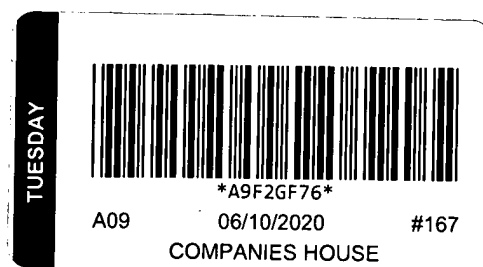


Algebris (UK) Limited

Annual Report and Consolidated Financial Statements

For The Year Ended 31 December 2019

Registered No. 10308570



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ALGEBRIS (UK) LIMITED
Registered No. 10308570

Company Information

Directors	D. Serra A. Lasagna
Secretary	D. Serra
Company number	10308570
Business address / Registered office	1 St James's Market London SW1Y 4AH
Independent Auditors	KPMG LLP 15 Canada Square London E14 5GL

Group Strategic Report

The directors submit their report together with the consolidated financial statements of the Group for the year ended 31 December 2019. The Group includes Algebris (UK) Limited (the "Company"), its permanent establishment ("Algebris UK - Milan Branch") and subsidiary ("Algos S.R.L.") for the year ended 31 December 2019.

Principal Activity and Review of the Business

The Company was incorporated as a private limited company in England and Wales on 2 August 2016. The principal activity of the Company is that of investment management. The Company is authorised and regulated by the Financial Conduct Authority ("FCA") with effect from 6 December 2016.

The Company serves as investment manager of the Algebris UCITS funds, the Algebris AIF funds and a range of separately managed and sub-advisory investment management mandates. Algos S.R.L. provides loan and real estate services to investment funds.

The Group reports an operating profit of €39,939,621 for the year ended 31 December 2019. The increase in operating profit is largely attributable to higher revenue in the current year. The increase in revenue in the current year to €116,461,447 from €85,020,773 is due to an increase in performance related fees directly dependent on the performance of Assets Under Management ("AUM"). The Group has net assets of €68,435,250 as at 31 December 2019, compared to net assets of €40,837,263 at 31 December 2018.

The directors are satisfied with the results for the year. The directors will focus efforts on maximising income and profits by maintaining and increasing the assets under management of the funds it provides investment management services to. As part of the drive, the Group has extended its operations with the launch of a new office in Dublin.

The future market conditions will potentially have an impact on the income stream of the Company and Group over the following year. The ongoing political uncertainty surrounding the United Kingdom's future relationship with the European Union is likely to have an impact on the overall business. Whilst the level of impact, if at all, cannot be determined at this stage due to a multitude of outcomes of the future trade agreements, the Company and Group have put in place contingency measures to negate any adverse impact on its ability to continue to operate without disruption. That said, the outcome and the impact are unknown at this stage. Irrespective of the political uncertainty the directors are optimistic about the future profitability of the Company and Group, and continue to pursue growth and expect the Company and Group to continue as a going concern.

Section 172(1) statements - duty to promote the success of the Company

The directors of the Company as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006, which is summarised as follows:

A director of a company must act in the way he considers in good faith, would be most likely to promote success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- (a) the likely consequences of any decision in the long term,
- (b) the interests of the company's employees,
- (c) the need to foster the company's business relationships with suppliers, customers and others,
- (d) the impact of the company's operations on the community and the environment,
- (e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- (f) the need to act fairly as between members of the company.'

The following paragraphs summarise how the Directors' fulfil their duties:

Risk Management

Our business activities are exposed to various risks and properly managing these risks is one of our key priorities. It is important for us to maintain capital adequacy and meet business objectives in any economic environment, to protect our clients, and to comply with laws and regulations. Therefore, we recognise the need to effectively identify, evaluate, manage and mitigate the risks we face, and that we continue to evolve our approach to risk management.

Our People

The Group is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, clients, communities and society as a whole. People are at the heart of our specialist services. For our business to succeed we need to manage our people's performance and develop and bring through talent while ensuring we operate as efficiently as possible. We must also ensure we share common values that inform and guide our behaviour so we achieve our goals in the right way.

Business Relationships

Our strategy prioritises organic growth, driven by boosting sales to existing clients and attracting new clients. To do this, we strive to provide value for money to clients by acting with integrity as skilled investors and as reliable stewards of capital. We value all of our suppliers and have multi-year contracts with our key suppliers.

Community and Environment

The Group's approach is to use our position of strength to create positive change for the people and communities with which we interact. We want to leverage our expertise and enable colleagues to support the communities around us.

Culture and Values

The Board recognises the importance of having the right corporate culture. Our long-term success depends on achieving our strategic goals in the right way, so we look after the best interests of our clients, people and other stakeholders.

Members

The Board is committed to openly engaging with our members, as we recognise the importance of a continuing effective dialogue. It is important to us that members understand our strategy and objectives, so these must be explained clearly, feedback heard and any issues or questions raised properly considered.

Group Strategic Report (continued)

Principal Risks and Uncertainties and Key Performance Indicators ("KPIs")

The key performance indicators used and reviewed by the directors to understand the performance of the Group include monthly management accounts, expense reports, regulatory capital reports, cash flow projections and underlying data on the performance of the funds.

The management of the business and the execution of its strategies are subject to a number of risks. In assessing these risks and uncertainties, the Group has considered their potential impact, their likelihood, what controls it has in place and what steps it can take to mitigate such risks. The Group's principal risks and uncertainties can be broadly grouped as - operational, business, financial/credit and market risk.

a) Operational risk

The operational risks faced by the Group include system failure, security breach, fraud, theft, failure to comply with taxation and regulatory requirements and breach of regulatory rules and other legislation. The potential impact of these risks could include monetary fines or, in the worst case, the Company being removed as the investment manager of the underlying funds. The Group considers its control environment around such operational risks to be robust. Therefore the likelihood of these risks resulting in a significant negative impact on the Group is considered remote.

b) Business risk

The business risks facing the Group includes the performance of the underlying funds, which directly impacts the level of revenue the Company generates. Management continuously review its current and potential risks and implements strategies to ensure the business is safeguarded.

