Financial Highlights at a Glance[1]

Adjusted Q2 2023 NAV per share[2]:

€10.25ps

(YE 2022: €10.33ps)
(Q1 2023: €10.34ps)

Q2 2023 IFRS NAV of €21.99ps

Adjusted Q2 2023 NAV[2]:

€10.2mm

(YE 2022: €10.3mm)
(Q1 2023: €10.3mm)

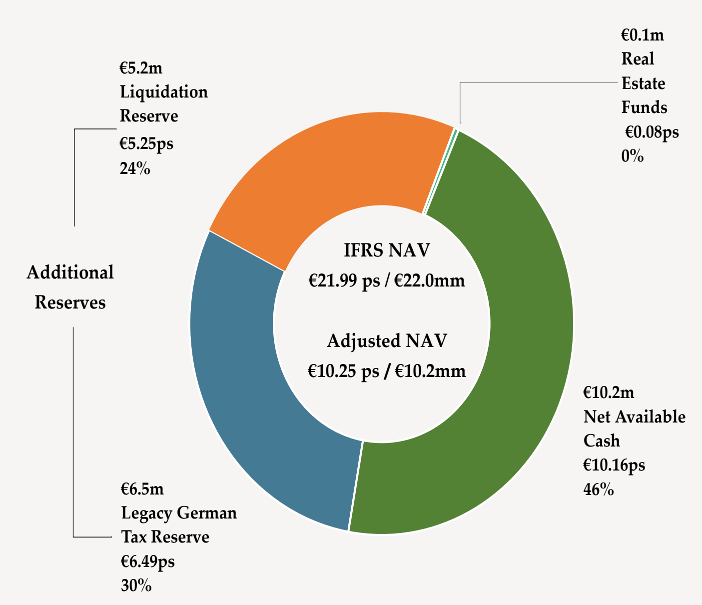
Q2 2023 IFRS NAV of €22.0mm

Company Overview

Eurocastle Investment Limited (the "Company" or "Eurocastle") is a publicly traded closed-ended investment company. Having previously focused on Italian performing and non-performing loans ("NPLs") and other real estate related assets in Italy, in July 2022 the Company announced the decision to refocus its investment programme on opportunistic real estate in Greece with a plan to expand across Southern Europe, where the Manager has an extensive footprint and a long track record of investing in this asset class (the "New Investment Strategy"). The Company's New Investment Strategy seeks to leverage the Manager's deep knowledge of the sector, which offers significant investment opportunities in the current market cycle.

Portfolio Overview

Eurocastle's remaining portfolio of Italian Investments is made up of residual interests in two Real Estate Funds in liquidation, with the balance comprising Net Corporate Cash available to commence seeking new investments under the New Investment Strategy (after taking into account reserves for future costs and potential liabilities considered by the Board in light of the realisation plan announced in November 2019 (the "Realisation Plan")). The chart below shows a breakdown of Eurocastle's net assets as at **30 June 2023**.



Real Estate Funds:

Interests in Two private Italian real estate development funds which are now in liquidation following completion of the development work and the sale of all underlying apartment units.

- Remaining NAV is represented entirely by cash currently reserved in the funds.

Additional Reserves:

Reserves required for the Company to continue in operation and fund its future costs and potential liabilities in light of the Realisation Plan. These reserves are not accounted for under IFRS. No commitments for these future costs and potential liabilities existed as at 30 June 2023.

Net Available Cash:

€17.1 million of net corporate cash and treasury investments, or €10.2 million after all additional reserves, available to commence seeking new investments under the new investment strategy.

