EUROCASTLE INVESTMENTS LIMITED AND SUBSIDIARIES

FINANCIAL RESULTS FOR THE NINE MONTHS AND QUARTER ENDED 30 SEPTEMBER 2006

Eurocastle Investment Limited is a closed-ended investment company which focuses on German commercial real estate assets. The Company is Euro denominated and is listed on Euronext, Amsterdam, under the symbol "ECT". Eurocastle's objective is to pay out stable and growing dividends and to deliver attractive risk-adjusted returns. Eurocastle is managed by Fortress Investment Group LLC. For more information regarding Eurocastle and to be added to our email distribution list, please visit www.eurocastleinv.com.

Highlights

Third Quarter 2006

- Dividend declared for the third quarter 2006 is 43 cents per share on 45.7 million shares outstanding. This compares to the second quarter 2006 dividend of 40 cents per share and third quarter 2005 dividend of 37 cents per share
- Currently evaluating in excess of €4 billion in acquisitions, in addition to the real estate which Eurocastle has already acquired or committed to acquire this year. Eurocastle believes it is likely that it will commit to acquire at least 50% of this pipeline. If successful, this would bring total 2006 commitments and acquisitions to approximately €3 billion versus Eurocastle's 2006 acquisition target of €1 billion. Given this large increase in acquisition activity, Eurocastle expects to raise €600-€700 million of additional capital in the fourth quarter of 2006
- In September, Eurocastle entered into an agreement with DB Real Estate Investment GmbH to acquire a portfolio of 6 office properties for an all-in purchase price of approximately €500 million
- €427 million of real estate acquisitions have funded since the third quarter end, including 5 of the 6 office properties described above, increasing the funded real estate investment portfolio from €2.9 billion to approximately €3.3 billion
- Reduced investment in Italian real estate fund units by 20%, realising a net gain of €2.2 million
- Occupancy of the total real estate portfolio increased from 83.4% at the end of the second quarter to 84.9% at the end of September

Nine Months Ended 2006

- Raised net proceeds of €524 million of new equity capital, helping to more than triple equity book value from year end 2005 to €931.7 million, or an increase of 65% to €20.40 on a per share basis
- Completed the acquisition of a €2 billion German property portfolio from Dresdner Bank in February 2006, via the acquisition of Dresdner Grund-Fonds
- Increase in net asset value includes revaluation gains of €89.6 million on the total investment property portfolio, which are included in operating income for the nine months.
- Increased occupancy of property portfolios
  - Deutsche Bank portfolio current occupancy rate of 78.7% at quarter end, up from 74.6% at 2005 year end
  - Dresdner Bank portfolio increased occupancy to 82.6% at 30 September 2006, up from 80.7% at time of acquisition

Key Performance Indicators

<u>Third Quarter 2006</u>

- Net profit after tax of €27.5 million for the third quarter 2006, increased by 68% from €16.4 million for the third quarter 2005
- Earnings per ordinary share of €0.60, or €0.58 per diluted share, for the third quarter 2006 compared to €0.68 per ordinary share, or €0.65 per diluted share, for the third quarter 2005
- Funds from operations ("FFO", see Key Financial Information) increased by 125% to €20.9 million for the third quarter 2006 from €9.3 million for the third quarter 2005
- FFO of €0.46 per ordinary share, or €0.44 per diluted share for the third quarter 2006 compared to FFO of €0.38 per ordinary share, or €0.37 per diluted share for the third quarter 2005
- FFO return on average invested capital* was 10.3% for the third quarter 2006

<u>Nine Months Ended 2006</u>

- Net profit after tax of €134.1 million for the first nine months of 2006, increased from €29.6 million for the first nine months of 2005, an increase of 354%
- Earnings per ordinary share of €3.12, or €3.00 per diluted share, for the first nine months of 2006 compared to €1.45 per share, or €1.39 per diluted share, for the first nine months of 2005
- Funds from operations ("FFO", see Key Financial Information) increased by 140% to €52.8 million for the first nine months of 2006 from €22.0 million for the first nine months of 2005
- FFO of €1.23 per ordinary share, or €1.18 per diluted share for the first nine months of 2006 compared to €1.08 per ordinary share or €1.04 per diluted share, for the first nine months of 2005
- FFO return on average invested capital* was 9.4% for the first nine months of 2006

* Invested capital represents capital and reserves less hedging reserves, fair value of interest rate swaps and net unrealised gains on available-for-sale securities, real estate fund units and investment properties (net of attributable deferred taxation).

Conference Call

Management will conduct a conference call today, 16 November 2006 to review the Company's financial results for the quarter ended 30 September 2006. The conference call is scheduled for 3:00 P.M. London time (10:00 A.M. New York time). All interested parties are welcome to participate on the live call. You can access the conference call by dialing +1-800-811-0667 (from within the U.S.) or +1-913-981-4901 (from outside of the U.S.) ten minutes prior to the scheduled start of the call; please reference "Eurocastle Third Quarter Earnings Call."

A webcast of the conference call will be available to the public on a listen-only basis at www.eurocastleinv.com. Please allow extra time prior to the call to visit the site and download the necessary software required to listen to the internet broadcast. A replay of the webcast will be available for three months following the call.

For those who are not available to listen to the live call, a replay will be available until 11:59 P.M. New York time on Thursday, November 23, 2006 by dialing +1-888-203-1112 (from within the U.S.) or +1-719-457-0820 (from outside of the U.S.); please reference access code "6104750."

Key Financial Information

FUNDS FROM OPERATIONS ("FFO") (Unaudited)

(in €'000, except per share data)	Nine Months Ended 30 Sept 2006	Nine Months Ended 30 Sept 2005	Three Months Ended 30 Sept 2006	Three Months Ended 30 Sept 2005
Reconciliation of FFO to net profit after taxation				
Net profit after taxation	**134,135**	29,567	**27,529**	16,352
(Inc)/Dec in fair value of investment properties	**(89,576)**	(445)	**(12,280)**	68
Decrease in fair value of interest rate swaps	**1,720**	-	**1,720**	-
(Inc)/Dec in fair value of real estate fund units	**4,914**	(7,122)	**2,563**	(7,122)
Deferred tax charge on investment properties	**1,630**	-	**1,370**	-
Funds from operations (FFO)	**52,823**	22,000	**20,902**	9,298
FFO per weighted average basic share	**1.23**	1.08	**0.46**	0.38
FFO per weighted average diluted share	**1.18**	1.04	**0.44**	0.37

FFO is an appropriate measure of the underlying operating performance of real estate companies because it provides investors with information regarding our ability to service debt and make capital expenditures. Furthermore, FFO is used to compute incentive compensation to the manager. FFO, as defined by Eurocastle, represents net profit after taxation (computed in accordance with IFRS), excluding changes in the fair value of investment properties net of attributable deferred taxation, changes in the fair value of interest rate swaps that are taken to the income statement and mark-to-market fluctuations in real estate fund units. The Group considers gains and losses on resolution of its investments to be a normal part of its recurring operations and therefore does not exclude such gains and losses when arriving at FFO. FFO does not represent cash generated from operating activities in accordance with IFRS and therefore should not be considered an alternative to cash flow as a measure of liquidity, and is not necessarily indicative of cash available to fund cash needs. Eurocastle's calculation of FFO may be different from the calculation used by other companies and, therefore, comparability may be limited.

INCOME STATEMENT DATA (Unaudited)

(in €'000, except per share data)	Nine Months Ended 30 Sept 2006	Nine Months Ended 30 Sept 2005	Three Months Ended 30 Sept 2006	Three Months Ended 30 Sept 2005
Interest income	**67,561**	47,408	**23,163**	16,970
Rental income	**103,219**	19,063	**40,111**	6,408
Real estate fund unit interest income	**14,559**	3,607	**4,964**	3,607
Increase in fair value of investment properties and real estate fund units	**84,662**	7,567	**9,717**	7,054
Interest expense	**(102,389)**	(40,371)	**(38,536)**	(14,876)
Other income/(expenses)	**(31,564)**	(6,830)	**(10,426)**	(2,221)
Net profit before taxes	**136,048**	30,444	**28,993**	16,942
Net profit after taxation	**134,135**	29,567	**27,529**	16,352
Earnings per weighted average basic share	**3.12**	1.45	**0.60**	0.68
Earnings per weighted average diluted share	**3.00**	1.39	**0.58**	0.65

BALANCE SHEET DATA

(in €'000, except per share data)	Unaudited As of 30 September 2006	As of 31 December 2005
Cash and cash equivalents	**119,379**	13,640
Restricted cash and short term investments	**45,134**	-
Asset backed securities (includes cash to be invested and securities pledged under repurchase agreements)	**1,534,741**	1,452,547
Real estate loans	**260,129**	92,649
Real estate fund units	**148,412**	189,591
Investment property	**2,738,450**	463,540
Total assets	**4,914,562**	2,273,980
Debt obligations	**3,841,411**	1,916,189
Shareholders' equity	**931,683**	298,866
Book value per ordinary share	**20.40**	12.34

	Quarter Ended 30 Sept 2006	Quarter Ended 30 Sept 2005	Nine Months Ended 30 Sept 2006	Nine Months Ended 30 June 2005
Weighted Average Ordinary Shares Outstanding				
Basic	**45,681,245**	24,209,670	**43,012,864**	20,443,707
Diluted	**47,387,789**	25,046,485	**44,695,704**	21,206,023
Ordinary Shares Outstanding	**45,681,245**	24,209,670	**45,681,245**	24,209,670

Third Quarter 2006 Dividend

Eurocastle aims to pay out substantially all of its funds from operations in the form of quarterly dividends to shareholders. The Board of Directors has declared a quarterly cash dividend of €0.43 per share for the quarter ended 30 September 2006. The €0.43 per share dividend is payable on 1 December 2006 to holders on record of Eurocastle's shares on 16 November 2006.

Portfolio Review

The first nine months of 2006 have been very successful for Eurocastle. The dedicated management team in Germany continued to make good progress in leasing up the Deutsche Bank portfolio and increased the occupancy from 74.6% at year end 2005 to 78.7% as of 30 September 2006. In a short period of time, Eurocastle has successfully integrated the portfolio acquired from Dresdner Bank and has already increased the occupancy from 80.7% at acquisition to 82.6% at 30 September 2006.

Eurocastle's dedicated real estate acquisition team is currently evaluating over €4 billion in acquisitions, in addition to the real estate which it has already committed to acquire this year. Eurocastle believes it is likely that it will commit to acquire at least 50% of this pipeline. If successful, this would bring the total 2006 commitments and acquisitions to approximately €3 billion versus Eurocastle's 2006 target of €1 billion. The Company continues to see strong deal flow in Germany and believes that the German property market will continue to provide further attractive investment opportunities.

Real Estate Investment Portfolio

As of 30 September 2006, Eurocastle owned an approximate €2.9 billion portfolio of real estate investments, comprising investment properties of €2.7 billion (including unrealised fair value gains of €89.6 million for the first nine months of 2006) and real estate fund units of €148.4 million (including unrealised fair value losses of €4.9 million for the first nine months of 2006). Real estate investments accounted for 82% of Eurocastle's total equity.