The ongoing uncertainty surrounding the manner in which the United Kingdom ("UK") will depart from the European Union ("EU") may contribute to the Group's business risk. The Group has put in place contingency measures to counter this risk.

The directors are of the opinion the funds managed by the Company are well established and have sufficient assets under management to withstand such risks and uncertainties.

The World Health Organisation has declared the COVID-19 coronavirus outbreak to be a pandemic. Many governments including the UK are taking stringent steps to contain and/or delay the spread of the virus. Actions taken by the UK in response to the spread of COVID-19 has caused a disruption to the business operations. The Group has an appropriate business continuity plan which has been enabled where needed.

The impact of the coronavirus pandemic may have have impact on the revenue earned from the funds and sub-advisory mandates managed by the Company. However, the Company and Group are in a strong financial position and the directors expect the Company and Group to continue to operate on a going concern basis.

c) Financial / credit risk

The Group is exposed to credit risk through its cash deposits, trade debtors and group balances. The Group will hold all cash with banks whom the Group has strong, well-established relationships and who typically have at least an investment grade rating with Moody's or S&P.

d) Market risk

The Group's exposure to market risk is primarily the foreign exchange risk arising from the mismatch between the Group's cashflows and its functional currency. The Group does not actively seek to hedge its exposure to foreign exchange risk.

In accordance with the AIFMD, the Company has published information on its risk management objectives and also policies on regulatory capital requirements and resources at the following website link: <https://www.algebris.com/disclaimer/>

Signed on behalf of the board of directors.



D. Serra
Director

Date: 24 April 2020

Directors' Report

The directors submit their report together with the consolidated financial statements of the Group for the year ended 31 December 2019. The Group includes Algebris (UK) Limited (the "Company"), its permanent establishment ("Algebris UK - Milan Branch") and subsidiary ("Algos S.R.L.") for the year ended 31 December 2019.

Directors

The following directors have held office during the year and up to the date of signing the financial statements:

D. Serra

A. Lasagna

Dividends

An interim dividend of €4,000,000 (2018: €6,700,000) was paid in the current year. The directors do not recommend payment of any further dividends.

Going concern

The directors have considered the going concern risk, including assessment of uncertainty on future trading projections for a period of at least 12 months from the date of signing these financial statements. The directors conduct this assessment, as required as a regulated Investment Manager under FCA rules, in an Internal Capital Adequacy Assessment Process ("ICAAP") document.

The Company has to retain regulatory capital as prescribed by FCA rules for regulated Investment Managers and has to report on its regulatory capital position bi-annually to the FCA.

As part of the ICAAP assessment, the directors stress test future trading projections simulating for extreme financial market conditions and the resulting impact on the Group's regulatory capital headroom.

Based on the assessment, the directors have a reasonable expectation that the Company and Group can continue to operate for the foreseeable future, and that it is appropriate, therefore, to prepare these financial statements on a going concern basis.

Events after the reporting period

The World Health Organisation has declared the COVID-19 coronavirus outbreak to be a pandemic. Many governments including the UK are taking stringent steps to contain and/or delay the spread of the virus. Actions taken by the UK in response to the spread of COVID-19 has caused a disruption to the business operations. The Company and Group have an appropriate business continuity plan which has been enabled where needed.

The impact of the coronavirus pandemic may have have impact on the revenue earned from the funds and sub-advisory mandates managed by the Company. However, the Company and Group are in a strong financial position and the directors expect the Company and Group to continue to operate on a going concern basis.

Brexit

Th UK ceased to be a member of the EU from 1 February 2020 and has since entered the implementation period with the EU scheduled to end on 31 December 2020. The departure has provided the United Kingdom including the Algebris Group with some direction, however in the absence of a trade agreement there still remains a significant degree of uncertainty. This mid to long term uncertainty may have an adverse effect on the economy generally and on the ability of the Company and Group to execute its respective strategies. At the time of writing this report, the focus of the United Kingdom government is on the coronavirus pandemic, this will naturally add to the length of time before any specifics of a trade deal with the EU are published. Given this, it is not currently possible to fully assess the impact of Brexit but where possible the Company and Group have put in place necessary contingency measures.

Future developments

In spite of the economic uncertainties, the directors expect the business to continue to serve as investment manager.

Directors' Report *(continued)*

Political donations

The Group made no political donations during the year. (2018: €nil)

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirmed that, so far as they are aware, there is no relevant audit information of which the Company and Group's auditor is unaware; and that they have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company and Group's auditor is aware of that information.

The directors confirm that the requirements in the Statement of Directors' Responsibilities in respect of the Directors' Report, Group Strategic Report and the financial statements have been met in preparing these financial statements.

Auditors

The auditors, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Signed on behalf of the board of directors.



D. Serra
Director

Date: 24 April 2020

Statement of Directors' Responsibilities in Respect of The Group Strategic Report, The Directors' Report and The Consolidated Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Consolidated Financial Statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Company and Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Directors of Algebris (UK) Limited

We have audited the consolidated financial statements of Algebris (UK) Limited ("the Company") and its consolidated subsidiary (collectively, "the Group") for the year ended 31 December 2019 which comprise of the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Financial Position, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes, including the accounting policies in note 3.

In our opinion the Consolidated financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK* and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Company will continue in operation.

