BUSINESS REVIEW

Financial Highlights at a Glance[1]

Adjusted Q2 2021 NAV per share[2]:

€9.60ps

(YE 2020: €9.00ps[3])
(Q1 2021: €8.77ps)
Q2 2021 IFRS NAV of €17.86ps

Adjusted Q2 2021 NAV:

€17.8mm

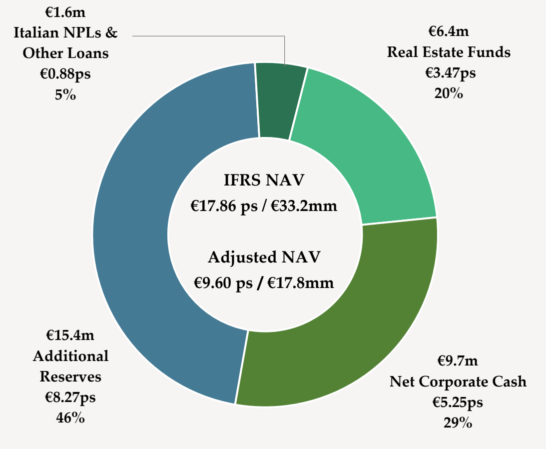
(YE 2020: €16.7mm)
(Q1 2021: €16.3mm)
Q2 2021 IFRS NAV of €33.2mm

Company Strategy

Eurocastle Investment Limited (the "Company" or "Eurocastle") is a publicly traded closed-ended investment company with investments focused on Italian performing and non-performing loans, Italian loan servicing platforms and other real estate related assets in Italy. On 18 November 2019, the Company announced a plan to realise the majority of its assets with the aim of accelerating the return of value to shareholders. The Company does not currently intend to seek new investments from the proceeds of the realisation but will continue to support its existing investments to the extent required in order to optimise returns and distribute cash to shareholders when available (the "Realisation Plan").

Portfolio Overview

Following implementation of the Realisation Plan in December 2019, Eurocastle's remaining portfolio of Italian Investments is made up of Real Estate Funds and residual interests in Italian NPLs & Other Loans, with the balance comprising Net Corporate Cash (after taking into account reserves for future costs and potential liabilities considered by the Board in light of the Realisation Plan). The chart below shows a breakdown of Eurocastle's net assets as at **30 June 2021**.



Real Estate Funds: Interests in:

- Two private Italian real estate development funds:
  - RE Fund II: Both buildings completed and fully sold, or under contract to be sold
  - RE Fund V: Construction completed on budget, with 82% of units sold.

Italian NPLs & Other Loans: Residual minority interest in 3 loan pools, where the underlying assets of one pool are under binding contract to be sold in Q3 and, as previously announced, the remaining two NPL pools are under contract to be sold once the underlying portfolio level financing of each is repaid.

Additional Reserves: Reserves required for the Company to continue in operation and fund its future costs and potential liabilities in light of the Realisation Plan. These reserves are not accounted for under IFRS. No commitments for these future costs and potential liabilities existed as at 30 June 2021.

Net Corporate Cash: Corporate cash net of liabilities and additional reserves.

H1 2021 NAV Bridge
In € per share

H1 2021 Business Highlights

H1 2021 Overview

During the first half of 2021, the Company continued to make significant progress on realising its remaining assets as part of its Realisation Plan. Sales of residential units across both of its real estate redevelopment funds have proved resilient despite the ongoing challenges from COVID-19. This positive activity in the RE Funds, where results were achieved above and ahead of what was anticipated, after being adjusted in 2020 for the projected impact of COVID-19, has been the primary driver for a 26% valuation increase in the period for these investments.

In addition, Eurocastle received its last material distribution from its publicly listed fund investment and agreed the sale of all underlying assets in one of the three remaining loan pools the Company has an interest in, comprising 19% of the segment's Q2 2021 NAV. This activity has left the Company well positioned while it undertakes its strategic review, announced in March 2021. The strategic options are under ongoing review by the Board, with the outcome of the review anticipated to be announced to shareholders before the end of 2021.

Investment Realisations & Highlights

- During the first half of 2021, the Company realised €2.9 million from its investments, of which €2.8 million came from its Real Estate Funds (~38% of their YE 2020 NAV) and €0.1 million from its minority NPL and Other Loan holdings (~4% of their YE 2020 NAV).

- **RE Redevelopment Funds - REFI II & REFI V:**

- Following sales activity during the period and assuming all units under contract to be sold in REFI II and REFI V close, only 18% of units in REFI V, as at 30 June 2021, will remain to be sold.

- Received €2.4 million in Q1 2021 comprising (i) €0.5 million from REFI II (~22% of its YE 2020 NAV) and (ii) €1.9 million from REFI V (~39% of its YE 2020 NAV). The remaining proceeds from closed sales together with those under contract to be sold are expected to be distributed to Eurocastle in H2 2021 (representing 62% of the Q2'21 NAV).
- **REFI I:** Following the sale of all the assets in Real Estate Fund Investment I in 2019, the Company received its last expected material distribution of €0.4 million, or 143% of its YE 2020 NAV, in Q1 2021.

- **Italian NPLs & Other Loans:** During the year the pools generated and distributed €0.1 million, or ~4% of its YE 2020 NAV. In June the underlying assets of one of these 3 pools went under contract to be sold with closing expected in Q3 2021. The H1 2021 fair value reflects the impact of this offer which is expected to generate ~ €0.3 million to the Company (~19% of Q2'21 NAV).

- **Additional Reserves:** The Company reduced these reserves from €16.2 million to €15.4 million during the first half of the financial year. The reduction of €0.8 million reflects €0.9 million of reserves being utilised, in line with anticipated costs, and an increase of €0.1 million in the existing reserves in H1 2021.

Subsequent Event to 30 June 2021

REFI V signed an additional 8% of units under contract and fully repaid the financing facility, leaving 10% of units remaining with closings expected by the end of the year.

SEE PAGE 7 FOR ALL END NOTES

Italian Real Estate Funds

Since 2014, Eurocastle has made several investments in this asset class, investing €67.2 million in five separate real estate funds; of which three have been fully realised.

The Company opportunistically targeted either public or private funds that could be acquired at a significant discount to the value of their underlying assets.

Following adoption of the Realisation Plan, the Company plans to continue to hold and realise these assets in accordance with existing business plans. It will support these investments to the extent required to optimise returns and distribute cash to shareholders when available.