Overview Real Estate Investment Portfolio

(in €'000, except for percentages)	**Unaudited As of 30 September 2006**	**Unaudited As of 30 June 2006**	**As of 31 December 2005**
Investment properties at fair value			
Drive*	**2,067,068**	2,068,040	-
Wave*	**332,579**	323,943	322,352
Retail*	**338,803**	256,495	141,188
Real estate fund units	**148,412**	187,274	189,591
Total investment in real estate investments	**2,886,862**	2,835,752	653,131
Weighted average asset yield	**5.85%**	5.86%	7.69%
Weighted average liability cost	**4.38%**	4.35%	4.84%
Weighted average net spread	**1.47%**	1.51%	2.85%

*Investment property portfolios defined on page 18

Investment Properties

Drive Portfolio

The Drive portfolio is Eurocastle's €2.1 billion German property portfolio purchased from Dresdner Bank, via the acquisition of Dresdner Grund-Fonds. The portfolio is composed of 303 German commercial real estate properties or approximately 840,000 square meters of lettable space. Dresdner Bank represents approximately 80% of rental income and the average lease is approximately 7.3 years with an average occupancy of 82.6%, up from 80.7% at the time of acquisition.

Eurocastle maintains close relationships with its tenants and has been successful in renewing leases with Dresdner Bank on approximately 77% of 22,886 square meters due to expire at the end of 2006.

Wave Portfolio

The Wave portfolio consists of 96 properties or approximately 295,000 square meters primarily of office space. Deutsche Bank represents approximately 69% of rental income and the average lease is approximately 4.8 years with occupancy of 78.7% at quarter end, up from 74.6% at 31 December 2005.

Retail Portfolio

The Company continued to add to its retail portfolio and acquired 18 properties for its fourth retail portfolio ("Turret") at an all-in purchase price of €75 million during the quarter. As of 30 September 2006, Eurocastle owned 121 recently developed German retail properties located throughout Germany. The properties were purchased for an aggregate purchase price of €330 million representing approximately 253,000 square meters of lettable space. The space is leased to leading German retailers with occupancy of 99.8% and an average lease term of approximately 9.3 years.

Acquisitions

During the first nine months of 2006, Eurocastle substantially increased its real estate portfolio to €2.9 billion.

On 1 September 2006, Eurocastle entered into a purchase agreement with DB Real Estate Investment GmbH to acquire a portfolio of 6 office properties for an all-in purchase price of approximately €503 million. The properties are located in Berlin, Frankfurt, Dusseldorf, Wiesbaden, Eschborn and Sulzbach. The purchase price reflects an unleveraged initial yield on in-place cash flow of approximately 5.6%. This transaction is expected to complete in the 4th quarter 2006 and will be accounted for in the year-end 2006 financial statements. The properties have an average age of less than 10 years and approximately 190,600 square meters. The portfolio has stable cash flows with an average lease term of 7 years and over 80% of annual revenue contributed by major corporate tenants. An initial occupancy rate of approximately 93% gives an opportunity for future income growth. The main tenants are businesses operating in the automotive, telecommunications, transport, chemicals and IT sectors and include Deutsche Bahn, Arcor AG & Co. KG, CSC Ploenkzke AG, Clariant GmbH and Daimler Chrysler AG. The acquisition fits our property investment strategy of acquiring high quality commercial real estate let to credit tenants with an opportunity for significant value creation through active management.

Since the quarter end, five of the six properties have funded for a total all-in purchase price of €410 million. The last property is expected to fund prior to the year end.

Eurocastle funded €68 million in the first half of the year to complete the acquisition of its third retail property portfolio which began in December 2005. The aggregate purchase price of the portfolio was €107 million, yielding approximately 7%. In addition, during the nine month period to 30 September 2006, Eurocastle acquired 39 retail properties for the Turret portfolio for an all-in purchase price of €124 million, out of a committed total of approximately €200 million. Since the quarter end, a further 6 properties have been funded for a total purchase price of €22.8 million.

In February 2006, the Company completed the acquisition of a €2 billion German property portfolio from Dresdner Bank via the acquisition of Dresdner Grund-Fonds.

<u>*Real Estate Fund Units*</u>

As of 30 September 2006, Eurocastle had a total interest of €148 million (including cumulative unrealised fair value gains of €3.2 million since acquisition) in a real estate investment fund that owns a portfolio of approximately 400 Italian properties. The properties are let to Italian government agencies. The original term of the Lease Agreement is 9 years (7.2 years remaining), with an extension option for a further 9 years. The properties are 100% occupied. During the third quarter, Eurocastle reduced its investment in the real estate fund by 20% (300 Units) and realized a net gain of €2.2 million.

Debt Investment Portfolio

Overview of Real Estate and Other ABS Securities and Real Estate Loans

	Unaudited As of 30 September 2006	Unaudited As of 30 June 2006	As of 31 December 2005
Total debt investments (excluding restricted cash) (in €'000)	**1,769,854**	1,560,918	1,537,945
Weighted average asset margin (above Euribor)	**1.89%***	1.87%*	1.88%*
Weighted average liability spread	**0.53%***	0.54%*	0.53%*
Weighted average net spread	**1.36%***	1.33%	1.35%*
Weighted average credit rating	**BBB-**	BBB	BBB+
Percentage investment grade of debt investment portfolio	**73%**	81%	87%
Number of securities and loans	**151**	136	127

* Includes assets and liabilities referenced under total return swaps

Portfolio

As of 30 September 2006, Eurocastle's total debt investment portfolio of approximately €1.8 billion represented 18% of the Company's total equity. The debt portfolio included €743 million of CMBS, €766 million of other asset backed securities (including €356 million of RMBS) and €260 million of loans. The debt investment portfolio is well diversified with 151 securities and loans and an average life of approximately 4.46 years; approximately 97% of the portfolio comprises floating-rate securities. The portfolio is geographically diversified with direct exposures of 46% in the UK, 15% in Italy, 20% in Germany, 6% Pan European and 4% in France. The average credit quality of the debt investment portfolio is BBB- and approximately 73% of the investments are rated investment grade. The portfolio's weighted average credit spread was approximately 1.89% as of 30 September 2006.

Eurocastle's debt investment portfolio has continued to perform well. As of 30 September 2006, none of the Company's securities or loans had defaulted, and there have been no principal losses to date. Within Eurocastle's debt investment portfolio, the company continues to seek investments that will generate superior risk-adjusted returns with a long-term objective of capital preservation and earnings stability in varying interest rate and credit cycles.

Acquisitions

In the first nine months of 2006, Eurocastle purchased approximately €516.6 million of real estate related securities and loans. The securities and loans purchased have an average credit rating of BB and a net credit spread of 2.17%.

After allowing for sales of securities and principal redemptions, the net increase in face amount of real estate related securities and real estate related loans during the first nine months was €235.4 million, increasing the net face amount of real estate related securities and real estate related loans to €1,769.2 million at 30 September 2006 with an average credit rating of BBB-.

Financing

Debt Financing

In February, Eurocastle entered into €1.525 billion 7-year fixed interest term loans to finance the Dresdner Bank portfolio acquisition at an all-in cost of 4.18%.

The third retail portfolio (Truss) was financed with an €85.3 million 10-year fixed rate term facility at an all-in finance cost of 4.86%. The Company raised additional financing to fund the fourth retail portfolio (Turret), utilised €91.9 million of a €150 million 10-year fixed rate term facility at an all-in financing cost of 4.93%. The Turret portfolio is expected to have an aggregate purchase price of approximately €200 million when fully funded.

The Bridge portfolio acquisition will be financed with a 7 year fixed interest term loan facility of €372.1 million at an all-in financing cost of 4.78%.

Eurocastle continues to finance its real estate investment portfolio with fixed rate term loans, which has substantially eliminated exposure to increased interest rates. This is consistent with our objective of locking in the spread between the yield on our investments and the cost of financing those investments.

Forward-Looking Statements

This release contains statements that constitute forward-looking statements. Such forward-looking statements relate to, among other things, future commitments to acquire real estate and achievement of acquisition targets, availability of attractive investment opportunities, methods of funding portfolios, timing of completion of acquisitions, 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”, “endeavour”, “seek”, “anticipate”, “estimate”, “overestimate”, “underestimate”, “believe”, “could”, “project”, “predict”, “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. Our ability to predict results or the actual effect of future plans or strategies is limited. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our 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 our actual results in future periods to differ materially from forecasted results or stated expectations, including the risk that Eurocastle will be unable to reach agreement or suitable terms with respect to any significant portion of the real estate acquisition opportunities currently being evaluated.

REPORT ON REVIEW OF INTERIM FINANICAL INFORMATION

Introduction

We have reviewed the accompanying consolidated balance sheet of Eurocastle Investment Limited and its subsidiaries, as of 30 September 2006 and the related consolidated income statement, statement of changes in equity and statement of cash flows for the nine-month period then ended, and summary of significant accounting policies and other explanatory notes (as set out on pages 15 to 49). Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standards ("IFRS"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards ("IFRS").

Ernst and Young LLP
London
15th November 2006

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Nine Months Ended 30 September 2006 €'000	Unaudited Nine Months Ended 30 September 2005 €'000	Unaudited Three Months Ended 30 September 2006 €'000	Unaudited Three Months Ended 30 September 2005 €'000
Operating Income					
Interest income	3	67,561	47,408	23,163	16,970
Rental income	4	103,219	19,063	40,111	6,408
Service Charge Income	5	17,353	2,915	6,667	275
Real estate fund unit interest income		14,559	3,607	4,964	3,607
Realised gain on disposal of available-for-sale securities		289	2,233	-	380
Realised gain on disposal of investment properties		-	731	-	731
Net realised gain on disposal of real estate fund units		2,163	-	2,163	-
Increase/(Decrease) in fair value of investment properties		89,576	445	12,280	(68)
(Decrease)/Increase in fair value of real estate fund unit		(4,914)	7,122	(2,563)	7,122
(Decrease) in fair value of interest rate swaps		(1,720)	-	(1,720)	-
(Decrease)/Increase in fair value of total return swap		(148)	428	(45)	428
Total operating income		287,938	83,952	85,020	35,853
Operating Expenses					
Interest expense	6	102,389	40,371	38,536	14,876
Losses/(Gains) on foreign currency contracts/currency translation		685	1,473	(282)	314
Service charge expenses	5	24,441	3,911	9,442	333
Property operating expenses		5,386	1,124	1,265	859
Other operating expenses	7	18,989	6,629	7,066	2,529
Total operating expenses		**151,890**	53,508	**56,027**	18,911
Operating Profit before Taxation		**136,048**	30,444	**28,993**	16,942
Taxation expense - current	8	283	877	94	590
Taxation expense - deferred	8	1,630	-	1,370	-
Net Profit after Taxation		**134,135**	29,567	**27,529**	16,352
Earnings Per Ordinary Share					
Basic	20	3.12	1.45	0.60	0.68
Diluted	20	3.00	1.39	0.58	0.65
Weighted Average Ordinary Shares Outstanding					
Basic	20	43,012,864	20,443,707	45,681,245	24,209,670
Diluted	20	44,695,704	21,206,023	47,387,789	25,046,485

See notes to the consolidated financial statements

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 September 2006 €'000	31 December 2005 €'000
Assets			
Cash and cash equivalents		119,379	13,640
Restricted cash	9	45,134	-
Asset backed securities, available-for-sale (includes cash to be invested)	10	1,490,241	1,342,638
Asset backed securities pledged under repurchase agreements	10	44,500	109,909
Real estate related loans	11	260,129	92,649
Real estate fund units	13	148,412	189,591
Investment property	14	2,738,450	463,540
Intangible assets	15	1,077	542
Other assets	12	67,240	61,471
Total assets		**4,914,562**	**2,273,980**
Equity and Liabilities			
Capital and Reserves			
Issued capital, no par value, unlimited number of shares authorised, 45,681,245 shares issued and outstanding at 30 September 2006	21	804,269	286,801
Net unrealised gain on available-for-sale securities	9,10	1,016	4,703
Hedging reserve	22	6,796	(12,100)
Accumulated profit		111,665	18,442
Other reserves	21	7,937	1,020
Total equity		**931,683**	**298,866**
Minority Interests		2	2
Liabilities			
CDO bonds payable	16	1,208,065	977,485
Bank borrowings	17	2,591,071	835,162
Repurchase agreements	18	42,275	103,542
Current taxation payable	8	614	168
Deferred taxation payable	8	3,577	2,110
Trade and other payables	19	137,275	56,645
Total liabilities		**3,982,877**	**1,975,112**
Total equity and liabilities		**4,914,562**	**2,273,980**