Group Strategic report and directors' report

The Director is responsible for the Strategic Report and the Director's Report. Our opinion on financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Director's Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the consolidated financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Group Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the Consolidated financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent Auditor's Report to the Directors of Algebris (UK) Limited *(continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 8, the director is responsible for: the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company'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 they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives 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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Sinead O'Reilly

Sinead O'Reilly (Senior Statutory Auditor)
for and behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Date:²⁴ April 2020

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	Year Ended 31 December 2019 €	Year Ended 31 December 2018 €
Turnover	3 (c)	116,461,447	85,020,773
Administrative expenses		(76,521,826)	(74,907,552)
Operating profit	4	39,939,621	10,113,221
Interest receivable		605,022	600,678
Interest payable and similar charges		(76,309)	-
Other income		53,108	-
Profit on ordinary activities before taxation		40,521,442	10,713,899
Tax on profit	6	(8,923,445)	(2,541,595)
Profit for the financial period		31,597,997	8,172,304

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

There was no other comprehensive income in the financial year and therefore the total comprehensive income is stated in the amounts above.

The accounting policies and the notes on pages 17 to 29 form an integral part of these financial statements.

Consolidated Statement of Financial Position as at 31 December 2019

	Note	31 December 2019 €	31 December 2018 €
Fixed assets			
Tangible assets	7	1,580,940	1,806,855
Intangible assets	8	958,090	1,035,819
Investment in subsidiary undertakings	9	36,500	-
Other Investments	10	9,957,588	-
		<u>12,533,118</u>	<u>2,842,674</u>
Current assets			
Debtors			
- amounts falling due within one year	11	42,500,312	25,823,318
- amounts falling due after one year	11	21,333,151	20,733,151
Cash at bank and in hand		29,060,949	15,529,489
Current assets		<u>92,894,412</u>	<u>62,085,958</u>
Creditors: Amounts falling due within one year	12	(36,510,240)	(23,477,823)
Net current assets		<u>56,384,172</u>	<u>38,608,135</u>
Total assets less current liabilities		<u>68,917,290</u>	<u>41,450,809</u>
Creditors: Amounts falling due after one year	13	(482,040)	(530,470)
Deferred tax liabilities	14	-	(83,086)
Net assets		<u>68,435,250</u>	<u>40,837,253</u>
Capital and reserves			
Called up share capital	15	300,002	300,002
Share premium		1,499,998	1,499,998
Retained earnings		66,635,250	39,037,253
Total shareholders' funds		<u>68,435,250</u>	<u>40,837,253</u>

The accounting policies and the notes on pages 17 to 29 form an integral part of these financial statements.

The financial statements on pages 11 to 29 were approved by the Board of Directors on 24 April 2020 and were signed on their behalf by:



D. Serra
Director

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2019

	Note	Called up share capital €	Share premium €	Retained earnings €	Total €
Balance as at 1 January 2018		300,002	1,499,998	37,564,949	39,364,949
Profit for the financial period		-	-	8,172,304	8,172,304
Equity dividends paid	16	-	-	(6,700,000)	(6,700,000)
Balance as at 31 December 2018		300,002	1,499,998	39,037,253	40,837,253

	Note	Called up share capital €	Share premium €	Retained earnings €	Total €
Balance as at 1 January 2019		300,002	1,499,998	39,037,253	40,837,253
Profit for the financial period		-	-	31,597,997	31,597,997
Equity dividends paid	16	-	-	(4,000,000)	(4,000,000)
Balance as at 31 December 2019		300,002	1,499,998	66,635,250	68,435,250

The accounting policies and the notes on pages 17 to 29 form an integral part of these financial statements.

Company Statement of Financial Position as at 31 December 2019

		31 December 2019	31 December 2018
	Note	€	€
Fixed assets			
Tangible assets	7	1,406,964	1,806,855
Intangible assets	8	947,182	1,035,819
Investment in subsidiary undertakings	9	86,500	-
Other investment	10	9,957,588	-
		12,398,234	2,842,674
Current assets			
Debtors			
- amounts falling due within one year	11	43,255,913	25,823,318
- amounts falling due after one year	11	21,333,151	20,733,151
Cash at bank and in hand		28,701,225	15,529,489
Current assets		93,290,289	62,085,958
Creditors: Amounts falling due within one year	12	(35,909,365)	(23,477,823)
Net current assets		57,380,924	38,608,135
Total assets less current liabilities		69,779,158	41,450,809
Creditors: Amounts falling due after one year	13	(482,040)	(530,470)
Deferred tax liabilities	14	(32,037)	(83,086)
Net assets		69,265,081	40,837,253
Capital and reserves			
Called up share capital	15	300,002	300,002
Share premium		1,499,998	1,499,998
Retained earnings		67,465,081	39,037,253
Total shareholders' funds		69,265,081	40,837,253

The Company has elected to take the exemption permitted under Section 408 of the Companies Act 2006 not to present the Company's profit and loss account. The Company's profit for the year was €32,427,828 (2018: €8,172,304).

The accounting policies and the notes on pages 17 to 29 form an integral part of these financial statements.

The financial statements on pages 11 to 29 were approved by the Board of Directors on 24 April 2020 and were signed on their behalf by:



D. Serra
Director

Company Statement of Changes in Equity for the Year Ended 31 December 2019

	Note	Called up share capital €	Share premium €	Retained earnings €	Total €
Balance as at 1 January 2018		300,002	1,499,998	37,564,949	39,364,949
Profit for the financial period		-	-	8,172,304	8,172,304
Equity dividends paid	16	-	-	(6,700,000)	(6,700,000)
Balance as at 31 December 2018		300,002	1,499,998	39,037,253	40,837,253

	Note	Called up share capital €	Share premium €	Retained earnings €	Total €
Balance as at 1 January 2019		300,002	1,499,998	39,037,253	40,837,253
Profit for the financial period		-	-	32,427,828	32,427,828
Equity dividends paid	16	-	-	(4,000,000)	(4,000,000)
Balance as at 31 December 2019		300,002	1,499,998	67,465,081	69,265,081

The accounting policies and the notes on pages 17 to 29 form an integral part of these financial statements.