Italian RE funds – H1 2021 Adjusted NAV Bridge
(€ million)

RE Fund Investments	Equity Invested *€ million*	Total Cash flows Distributed to Eurocastle *€ million*	*Of which Received in 2021* *€ million*	Adjusted NAV *€ million*	Adjusted NAV *€ per share*	Total Return (Cash flows Distributed +Adj. NAV) *€ million*
I *(fully realised Mar '21)*	22.2	26.8	*0.4*	-	-	26.8
II	15.4	13.9	*0.5*	1.9	1.04	15.8
V	5.6	2.3	*1.9*	4.5	2.43	6.8
TOTAL	***43.2***	**43.0**	***2.8***	***6.4***	***3.47***	***49.4***

RE Funds Update

During H1 2021, the Company's RE Fund interests comprised of one publicly listed fund, which was fully realised in March 2021 and in two private Italian real estate redevelopment funds.

- RE Fund I (publicly listed fund) –The investment was fully realised in March 2021, with a final material distribution of €0.4 million being received in Q1 2021 resulting in a fair value increase of €0.1 million, or €0.07 per share.
- RE Fund II - All units in both buildings sold or under contract with remaining closings expected by year-end. 33% of the current NAV is represented by the net cash of the fund with 57% representing the value of units under contract as at 30 June 2021. During 2021, a fair value increase of €0.1 million or €0.05 per share was recognised.
- RE Fund V – Construction completed on budget. As at 30 June 2021, 82% of units are sold or under contract to be sold. The remaining units are in the process of being sold. 40% of the current NAV is represented by the net cash of the fund together with the value of units under contract as at 30 June 2021. During 2021, a fair value increase of €1.6 million or €0.86 per share was recognised.

Further details of all remaining real estate fund investments as at 30 June 2021 can be found in the table below:

	Fund Investment II	Fund Investment V
Investment Date	Jul-14	Q2-17
Eurocastle Ownership	49.7%	49.6%
Fund Type	Private	Private
Collateral Type	2 luxury residential redevelopments	1 luxury residential redevelopment
Collateral Location	Rome	Rome
ECT Q2 2021 NAV per share	€1.04	€2.43
Fund Leverage	0%	7%[4]
Legal Fund Maturity	Q4 2021	Q4 2022

SEE PAGE 7 FOR ALL END NOTES

Income Statement For The Six Months Ended 30 June 2021

Following the change in classification to an investment entity as defined under IFRS 10 in July 2017, the Company does not consolidate the entities it controls and therefore fair values all of its investments (whether through subsidiaries or joint ventures).

	Income Statement H1 2021 *€ Thousands*	Income Statement H1 2020 *€ Thousands*
Portfolio Returns		
Italian NPLs & Other Loans unrealised fair value movement	437	(66)
Real Estate Funds unrealised fair value movement	1,809	(2,975)
Fair value movement on Italian investments	**2,246**	**(3,041)**
Fair value movements on residual Legacy entities	28	207
Other income	-	16
Total income / (loss)	**2,274**	**(2,818)**
Operating Expenses		
Interest expense	**-**	**42**
Manager base and incentive fees	96	21
Remaining operating expenses	867	1,047
Other operating expenses	**963**	**1,068**
Total expenses	**963**	**1,110**
Profit / (loss) for the period	**1,311**	**(3,928)**
€ per share	***0.71***	***(2.12)***

Balance Sheet and Adjusted NAV Reconciliation as at 30 June 2021

	Italian Investments *€ Thousands*	Corporate *€ Thousands*	Total *€ Thousands*
Assets			
Cash and cash equivalents	-	26,324	26,324
Other assets	-	48	48
Investments:			
Italian NPLs & Other Loans	1,630	-	1,630
Real Estate Funds	6,444	-	6,444
Total assets	**8,074**	**26,372**	**34,446**
Liabilities			
Trade and other payables	-	1,212	1,212
Manager base and incentive fees	-	55	55
Total liabilities	**-**	**1,267**	**1,267**
IFRS Net Asset Value	**8,074**	**25,105**	**33,179**
Additional Reserves	-	(15,356)	(15,356)[2]
Adjusted NAV	**8,074**	**9,749**	**17,824**
Adjusted NAV (€ per Share)	***4.35***	***5.25***	***9.60***

SEE PAGE 7 FOR ALL END NOTES

Additional Reserves

The table below summarises the movement of Eurocastle's Additional Reserves (excluding asset specific reserves which are reflected in the fair value of the underlying investment), set as part of the Realisation Plan in 2019. Eurocastle started the year with €16.2m of Additional Reserves to fund future costs and potential liabilities. These reserves currently stand at €15.4m as at 30 June 2021 after utilising €0.9m of reserves in line with anticipated costs and an increase in the existing reserves of €0.1m in the period.

	Dec 2020 Additional Reserves *€ million*	Reserves (paid/ payable) in 2021 *€ million*	Dec 2020 Reserves less (paid/ payable) in 2021 *€ million*	Q2 2021 Reserves *€ million*	2021 Net Movement on Reserves *€ million*
Total	(16.2)	0.9	(15.2)	(15.4)	(0.1)
Per Share	*(8.72)*	*0.50*	*(8.21)*	*(8.27)*	*(0.06)*

	Additional Reserves as at announcement of Realisation Plan *€ million*	Reserves (paid/ payable) since Realisation Plan *€ million*	Q2 2021 Reserves less (paid/ payable) since Realisation Plan *€ million*	Q2 2021 Reserves *€ million*	Net Movement on Reserves since Realisation Plan *€ million*
Total	(20.0)	4.2	(15.8)	(15.4)	0.4
Per Share[5]	*(10.78)*	*2.28*	*(8.50)*	*(8.27)*	*0.23*

SEE PAGE 7 FOR ALL END NOTES

Forward Looking Statements

This release contains statements that constitute forward-looking statements. Such forward-looking statements may relate to, among other things, future commitments to sell real estate and achievement of disposal targets, availability of investment and divestment opportunities, timing or certainty of completion of acquisitions and disposals, the operating performance of our investments and financing needs. Forward-looking statements are generally identifiable by use of forward-looking terminology such as “may”, “will”, “should”, “potential”, “intend”, “expect”, “endeavor”, “seek”, “anticipate”, “estimate”, “overestimate”, “underestimate”, “believe”, “could”, “project”, “predict”, "project", “continue”, “plan”, “forecast” or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. The Company’s ability to predict results or the actual effect of future plans or strategies is limited. Although the Company believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, its actual results and performance may differ materially from those set forth in the forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that may cause the Company’s actual results in future periods to differ materially from forecasted results or stated expectations including the risks regarding Eurocastle’s ability to declare dividends, or achieve its targets regarding asset disposals or asset performance.