See notes to the consolidated financial statements

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Nine Months Ended 30 September 2006 €'000	Unaudited Nine Months Ended 30 September 2005 €'000
Cash Flows From Operating Activities		
Net profit before taxation	136,048	30,444
Adjustments for:		
Gain on disposal of investment properties		(731)
Unrealised gain/(loss) on foreign currency contracts	685	(106)
Accretion of discounts on securities	(117)	(3,561)
Amortisation of borrowing costs	2,781	(382)
Realised gain on disposal of real estate fund units	(2,163)	-
Realised gain on disposal of available-for-sale securities	(289)	(2,233)
Shares granted to directors	172	108
Amortisation of intangible assets	92	-
Revaluation (gain)/loss of real estate fund units	4,914	(7,122)
Revaluation (gain) of investment properties	(89,576)	(445)
Revaluation loss of total return swap	148	-
Revaluation loss on interest rate swap	1,720	-
Net change in operating assets and liabilities:		
(Increase)/decrease in restricted cash	(45,134)	933
Decrease/(increase) in other assets	494	(15,966)
Increase in trade and other payables	85,110	51,525
Net cash flows from operating activities	**94,885**	52,464
Cash Flows From Investing Activities		
Purchase of investment property	(2,185,334)	(79,542)
Net movement of available-for-sale securities	(155,609)	(264,753)
Net movement of securities pledged under repurchase Agreements	65,409	-
Net movement of real estate related loans	(167,480)	-
Redemption/(additions) of real estate fund units	38,428	(174,870)
Proceeds from disposal of investment property	-	1,190
Purchase of intangible assets	(627)	-
Net cash flows used in investing activities	**(2,405,213)**	(517,975)
Cash Flows From Financing Activities		
Proceeds of issuance of ordinary shares	535,401	99,015
Costs related to issuance of ordinary shares	(11,188)	(3,998)
Proceeds from issuance of bonds	235,458	520,083
Costs related to issuance of bonds	(1,539)	(4,523)
Borrowings under repurchase agreements	(61,267)	(112,821)
Repayments under warehouse borrowing facility	-	(350,843)
Net movement of bank borrowings	1,760,114	344,457
Dividends paid to shareholders	(40,912)	(18,652)
Net Cash Flows from Financing Activities	**2,416,067**	472,718
Net Increase in Cash and Cash Equivalents	**105,739**	7,207
Cash and Cash Equivalents, Beginning of Period	**13,640**	10,293
Cash and Cash Equivalents, End of Period	**119,379**	17,500

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary Shares (Adjusted for Share Consolidation)	Share Capital €'000	Other Reserves €'000	Net Unrealised Gains/ (Losses) €'000	Hedging Reserves €'000	Accumulated Profit (Loss) €'000	Total Equity €'000
At 1 January 2005	18,463,670	192,309	400	6,604	713	6,394	206,420
Net unrealised gain on available-for-sale securities	-	-	-	2,247	-	-	2,247
Issuance of shares – June 2005	5,740,000	99,015	-	-	-	-	99,015
Costs related to issue of shares – June 2005	-	(3,998)	-	-	-	-	(3,998)
Issuance of ordinary shares to directors	6,000	108	-	-	-	-	108
Realised gains reclassified to the income statement	-	-	-	2	-	-	2
Realised losses recycled to the income statement	-	-	-	(1,783)	-	-	(1,783)
Net unrealised loss on hedge instruments	-	-	-	-	(6,689)	-	(6,689)
Costs related to issue of options on follow on share issue	-	(620)	620	-	-	-	-
Net gains/(losses) not recognised in the income statement	-	-	1,020	7,070	(5,976)	-	2,114
Net profit for the six months	-	-	-	-	-	29,567	29,567
Total Movement for the Period	-	-	-	466	(6,689)	29,567	23,344
Dividends paid	-	-	-	-	-	(18,652)	(18,652)
At 30 September 2005 (Unaudited)	24,209,670	286,814	1,020	7,070	(5,976)	17,309	306,237

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)

	Ordinary Shares (Adjusted for Share Consolidation)	Share Capital €'000	Other Reserves €'000	Net Unrealised Gains/ (Losses) €'000	Hedging Reserves €'000	Accumulated Profit (Loss) €'000	Total Equity €'000
At 1 October 2005	**24,209,670**	**286,814**	**1,020**	**7,070**	**(5,976)**	**17,309**	**306,237**
Net unrealised (loss) on available-for-sale securities	-	-	-	(2,036)	-	-	(2,036)
Costs related to issue of shares – June 2005	-	(13)	-	-	-	-	(13)
Realised losses reclassified to the income statement	-	-	-	(331)	-	-	(331)
Net unrealised loss on hedge instruments	-	-	-	-	(6,124)	-	(6,124)
Net Gains/(Losses) Not Recognised in the Income Statement	-	-	1,020	4,703	(12,100)	-	(6,377)
Net profit for the period	-	-	-	-	-	10,091	10,091
Total Movement for the Quarter	-	-	-	(2,367)	(6,124)	10,091	1,600
Dividends paid	-	-	-	-	-	(8,958)	(8,958)
At 31 December 2005	24,209,670	286,801	1,020	4,703	(12,100)	18,442	298,866

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)

	Ordinary Shares (Adjusted for Share Consolidation)	Share Capital €'000	Other Reserves €'000	Net Unrealised Gains/ (Losses) €'000	Hedging Reserves €'000	Accumulated Profit (Loss) €'000	Total Equity €'000
At 1 January 2006	24,209,670	286,801	1,020	4,703	(12,100)	18,442	298,866
Net unrealised loss on available-for-sale securities	-	-	-	(3,716)	-	-	(3,716)
Issuance of shares – January 2006	21,394,429	534,690	-	-	-	-	534,690
Costs related to issue of shares – January 2006	-	(11,188)	-	-	-	-	(11,188)
Issuance of ordinary shares to directors	6,000	172	-	-	-	-	172
Share options exercised – June 2006	71,146	711	-	-	-	-	711
Realised losses recycled to the income statement	-	-	-	29	-	-	29
Net unrealised gain on hedge instruments	-	-	-	-	18,305	-	18,305
Recycling of fair value of novated swaps to profit and loss account	-	-	-	-	591	-	591
Cost related to issue of options on follow on share issue	-	(6,917)	6,917	-	-	-	-
Net Gains Not Recognised in the Income Statement	-	-	7,937	1,016	6,796	-	15,749
Net profit for the nine months	-	-	-	-	-	134,135	134,135
Total Movement for the Period	-	-	6,917	(3,687)	18,896	134,135	156,261
Dividends paid	-	-	-	-	-	(40,912)	(40,912)
At 30 September 2006 (Unaudited)	**45,681,245**	**804,269**	**7,937**	**1,016**	**6,796**	**111,665**	**931,683**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BACKGROUND

Eurocastle Investment Limited (the "Company") was incorporated in Guernsey, Channel Islands on 8 August 2003 and commenced its operations on 21 October 2003. Eurocastle Investment Limited is a Euro denominated Guernsey closed-end investment company listed on Euronext Amsterdam (formerly listed on the London Stock Exchange). The activities of the Company include the investing in, financing and managing of European real estate assets and European real estate related debt.

The Company is externally managed by its manager, Fortress Investment Group LLC (the "Manager"). The Company 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. The Company has no direct employees. 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 property/asset management and finance services), as described in the Management Agreement. The Company has no ownership interest in the Manager.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are prepared in accordance with IAS 34 "Interim Financial Statements." The interim financial statements have been prepared under the same accounting principles and methods of computation as in the financial statements as at 31 December 2005 and for the year then ended. The consolidated financial statements are presented in euros, the functional currency of the Group, because the Group conducts its business predominantly in euros.

Basis of Preparation

The consolidated financial statements are prepared on a fair value basis for derivative financial instruments, investment property, financial assets and liabilities held for trading, and available-for-sale assets. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised or historical cost.

The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on the company's management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Where such judgements are made they are indicated within the accounting policies below.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Eurocastle Investment Limited and its subsidiaries for the nine months ended 30 September 2006. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred from the Group.

At 30 September 2006, the Group's subsidiaries consisted of a number of subsidiaries in Ireland, Luxembourg and Germany.

Eurocastle Funding Limited ("EFL"), Eurocastle CDO I PLC ("CDO I"), Eurocastle CDO II PLC ("CDO II"), Eurocastle CDO III PLC ("CDO III") and Eurocastle CDO IV PLC ("CDO IV") are all limited companies incorporated in Ireland. The ordinary share capital of these vehicles is held by outside parties and the Company has no voting rights. In accordance with the Standing Interpretations Committee Interpretation 12 Consolidation – Special Purpose Entities, the Group consolidates EFL, CDO I, CDO II, CDO III, CDO IV as it retains control over these entities and retains the residual risks of ownership of these entities.

Eurocastle owns either directly or indirectly a 100% equity interest in a number of significant operating subsidiaries in Luxembourg, Germany and Ireland, as disclosed in Note 27, which are consolidated into these financial statements

Eurocastle's investment in real estate fund units are held by Finial Sàrl ("FIP"), a Luxembourg limited company, which is 100% owned by Luxgate Sàrl.

Eurocastle owns 100% of Luxgate Sàrl.

Financial Instruments

Classification

Financial assets and liabilities measured at fair value through the profit and loss account are principally those instruments that the Group holds for the purpose of short-term profit taking. These include total return swaps, real estate fund units, interest rate swaps and forward foreign exchange contracts that are not designated as effective hedging instruments.

Available-for-sale assets and restricted short term investments are financial assets that are not classified as instruments held at fair value through the profit & loss account, loans and advances, or held to maturity. Available-for-sale instruments include real estate and other asset backed securities.

Recognition

The Group recognises financial assets that are classified as held at fair value through the profit & loss account and available-for-sale assets on the date it commits to purchase the assets (trade date). From this date any gains and losses arising from changes in the fair value of the assets are recognised.

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

Measurement

Financial instruments are measured initially at fair value plus, in the case of a financial asset or liability not measured at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent to initial recognition all instruments that are classified as held at fair value through the profit and loss account and available for sale assets are carried at fair value.

All financial assets other than trading instruments and available-for-sale assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is calculated using pricing models or discounted cash flow techniques, as applicable.

Where discounted cash flow techniques are used, expected future cash flows are based on our manager's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange traded is calculated at the amount that the Group would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of instruments that are classified as held at fair value through the profit & loss account are recognised directly in the income statement. Gains and losses arising from a change in the fair value of available-for-sale securities are recognised directly in equity until the investment is derecognised (sold, collected, or otherwise disposed of) or impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the period.

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 Group 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 Group 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 the control of the asset.

Where the Group 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 Group'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 Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or 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 treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the calculated future cash flows of the financial asset or group of financial assets that can be reliably measured.