Consolidated Statement of Cash Flows for the Year Ended 31 December 2019

		Year Ended 31 December 2019	Year Ended 31 December 2018
	Note	€	€
Net cash from / (used in) operating activities	17 (a)	27,860,260	(6,760,041)
Cash flow (used in) / from investing activities			
Purchase of tangible fixed assets	7	(369,584)	(627,215)
Purchase of intangible fixed assets	8	(37,511)	(1,140,351)
Payment for acquisition of subsidiary, net of cash acquired	9	(36,500)	-
Purchased of investments at fair value through profit or loss	10	(9,904,480)	-
Disposal of tangible assets		21,960	-
Interest received		5,022	678
Interest paid		(76,309)	-
Net cash (used in) investing activities		(10,397,402)	(1,766,888)
Cash flow from financing activities			
Dividends paid	16	(4,000,000)	(6,700,000)
Net cash (used in) financing activities		(4,000,000)	(6,700,000)
Net movement in cash and cash equivalents		13,462,858	(15,226,929)
Cash and cash equivalents at the beginning of the period		15,529,489	30,659,402
Impact of foreign exchange on cash and cash equivalents		68,602	97,016
Cash and cash equivalents at the end of the year		29,060,949	15,529,489

The accounting policies and the notes on pages 17 to 29 form an integral part of these financial statements.

Notes to the financial statements

1 General Information

Algebris (UK) Limited (the "Company") is a private company limited by shares and is incorporated and domiciled in England and Wales. The Company was incorporated on 2 August 2016. The address of its registered office is 4th Floor, 1 St James's Market, London, SW1Y 4AH.

During the current year the Company incorporated the subsidiary, Algos S.R.L. in which it holds 100 per cent of the ordinary share capital. This is the first year for which consolidated financial statements have been prepared.

The directors regard Algebris Investments (Luxembourg) S.a.r.l ("Algebris Luxembourg"), a company registered in the Grand Duchy of Luxembourg, as the immediate holding company. The ultimate controlling party is D. Serra.

The Company is part of a wider group called "The Algebris Group", headed by Algebris Luxembourg. The Algebris Group consists of: Algebris Investments Limited ("Algebris Limited"), a company incorporated and domiciled in England and Wales and a subsidiary of Algebris Luxembourg, Algebris Investments (Asia) Pte. Limited ("Algebris Asia"), a private corporation registered in the Republic of Singapore and a subsidiary of Algebris Luxembourg, Algebris Investments (UK) LLP ("Algebris LLP"), a limited liability partnership incorporated and domiciled in England and Wales and a subsidiary of Algebris Limited, Algebris Investments (US) Inc. ("Algebris US"), a private corporation incorporated under the laws of the State of Delaware and a subsidiary of Algebris Luxembourg, Algebris Investments K.K. ("Algebris Japan"), a company incorporated in Japan and a subsidiary of Algebris Luxembourg, Algebris S.r.l ("Algebris Italy"), a private company registered in Italy and a subsidiary of Algebris LLP, Algebris Investments S.à.r.l. ("Algebris Investments Sarl"), a company registered in the Grand Duchy of Luxembourg and a subsidiary of Algebris Luxembourg, and Algebris Investments (Ireland) Ltd. ("Algebris Ireland") a company registered in the Republic of Ireland and a subsidiary of Algebris Luxembourg.

The Company is a parent undertaking and therefore these consolidated financial statements present the financial information of the Company and its subsidiary undertakings (together the "Group"), as well as the Company's individual financial statements.

2 Statement of Compliance

These financial statements have been prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

3 Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared on the going concern basis under the historical cost convention, except for the modification to a fair value basis for certain financial instruments in accordance with FRS 102, as specified in the accounting policies below.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with.

In preparing the Company individual financial statements, the Company has taken advantage of the following exemptions:

- from disclosing related party transactions entered into between wholly-owned group members, as required by Section 33 Related Party Disclosures.
- from disclosing key management personnel compensation, as required by paragraph 7 of Section 33 Related Party Disclosures;
- from presenting a reconciliation of the number of shares outstanding at the beginning and end of the year, as required by paragraph 12 of Section 4 Statement of Financial Position; and
- from presenting a statement of cash flows, as required by Section 7 Statement of Cash Flows.

On the basis that equivalent disclosures are given in the consolidated financial statements, the Company has also taken advantage of the exemption not to provide certain disclosures required by Section 11 Basic Financial Instruments and Section 12 Other Financial Instrument Issues

(b) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. Business combinations are accounted for under the purchase method. Where necessary adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Uniform accounting policies have been applied across the group.

The Group financial statements do not consolidate the financial statements of immaterial subsidiary undertakings. In this respect the Group has not consolidated its interest in the general partners of the funds (as listed in note 9).

(c) Critical accounting judgements and key sources of estimation uncertainty

The preparation of these financial statements in conformity with FRS 102 requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts in the financial statements and accompanying notes.

Management believes the estimates utilised in preparing these financial statements are reasonable and prudent; however, actual results could differ from these estimates. Revisions to accounting estimates are recognised in the period which the estimate is revised and in any future periods affected.

Notes to the financial statements *(continued)*

3 Accounting Policies *(continued)*

(d) Turnover

Turnover represents fees receivable during the period in respect of the investment management and related services. All fees are stated net of Value Added Tax ("VAT").

Management fees are recognised in the period in which the service is performed and calculated as a percentage of funds managed in accordance with management agreements. Performance fees are typically calculated as a percentage of the appreciation in the net asset value of a fund above a defined hurdle. The fee is recognised when the amount can be estimated reliably and it is probable that the fee will be receivable.

(e) Foreign currency

(i) Functional and presentation currency

The Group's functional and presentation currency is the Euro.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

All foreign exchange gains and losses are taken to the Statement of Comprehensive Income.

(f) Taxation

Taxation expense for the year comprises current tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

(i) Current tax

Current tax is the amount of corporation tax payable in respect of the taxable profit for the year. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Current taxation assets and liabilities are not discounted.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

(iii) Overseas tax

Overseas tax represents the amount of tax payable in respect to taxable profits at the applicable tax rates in the jurisdictions in which the subsidiaries operate.