Statement of Directors’ Responsibility in Respect of the Interim Financial Statements

To the best of our knowledge, and in accordance with the applicable reporting principles of interim financial reporting, the interim financial statements give a true and fair view of the assets, liabilities, financial position and profit for the Company, and the interim management report of the Company includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company for the remaining months of the financial year.

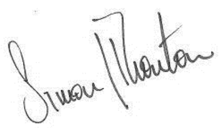
Independent Auditors Review

These interim financial statements as at 30 June 2021 have not been reviewed or audited by our auditors, BDO LLP.

Registered Office

Oak House
Hirzel Street
St. Peter Port
Guernsey
GY1 2NP

On behalf of the Board



Simon J. Thornton
Director and Audit Committee Chairman
Date: 3 August 2021

ENDNOTES

[1] Per share calculations for Eurocastle throughout this document are based on the weighted average or outstanding voting shares. As at 30 June 2021, a total of 1.858 million shares were in issue of which 1.858 million were voting shares and no shares were held in treasury. Amounts per share are therefore calculated on the following basis: Q2 2021 Net Asset Value per share ("NAV per share") – 1.858 million voting shares in issue; Q4 2020 and Q1 2021 NAV per share based on 1.855 million voting shares.

[2] In light of the Realisation Plan, the Adjusted NAV reflects the additional reserves for future costs and potential liabilities, which have not been accounted for under the IFRS NAV.

[3] €8.46 per share after paying €0.54 per share capital distribution.

[4] Fund leverage as of Q2 2021.

[5] Per share as at announcement of Realisation Plan based on 1.9 million voting shares post tender offer.

INCOME STATEMENT (UNAUDITED)

	Notes	Six months ended 30 June 2021 (unaudited) €'000	Six months ended 30 June 2020 (unaudited) €'000
Portfolio Returns			
Unrealised fair value gain / (loss) on Italian investments	4	2,246	(3,041)
Realised fair value movements on other net assets of subsidiaries	4	28	207
Other income			
Other income		-	16
Total income / (loss)		**2,274**	**(2,818)**
Operating expenses			
Interest expense		-	42
Other operating expenses	5	963	1,068
Total expenses		**963**	**1,110**
Net operating profit / (loss) before taxation for the period		**1,311**	**(3,928)**
Taxation expense - current		**-**	**-**
Total tax expense		**-**	**-**
Net profit / (loss) after taxation for the period		**1,311**	**(3,928)**
Attributable to:			
Ordinary equity holders of the Company		1,311	(3,928)
Net profit / (loss) after taxation		**1,311**	**(3,928)**
		€	€
Earnings per ordinary share[1]			
Basic and diluted	11	0.71	(2.12)

The Company had no other comprehensive income for the six months ended 30 June 2021 and for the six months ended 30 June 2020.

[1] Earnings per share is based on the weighted average number of shares in the period of 1,854,766 (30 June 2020: 1,851,535). Refer to note 11.

See notes to the financial statements which form an integral part of these financial statements.

BALANCE SHEET (UNAUDITED)

	Notes	As at 30 June 2021 (Unaudited) €'000	As at 31 December 2020 €'000
Assets			
Cash and cash equivalents	6	26,324	25,341
Other assets	7	48	119
Investments	8	8,074	8,683
Total assets		**34,446**	**34,143**
Equity and Liabilities			
Capital and reserves			
Issued capital, no par value, unlimited number of shares authorised	12	1,624,762	1,625,741
Accumulated loss		(1,591,583)	(1,592,872)
Total equity		**33,179**	**32,869**
Liabilities			
Trade and other payables	10	1,267	1,274
Total liabilities		**1,267**	**1,274**
Total equity and liabilities		**34,446**	**34,143**

See notes to the financial statements which form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 3 August 2021 and signed on its behalf by:

Simon J. Thornton
Director and Audit Committee Chairman

CASH FLOW STATEMENT (UNAUDITED)

	Notes	Six months ended 30 June 2021 (unaudited) €'000	Six months ended 30 June 2020 (unaudited) €'000
Cash flows from operating activities			
Net operating profit / (loss) before taxation for the period		**1,311**	**(3,928)**
Adjustments for:			
Unrealised fair value loss on Italian investments	4	(2,246)	3,041
Realised fair value movement on other net assets of subsidiaries	4	(28)	(207)
Interest expense		-	42
Total adjustments to profit / (loss) for the period		**(2,274)**	**2,876**
Decrease in other assets		(71)	(51)
Increase / (decrease) in trade and other payables		135	(21,042)
Movements in working capital		**64**	**(21,093)**
Cash distribution from Italian investments	8	2,855	1,031
Cash distribution from subsidiaries		28	137
Interest paid		-	(41)
Cash movements from operating activities		**2,883**	**1,127**
Cash generated from operations		**1,984**	**(21,018)**
Taxation paid		-	-
Net cash flows from operating activities		**1,984**	**(21,018)**
Cash flows from financing activities			
Distribution paid	13	(1,001)	-
Net decrease in cash flows from financing activities		**(1,001)**	**-**
Net decrease in cash and cash equivalents		**983**	**(21,018)**
Cash and cash equivalents, beginning of the period	6	**25,341**	**41,681**
Total cash and cash equivalents, end of the period	6	**26,324**	**20,663**