In the case of financial assets classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

Subsequent increases in the fair values of both debt instruments classified as available-for-sale and financial assets measured at amortised cost, which can be objectively related to an event occurring after previous impairment losses have been recognised in the income statement, are recorded in the income statement. Such reversals are then taken through the income statement only to the extent previous impairment losses have been taken through the income statement.

Hedge accounting

Where there is a hedging relationship between a derivative instrument and a related item being hedged, the hedging instrument is measured at fair value.

Where a derivative financial instrument hedges the exposure to variability in the cash flows of recognised assets or liabilities, the effective part of any gain or loss on re-measurement of the hedging instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised in the income statement.

The gains or losses that are recognised in equity are transferred to the income statement in the same period in which the hedged items affect the net profit and loss.

Repurchase Agreements

Securities and real estate loans subject to repurchase agreements are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The counterparty liabilities have been classified as repurchase agreements.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

Restricted Cash

Restricted cash comprises margin account balances held by derivative counterparties as collateral for forward foreign exchange contracts, as well as cash held by the trustees of CDO I, II and III securitisations as a reserve for future trustee expenses. In addition, restricted cash comprises cash held as part of the minimum liquidity requirement for the Dresdner Grund-Fonds. As such, these funds are not available for use by the Group.

Investment Properties

Investment properties comprise land and buildings. In accordance with IAS 40, property held to earn rentals and/or for capital appreciation is categorised as investment property.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Tenant improvements and leasing commissions incurred at the commencement of the lease are capitalised, and amortised on a straight-line basis over the life of the lease.

The value of investment property incorporates 31 properties which are considered finance leases or operating leases. As the Group has assumed substantially all the risks and rewards associated with these assets, these have been treated as investment property under IAS 17 and IAS 40 respectively. These properties have been recognised at fair value in the same manner as freehold property. An associated liability representing the present value of lease payments to the freehold owner has been included in Trade and Other Payables on the balance sheet.

Finance Leases

The determination of whether an arrangement is, or contains a finance lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement as they arise.

Real Estate Fund Units

Real estate fund units are recorded at fair value in the consolidated balance sheet, with any change in fair value recognised in the consolidated income statement. The interest income is recognised in the income statement as it accrues, taking into account the effective yield of the real estate fund units.

Intangible Assets

Software development costs are capitalised when they meet certain criteria relating to identifiability, it is probable that future economic benefits will flow to the enterprise, and the cost can be measured reliably. These software costs are recognised in profit and loss through amortisation of the capitalised software costs on a straight line basis over their expected useful life of 5 years.

Interest-Bearing Loans and Borrowings

All loans and borrowings, including the Group's repurchase agreements, are initially recognised at fair value, being the fair value of consideration received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Minority Interests

Minority interests represent interests held by outside parties in the Group's consolidated subsidiaries.

Revenue Recognition

The company considers revenue to comprise interest income and rental income as its principal business is investing in, financing and management of European real estate and other asset backed securities and other real estate related assets.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest income and expenses are recognised in the income statement as they accrue, taking into account the effective yield of the asset/liability or an applicable floating rate. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Rental income on freehold and finance lease investment property is recognised on an accruals basis. Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term. Incentives given to enter into lease agreements are spread evenly over the lease term as a reduction of rental expense, even if the payments are not made on such a basis.

Service Charges

Eurocastle acts as a principal bearing the risk of over/under charging of service costs to its tenants. The service income earned from the tenants and the service costs incurred are shown separately in the income statement.

Service Income

Service income represents service costs recoverable from tenants and is recognised on a straight line basis over the lease agreement.

Service Costs

Service costs represent service contracts entered into for the operation of the property, and are expensed on an accrual basis.

Property Expenses

Property expenses are expenses that are incurred on the property portfolio that are not able to be recovered from tenants. Property expenses are recognised on an accruals basis in the Income Statement.

Income Tax

The Company is a Guernsey, Channel Islands limited company and is not subject to taxation. The company's subsidiaries, EFL, CDO I, CDO II, CDO III and CDO IV are Irish registered companies and are structured to qualify as securitisation companies under section 110 of the Taxes Consolidation Act 1997. It is envisaged that these companies will generate minimal net income for Irish income tax purposes and no provision for income taxes has been made for these companies.

The Group's German subsidiary companies, Longwave and Shortwave, are subject to German income tax on income arising from their investment properties, after the deduction of allowable debt financing costs and other allowable expenses. The taxation accrual for the nine months ended 30 September 2006 relates to these subsidiaries.

The Group's subsidiaries Bastion, Belfry, Truss and Turret are also subject to German income tax on rental income net of interest and other expense deductions. No taxable income has been generated in these entities and therefore no tax accrual has been made for the period ended 30 September 2006.

The Group's investment in the underlying properties in relation to the Drive portfolio and the Real Estate Fund Units is by way of units in an open-ended real estate fund. No corporation tax is due on income generated from its investment in these units.

Certain Luxembourg subsidiaries are subject to Luxembourg tax on a small amount of net interest which is attributable to shareholder loans and other debt instruments used within each of the structures supporting the different investment property portfolios

Deferred Taxation

Deferred income tax is provided in full, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is recognised for all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Foreign Currency Translation

The functional and presentation currency of the Group and its subsidiaries 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 consolidated 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.

Share-Based Payments

Share-based payments are accounted for based on their fair value on grant date. The fair value is calculated by reference to an option pricing model. The fair value of the share options granted in relation to capital raises has been fully recognised (vested) on the date of grant as a cost relating to the issue of shares with a corresponding increase to other reserves.

Share options granted to directors are recognised in the profit & loss over the period that the services are received.

International Financial Reporting Standards to be adopted in 2007 and later

IAS 1 Amendment – Presentation of Financial Statements: Capital Disclosures and *IFRS 7 Financial Instruments: Disclosures*

Upon adoption of IAS 1 Amendments and IFRS 7, the Group will have to disclose additional information about its policies and processes for managing capital, as well as financial instruments, their significance and the nature and extent of risks that they give rise to. More specifically the Group will need to disclose the fair value of its financial instruments and its risk exposure in greater detail. There will be no effect on reported income or net assets.

3. INTEREST INCOME

Interest income for the three and nine months ended 30 September 2006 of €23.2 million and €67.6 million respectively (30 September 2005: €17.0 million and €47.4 million) is primarily interest income earned on the Asset backed securities available-for-sale and Asset backed securities pledged under repurchase agreements.

4. RENTAL INCOME

Rental income for the three and nine months ended 30 September 2006 of €40.1 million and €103.2 million respectively (30 September 2005: €6.4 million and €19.1 million) represents rental income earned on investment properties.

5. SERVICE INCOME AND COSTS

Service Income for the three and nine months ended 30 September 2006 of €6.7 million and €17.4 million respectively (30 September 2005: €0.3 million and €2.9 million) represents the service costs recoverable from tenants.

Service Costs for the three and nine months ended 30 September 2006 of €9.4 million and €24.4 million respectively (30 September 2005: €0.3 million and €3.9 million) represents the costs relating to the service contracts entered into for the operation of the properties

6. INTEREST EXPENSES

Interest expense for the three and nine months ended 30 September 2006 of €38.5 million and €102.4 million respectively (30 September 2005: €14.9 million and €40.4 million) comprises interest expense incurred on the CDO bonds payable, bank borrowings and repurchase agreements.

7. OTHER OPERATING EXPENSES

	Nine Months to 30 September 2006 €'000	Nine Months to 30 September 2005 €'000	Three Months to 30 September 2006 €'000	Three Months to 30 September 2005 €'000
Professional fees	4,343	1,149	1,251	353
Management fees	8,465	2,537	3,047	1,088
Incentive fees	2,235	2,463	1,451	1,008
Amortisation	92	-	31	-
Other	3,854	480	1,286	80
	18,989	6,629	**7,066**	2,529

8. TAXATION EXPENSE

	Nine months to 30 September 2006 €'000	Nine months to 30 September 2005 €'000	Three Months to 30 September 2006 €'000	Three Months to 30 September 2005 €'000
Current tax				
Germany	9	877	9	590
Luxembourg	274	-	85	-
Total	**283**	**877**	**94**	**590**
Deferred tax				
Germany	1,630	-	1,370	-
Total Deferred Tax	**1,630**	**-**	**1,370**	**-**
Total Tax Charge	**1,913**	**877**	**1,464**	**590**

Reconciliation of the total tax charge

The tax expense in the Income Statement for the year is higher than the standard rate of corporation tax in Guernsey of 0%. The difference is reconciled below:

	Nine Months Ended 30 September 2006 €'000	Nine Months Ended 30 September 2005 €'000	Three Months Ended 30 September 2006 €'000	Three Months Ended 30 September 2005 €'000
Profit on ordinary activities before taxation	136,048	30,444	28,993	16,942
Profit on ordinary activities based on Guernsey tax of 0%	-	-	-	-
Overseas taxation	1,913	877	1,464	590
Total Tax Charge Reported in the Income Statement	**1,913**	**877**	**1,464**	**590**

Analysis of Deferred Tax

	Nine months Ended 30 September 2006 €'000	Nine months Ended 30 September 2005 €'000	Three Months Ended 30 September 2006 €'000	Three Months Ended 30 September 2005 €'000
Tax losses carried forward	(1,591)	-	(1,386)	-
Short term timing differences				
Loan expense	97	-	126	-
Long term timing differences				
Accelerated capital allowance	2,134	-	1,646	-
Revaluation of investment properties	893	-	893	-
Other	97	-	91	-
Deferred Tax Expense	**1,630**	**-**	**1,370**	**-**

Movement in Taxation Payable

	30 September 2006 €'000	31 December 2005 €'000
Opening tax payable	2,278	-
Tax expense for the period	1,913	2,278
Closing taxation payable	**4,191**	**2,278**
Split between		
Current Tax	614	168
Deferred Tax	3,577	2,110
Closing taxation payable	**4,191**	**2,278**

The taxation expense for the 9 months ended 30 September 2006 relates to the Group's Luxembourg and German subsidiary companies as described in Note 2. The German tax charge is based on German tax on income arising from its investment properties, after the deduction of allowable debt financing costs and other allowable expenses. The Luxembourg tax charge is based on Luxembourg tax on a small amount of net interest which is attributable to shareholder loans and other debt instruments used within each of the structures supporting the different investment property portfolios.

9. RESTRICTED SHORT TERM INVESTMENTS OR CASH

There is a minimum liquidity requirement of 5% of the value of Dresdner Grund-Fonds, the subsidiary through which the Drive portfolio is held, in accordance with German Investment Companies Act requirements. At 30 September 2006, the liquidity requirement was held as a short term deposit. Subsequent to 30 September 2006, the liquidity requirement of 5% has been invested in high grade debt securities of short duration.

10. AVAILABLE-FOR-SALE SECURITIES

The following is a summary of the Group's available-for-sale securities at 30 September 2006.