(g) Tangible fixed assets and depreciation

Tangible fixed assets are recognised at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful economic life, as follows;

IT equipment	over 1 - 4 years straight line
Fixtures and fittings	over 3 - 8 years straight line
Leasehold Property	over the lease term
Transportation equipment	over 4 - 5 years straight line

(h) Intangible fixed assets and depreciation

Goodwill represents the excess of the cost of acquisition over the fair value of the Company's share of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is stated at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a systematic basis over its useful life as below;

Goodwill	over 10 years straight line
Software	over 3 years straight line
Trademarks	over 10 years straight line

Notes to the financial statements *(continued)*

3 Accounting Policies *(continued)*

(i) Impairment of assets

At each reporting date goodwill and software not carried at fair value are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the Statement of Comprehensive Income.

(j) Employee benefits

The Company provides gym membership, medical insurance, income protection, critical illness and life cover benefits to employees during the term of their employment with the Company. The costs are recognised as an expense in the year in which they are incurred.

(k) Pensions and other post-retirement benefits

The Company operates a money purchase scheme or group self invested personal pension scheme for all of its employees. Contributions to the scheme are recognised as an expense in the Statement of Comprehensive Income in the year in which they become payable.

(l) Operating lease commitments

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

(m) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

(n) Investments in subsidiary undertaking

Investments in subsidiary undertakings are recognised at cost less accumulated impairment losses in the Company financial statement.

(o) Investments

Investments are initially recognised at cost and subsequently measured at fair value through profit or loss.

(p) Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. The provisions of Sections 11 and 12 deal with the recognising, derecognising, measuring and disclosing of financial instruments. Section 11 applies to basic financial instruments and is relevant to all entities. Section 12 applies to other, more complex financial instruments and transactions.

(i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Notes to the financial statements (continued)

4 Operating profit

	Year Ended 31 December 2019	Year Ended 31 December 2018
	€	€
Operating profit is stated after charging / (crediting):		
Depreciation on tangible assets	573,539	520,917
Amortisation of goodwill	114,035	104,532
Amortisation of intangible assets	1,205	-
Charitable donations	513,609	209,936
Foreign exchange movement	68,603	97,016
Operating lease rentals - leasehold property	779,822	659,254
<i>Services provided by the Group's auditors</i>		
Fees payable to the Group's auditors for the audit of the Group's financial statements	69,967	70,281
Audit related assurance services	15,713	17,476
Fees payable to the Group's auditors for the provision of tax compliance services	28,855	11,109

5 Directors and employee numbers and costs

The average number of persons employed by the Group (including the directors) during the period, was as follows:

	Year Ended 31 December 2019	Year Ended 31 December 2018
	No.	No.
Administrative staff	50	34
Professional staff	24	26
	74	60

The total payroll costs of these persons were as follows:

	Year Ended 31 December 2019	Year Ended 31 December 2018
	€	€
Wages and salaries	19,231,273	12,014,711
Social security costs	2,473,848	1,659,269
Short term benefits	644,543	248,826
Pension contributions	195,792	236,596
	22,545,456	14,159,402

The directors' emoluments are as follows

	Year Ended 31 December 2019	Year Ended 31 December 2018
	€	€
Remuneration	2,512,629	429,543
Benefits	24,616	33,537
Pension contribution	-	-
	2,537,245	463,080

Aggregate remuneration paid to the highest paid director for qualifying services during the year was €1,750,408 (2018: €257,628)

Notes to the financial statements (*continued*)

6 Tax on profit

	Year Ended 31 December 2019 €	Year Ended 31 December 2018 €
(a) Tax on profit on ordinary activities		
The tax charge is made up as follows:		
<i>Current tax:</i>		
UK corporation tax at 19%	6,142,591	1,725,028
Overseas tax	2,970,083	751,698
Under/ (Over) Provision in Prior Years	109,423	-
Current tax charge	9,222,097	2,476,726
<i>Deferred tax:</i>		
Origination and reversal of timing differences (note 14)	(298,652)	64,869
Deferred tax charge	(298,652)	64,869
Tax on profit on ordinary activities	8,923,445	2,541,595
(b) Factors affecting the total tax charge		
Profit on ordinary activities before tax	40,521,442	10,713,899
Profit before tax multiplied by standard rate of corporation tax in the UK 19%	7,699,074	2,035,641
Effects of:		
Expenses not deductible for tax purposes	29,195	111,007
Accelerated capital allowances	-	(52,270)
Pension cost relief in excess of pension cost charge	-	(8,140)
Higher taxes on overseas profits	1,075,842	390,488
Origination and reversal of timing differences	109,423	64,869
Difference in deferred tax rate	9,911	-
Tax on profit on ordinary activities	8,923,445	2,541,595

The effective rate of corporation tax for the year is 19% (2018: 19%).

Notes to the financial statements (continued)

7 Tangible fixed assets

Group	IT Equipment €	Office Equipment €	Leasehold Property €	Transportation equipment €	Total €
Cost					
At 1 January 2019	325,134	203,254	1,123,920	864,609	2,516,917
Additions	289,509	60,723	19,352	-	369,584
Disposals	(21,960)	-	-	-	(21,960)
At 31 December 2019	592,683	263,977	1,143,272	864,609	2,864,541
Accumulated depreciation					
At 1 January 2019	(135,272)	(75,089)	(284,894)	(214,807)	(710,062)
Charge for the period	(122,399)	(71,572)	(202,946)	(176,622)	(573,539)
At 31 December 2019	(257,671)	(146,661)	(487,840)	(391,429)	(1,283,601)
Net book value					
As at 31 December 2019	335,012	117,316	655,432	473,180	1,580,940
As at 31 December 2018	189,862	128,165	839,026	649,802	1,806,855