See notes to the financial statements which form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital €'000	Accumulated loss €'000	Total equity €'000
As at 1 January 2020	**1,625,727**	**(1,591,339)**	**34,388**
Loss after taxation for the six months ended 30 June 2020 (unaudited)	-	(3,928)	(3,928)
Total comprehensive loss for the six months ended 30 June 2020 (unaudited)	**-**	**(3,928)**	**(3,928)**
As at 30 June 2020 (unaudited)	**1,625,727**	**(1,595,267)**	**30,460**
Profit after taxation for the six months ended 31 December 2020	**-**	2,409	**2,409**
Total comprehensive profit for the six months ended 31 December 2020	**-**	**2,409**	**2,409**
Contributions by and distributions to owners:			
Shares issued to Directors (note 12)	**14**	**(14)**	**-**
As at 31 December 2020	**1,625,741**	**(1,592,872)**	**32,869**
Profit after taxation for the six months ended 30 June 2021 (unaudited)	-	1,311	1,311
Total comprehensive profit for the period (unaudited)	**-**	**1,311**	**1,311**
Contributions by and distributions to owners:			
Shares issued to Directors (note 12)	22	(22)	-
Distribution declared and paid (note 13)	(1,001)	-	(1,001)
As at 30 June 2021 (unaudited)	**1,624,762**	**(1,591,583)**	**33,179**

1. BACKGROUND

Eurocastle Investment Limited ("Eurocastle", the "Company") was incorporated in Guernsey, Channel Islands on 8 August 2003 and commenced its operations on 21 October 2003. Eurocastle is a Euro denominated Guernsey closed-end investment company listed on Euronext Amsterdam (formerly listed on the London Stock Exchange) regulated by the Nederlands Authority for Financial Markets ("AFM"), which is also now its home state regulator as a result of Brexit. Eurocastle is subject to EU transparency rules as a result of its listing on an EU regulated market and, consequently, shareholders are required to notify Eurocastle and the relevant regulators when their holding of the issued share capital and/or of the voting rights in Eurocastle reaches, exceeds or falls below certain thresholds, whereby the lowest threshold is 5%.

The activities of the Company included investing indirectly in Italian performing and non-performing loans ("PLs" / "NPLs"), distressed loan assets and other credit receivables, Italian loan servicing platforms, real estate related assets and other related businesses in Italy. On 18 November 2019 the Board of Directors ("Board") announced a plan to realise the majority of the Company's assets in order to accelerate the return of value to the Company's shareholders (the "Realisation Plan").

As a result of the Realisation Plan, the Board does not currently intend to make any material new investments with the proceeds realised from the Company's existing holdings. With respect to the remaining assets, which predominantly comprise Eurocastle's investments in Italian real estate funds, the Company plans to continue to hold and realise these assets in accordance with existing business plans. It will support these investments to the extent required to optimise returns and distribute cash to shareholders when available. The Board announced on 5 March 2021 that it has decided to undertake a review of the Company's strategic options, including the use of available capital. The strategic options are under ongoing review by the Board, with the outcome of the review anticipated to be announced to shareholders during the second half of 2021.

Eurocastle is externally managed by its investment manager, FIG LLC (the "Manager"). The Manager was acquired by Softbank Group Corp (9984: Tokyo) ("Softbank") on December 27, 2017 and operates as an independent business within Softbank under the continuing leadership of Pete Briger, Wes Edens and Randal Nardone. Eurocastle has entered into a management agreement (the "Management Agreement") under which the Manager advises the Company on various aspects of its business and manages its day-to-day operations, subject to the supervision of the Company's Board of Directors. For its services, the Manager receives an annual management fee and incentive compensation (as well as reimbursement for expenses, including expenses of certain employees providing asset management and finance services), as described in note 14. The Company has no ownership interest in the Manager.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

Following the announcement of the Realisation Plan in 2019, the Directors have assessed, and continue to have a reasonable expectation, that the Company will be able to continue in operation and meet its liabilities as they fall due. The Directors have reviewed the Company's processes to control those risks to which the Company is exposed, as disclosed in note 3, as well as reviewing the annual budget, including the additional reserves set aside as part of the Realisation Plan. As a result of the Realisation Plan, no contractual commitments have become onerous and no commitments for further realisation costs have been made. Therefore, no provisions have been recorded in the financial statements for the future costs of the business. COVID-19 is not expected to have a significant impact on the Company's liquidity. The Directors have also reviewed forecasts that have been sensitised to reflect plausible downside scenarios. The Directors have determined that there is no material uncertainty that casts doubt on the entity's ability to continue as a going concern. As a result of this, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

The six months ended 30 June 2021 interim condensed financial statements of the Company have been prepared in accordance with International IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board ("IASB") as adopted by the European Union on a going concern basis and under the historical cost convention, except for investments which are measured at fair value.

Following the classification of the Company as an investment entity under IFRS 10 in July 2017, the Company does not consolidate the entities it controls and therefore fair values all of its investments (whether through subsidiarie or joint ventures). These separate financial statements of the Company are its only financial statements.

The financial information has been prepared in accordance with the Company's principal accounting policies as set out in the Annual Report for the year ended 31 December 2020.

Significant estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Refer to note 8 for further details on investment valuations.

Fair value movements on investments

Fair value movements on un-quoted investments includes revaluation gains and losses from the underlying investments. The Company's investments during the period comprised Italian NPLs & other loans, distressed loans, real estate fund units and intermediate holding companies (refer to note 8).

Interest expense

Negative interest charges on Euro corporate cash deposits are recognised in the income statement on an accrual basis.

Taxation

The Company falls under the Collective Investment Schemes exemption for Guernsey tax purposes and is charged €1,400 per annum (2020: €1,400). The Company is granted this exemption status on an annual basis and therefore the Company is treated as not being resident in Guernsey for tax purposes and is not liable for Guernsey tax on non-Guernsey source income (which for these purposes includes Guernsey bank deposit interest).

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash on deposit and in hand with an original maturity of three months or less.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital and reserves

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity via the reserves as a deduction from the issue proceeds.

Where the Company purchases the Company's own equity shares (treasury shares - see note 12), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Company's equity holders. If shares are cancelled once bought back, or after a period of time, the shares are released from the treasury shares reserve.

Dividends

Dividends are recognised when they become legally payable. In the case of interim and final dividends to equity shareholders, this is when declared and approved by the board of directors.

Financial Instruments

Recognition

A financial asset or liability is recognised on the date the Company becomes party to contractual provisions of the instrument.

All financial assets and liabilities are initially recognised on the trade date, i.e. the date that the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Classification

Financial Assets

Financial assets held at fair value through profit or loss are investments that are initially recognised at fair value with any subsequent movements in fair value recognised in the income statement.

Financial liabilities

Financial liabilities are composed of trade and other payables.

Unless otherwise indicated, the carrying amounts of the Company's financial liabilities are a reasonable approximation to their fair value.