			Gross Unrealised			Weighted Average			
	Current Face Amount	**Amortised Cost Basis**	**Gains**	**Losses**	**Carrying Value**	**Rating***	**Coupon**	**Margin**	**Maturity (Years)**
	€'000	€'000	€'000	€'000	€'000				
Portfolio I									
CMBS	154,335	154,318	827	(54)	155,091	BBB	4.77%	1.54%	4.06
Other ABS	244,246	244,780	1,469	(456)	245,793	BBB	5.21%	1.88%	3.95
	398,581	399,098	2,296	(510)	400,884	BBB	5.04%	1.75%	3.99
Portfolio II									
CMBS	234,831	234,926	270	(266)	234,930	BBB	4.54%	1.35%	5.13
Other ABS	196,505	196,909	354	(462)	196,801	BBB	4.57%	1.34%	4.51
	431,336	431,835	624	(728)	431,731	BBB	4.55%	1.35%	4.85
Portfolio III									
CMBS	237,273	237,414	525	(331)	237,608	BBB	5.20%	1.95%	5.46
Other ABS	228,003	228,162	660	(197)	228,625	BBB	4.78%	1.45%	3.72
	465,276	465,576	1,185	(528)	466,233	BBB	4.99%	1.70%	4.60
Portfolio IV									
CMBS	116,807	115,668	728	(1,243)	115,153	BBB+	4.81%	2.10%	5.05
Other ABS	52,058	52,032	22	(830)	51,224	BBB	4.59%	1.41%	5.30
	168,865	167,700	750	(2,073)	166,377	BBB+	4.74%	1.89%	5.13
Total Portfolio	**1,464,058**	**1,464,209**	**4,855**	**(3,839)**	**1,465,225**	**BBB**	**4.85%**	**1.63%**	**4.57**
Other Securities									
Other ABS	44,500	44,500	-	-	44,500	AAA	4.14%	0.90%	0.98
	44,500	**44,500**	**-**	**-**	**44,500**	**AAA**	**4.14%**	**0.90%**	**0.98**
	1,508,558	**1,508,709**	**4,855**	**(3,839)**	**1,509,725**	**BBB**	**4.83%**	**1.61%**	**4.46**
Restricted Cash – Cash to be Invested					**25,016**				
Total Asset Backed Securities (Including Cash to be Invested)					**1,534,741**				

* Ratings are based on the minimum public or private rating obtained from Fitch, Moody's or S&P ratings agencies

CMBS – Commercial Mortgage Backed Securities
Other ABS – Other Asset Backed Securities

The securities within Portfolio I, II and III are encumbered by CDO securitisations (Note 16).

The following is a summary of the Group's available-for-sale securities at 31 December 2005.

	Current Face Amount	Amortised Cost Basis	Gross Unrealised Gains	Gross Unrealised Losses	Carrying Value	Weighted Average S&P Rating	Weighted Average Coupon	Weighted Average Margin	Weighted Average Maturity (Years)
	€'000	€'000	€'000	€'000	€'000				
Portfolio I									
CMBS	152,096	151,956	1,592	(43)	153,505	BBB	4.13%	1.86%	3.16
Other ABS	248,300	248,813	2,258	(159)	250,912	BBB+	4.28%	1.95%	3.74
	400,396	400,769	3,850	(202)	404,417	BBB	4.23%	1.91%	3.52
Portfolio II									
CMBS	130,013	129,898	434	(527)	129,805	BBB	3.89%	1.67%	5.02
Other ABS	143,945	144,266	588	(350)	144,504	BBB	3.82%	1.40%	4.84
	273,958	274,164	1,022	(877)	274,309	BBB	3.85%	1.53%	4.93
Portfolio III									
CMBS	169,452	169,646	1,016	(254)	170,408	BBB-	4.26%	1.94%	4.81
Other ABS	211,768	212,038	628	(810)	211,856	BBB	3.87%	1.61%	3.56
	381,220	381,684	1,644	(1,064)	382,264	BBB	4.04%	1.75%	4.11
Portfolio IV									
CMBS	207,063	206,254	308	(139)	206,423	BBB+	4.00%	1.81%	5.30
Other ABS	67,952	68,025	137	(188)	67,974	A-	4.06%	1.82%	4.70
	275,015	274,279	445	(327)	274,397	BBB+	4.01%	1.81%	5.15
Total Portfolio	**1,330,589**	**1,330,896**	**6,961**	**(2,470)**	**1,335,387**	**BBB**	**4.05%**	**1.77%**	**4.32**
Other Securities									
CMBS	65,617	65,543	73	(207)	65,409	AA-	2.89%	0.58%	0.72
Other ABS	44,500	44,154	346	-	44,500	AAA	3.54%	0.90%	1.76
	110,117	**109,697**	**419**	**(207)**	**109,909**	**AA**	**3.15%**	**0.71%**	**1.14**
	1,440,706	**1,440,593**	**7,380**	**(2,677)**	**1,445,296**	**BBB+**	**3.98%**	**1.69%**	**4.07**
Restricted Cash – Cash to be Invested					**7,251**				
Total Asset Backed Securities (Including Cash to be Invested)					**1,452,547**				

Asset backed securities, available for sale at fair value of €44.5 million (31 December: €109.9 million) have been pledged to third parties in sale and repurchase agreements. In accordance with the revisions to IAS 39 Financial Instruments: Recognition and Measurement, effective 1 January 2005, these securities have been reclassified as pledged securities as follows:

	30 September 2006 €'000	31 December 2005 €'000
Asset backed securities, available for sale (includes cash to be invested)	1,490,241	1,342,638
Asset backed securities pledged under repurchase agreements	44,500	109,909
Total Asset Backed Securities	1,534,741	1,452,547

Cumulative net unrealised gains on available-for-sale securities recognised in the statement of changes in equity were as follows:

	30 September 2006 €'000	31 December 2005 €'000
Unrealised gains on available-for-sale securities	4,855	7,380
Unrealised losses on available-for-sale securities	(3,839)	(2,677)
Net unrealised gains on available-for-sale securities	**1,016**	**4,703**

11. REAL ESTATE LOANS

The following is a summary of the Group's real estate loans at 30 September 2006.

	Current Face Amount	Amortised Cost Basis	Gross Unrealised Gains	Gross Unrealised Losses	Carrying Value	Weighted Average Rating	Weighted Average Coupon	Weighted Average Margin	Weighted Average Maturity (Years)
	€'000	€'000	€'000	€'000	€'000				
Real estate loans	260,705	260,129	-	-	260,129	B**	6.30%	3.28%	4.77

** 29% of the Real Estate Loans portfolio have ratings based on the minimum public or private rating obtained from Fitch, Moody's or S&P ratings agencies. 71% of the Real Estate Loans have been assigned an internal credit rating in anticipation of a formal rating, which is currently being sought from S&P and Fitch

As at 31 December 2005:

	Current Face Amount	Amortised Cost Basis	Gross Unrealised Gains	Gross Unrealised Losses	Carrying Value	Weighted Average S&P Rating	Weighted Average Coupon	Weighted Average Margin	Weighted Average Maturity (Years)
	€'000	€'000	€'000	€'000	€'000				
Real estate loans	93,120	92,649	-	-	92,649	*	5.49%	3.48%	3.88

* Included in real estate loans are loans with a total current face amount of €47.0 million and with an average rating of BB from S&P

12. OTHER ASSETS

	30 September 2006 €'000	31 December 2005 €'000
Unsettled security transactions	322	26,178
Interest receivable	12,926	18,963
Rent receivable	3,446	4,222
Prepaid expenses	2,846	638
Derivative assets	6,725	11,470
Service charge receivable	30,921	-
Other accounts receivable*	10,054	-
	67,240	61,471

* Other assets includes €4.0 million of real estate fund unit income receivable

12.1 Total Return Swap

Included in the Derivative Assets is one total return swap, the fair value of which as at 30 September 2006 is €263,215 (31 December 2005 - €144,000) and the collateral deposit posted is €3.245 million (31 December 2005 - €10.6 million). This total return swap has been recorded as a Derivative Asset and is treated as a trading asset that is not designated as an Effective Hedging Instrument for accounting purposes and any gain or loss arising from the change in fair value of the asset is recognized through profit and loss.

In August 2005, a subsidiary entered into a total return swap with a major investment bank, whereby it receives the sum of all interest (at an average of Sterling LIBOR + 5.50%) and any positive change in value from a referenced term loan with an initial notional amount of £15 million, and pays interest (at Sterling Overnight Interbank Average - "SONIA") on the notional amount plus any negative change in value amounts from such loan. Under the contract, the subsidiary is required to post an initial collateral deposit equivalent to 36.7% of the notional amount and additional margin may be payable in the event of a decline in the value of the referenced term loan. In August 2006, the subsidiary sold 100% of its interest in this total return swap.

In December 2005, a subsidiary entered into a total return swap with a major investment bank, whereby it receives the sum of all interest (at EURIBOR + 4.00%) and any positive change in value from a referenced term loan with an initial notional amount of €25.85 million, and pays interest (at EURIBOR + 0.40%) on the notional amount plus any negative change in value amounts from such loan. In May 2006, the subsidiary increased its holdings in the existing total return swap by €6.6 million. Under the contract, the subsidiary is required to post an initial collateral deposit equivalent to 10.0% of the notional amount and additional margin may be payable in the event of a decline in the value of the referenced term loan.

13. REAL ESTATE FUND UNITS

Between July and October 2005, the Group purchased an interest in 1,500 Class A real estate fund units backed by a portfolio of 394 properties in Italy. The original term of the Lease Agreement is 9 years, automatically renewable for a further 9 years, unless terminated by the Agenzia del Demanio (a public entity established by the Italian Ministry of Finance), with 12 months prior notice. The properties have a total occupancy of 100%. On 12 September 2006, 300 real estate fund units were sold.

	30 September 2006 € '000	31 December 2005 €'000
At 1 January	189,591	-
Purchase of real estate fund units	-	181,493
Additional acquisition costs	34	-
Sale of 300 Units	(36,299)	
(Decrease) / increase in fair value	(4,914)	8,098
	148,412	189,591

14. INVESTMENT PROPERTIES

The table below shows the items aggregated under investment property in the consolidated balance sheet:

	Freehold Land & Buildings €'000	Leasehold Property €'000	30 September 2006 Total €'000	31 December 2005 Total €'000
Opening balance	448,060	15,480	463,540	318,514
Additions	2,088,353	96,981	2,185,334	143,524
Disposals	-	-	-	(459)
Increase in fair value	85,784	3,792	89,576	1,961
Total	**2,622,197**	**116,253**	**2,738,450**	463,540

The value of investment properties incorporates 31 properties which are held by the Company under finance or operating leases. An associated liability is recognised at an amount equal to the fair value of the leased property, or if lower, the present value of the minimum lease payments, determined at the inception of the lease.

Lease arrangements over the land on which the 31 investment properties are built have unexpired terms ranging from 8 years to 86 years.

A reconciliation of investment property valuations to the balance sheet carrying value of property is shown below:

	30 September 2006 €'000	31 December 2005 €'000
Investment property at market value as determined by external valuers	**2,712,689**	460,588
Add minimum payments under head leases separately included in trade and other payables on the balance sheet.	25,761	2,952
Balance sheet carrying value of investment property	2,738,450	463,540

Schedule of Minimum Lease Payments Under Finance and Operating Leases

	Total Value 30 September 2006 €'000	Present Value 30 September 2006 €'000	Total Value 31 December 2005 €'000	Present Value 31 December 2005 €'000
Under 1 year	1,369	1,293	239	227
From 2 to 5 years	5,712	4,683	1,013	778
More than 5 years	99,867	19,785	27,710	1,947
Total	**106,948**	**25,761**	**28,962**	**2,952**

Additional Information

The tables below provide additional information for the Wave and Drive portfolios and the Retail portfolio which includes the Bastion, Belfry, Truss and Turret portfolios.