Company	IT Equipment €	Office Equipment €	Leasehold Property €	Transportation equipment €	Total €
At 1 January 2019	325,134	203,254	1,123,920	864,609	2,516,917
Additions	162,589	7,834	11,222	-	181,645
Disposals	(21,960)	-	-	-	(21,960)
At 31 December 2019	465,763	211,088	1,135,142	864,609	2,676,602
Accumulated depreciation					
At 1 January 2019	(135,272)	(75,089)	(284,894)	(214,807)	(710,062)
Charge for the period	(113,546)	(67,146)	(202,262)	(176,622)	(559,576)
As at 31 December 2019	(248,818)	(142,235)	(487,156)	(391,429)	(1,269,638)
Net book value					
As at 31 December 2019	216,945	68,853	647,986	473,180	1,406,964
As at 31 December 2018	189,862	128,165	839,026	649,802	1,806,855

Notes to the financial statements (*continued*)

8 Intangible fixed assets

Group	Trademarks €	Software €	Goodwill €	Total €
Cost				
At 1 January 2019	-	-	1,140,351	1,140,351
Additions	12,113	25,398	-	37,511
At 31 December 2019	12,113	25,398	1,140,351	1,177,862
Accumulated amortisation				
At 1 January 2019	-	-	(104,532)	(104,532)
Provided during the year	(1,205)	-	(114,035)	(115,240)
At 31 December 2019	(1,205)	-	(218,567)	(219,772)
Net carrying value				
As at 31 December 2019	10,908	25,398	921,784	958,090
As at 31 December 2018	-	-	1,035,819	1,035,819
Company		Software €	Goodwill €	Total €
Cost				
At 1 January 2019		-	1,140,351	1,140,351
Additions		25,398	-	25,398
At 31 December 2019		25,398	1,140,351	1,165,749
Accumulated amortisation				
At 1 January 2019		-	(104,532)	(104,532)
Provided during the year		-	(114,035)	(114,035)
At 31 December 2019		-	(218,567)	(218,567)
Net carrying value				
As at 31 December 2019		25,398	921,784	947,182
As at 31 December 2018		-	1,035,819	1,035,819

Goodwill arose in the previous year from an acquisition of trade and assets from Algebris Italy, a company that is part of the Algebris Group.

Notes to the financial statements (continued)

9 Investments in subsidiary undertakings - Company

The Company has the following investment in subsidiary undertakings. All investments are directly held unless stated otherwise:

	Group	Company
	€	€
Cost		
At 1 January 2019	-	-
Acquired during the year	36,500	86,500
At 31 December 2019	36,500	86,500

On 29 March 2019 Algos S.R.L. was incorporated as a subsidiary of the Company, which holds 100 per cent of the ordinary issued share capital. The primary activity of Algos S.R.L. is the provision of fully-integrated servicers to support Algebris' investments in the NPL space. The investment held by the Company represents the investment in the share capital of Algos S.R.L.

The undertakings in which the Company has an interest at the year end are as follows:

Name	Registered address	Proportion of capital held	Principal activity	Date of incorporation
Algos S.R.L.	Piazza San Marco 3 20121 Milano Italy	100%	Investment support services	29-Mar-19
Algebris NPL Partnership GP SARL	Luxembourg*	100%	Holding Investment	15-Oct-19
Algebris NPL Partnership GP II SARL	Luxembourg*	100%	Holding Investment	15-Oct-19
Algebris NPL Partnership GP III SARL	Luxembourg*	100%	Holding Investment	07-Jun-19

* 20 rue de la Poste, L-2346 Luxembourg, Grand Duchy of Luxembourg

Although Algebris (UK) Limited owns 100 per cent of the ordinary share capital of Algebris NPL Partnership GP SARL, Algebris NPL Partnership GP II SARL and Algebris NPL Partnership GP III SARL, they have been excluded from the consolidation on the basis that they are not material to the group.

10 Other investments - Company and group

The Group and Company has the following investments measured at fair value with changes in fair value recognised in profit or loss:

	Group	Company
	€	€
At 1 January 2019	-	-
Acquired during the year	9,904,480	9,904,480
increase in fair value	53,108	53,108
At 31 December 2019	9,957,588	9,957,588

The fair value was determined with reference to the quoted market prices at the reporting date. Investments represent Algebris UK Limited's holdings in the Investment funds for which it acts as an Investment manager

Notes to the financial statements (continued)

11 Debtors

	Group		Company	
	Year Ended 31 December 2019 €	Year Ended 31 December 2018 €	Year Ended 31 December 2019 €	Year Ended 31 December 2018 €
Fees receivable	27,305,793	10,394,096	27,305,793	10,394,096
Amounts owed by group undertakings	6,731,172	8,061,373	8,026,508	8,061,373
Other debtors	830,608	622,032	552,240	622,032
Tax recoverable	227,743	2,175,379	-	2,175,379
Prepayments and accrued income	7,404,996	4,570,438	7,371,372	4,570,438
	42,500,312	25,823,318	43,255,913	25,823,318

The amounts owed by group undertakings are unsecured, interest free and receivable on demand.

	Group		Company	
	Year Ended 31 December 2019 €	Year Ended 31 December 2018 €	Year Ended 31 December 2019 €	Year Ended 31 December 2018 €
<i>Amounts falling due after more than one year included above are:</i>				
Loans owed by group undertakings	21,333,151	20,733,151	21,333,151	20,733,151
	21,333,151	20,733,151	21,333,151	20,733,151

Included within the loans owed by group undertakings is a balance of €20,000,000 (2018: €20,000,000) to Algebris Asia, a fellow subsidiary of Algebris Luxembourg. The balance of €21,333,151 (2018: €20,733,151) includes interest accrued of €600,000 (2018: €600,000) not yet paid. The loan is unsecured, accrues interest at the rate of 3% per annum as published by HMRC as at the date of the agreement and repayable within 90 Business Days of a demand by Algebris UK.