Derecognition of financial assets and liabilities

Financial assets

A financial asset is derecognised when:
- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass through’ arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is recognised in the income statement.

Foreign currency translation

The presentation currency and the functional currency of the Company is the Euro. Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Segment Reporting

The company operates in one geographical segment, being Europe. The Board of Directors assesses its business through one primary segment, Italian investments. The Company’s Italian investments are predominantly made up of Italian Real Estate Funds and its residual interests in NPLs & Other Loans.

3. FINANCIAL RISK MANAGEMENT

Alternative Investment Fund Managers Directive ("AIFMD") Leverage

The AIFMD prescribes two methods of measuring and expressing leverage and requires disclosure of the maximum amount of leverage the Company might be subject to. The definition of leverage is wider than that of gearing and includes those assets on balance sheet that are subject to market based valuation changes. For the purposes of AIFMD reporting, leverage is the ratio between the fair value of the assets under management and the net asset value of the Company. The ratio is required to be calculated on a gross basis and a commitment basis, under the European Commission’s Delegated Regulation (commonly known as the Level 2 Regulation). The gross basis does not take into account any netting or hedging, whereas the commitment basis takes into account both netting and hedging. As at 30 June 2021, the leverage (as defined by this measure) under the gross and commitment basis was 24.48% and 24.48% respectively (31 December 2020: 26.78% and 26.78%).

Risk Management

This section provides details of the Company's exposure to risk and describes the methods used by the Company to control risk. The most important types of financial risk to which the Company is exposed are market and liquidity risk.

Capital Risk Management

The Company’s capital is represented by ordinary shares with no par value and which carry one vote each. The shares are entitled to dividends when declared. The Company has no additional restrictions or specific capital requirements on the issuance and re-purchase of ordinary shares. The movements of capital are shown in the statement of changes in equity.

In order to meet the Company’s capital management objectives, the Manager and the Board monitor and review the broad structure of the Company’s capital on an ongoing basis. This review includes:

- Working capital requirements and follow-on investment capital for portfolio investments;
- The possible timing and extent of returning capital to shareholders in line with the Company’s asset realisation strategy

The Company’s objectives when managing capital are to safeguard the Company’s ability to meet its obligations as they fall due and to achieve positive returns in all market environments. In order to maintain or adjust the capital structure, the Company may raise or return capital from or to shareholders through the issue and repurchase of voting shares and/or capital distribution. The Company currently has no nominated advisor or broker. At 30 June 2021, the Company had net equity of €33.2 million (31 December 2020: €32.9 million) and no direct leverage (31 December 2020: no direct leverage).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk

Credit risk is the risk of the financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents. As at 30 June 2021, the Company's cash and cash equivalents was €26.3 million (31 December 2020: €25.3 million).

Banking arrangements

The Company’s banking arrangements are with major financial institutions with investment grade credit ratings with which the Company and its affiliates may also have other financial relationships. While it is not anticipated that any of these counterparties will fail to meet their obligations, there is no certainty in current market conditions that this will be the case. As at 30 June 2021, the Company has placed €21.7 million of its corporate cash in a 35 day notice money market account, with a financial institution rated long term: A by Fitch; Baa1 by Moody's; and A negative by S&P (31 December 2020: €21.7 million - rated long term A negative by Fitch; Baa1 positive by Moody's; and A negative by S&P). As at 30 June 2021, the remaining corporate cash was held with a financial institution rated long term: A+ stable by Fitch; A1 Stable by Moody's; and A positive by S&P (31 December 2020: rated long term A+ negative by Fitch; A1 Stable by Moody's; and A Negative by S&P). The Company monitors on a regular basis the credit worthiness of the various financial institutions to mitigate credit risk exposure with respect to its banking arrangements.

Market Risk

Market risk encompasses the following macro-economic and political risks:

Macro-economic and political risks

The value of the Company’s investments in its Italian loan portfolio and real estate is dependent on macroeconomic and political conditions prevailing in Italy. A decline in the Italian economy may have an adverse impact on the Company’s returns on such investments.

On February 13th Mario Draghi was appointed as prime minister by the president, Sergio Mattarella. His cabinet (a mix of technocratic figures and politicians) has one of the largest parliamentary majorities ever which should provide some political stability as the country moves forward from the impact of COVID restrictions. The economy, which was severely impacted by these restrictions, recorded a GDP loss of 8.9% in 2020 and is on course to make a fragile recovery with GDP expected to be around 4.5% in 2021 according to the OECD. Businesses have reopened and tourism has resumed as the vaccine rollout accelerates. Real estate transactions have continued to complete through the first half of 2021 with house prices proving resilient and up 0.6%, in February 2021 from a year earlier. However, further potential restrictions in Italy, which could impact the wider economy and in turn the real estate market, cannot be ruled out.

The current instability in the wider geopolitical environment, exacerbated by the coronavirus, could have a material impact on financial activities both at a market and retail level. These risks could have an impact on the Company’s ability to realise its assets at its target prices and in the timeline envisaged. A deterioration of the Italian economy may affect real estate values as well as the recoveries the Company expects on its investments. At the same time, it could affect investor demand in general for these types of investments. While the expected yield on these portfolios is sensitive to the performance of the underlying assets, the value at which these investments are held by the Company is sensitive to the market yields at which they trade. Refer to note 8 for details of sensitivity analysis on the Italian investments.

Interest rate risk

The Company's interest rate risk is not considered to be significant. The Company is exposed to interest rates on banking deposits held in the ordinary course of business. Management monitors this risk on a continuous basis.

Foreign Currency Risk

The majority of the Company's assets and liabilities are denominated in Euros. The Company's foreign currency risk is not considered to be significant.

Liquidity Risk

The Company’s objectives when managing capital are to safeguard the Company’s ability to meet its financial obligations as they fall due in order to support the business and to maximise shareholder value. Eurocastle’s liquidity is primarily generated by distributions from its Italian Investments. The Company expects that its cash in hand and cash flow provided by operations and from realisations of investments will satisfy its liquidity needs over the next twelve months.

The Board have assessed future costs and potential liabilities in conjuction with the Realisation Plan and have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due.