Portfolio	Passing Rent* €'000	Net Rental Income €'000	Lettable Area Sq Metre	Vacancy %	Property Valuation €'000	Property Cost €'000	Net Rental Yield (Cost) %
Wave	25,691	21,898	294,721	21.3%	332,579	318,669	6.9%
Drive	111,802	101,173	841,682	17.4%	2,067,068	1,972,227	5.1%
Retail	25,915	24,295	253,129	0.2%	338,803	330,246	7.4%
Total	**163,408**	**147,366**	**1,389,532**		**2,738,450**	**2,621,142**	**5.6%**

Portfolio	Rent on Expiring Leases Yr 0-1 €'000	Rent on Expiring Leases Yr 2-3 €'000	Rent on Expiring Leases Yr 4-6 €'000	Rent on Expiring Leases Yr 7-10 €'000	Rent on Expiring Leases Yr 10+ €'000	Average Lease Length Years	Number of Properties
Wave	940	10,790	2,077	11,104	780	4.8	96
Drive	4,200	15,894	37,515	18,638	35,555	7.3	303
Retail	148	669	4,435	12,126	8,537	9.3	121
Total	**5,288**	**27,353**	**44,027**	**41,868**	**44,872**		**520**

* Passing rent is defined as the annual gross rental income at the period end, excluding the net effects of straightlining for lease incentives.

15. INTANGIBLE ASSET

Intangible Assets comprise software development costs with a book value as at 30 September 2006 of €1.1 million (31 December 2005: €0.54 million), after an amortisation charge of €0.09 million (31 December 2005: €0.01 million).

16. BONDS PAYABLE

CDO Bonds

As at 30 September 2006

	Class	Rating	Current Face Amount €'000	Carrying Amount €'000	Weighted Average Cost of Financing	Weighted Average Margin	Weighted Average Maturity (in years)
CDO I	A and B Notes	AAA/AA	351,000	348,573	3.94%	0.60%	5.6
CDO II	A, B and C Notes	AAA/AA/A	404,391	400,904	3.82%	0.44%	8.8
CDO III	A, B and C Notes	AAA/AA/A	462,500	458,588	3.80%	0.46%	8.8
Total			**1,217,891**	**1,208,065**	**3.85%**	**0.49%**	**7.9**

As at 31 December 2005

	Class	Rating	Current Face Amount €'000	Carrying Amount €'000	Weighted Average Cost of Financing	Weighted Average Margin	Weighted Average Maturity (in years)
CDO I	A and B Notes	AAA/AA	351,000	348,271	3.08%	0.60%	6.3
CDO II	A, B and C Notes	AAA/AA/A	265,362	262,783	3.02%	0.53%	9.5
CDO III	A, B and C Notes	AAA/AA/A	370,000	366,431	2.97%	0.49%	9.5
Total			**986,362**	**977,485**	**3.02%**	**0.54%**	**8.4**

None of the CDO bonds are due to be repaid within one year of the balance sheet date.

17. BANK BORROWINGS

The bank borrowings comprises of:

		30 September 2006 €'000	31 December 2005 €'000
Term finance	(Note 17.1)	2,327,352	782,031
Revolving credit facility	(Note 17.2)	116,703	18,578
Other short term financing	(Note 17.3)	147,016	34,553
		2,591,071	835,162

17.1 Term Financing

		Current Face Amount €'000		Carrying Amount €'000			
Real Estate Debt	**Month Raised**	**30 September 2006**	**31 December 2005**	**30 September 2006**	**31 December 2005**	**Hedged Weighted Average Funding Cost**	**Maturity**
CDO IV	Jul-2005	221,522	308,321	221,236	307,917	3.87%	Jul 2008
Investment Property							
Wave Portfolio	Dec-2004	244,035	245,900	241,533	242,762	4.66%	Apr 2013
Belfry Portfolio	Aug-2005	56,240	56,240	55,421	55,363	4.81%	Oct 2015
Bastion Portfolio	Sep-2005	26,500	26,500	26,229	26,202	4.42%	Sep 2012
Truss Portfolio	Dec-2005	85,280	30,163	84,524	29,607	4.86%	Feb 2016
Turret Portfolio	May-2006	91,889	-	91,085	-	4.93%[1]	May 2016
Drive Portfolio	Feb-2006	1,525,000	-	1,510,923	-	4.18%	Jan 2013
Real Estate Fund Units							
FIP Units	Jul-2005	97,500	121,875	96,401	120,180	5.42%	Jul 2018
Total		**2,347,966**	**788,999**	**2,327,352**	**782,031**		

[1] This is the fixed rate of the loan that is effective as from the 7 February 2007 until maturity. The effective interest rate that applied during the third quarter is 4.94%.

Real Estate Debt

On 14 July 2005, the Group through Eurocastle CDO IV PLC entered into a €400 million 3 year extendable warehouse facility with a major UK bank. This facility was previously used to refinance a significant part of the portfolio previously financed under short-term repurchase agreements, and is currently being used to build and finance a portfolio of asset backed securities and real estate related loans. The lender uses a rating agency CDO model to determine the level of equity contribution the Group is required to make to support the portfolio from time to time. The facility is secured over, inter alia, the collateral making up the portfolio. The margin payable to the lender depends on the deemed rating levels of the portfolio as determined by the rating agency model.

Investment Properties

In order to finance the Investment Property portfolios, the Group entered into non-recourse loan facilities as described in the table above. These facilities are secured in the customary manner for German real estate lending, granting security over, inter alia, the real estate purchased as well as rent receivables, bank accounts and shares in the Borrower. Interest in respect of these facilities is payable quarterly.

The committed Drive facility is €1,525 million, and is divided into a Senior and Junior loan of €841.3m (carrying value: €831.9m) and €683.7m respectively (carrying value: €679.0m). €50m of the Junior loan incurs interest at floating rate Euribor whereas the remaining portion is fixed.

The committed Turret facility is €150 million, of which €91.9 million has been drawn at 30 September 2006.

Real Estate Fund Units

On 22 July 2005, the Group entered into a non-recourse 13 year loan facility to finance its acquisition of 1,450 Class A Units in Fondo Immobili Pubblici. The facility is secured over, inter alia, the 1,450 Class A Units, an assignment of receivables under the units, a pledge over bank accounts and over shares in the Borrower. The interest rate on the loan is Euribor + 1.95%, payable semi-annually. On 21 October 2005, the Group acquired a further 50 Class A Units through the same facility. On 20 September 2006, the Group sold 300 Class A Units (20% of the total holdings), resulting in a pro-rated repayment of the finance facility.

17.2 Revolving Credit Facility

In December 2004, the Group entered into a revolving €35 million credit facility with Deutsche Bank as a means of securing access to temporary working capital. The facility is secured by receivables flowing from CDO I, CDO II, CDO III and EFL, as well as from the Group's Luxembourg subsidiaries representing income from the investment properties and real estate fund units, and with security assignments of the Group's rights under its management agreement with Fortress Investment Group LLC. The facility contains a number of financial covenants including a maximum leverage ratio and a minimum interest cover ratio. The interest rate on drawn amounts is Euribor + 1.5% p.a., while on undrawn amounts it is 0.4% p.a. The facility was increased to €50 million on 26 May 2005. On 15 May 2006, the facility was further increased to €150 million. Refer to Note 28 for details of changes to this facility subsequent to 30 September 2006.

As at 30 September 2006 there was €117.1 million drawn on this facility (31 December 2005: €18.6 million)

17.3 Other Short Term Financing

In May 2005, in order to finance the participation in a loan made to SC Karanis in connection with the Coeur Defense development in Paris, the Group entered into a full recourse €10 million one year loan facility. The facility was backed by a security assignment over the financed asset. It also contained an obligation to ensure that loan to value remains below 75%. The loan bore a rate of Euribor + 1.85%. In May 2006, this loan facility matured and the financing was transferred to the revolving credit facility with Deutsche Bank as described below.

In August 2005, in order to finance the participation in a loan that had previously been made to Mapeley Columbus Limited in connection with certain properties leased to Abbey National PLC in the United Kingdom, the Group entered into a full recourse €24.5 million one year loan facility. The participation had been transferred to the Lender as security for the facility. It also contained an obligation to ensure that loan to value remained below 75% and bore a rate of Libor + 1.00%. On maturity of this facility, the financing was transferred to the revolving credit facility with Deutsche Bank as described below.

In May 2006 in order to finance the participation in certain B note loans, the Group entered into a 3 year revolving credit facility with Deutsche Bank. The facility contains a number of financial covenants including a maximum aggregate mark to market exposure of €50 million. Interest rates on drawn amounts depend upon the loan to value and collateral quality of the underlying lender with draw downs currently bearing rates between 0.75% to 1.75% above Libor and Euribor. The security facility is backed by a security assignment over the financed asset. As at 30 September 2006, this facility was fully drawn at €96.5 million.

In August 2006, in order to finance the sub-participation in a real estate loan, the Group entered into an €80 million, 364 day, credit facility with Lehman Brothers. The facility contains a number of financial covenants including a requirement to deliver cash collateral to the lender equal to the excess of any mark to market decline over €200,000. Interest rates on the drawn amounts are 1.50% above Euribor. The security facility is backed by a security assignment over the financed asset and was drawn in an amount of €79.7 million at 30 September 2006.

18. REPURCHASE AGREEMENTS

The Company's consolidated subsidiary EFL has entered into master repurchase agreements with certain major investment banks to finance the purchase of available-for-sale securities. The obligations under those agreements are guaranteed by the Company. The terms of the repurchase agreements provide for interest to be calculated with reference to floating rate benchmarks (i.e. Euribor or Sterling Libor) which reset or roll monthly or quarterly, with the corresponding security coupon payment dates, plus an applicable spread.

As at 30 September 2006, the Group's carrying amount and weighted average financing cost of these repurchase agreements was approximately €42.3 million (31 December 2005: €103.5 million) and 3.39% (31 December 2005: 2.61%) respectively.

19. TRADE AND OTHER PAYABLES

	30 September 2006 €'000	31 December 2005 €'000
Security deposit	5,336	5,221
Unsettled security purchases	14,772	17,604
Interest payable	18,193	6,953
Due to manager (note 24)	4,292	4,555
Derivative liabilities	7,362	12,297
Finance lease payable	25,761	2,952
Service Charges Payable	24,655	-
Accrued expenses & other payables*	36,904	7,063
	137,275	56,645

* Included within the Accrued Expenses and Other Payables, is an amount of €17.0 million which is an amount of capital expenditure that was agreed to be undertaken as part of the Drive acquisition.

20. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net profit available to ordinary shareholders by the weighted average number of shares of ordinary stock outstanding during the period.

Diluted earnings per share is calculated by dividing net profit available to ordinary shareholders by the weighted average number of ordinary shares outstanding plus the additional dilutive effect of potential ordinary shares during the period.

The Group's potential ordinary shares during the period were the stock options issued under its share option plan.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of the financial statements.

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

	Nine Months Ended 30 September 2006	Nine Months Ended 30 September 2005	Year Ended 31 December 2005
Weighted average number of ordinary shares, outstanding basic	43,012,864	20,443,707	21,392,936
Dilutive effect of ordinary share options	1,682,840	762,316	772,928
Weighted average number of ordinary shares outstanding, diluted	**44,695,704**	21,206,023	22,165,864

21. SHARE CAPITAL AND RESERVES

As at the 31 December 2005 there were 24,209,670 shares issued and outstanding.

On 27 January 2006, the Company made a further public offering and issued 11,667,000 ordinary shares at a price of €30 each. On 1 February 2006, the over-allotment option relating to the January offering was exercised resulting in 1,156,000 ordinary shares being issued at €30 each.