12 Creditors: Amounts falling due within one year

	Group		Company	
	Year Ended 31 December 2019 €	Year Ended 31 December 2018 €	Year Ended 31 December 2019 €	Year Ended 31 December 2018 €
Amounts due to group undertakings	9,741,191	4,459,051	9,741,191	4,459,051
Trade creditors	3,966,378	6,317,319	3,626,059	6,317,319
Other creditors	101,093	185,664	65,242	185,664
Taxation and social security	6,570,554	356,074	6,494,596	356,074
Accruals	16,131,024	12,159,715	15,982,277	12,159,715
	36,510,240	23,477,823	35,909,365	23,477,823

Included within trade creditors is a balance of €nil (2018: €62,224) due to Algebris LLP, a Partnership within the Algebris Group. Please refer to note 19 for further details.

The amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Notes to the financial statements (continued)

13 Creditors: Amounts falling due after one year

	Group		Company	
	Year Ended 31 December 2019 €	Year Ended 31 December 2018 €	Year Ended 31 December 2019 €	Year Ended 31 December 2018 €
Other creditors	482,040	530,470	482,040	530,470
	482,040	530,470	482,040	530,470

14 Deferred tax

Company	Deferred tax €	Year Ended 31 December 2019 €	Year Ended 31 December 2018 €
As at 1 January 2019	83,086	83,086	18,217
Movement during the year	(51,049)	(51,049)	64,869
As at 31 December 2019	32,037	32,037	83,086

Deferred taxation liabilities represent sums that might become payable in tax in future years as a result of transactions that have occurred in the current year.

15 Share capital

	Year Ended 31 December 2019 Number	Year Ended 31 December 2019 €	Year Ended 31 December 2018 Number	Year Ended 31 December 2018 €
Ordinary shares of €1 each	300,002	300,002	300,002	300,002

The ordinary shares carry full rights to receive notice of, attend and vote at general meetings. Each ordinary share carries one vote, and full rights to dividends and capital distributions, including upon winding up.

16 Dividends

	Year Ended 31 December 2019 Per share €	Year Ended 31 December 2019 €	Year Ended 31 December 2018 Per share €	Year Ended 31 December 2018 €
Equity dividends on ordinary shares (interim)	13.33	4,000,000	22.33	6,700,000
		4,000,000		6,700,000

Notes to the financial statements (continued)

17 Notes to the Statement of Cash Flows

(a) Cash flows from operating activities	Year Ended 31 December 2019	Year Ended 31 December 2018
	€	€
Profit for the financial period	31,597,997	8,172,304
Adjustments for:		
- Tax for the year	8,923,445	2,541,595
- Depreciation	573,539	520,918
- Amortisation	115,240	104,532
- Interest expense	76,309	-
- Interest income	(605,022)	(600,678)
- Fair value gain on investments at fair value through profit or loss	(53,108)	-
- Foreign exchange (gain)	(68,602)	(97,016)
	40,559,798	10,641,655
Working capital movements:		
(Increase) / Decrease in debtors	(18,624,630)	30,020,177
Increase / (Decrease) in creditors	6,769,507	(33,995,088)
	28,704,675	6,666,744
Income taxes paid	(844,415)	(13,426,785)
Cash flows (used in) / from operating activities	27,860,260	(6,760,041)

(b) Cash and cash equivalents

	Group		Company	
	Year Ended 31 December 2019	Year Ended 31 December 2018	Year Ended 31 December 2019	Year Ended 31 December 2018
	€	€	€	€
Cash at bank and in hand	29,060,949	15,529,489	28,701,225	15,529,489
	29,060,949	15,529,489	28,701,225	15,529,489

18 Contingent liabilities and commitments

Other than the commitments listed below, the Group had no commitments or contingent liabilities noted at 31 December 2019.

The total minimum lease payments under the non-cancellable operating lease are as follows:

	Group		Company	
	Year Ended 31 December 2019	Year Ended 31 December 2018	Year Ended 31 December 2019	Year Ended 31 December 2018
	€	€	€	€
Within one year	1,014,416	700,325	792,333	700,325
Between two and five years	3,933,944	233,442	2,006,444	233,442
After five years	345,500	-	168,750	-

In 2017, the Company pledged a donation of the sum of €1,000,000 to Università Commerciale "Luigi Conconi" ("Bocconi University"), to be paid in ten installments of €100,000 per year, 2017 being the first year. The donation is designated to finance student scholarships in support of two of the University's key priorities: merit-based awards to attract the most talented students in the world and need-based grants to help open the doors of Bocconi to outstanding students regardless of their economic background.

In 2019, the Company pledged a donation of the sum of €1,250,000 to Università Commerciale "Luigi Conconi" ("Bocconi University"), to be paid in five installments of €250,000 per year, 2019 being the first year. The donation is designated to establish, at Bonnuci, a named term Chair in the research area of "Long-term Investment & Absolute Return".

Included within donations is a charge of €250,000 (2018: €100,000) paid to Bocconi University. Amounts contracted as part of a binding agreement but not provided in the financial statements amounted to €1,800,000 (2018: €800,000) as at 31 December 2019. Donations to Bocconi University are expensed to the Statement of Comprehensive Income when paid.

Notes to the financial statements (continued)

19 Related party transactions

The Company is a subsidiary of Algebris Investments (Luxembourg) S.a.r.l, whose ultimate controlling party is D. Serra.

The Group and Company have taken advantage of the exemption available under FRS 102 Section 33 *Related Party Disclosures* to not disclose related party transactions undertaken between wholly owned group members.

Algebris Luxembourg

During the current year, the Company was charged a service fee for the provision of back office support services by Algebris Luxembourg of €1,607,715 (2018: €901,488). The Company made payments on behalf of Algebris Luxembourg of €512,691 (2018: €274,759) and intercompany payments to Algebris Luxembourg of €882,628 (2018: €200,000). The balance due from Algebris Luxembourg at the year end was €36,240 (2018: €176,155 due to Algebris Luxembourg).

Algebris LLP

During the current year, Algebris LLP charged the Company a service fee of €Nil (2018: €91,416) excl. VAT for the provision of back office and support services. The balance due to Algebris LLP included within trade creditors at the year end was €Nil (2018: €62,224).