4. PORTFOLIO RETURNS

Movements on investments are summarised below:

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
	Fair value movements €'000	Fair value movements €'000
Italian NPLs & Other Loans (note 8)	437	(66)
Real Estate Funds (note 8)	1,809	(2,975)
Portfolio returns on Italian investments	**2,246**	**(3,041)**
Fair value movements on other net assets of subsidiaries	28	207
Total portfolio returns	**2,274**	**(2,834)**

5. OTHER OPERATING EXPENSES

	Six months ended 30 June 2021 (unaudited) €'000	Six months ended 30 June 2020 (unaudited) €'000
Professional fees	272	267
Transaction costs	-	39
Manager base and incentive fees (related party, note 14)	96	21
Manager recharge (related party, note 14)	404	559
General and administrative expenses	191	182
Total other operating expenses	**963**	**1,068**

6. CASH AND CASH EQUIVALENTS

	As at 30 June 2021 (unaudited) €'000	As at 31 December 2020 €'000
Cash at bank	4,583	3,600
Cash on deposit	21,741	21,741
Total cash and cash equivalents	**26,324**	**25,341**

7. OTHER ASSETS

	As at 30 June 2021 (unaudited) €'000	As at 31 December 2020 €'000
Prepaid expenses	48	119
Total other assets	**48**	**119**

All other assets are expected to mature in less than one year.

8. INVESTMENTS

The Company directly or indirectly holds the following investments:

	As at 30 June 2021 (unaudited) €'000	As at 31 December 2020 €'000
Italian investment portfolio	8,074	8,683
Total investments	**8,074**	**8,683**

As at 30 June 2021 (unaudited), the movements in the Italian investment portfolio were as follows:

	Italian NPLs & Other Loans	Real Estate Funds	
	Fair value accounted	Fair value accounted	Total Investments
	€'000	€'000	€'000
Balance as at 1 January 2021	**1,248**	**7,435**	**8,683**
Distributions received	**(55)**	**(2,800)**	**(2,855)**
Unrealised fair value movement	**437**	**1,809**	**2,246**
Balance as at 30 June 2021 (unaudited)	**1,630**	**6,444**	**8,074**

As at 31 December 2020, the movements in the Italian investment portfolio were as follows:

	Italian NPLs & Other Loans	Real Estate Funds	
	Fair value accounted	Fair value accounted	Total Investments
	€'000	€'000	€'000
Balance as at 1 January 2020	**1,246**	**14,261**	**15,507**
Distributions received	**(97)**	**(4,593)**	**(4,690)**
Unrealised fair value movement	**99**	**(2,233)**	**(2,134)**
Balance as at 31 December 2020	**1,248**	**7,435**	**8,683**

Refer to the portfolio summary for further details on investments on page 18.

8. INVESTMENTS (CONTINUED)

Portfolio summary

During the period the Company's investments were categorised as follows:

I. Italian NPLs & Other Loans
II. Real Estate Funds

I. Italian NPLs & Other Loans

Following the Realisation Plan in 2019, the Company retained a residual minority interest in three Italian NPL & Other Loan pools which are held in 2 portfolio structures. The two portfolios are serviced by doValue (refer to note 14).

III. Real Estate Funds

During the period the Company had the following Real Estate Fund investments:

Real Estate Fund Investment I:

On 28 March 2014, the Company indirectly purchased 11,929 units in UniCredito Immobiliare Uno closed-end Real Estate Fund ("Real Estate Fund Investment I"). The holding represented a 7.46% of the total units issued by Real Estate Fund Investment I. The units were listed on the Italian Stock Exchange. Real Estate Fund Investment I is managed by Torre SGR S.p.A. ("Torre"), an affiliate of the Manager.

As at 30 June 2021, the fund has been fully realised with the Company receiving its last material distribution of €0.4 million in March 2021.

Real Estate Fund Investment II:

On 22 July 2014, the Company indirectly invested in a newly established real estate development fund (Real Estate Fund Investment II) which purchased two office buildings in Rome for redevelopment into high-end residential properties for resale. As at 30 June 2021 both projects have been completed, with all units sold or under contract to be sold, with the remaining closings expected to take place by the end of 2021.

The Company's investment is held through a joint venture (ownership percentage: 49.7%) investment in Torre Real Estate Fund III Value Added – Sub fund A ("RE Torre Fund"). Real Estate Fund Investment II is managed by Torre, an affiliate of the Manager.

Real Estate Fund Investment V:

In April 2017, building on Real Estate Fund Investment II, the Company closed on the purchase of an office to residential conversion development site in Rome (“Real Estate Fund Investment V”) through a joint venture interest (ownership percentage: 49.6%) in Torre Real Estate Fund III Value Added – Sub fund B. To date, the work has been completed on time and in line with budget with 82% of the units sold or under contract or to be sold.

Real Estate Fund Investment V is managed by Torre, an affiliate of the Manager.

8. INVESTMENTS (CONTINUED)

Fair value hierarchy

The following table shows an analysis of the fair value assets on the balance sheet by level of hierarchy:

As at 30 June 2021 (unaudited):

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
Italian NPLs & Other Loans	-	-	1,630	1,630
Real Estate Funds	-	-	6,444	6,444
Total	**-**	**-**	**8,074**	**8,074**

As at 31 December 2020:

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
Italian NPLs & Other Loans	-	-	1,248	1,248
Real Estate Funds	298	-	7,137	7,435
Total	**298**	**-**	**8,385**	**8,683**

Explanation of the fair value hierarchy:
- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Use of a model with inputs (other than quoted prices included in Level 1) that are directly and indirectly observable market data.
- Level 3: Use of a model with inputs that are not based on observable market data.

Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Company recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

8. INVESTMENTS (CONTINUED)

Transfers between levels

There were no transfers between levels for the period ended 30 June 2021 (31 December 2020: no transfers).

The following table shows a reconciliation for the Level 3 fair value measurements as at 30 June 2021 (unaudited):

	Italian NPLs & Other Loans €'000	Real Estate Funds €'000	Total €'000
As at 1 January 2021	1,248	7,137	8,385
Distributions received	(55)	(2,373)	(2,428)
Unrealised fair value movement in the period	437	1,680	2,117
As at 30 June 2021 (unaudited)	**1,630**	**6,444**	**8,074**

The following table shows a reconciliation for the Level 3 fair value measurements as at 31 December 2020:

	Italian NPLs & Other Loans €'000	Real Estate Funds €'000	€'000
As at 1 January 2020	1,246	11,744	12,990
Distributions received	(97)	(2,356)	(2,453)
Unrealised fair value movement in the year	99	(2,251)	(2,152)
As at 31 December 2020	**1,248**	**7,137**	**8,385**

Expected recoveries of investments

The following table summarises the expected recoveries for the Italian investments held by the Company:

	2021		2020	
	Within one year [1] €'000	More than one year €'000	Within one year [1] €'000	More than one year €'000
Italian NPLs & Other Loans	508	1,122	218	1,030
Real Estate Funds	5,062	1,382	4,419	3,016

[1] Amounts recoverable within one year represent projected cash flows as at the reporting date with the residual balance for the carrying value of the investments shown as amounts due to mature in over one year.