On 15 February 2006, immediately prior to completion of the Dresdner Portfolio acquisition, 8,571,429 shares with aggregate nominal value of €8,571,429 were issued to certain funds managed by Fortress Investment Group LLC (the "Fortress Funds") at €17.50 each raising gross proceeds of €150 million. The principal terms of the Fortress Funds investment were agreed on 22 December 2005 and were, in relevant part, as follows:

- The Fortress Funds would invest up to €300 million by subscribing for Shares at €17.50 per share (representing an approximately 2.75% discount to the weighted average share price for the Company's shares over the 10 day period up to 21 December 2005), provided that the Company could reduce the amount of such subscription down to €150 million were it able to raise funds prior to completion of the Dresdner acquisition; as the Company was successful in raising additional capital prior to completion of the Dresdner portfolio acquisition in the offering described above, the Fortress Funds' subscription was reduced to €150 million.

The total number of shares issued in January and February 2006 was 21,394,429 ordinary shares, with net proceeds of €523.5 million being raised for the Company.

In May 2006, the Company issued 5,000 shares to Paolo Bassi and 1,000 to Keith Dorrian in their capacity as Directors of the Company. The shares issued to the Directors were non-cash shares, and were issued with nil proceeds.

As at 30 September 2006, there were 45,681,245 shares issued and outstanding.

Under the Company's Articles of Association, the Directors have the authority to affect the issuance of additional ordinary shares or to create new classes of shares as they deem necessary.

Other Reserves

Other reserves represent the fair value of share options at the grant date, granted to the Manager in December 2003, June 2004, June 2005 and February 2006.

22. HEDGE ACCOUNTING – CASH FLOW HEDGES OF INTEREST RATE RISK

The Group's policy is to hedge its exposure to interest rates and foreign currencies on a case-by-case basis. Hedge accounting is only applied to cash flow hedges of interest rate risk exposures. Interest rate swaps under which the Group pays a fixed rate and receives a floating rate have been used to hedge the interest rate risk on floating rate long-term bank borrowing.

The gain or loss on measurement of the fair value of the interest rate swaps has been recognised in the statement of changes in equity to the extent that the swaps are effective. Cumulative net unrealised gain/(loss) on interest rate swaps recognised in the statement of changes in equity at 30 September 2006 was €6.80 million (31 December 2005 (€12.1) million)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (cont'd)

The details of interest rate swaps entered into by the Group in respect of certain of the term financing agreements are as follows:

	Wave	**Bastion**	**Drive***	**FIP**	**Truss****	**Turret**
30 September 2006	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Nominal amount	210,000	26,500	-	97,500	-	58,108
Pay rate	3.47%	3.04%	-	3.34%	-	3.96%
Receive rate	3 Month Euribor	3 Month Euribor	-	6 Month Euribor	-	3 Month Euribor
Remaining life	6.6	5.8	-	11.0	-	9.6
Fair value of swaps assets	3,281	963	-	1,800	-	(506)

	Bridge Pre-Hedge	**Pre-Hedge**	**Pre-Hedge**	**Unallocated Hedge*****
30 September 2006	**€'000**	**€000**	**€'000**	**€'000**
Nominal amount	300,000	39,586	250,000	83,324
Pay rate	3.95%	4.12%	3.77%	4.13%
Receive rate	3 Month Euribor	3 Month Euribor	3 Month Euribor	3 Month Euribor
Remaining life	7.3	7.1	7.7	7.4
Fair value of swaps assets	(3,080)	(793)	418	(1,720)

	Wave	**Bastion**	**Drive**	**FIP**
31 December 2005	**€000**	**€000**	**€000**	**€000**
Nominal amount	210,000	26,500	1,300,000	121,875
Pay rate	3.47%	3.05%	3.37%	3.34%
Receive rate	3 Month Euribor	3 Month Euribor	3 Month Euribor	6 Month Euribor
Remaining life	7.3	6.5	7.1	11.8
Fair value of swaps (liabilities)/assets	(3,831)	197	(7,214)	(1,252)

* As at 31 March 2006 the Interest Rate Swap agreement related to the Drive portfolio was novated to Deutsche Bank AG in conjunction with the loan agreement. The positive fair value of €6.4m as at the date of novating the swap has been recorded within the hedging reserve. A corresponding amount has been included in the carrying value of the Drive loan within term financing (refer to Note 16.1). This fair value is being recycled through the income statement over the life of the loan. The carrying value of the novated amount is €5.9 million.

** From the period of 3 April 2006 to 23 June 2006 the Interest Rate Swap agreement relating to the Truss portfolio was novated to the lender in conjunction with the loan agreement. The positive fair value of €0.3 million as at the dates of novating the swap has been recorded within the hedging reserve and will be recycled through the Income Statement.

*** The un-allocated hedge represents interest rate swaps undertaken to hedge the interest rate risk on pipeline transactions. The fair value of €1.7 million on the revaluation of the €83 million Interest Rate Swap has been recorded in the Income Statement.

23. FINANCIAL INSTRUMENTS

Risk Management

This section provides details of the Group's exposure to risk and describes the methods used by management to control risk. The most important types of financial risk to which the Group is exposed are market risk, credit, liquidity, interest rate and foreign currency risk.

Market Risk

The Group's exposure to market risk is comprised mainly of movements in the value of its debt securities, property investments and real estate fund units.

The Group's securities are predominantly floating rate and as such are valued based on a market credit spread over Euribor and Libor benchmarks for euro and sterling denominated assets respectively. Increases in the credit spreads above such benchmarks may affect the Group's net equity, net income or cash flow directly through their impact on unrealised gains or losses on available-for-sale securities, and therefore its ability to realise gains on such securities, or indirectly through their impact on its ability to borrow and access capital.

Under the terms of the securities contract the Group was exposed to market risk on the underlying securities as, should the intended securitisation of such assets not be consummated, the Group would be required to either purchase the securities or pay the loss realised on the disposal up to the amount of any deposits made by the Group under the contract, less any interest earned on the deposits.

The Group's investment property assets are based in Germany and Italy and are subject to general property market risks. These risks are assessed by management at the point of acquisition as well as on an ongoing basis. In addition, external valuations of the property assets are obtained during each financial year.

Credit Risk

The Group is subject to credit risk with respect to its investments in real estate and other asset backed securities and loans.

The securities the Group invests in are generally junior in right of payment of interest and principal to one or more senior classes, but benefit from the support of one or more subordinate classes of securities or other form of credit support within a securitisation transaction. While the expected yield on these securities is sensitive to the performance of the underlying assets, the more subordinated securities are designed to bear the first risk of default and loss.

The Group further minimises credit risk by actively monitoring its securities portfolios and the underlying credit quality of its holdings and, where appropriate, repositioning its investments to upgrade the credit quality and yield on the investments.

The Group's securities portfolio is diversified by asset type, industry, location and issuer. This diversification minimises the risk of capital loss. At 30 September 2006, the Group's securities, which serve as collateral for its CDO financings and other borrowings, had an overall weighted average credit rating of approximately BBB-.

The Group's available for sale asset backed securities and real estate loans portfolio was split between countries within Europe as follows:

	30 September 2006			31 December 2005		
	Number of Securities	Face Value of Securities €'000	Location Split	Number of Securities	Face Value of Securities €'000	Location Split
United Kingdom	64	814,519	46.0%	60	764,958	49.9%
Italy	16	268,978	15.2%	14	247,947	16.2%
Germany	31	351,459	19.9%	18	183,470	12.0%
Pan European	10	109,545	6.2%	10	141,622	9.1%
France	9	76,835	4.3%	9	79,525	5.2%
Other	21	147,927	8.4%	16	116,304	7.6%
	151	**1,769,263**	**100%**	**127**	**1,533,826**	**100%**

The Group's hedging transactions using derivative instruments also involve certain additional risks such as counterparty credit risk, the enforceability of hedging contracts and the risk that unanticipated and significant changes in interest rates will cause a significant loss of basis in the contract. The counterparties to the Group's derivative arrangements are major financial institutions with investment grade credit ratings with which the Group and its affiliates may also have other financial relationships. As a result, it is not anticipated that any of these counterparties will fail to meet their obligations.

The Group's German real estate portfolio consists of a Dresdner Bank office portfolio (the Drive portfolio), the Deutsche Bank office portfolio (the Wave portfolio) and a German retail property portfolio (the Bastion, Belfry, Truss and Turret portfolios). The Drive portfolio derives over 80% of its rental income from Dresdner Bank, the Wave portfolio derives over 69% of its rental income from Deutsche Bank, whilst the German retail portfolios in aggregate derive over 82% of their retail income from German national retailers, including prominent national retailers such as the Edeka Group, the Rewe Group, the Tengelmann Group, the Schwarz Group and Tegut.

The Group's Italian real estate assets comprise an investment in a real estate investment fund that owns a portfolio of 394 properties in Italy that are let to Italian government agencies.

Liquidity Risk

The Group's ability to execute its business strategy, particularly the growth of its investment portfolio, depends to a significant degree on the Group's ability to obtain additional capital.

The Group's primary source of funds for liquidity consist of net cash provided by operating activities, borrowings under loans and the issuance of debt and equity securities. The Group's loans and debt securities are generally secured directly over its assets. The Group expects that its cash on hand and cash flow provided by operations will satisfy its liquidity needs with respect to its current investment portfolio over the next twelve months. The Group expects to meet its long-term liquidity requirements, specifically the repayment of its debt obligations, through additional borrowings and the liquidation, refinancing or repayment of its assets at maturity.

A significant portion of the Group's investments are financed with collateralised debt obligations, known as CDOs. If spreads for CDO liabilities widen or if demand for such liabilities ceases to exist, then the ability to execute future CDO financings will be restricted. Proceeds from the sale of real estate and other asset backed securities which serve as collateral for the Group's CDO financings, including gains thereon, are required to be retained in the CDO structure until the related bonds are retired and are therefore not available to fund current cash needs.

The Group's real estate securities are financed long-term and their credit status is continuously monitored; therefore, these investments are expected to generate a generally stable current return, subject to interest rate fluctuations. The Group's operating real estate is also financed long-term and primarily leased to credit tenants with long-term leases and is therefore also expected to generate generally stable current cash flows.

As described in Note 16, the Group has access to temporary working capital through a revolving €150 million credit facility.

Interest Rate Risk

The Group's primary interest rate exposures relate to its real estate and other asset backed securities, loans and floating rate debt obligations, as well as its interest rate and total return swaps. Changes in the level of interest rates also can affect the Group's ability to acquire securities and loans and its ability to realise gains from the settlement of such assets.

The Group's general financing strategy focuses on the use of match-funded structures, meaning that it seeks to match the maturities of its debt obligations with the maturities of its investments to minimise the risk that the Group will have to refinance its liabilities prior to the maturities of its assets, reducing the impact of changing interest rates on its earnings. In addition, the Group match funds interest rates on its investments with like-kind debt directly or through the use of interest rate swaps. However, based on a variety of factors, the Manager finances certain assets on a short term basis, including the use of repurchase agreements.

