will be made.

The leverage employed by the Fund as per 31 December 2024 was 277.07% of the Fund's net asset value based on the gross method and 283.06% of the Fund's net asset value based on the commitment method.

Material Changes

When considering whether information should be disclosed or not in compliance with the requirements set out in the AIFM Law, material changes are changes in information causing a substantial likelihood that a reasonable investor, becoming aware of such changes in the information, would reconsider its investment in the Fund.

With effect from 9 February 2024, James Culshaw was appointed as Director of the Fund. With effect from 9 July 2024, Graham Parry-Dew resigned and Gregory McKensie was appointed as Director of the Fund. With effect from 15 August 2024, Eric Verret resigned and Clarissa Steland was appointed as Director of the Fund. With effect from 13 September 2024, Anthony Place resigned as Director of the Fund.

Remuneration

The AIFM has designed and implemented a remuneration policy (the "Remuneration Policy") in line with the provisions on remuneration as set out by the European Directive 2011/61/EU as amended and implemented into the AIFM Law.

The AIFM has developed and implemented remuneration policies and practices that are consistent with and promote sound and effective risk management of the AIF, do not encourage risk-taking which is inconsistent with the risk profiles/rules governing the AIF, and do not impair compliance with the AIFM's duty to act in the best interest of the AIF and ultimately its investors.

The Board of Directors of the AIFM is responsible for the design, implementation and regular review of the Remuneration Policy. In reviewing the Remuneration Policy, the Board of Directors of the AIFM will consider whether the remuneration framework operates as intended and that the risk profile, long-term objectives and goals of the AIFs it manages are adequately reflected.

A copy of the AIFM Remuneration Policy is available, free of charge, at the registered office of the AIFM and at the following address: www.carnegroup.com.

The AIFM has designated the following persons as Identified Staff of the AIFM:

1. The Conducting Officers of the AIFM
2. The Board of Directors of the AIFM
3. Head of Legal
4. Chief Business Development Officer
5. Chief Strategy and Product Officer
6. Person responsible for the Permanent Risk Function
7. Person responsible for the Compliance Function
8. AML/CFT Compliance Officer
9. All members of the Investment Committee
10. All members of the Valuations Committee

Disclosures under the Alternative Investment Fund Managers Directive (unaudited)

The below table outlines the total remuneration paid to all staff, including senior management and other material risk takers, by the AIFM, during the financial year end of the AIFM which is the 31 December 2024:

	Number of beneficiaries	Total remuneration (EUR)	Fixed remuneration (EUR)	Variable remuneration (EUR)
Total remuneration paid all to staff	184	24,038,019	20,409,134	3,628,885
Senior Management	13	2,203,983	1,789,817	414,166
Other material risk takers	19	2,911,098	2,039,077	872,021

*The AIFM has also determined that, on the basis of number of sub-funds/net asset value of the Fund relative to the number of sub-funds/assets under management, the portion of the total remuneration attributable to the Fund is €22,257.