8. INVESTMENTS (CONTINUED)

Fair value methodology and sensitivity analysis

Italian NPLs & Other Loans

Following implementation of the Realisation Plan in 2019, the Company held residual interests in three pools. All pools are classified as level 3 on the fair value hierarchy. The fair value of the investments is derived from internal valuation models. The assumptions used in the models are based on cash flows (actual and projected) per the latest business plan and reviewed by senior management.

The key assumptions made relating to the valuations are set out below:

For the period ended 30 June 2021 (unaudited):

	Italian NPLs	Total Unlevered	Total Levered
Expected profit multiple [(1)]	1.7	1.7	1.9
Remaining weighted average life[(2)]	2.2	2.2	2.5
Discount rate	12%	12%	12%

For the year ended 31 December 2020:

	Italian NPLs	Total Unlevered	Total Levered
Expected profit multiple [(1)]	1.5	1.5	1.7
Remaining weighted average life	2.7	2.7	3.0
Discount rate	12%	12%	14%

The key assumptions reported above for Total Unlevered are before taking into account any embedded leverage within the respective vehicle. The key assumptions are also shown on a Total Levered basis so as to report them net of any embedded leverage within the respective vehicle so as to be consistent with the relevant investment carrying value.

(1) The expected profit multiple is derived from the underlying cash flows on which the relevant valuation model is built.
(2) Remaining weighted average life based on valuation of underlying pool cash flows

An increase in the remaining weighted average life will decrease the fair value and a decrease in the remaining weighted average life will increase the fair value. An increase in the expected profit multiple will increase the fair value and a decrease in the expected profit multiple will decrease the fair value.

The table below presents the sensitivity of the valuation to a change in the most significant assumption:

For the period ended 30 June 2021 (unaudited):

	Italian NPLs €'000	Total Unlevered €'000	Total Levered €'000
Fair value	2,167	2,167	1,630
Increase in discount rate by 25bps	2,159	2,159	1,622
Value sensitivity	**(8)**	**(8)**	**(8)**

For the year ended 31 December 2020:

	Italian NPLs €'000	Total Unlevered €'000	Total Levered €'000
Fair value	1,906	1,906	1,248
Increase in discount rate by 25bps	1,896	1,896	1,238
Value sensitivity	**(10)**	**(10)**	**(10)**

The prior year comparative disclosure has been restated to reflect the assumptions on both a levered and unlevered basis.

Real Estate Funds

The Company's investment in Real Estate Fund Investment II and Real Estate Fund Investment V were classified as level 3 in the fair value hierarchy.

The table below presents the sensitivity of the valuation to a change in the most significant assumptions:

For the period ended 30 June 2021 (unaudited)	Real Estate Funds	Total
Expected profit multiple	1.1	1.1
Remaining weighted average life	0.7	0.7
Discount rate	16%	16%

For the year ended 31 December 2020	Real Estate Funds	Total
Expected profit multiple	1.1	1.1
Remaining weighted average life	1.0	1.0
Discount rate	16%	16%

8. INVESTMENTS (CONTINUED)

The table below presents the sensitivity of the valuation to a change in the most significant assumption:

For the period ended 30 June 2021 (unaudited)	Real Estate Funds €'000	Total €'000
Fair value	6,444	6,444
Increase in discount rate by 25bps	6,434	6,434
Value sensitivity	**(10)**	**(10)**

For the year ended 31 December 2020	Real Estate Funds €'000	Total €'000
Fair value	7,137	7,137
Increase in discount rate by 25bps	7,123	7,123
Value sensitivity	**(14)**	**(14)**

9. CONTRACTUAL MATURITIES

Contractual maturities

The Company's Italian investments have been funded through equity.

As at 30 June 2021, the Company had no contractual maturities on financial liabilities, outside of trade and other payables which are all due within one year.

Fair values of financial assets and financial liabilities

The Company's financial assets consist of investments, other debtors and cash and cash equivalents. The Company's financial liabilities consist of trade and other payables. All financial assets and liabilities are held at fair value.

10. TRADE AND OTHER PAYABLES

	As at 30 June 2021 (unaudited) €'000	As at 31 December 2020 €'000
Due to Manager (related party, refer note 14)	317	283
Accrued expenses and other payables	950	991
Total trade and other payables	**1,267**	**1,274**

All the trade and other payables are recognised at amortised cost and are expected to mature in less than one year.

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net profit / (loss) after taxation by the weighted average number of ordinary shares outstanding during the period. There are currently no instruments that would give rise to a dilutive effect on the Company's shares.

The following is a reconciliation of the weighted average number of ordinary shares outstanding on a diluted basis:

	As at 30 June 2021 (unaudited)	As at 31 December 2020
Weighted average number of ordinary shares excluding treasury shares*	1,854,766	1,852,740
Weighted average number of ordinary shares - dilutive	**1,854,766**	**1,852,740**

***weighted average shares for the period

12. SHARE CAPITAL AND RESERVES

As at 30 June 2021 (unaudited), there were 1,857,535 shares (31 December 2020: 1,854,535) issued of which no shares (31 December 2020: no shares) were held in treasury. All shares are fully paid up.

The movement in issued share capital is shown as follows:

	Number of shares Voting shares
As at 1 January 2020	**1,851,535**
As at 30 June 2020 (unaudited)	**1,851,535**
Shares issued to the Directors as part of their in-place compensation arrangements for €nil consideration - 7 August 2020	3,000
As at 31 December 2020	**1,854,535**
Shares issued to the Directors as part of their in-place compensation arrangements for €nil consideration - 17 June 2021	3,000
As at 30 June 2021 (unaudited)	**1,857,535**

Accumulated loss

The reserve represents the cumulative gains and losses and transactions with shareholders (e.g. dividends) not recognised elsewhere.