The interest rate profile of the Group at 30 September 2006 and 31 December 2005 was as follows:

Assets			Within 1 year		1 to 5 years		Over 5 years	
Type	Total Per Consolidated Balance Sheet €'000	Non-Interest Bearing Assets €'000	Fixed %	Variable %	Fixed %	Variable %	Fixed %	Variable %
30 September 2006								
Cash and cash equivalents	119,379	-	-	119,379	-	-	-	-
Restricted cash	45,134	-	-	45,134	-	-	-	-
Asset backed securities, available for sale (includes cash to be invested)	1,490,241	-	25,976	98,478	18,937	742,815	-	604,035
Asset backed securities, pledged under repurchase agreements	44,500	-	-	44,500	-	-	-	-
Real estate related loans	260,129	-	-	12,458	-	135,765	-	111,906
Real estate fund units	148,412	-	148,412	-	-	-	-	-
Investment property	2,738,450	2,738,450	-	-	-	-	-	-
Intangible assets	1,077	1,077	-	-	-	-	-	-
Other assets	67,240	37,319	467	22,992	-	-	6,462*	-
	4,914,562	**2,776,846**	**174,855**	**342,941**	**18,937**	**878,580**	**6,462**	**715,941**
31 December 2005								
Cash and cash equivalents	13,640	-	-	13,640	-	-	-	-
Asset backed securities, available for sale (includes cash to be invested)	1,342,638	-	8,203	99,452	39,985	716,625	-	478,373
Asset backed securities, pledged under repurchase agreements	109,909	-	-	59,593	-	44,500	-	5,816
Real estate related loans	92,649	-	-	13,478	-	79,171	-	-
Real estate fund units	189,591	-	189,591	-	-	-	-	-
Investment property	463,540	463,540	-	-	-	-	-	-
Intangible assets	542	542	-	-	-	-	-	-
Other assets	61,471	31,586	568	29,120	-	-	197*	-
	2,273,980	**495,668**	**198,362**	**215,283**	**39,985**	**840,296**	**197**	**484,189**

* Net interest rate swap receivable related to the cash flow hedges as described in Note 22

Liabilities			Within 1 year		1 to 5 years		Over 5 years	
Type	Total Per Consolidated Balance Sheet €'000	Non Interest Bearing Liabilities €'000	Fixed %	Variable %	Fixed %	Variable %	Fixed %	Variable %
30 September 2006								
CDO bonds payable	1,208,065	-	-	-	-	-	-	1,208,065
Bank loans	2,591,071	-	-	147,016	-	221,236	84,035	2,138,784
Repurchase agreements	42,275	-	-	42,275	-	-	-	-
Taxation payable	4,191	4,191	-	-	-	-	-	-
Trade and other payables	137,275	112,983	-	18,193	-	-	6,099*	-
	3,982,877	**117,174**	**-**	**207,484**	**-**	**221,236**	**90,134**	**3,346,849**
31 December 2005								
CDO bonds payable	977,485	-	-	-	-	-	-	977,485
Bank loans	835,162	-	-	53,131	-	307,917	441,352	32,762
Repurchase agreements	103,542	-	-	103,542	-	-	-	-
Taxation payable	2,278	2,278	-	-	-	-	-	-
Trade and other payables	56,645	37,395	-	6,953	-	-	12,297*	-
	1,975,112	**39,673**	**-**	**163,626**	**-**	**307,917**	**453,649**	**1,010,247**

* Net interest rate swap payable related to the cash flow hedges as described in Note 22

Foreign Currency Risk

The Group's primary foreign currency exchange rate exposures relate to its sterling denominated portfolio of securities and loans. Changes in the currency rates can adversely impact the fair values and earnings streams of the Group's non euro denominated assets and liabilities. The Group has mitigated this impact through a combination of (i) sterling denominated financing and (ii) rolling forward foreign exchange contacts to hedge its net sterling equity investment.

In connection with the Group's purchase of its available-for-sale real estate and other asset backed securities and real estate loans, the foreign currency risk is covered through forward foreign currency exchange contracts.

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements.

	30 September 2006 €'000 Carrying Value	31 December 2005 €'000 Carrying Value	30 September 2006 €'000 Fair Value	31 December 2005 €'000 Fair Value
Financial Assets				
Cash and cash equivalents	119,379	13,640	119,379	13,640
Restricted cash	45,134	-	45,134	-
Asset backed securities, available for sale (includes cash to be invested)	1,490,241	1,342,638	1,490,241	1,342,638
Asset backed securities, pledged under repurchase agreements	44,500	109,909	44,500	109,909
Real estate related loans	260,129	92,649	260,129	92,649
Real estate fund units	148,412	189,591	148,412	189,591
Investment property	2,738,450	463,540	2,738,450	463,540
Financial Liabilities				
CDO bonds payable	1,208,065	977,485	1,208,065	977,485
Bank loans	2,591,071	835,162	2,594,310	836,393
Repurchase agreements	42,275	103,542	42,275	103,542

24. SHARE OPTION PLAN

In December 2003, the Company (with the approval of the Board of Directors and pursuant to the confidential information memorandum dated August 2003) adopted a nonqualified share option plan (the "Company Option Plan") for officers, Directors, employees, consultants and advisors, including the Manager. In December 2003, for the purpose of compensating the Manager for its successful efforts in raising capital for the Company, the Manager was granted options representing the right to acquire 1,185,767 ordinary shares at an exercise price of €10 per share (number of shares and exercise price adjusted for share consolidation). The fair value of the options at the date of grant was €0.2 million and was calculated by reference to an option pricing model.

In June 2004 following the IPO, the Manager was granted an additional 660,000 options at an exercise price of €12 per share. The fair value of the additional options at the date of grant was €0.2 million and was also calculated by reference to an option pricing model. In June 2005 following the secondary public offering, the Manager was granted an additional 574,000 options at an exercise price of €17.25 per share. The fair value of the additional options at the date of grant was €0.6 million. The Manager's options represent an amount equal to 10% of the ordinary shares issued by the Company. The options granted to the Manager were fully vested on the date of grant and expire ten years from the date of issuance.

In February 2006, following the third public offering, the Manager was granted 1,282,300 options at €30.00 per share and, pursuant to December 2005 board action, an additional 857,142 options at an exercise price of €18.00 per share. The fair value of the additional options at the date of grant was €2.1m and €4.8m respectively. The Manager's options represent an amount equal to 10% of the ordinary shares issued by the Company in respect of the public and private offerings that preceded the Drive acquisition. The options granted to the Manager were fully vested on the date of grant and expire ten years from the date of issuance.

The fair value at the date of grant of options granted to the Manager has been offset against the proceeds from issuance of ordinary shares as the grant of options is a cost of capital.

On 8 June 2006, 71,146 Share Options were exercised at a strike price of €10 per share.

25. DIVIDENDS PAID & DECLARED

	Nine Months Ended 30 September 2006 €000	Nine Months Ended 30 June 2005 €000
Paid during the 9 months ended 30 September:	40,911	18,652
Equity dividends on ordinary shares:		
Fourth quarter dividend for 2005: €0.37 (2004: €0.30)	8,958	6,093
First quarter dividend for 2006: €0.30 (2005: €0.33)	13,681	6,095
Second quarter dividend for 2006: €0.40 (2005: €0.35)	18,272	6,464
	40,911	18,652
Third quarter dividend declared on 15 November 2006: €0.43 (2005: €0.37)	19,643	8,958

26. MANAGEMENT AGREEMENT & RELATED PARTY TRANSACTIONS

The Company entered into the Management Agreement with the Manager in August 2003, which provides 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 twelve consecutive calendar months immediately preceding the termination, upon the vote of a majority of the holders of the outstanding ordinary shares. Pursuant to the Management Agreement, the Manager, under the supervision of the Company's board of directors, will formulate investment strategies, arrange for the acquisition of assets, arrange for financing, monitor the performance of the Group's assets and provide certain advisory, administrative and managerial services in connection with the operations of the Group. For performing these services, the Company will pay the Manager an annual fee (payable monthly in arrears) of 1.5% of the gross equity of the Company, as described in the Management Agreement.

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 Consolidated Income Statement.

To provide an incentive for the Manager to enhance the value of the Company's ordinary stock, the Manager is entitled to receive incentive compensation on a cumulative, but not compounding, basis in an amount equal to the product of (A) 25% of the euro amount by which (1) funds from operations ("FFO") of the Company before the incentive compensation per ordinary share, exceeds (2) an amount equal to (a) the weighted average of the price per ordinary share in any offerings by the Company (adjusted for any prior capital dividends or distributions) multiplied by (b) a simple interest rate of eight percent (8%) per annum multiplied by (B) the weighted average number of ordinary shares outstanding during such period.

FFO is used to compute the Company's incentive compensation to the Manager. FFO, for these purposes, represents net income (computed in accordance with International Financial Reporting Standards), excluding changes in the fair value of investment properties net of attributable deferred taxation, changes in the fair value of interest rate swaps that are taken to the income statement and mark-to-market fluctuations in real estate fund units.

At 30 September 2006 management fees, incentive fees and expense reimbursements of approximately €4.5 million (31 December 2005: €4.5 million) were due to the Manager. For the nine months ended 30 September 2006 management fees of €8.5 million (30 September 2005: €2.5 million), incentive fees of €2.2 million (30 September 2005: €2.5 million) and expense reimbursements of €2.7 million (30 September 2005: €0.05 million) were charged to the income statement. Expense reimbursements are included within Other expenses in Note 7.

Keith Dorrian and Paolo Bassi each currently receive €30,000 per annum payable semi-annually in equal instalments. On 22 August 2006, Randal Nardone, Udo Scheffel and Simon Thornton were appointed to the Eurocastle Board of Directors. Udo Scheffel and Simon Thornton will receive remuneration of €30,000 per annum. Wesley R. Edens and Randal Nardone do not receive any remuneration from the Company.

As stated in Note 21, the Company issued 5,000 shares to Paolo Bassi and 1,000 to Keith Dorrian in their capacity as Directors of the Company. The shares issued to the Directors were non-cash shares, and were issued with nil proceeds.

27. INVESTMENT IN SUBSIDIARIES

The legal entity group structure of Eurocastle is designed to support the Group's businesses within an efficient legal, tax, regulatory and funding framework.

The significant operating subsidiaries, in which the Company owns directly or indirectly a 100% equity interest, which are listed by jurisdiction below:

Luxemburg:

Luxgate s.a.r.l.
Drive s.ar.l.
Eurobarbican s.a.r.l.
Bastion Participation s.a.r.l
Belfry Participation s.a.r.l
Truss Participation s.a.r.l
Finial s.a.r.l
Turret Participation s.a.r.l
Undercroft s.a.r.l
Marathon s.a.r.l (formerly Turret LP s.a.r.l)

Germany:

Dresdner Grund-Fonds
Shortwave Acquisition GmbH
Longwave Acquisition GmbH
Bastion GmbH & Co.KG
Belfry GmbH & Co.KG
Truss GmbH & Co.KG

Additionally, the Company has investments in Eurocastle Funding Limited, Eurocastle CDO I PLC, Eurocastle CDO II PLC, Eurocastle CDO III PLC and Eurocastle CDO IV PLC that it consolidates in accordance with SIC 12.

28. SUBSEQUENT EVENTS

Third Quarter 2006 Dividend

On 15 November 2006, the directors declared a third quarter 2006 dividend of €0.43 per share to all holders of shares on 16 November 2006, the record date. The total dividend to be paid on 1 December 2006 is €19,642,935.

Bridge Financing

The Bridge loan document was signed on the 2nd of October 2006, for a total financing amount of €372.1 million. The loan has a maturity date of 15 January 2014, with an approximate all-in rate of 4.78%.

Revolving Credit Facility

In October 2006, the facility was further increased to €300 million until 28 February 2007, at which point it will be reduced to €250 million until maturity in October 2006.

29. COMMITMENTS

As at 30 September 2006, amounts contracted for but not provided in the financial statements for the acquisition of Investment property amounted to:

- Entered into agreements to acquire a further €70.6 million representing 25 retail properties within the Turret portfolio
- Entered into agreements to acquire €503.3 million representing 6 office buildings within the Bridge portfolio