During the current year, Algebris LLP incurred expenses of €3,721 (2018: €11,591), made payments of €Nil (2018: €Nil) and received payments of €Nil (2018: €Nil) on behalf of the Company. The Company received payments on behalf of Algebris LLP of €Nil (2018: €Nil) and made payments on behalf of Algebris LLP of €Nil (2018: €1,247,386). The Company received payments from Algebris LLP in respect of intercompany settlements of €83,456 (2018: €5,660,944 payments to Algebris LLP) during the year. The balance due to Algebris LLP from the Company at the year end was €Nil (2018: €53,365 due to Algebris LLP).

Algebris Asia

During the current year, the Company was charged €3,755,083 (2018: €3,183,022) of research and advisory fees by Algebris Asia. During the current year, the Company made payments of €10,721 (2018: €660,896) on behalf of Algebris Asia and settled intercompany balances to the tune of €Nil (2018: €27,080,261.) During the current year Algebris Asia made payments of €Nil (2018: €1,535) on behalf of the Company. Included within amounts due from group undertakings at the year end, was a balance of €2,077,065 (2018: €5,821,428 due from Algebris Asia.)

Included within the loans owed by group undertakings is a balance of €20,000,000 (2018: €20,000,000) to Algebris Asia, a fellow subsidiary of Algebris Luxembourg. The balance of €21,333,151 (2018: €20,733,151) includes interest accrued of €600,000 (2018: €133,151) not yet paid. The loan is unsecured, accrues interest at the rate of 3% per annum as published by HMRC as at the date of the agreement and repayable within 90 Business Days of a demand by Algebris UK.

Algebris US

During the current year, the Company was charged €7,956,373 (2018: €5,940,755) of research and advisory fees by Algebris US. During the current year, the Company made payments of €976,794 (2018: €46,313) on behalf of Algebris US and settled intercompany balances to the tune of €1,564,802 (2018: €7,094,623). During the current year Algebris US made payments of €Nil (2018: €12) on behalf of the Company. Included within amounts due to group undertakings at the period end, was a balance of €9,675,882 (2018: €4,261,106) due to Algebris US.

Algebris Italy

During the current year, the Company was charged €Nil (2018: €702,749) of research and advisory fees by Algebris Italy. From 1 February 2018 Algebris Italy ceased to provide research and advisory services to the Company. During the current year, the Company recharged expenses of €Nil (2018: €Nil) to Algebris Italy and settled intercompany balances to the tune of €Nil (2018: €9,017,830). During the current year Algebris Italy recharged expenses of €Nil (2018: €Nil) to the Company. As at the year end, a balance of €Nil (2018: €Nil) was due to Algebris Italy.

During 2018, the Company acquired the trade and assets with a fair value of €6,817,222 from Algebris Italy for a consideration of €7,957,573. The excess of consideration paid over the value of net assets has given rise to goodwill on acquisition (note 8).

Algebris Limited

During the year, the Company was charged €Nil (2018: €10,665) in respect of recharged expenses by Algebris Limited. As at the period end, a balance of €Nil (2018: €144,580) was due to Algebris Limited.

Algebris Japan

During the current year, the Company was charged €2,401,818 (2018: €1,128,827) of back office support services by Algebris Japan. During the current year, the Company made payments of €46,572 (2018: €359,982) on behalf of Algebris Japan and settled intercompany balances to the tune of €1,872,536 (2018: €1,283,242). Included within amounts due from group undertakings at the year end, was a balance of €399,713 (2018: €532,187) due from Algebris Japan.

Algebris Investments Sarl

During the current year, the Company made payments of €39,325 (2018: €Nil) on behalf of Algebris Investments Sarl. Included within amounts due from group undertakings at the year end, was a balance of €39,325 (2018: €Nil) due from Algebris Investments Sarl.

Notes to the financial statements (continued)

19 Related party transactions (continued)

Algebris Ireland

During the current year, the Company was charged €127,998 (2018: €Nil) of back office support services by Algebris Ireland. During the current year, the Company made payments of €98,928 (2018: €Nil) on behalf of Algebris Ireland and settled intercompany balances to the tune of €Nil (2018: €Nil). Included within amounts due from group undertakings at the year end, was a balance of €29,069 (2018: €Nil) due to Algebris Ireland.

Algos Srl

During the current year, the Company made payments of €211,203 (2018: €Nil) on behalf of Algos Srl and settled intercompany balances to the tune of €1,100,000 (2018: €Nil). Included within amounts due from group undertakings at the year end, was a balance of €1,311,203 (2018: €Nil) due from Algos Srl.

N1 S.a.r.l

During the current year, the Company made payments of €10,436 (2018: €Nil) on behalf of N1 S.a.r.l. Included within amounts due from group undertakings at the year end, was a balance of €10,436 (2018: €Nil) due from N1 S.a.r.l.

N6 S.a.r.l

During the current year, the Company made payments of €2,671,604 (2018: €Nil) on behalf of N6 S.a.r.l. Included within amounts due from group undertakings at the year end, was a balance of €4,203,207 (2018: €1,531,603) due from N6 S.a.r.l.

20 Ultimate controlling party

The Company's parent company is Algebris Investments (Luxembourg) S.a.r.l.

The Group's ultimate controlling party is D. Serra.

21 Events after the reporting period

The World Health Organisation has declared the COVID-19 coronavirus outbreak to be a pandemic. Many governments including the UK are taking stringent steps to contain and/or delay the spread of the virus. Actions taken by the UK in response to the spread of COVID-19 has caused a disruption to the business operations. The Group has an appropriate business continuity plan which has been enabled where needed.

The impact of the coronavirus pandemic may have have impact on the revenue earned from the funds and sub-advisory mandates managed by the Company. However, the Company and Group are in a strong financial position and the directors expect the Company and Group to continue to operate on a going concern basis. At this stage the directors consider this to be a non-adjusting event.