13. DISTRIBUTIONS PAID AND DECLARED

As a result of the Realisation Plan, the Company's distribution policy, including the regular quarterly dividend, did not apply with effect from Q3 2019.

The following capital distribution was declared and paid in the period ended 30 June 2021 (no distributions declared or paid in 2020):

Declaration date	Ex-date	Record date	Payment date	Distribution per share	Amount €'000
4 March 2021	10 March 2021	11 March 2021	30 March 2021	€ 0.540	1,001
Total				**€ 0.540**	**1,001**

14. MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

The Company entered into the Management Agreement with the Manager in August 2003. Pursuant to the Management Agreement, the Manager, under the supervision of the Board of Directors, will formulate investment strategies, arrange for the acquisition of assets, arrange for financing, monitor the performance of the Company's assets and provide certain advisory, administrative and managerial services in connection with the operations of the Company. Since 1 January 2015 the management fee paid to the Manager is equal to (i) 1.5% of the Company's Adjusted NAV reported quarterly, excluding net corporate cash, and (ii) 0.75% of the share of Adjusted NAV relating to net corporate cash. Adjusted NAV, for the purposes of the management fee calculation, excludes all portfolios where the NAV is negative (following the disposal of the legacy assets in 2017, this is no longer applicable) and includes certain reserves set aside as part of the Realisation Plan.

Incentive compensation was equal to 25% of the euro amount by which the Company's Normalised FFO derived from Italian Investments, after allocated corporate costs, exceeded the net invested capital in the Company's Italian Investments multiplied by the hurdle rate of 8% per annum (calculated on a cumulative but not compounding basis). In light of the Realisation Plan, the Manager agreed to amend the calculation of its incentive fee to treat the Company's other remaining investments, which predominantly comprise investments in Italian real estate funds, as fully realised at an agreed value in 2019 to better reflect the price per ordinary share represented in the initial Exchange Ratio. These amendments reduced the fee payable by the Company to the Manager in the fourth quarter of 2019 by €2.4 million to €19.5 million and no further fees will be due in relation to the Company's remaining investments. The Manager will be entitled to earn back a portion of this discount if excess amounts are released from certain reserves put in place by the Board to fund future costs and potential liabilities. As at 30 June 2021, the amount due to the manager was €2k (31 December 2020: €42k).

The Management Agreement provides that the Company will reimburse the Manager for various expenses incurred by the Manager or its officers, employees and agents on the Company's behalf, including the cost of legal, accounting, tax, auditing, finance, administrative, asset management, property management and other similar services rendered for the Company by providers retained by the Manager or, if provided by the Manager's or its affiliates' employees, in amounts which are no greater than those that would be payable to external professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arms-length basis. Such expenses have been included in the income statement.

When it was signed in 2003 the Management Agreement provided for an initial term of ten years with automatic three year extensions, subject to certain termination rights. The Management Agreement may be terminated by the Company by payment of a termination fee, as defined in the Management Agreement, equal to the amount of management fees earned by the Manager during the 12 consecutive calendar months immediately preceding the termination, upon the vote of a majority of the holders of the outstanding ordinary shares. In addition, unless an arrangement is made between the Company and the Manager, incentive compensation (as outlined above) will continue to be payable to the Manager post-termination.

The Manager is deemed to be the key employee for reporting purposes. As at 30 June 2021, management fees, incentive fees and expense reimbursements of €0.3 million (31 December 2020: €0.3 million) were due to the Manager. During the period ended 30 June 2021, management fees of €0.1 million (30 June 2020: €0.1 million), €0.0 million of incentive fees (30 June 2020: €0.1 million), and expense reimbursements of €0.4 million (30 June 2020: €0.6 million) were charged to the income statement.

Total annual remuneration for the Eurocastle directors as at 30 June 2021 was €0.1 million (31 December 2020: €0.1 million), payable quarterly in equal instalments. Randal A. Nardone and Peter Smith do not receive any remuneration from the Company.

Fortress Italian NPL Opportunities Series Fund LLC (which owns the NPL pools) and Fortress Italian Real Estate Opportunities Series Fund LLC (being the entity through which the majority of the Company's interest in Real Estate Fund Investments are held) are managed by an affiliate of the Manager. The total management fee expense for the six months ended 30 June 2021 is €0.0 million (30 June 2020: €0.0 million) and offsets fully against the Company's Management Fee payable to the Manager.

The Company's non-controlling interest in Real Estate Fund Investment I (refer to note 8) along with its joint venture investment in Real Estate Fund Investment II and Real Estate Fund Investment V (refer to note 8) are held in funds managed by Torre SGR S.p.A, which is majority owned by an affiliate of the Manager. The total management fee expense, across these funds, for the six months ended 30 June 2021 was €0.1 million (30 June 2020: €0.1 million).

15. INVESTMENT IN SUBSIDIARIES

The Company has investments in the following subsidiaries (unless otherwise stated the Company has a 100% interest in the entity):

Luxembourg:
Luxgate S.à r.l
Truss Lux Participation S.à r.l (liquidated 31 March 2021)

Italy:
FMIL S.r.l

United States of America:
Fortress Italian Real Estate Opportunities Series Fund LLC - Series 1 (liquidated 30 June 2021)
Fortress Italian Real Estate Opportunities Series Fund LLC - Series 2

Ireland:
Additionally the Company has an investment in Eurocastle Funding Designated Activity Company (incorporated in Ireland), currently in liquidation.

As at 30 June 2021, the unconsolidated subsidiaries do not have any significant restrictions (e.g. resulting from borrowing arrangements, regulatory requirements or contractual arrangements) on the ability to transfer funds to the Company in the form of cash dividends or to repay loans or advances made to the unconsolidated subsidiary by the Company.

16. SUBSEQUENT EVENTS

REFI V signed an additional 8% of units under contract and fully repaid the financing facility, leaving 10% of units remaining with closings expected by the end of the year.

17. CONTINGENT LIABILITIES

The Company is exposed to a potential tax risk associated with the disposal of a legacy property subsidiary in prior years. This risk has not been provided for in the Company's accounts as no tax assessment has been raised and the Company having taken independent advice, considers that it is unlikely that any significant liability will arise. The Company has not provided the disclosures required by IAS 37 so as not to prejudice their position.

18. COMMITMENTS

As at 30 June 2021, the Company had no formal commitments.