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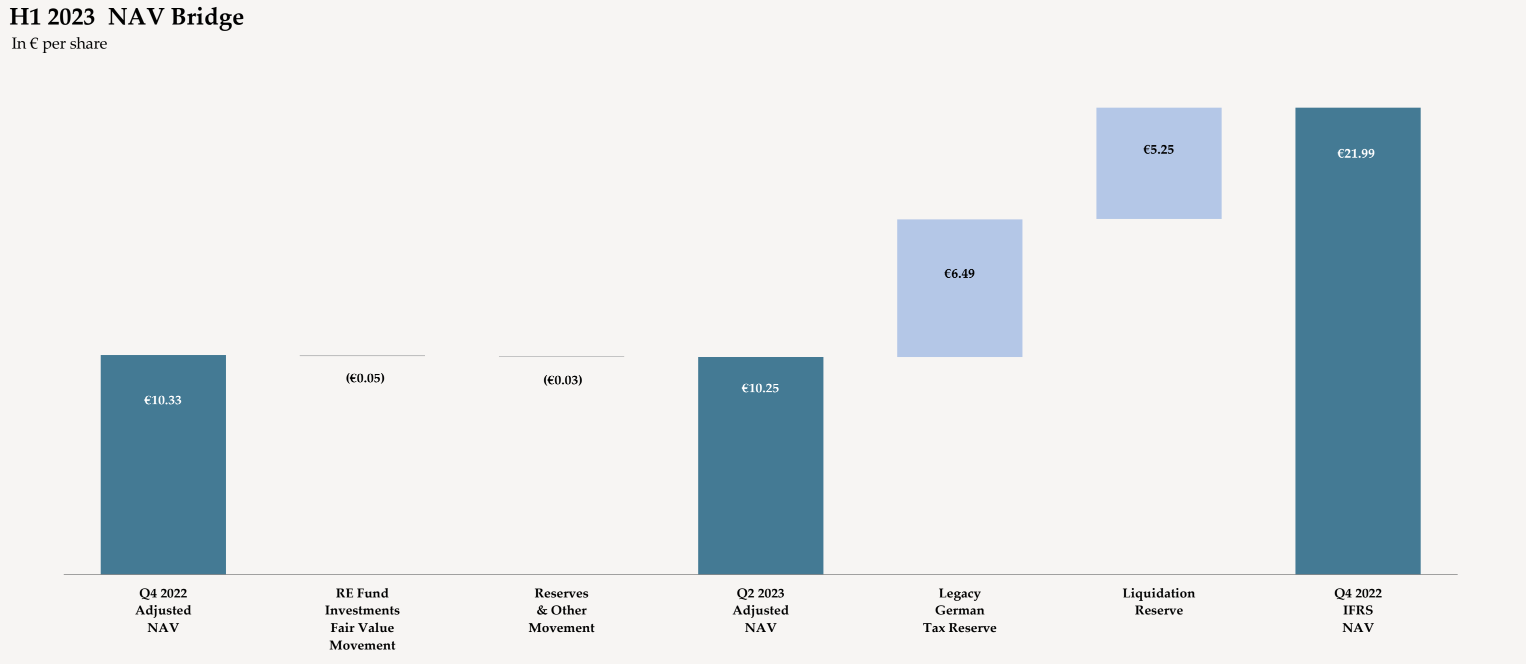

New Investment Strategy

Eurocastle intends to commence its New Investment Strategy by initially focusing on opportunistic real estate in Greece with a plan to expand across Southern Europe, where the Manager has an extensive footprint and a long track record of investing in this asset class. The Company expects to leverage the Manager's deep knowledge of the sector, which offers significant investment opportunities in the current market cycle. The Board believes that this strategy will allow Eurocastle to deploy available cash in order to establish a platform and create a meaningful track record, while generating attractive risk adjusted returns in the short term. The Company has established its initial investment structure and is in advanced discussions to acquire its first real estate asset in Greece. Working with a local partner, the Manager has identified a pipeline of investment opportunities arising from judicial auctions and consensual sales through which it can potentially acquire real estate assets that are currently collateral to defaulted claims or owned by banks or investors as a consequence of a repossession process.

At the same time, the Board will continue to monitor the market environment for raising new capital in order to assess pursuing all elements of its New Investment Strategy, which would require additional capital to achieve meaningful scale.

The Board considers that any potential additional costs resulting from this phased approach are adequately covered by the Company's existing Additional Reserves. The Board will continue to evaluate these reserves and the Company's available capital, taking into account investment opportunities and the performance of the new strategy.

Shareholders should however be aware that the implementation and performance of the Company's New Investment Strategy is subject to risks, uncertainty, and assumptions. The Manager is currently in the early stages of pursuing the New Investment Strategy and there can be no certainty that it will have success in doing so. There is likewise no certainty that it will be able to attain sufficient scale to achieve the desired returns. In addition, changes in economic conditions generally and the real estate market specifically, the availability of appropriate investment opportunities and the ability to raise financing on suitable terms, may also affect the success of the New Investment Strategy. Accordingly, there is no guarantee that the Company's New Investment Strategy will be effectively implemented nor will there necessarily be a future opportunity for shareholders to achieve an exit from their investment in the Company at a price equal to or higher than the current share price.

For further details on the Company's New Investment Strategy and the Additional Reserves, please refer to the Circular published in July 2022 and available on the Company's website under the Periodic Reports and Shareholder Communications section.

H1 2023 Business Highlights

Overview

During H1 2023, the Company largely realised its remaining assets as part of its Realisation Plan with 79% of its YE 2022 NAV relating to investments realised in the period. As at 30 June 2023, the Company had realised 109% of the NAV of the investments reported at the time of the announcement of the Realisation Plan in November 2019.

In particular, all remaining apartment units in its two real estate fund investments are now sold with both funds currently in liquidation. As a result, Eurocastle's remaining Italian investment interests, being the residual net assets of these two RE Fund Investments, have a NAV of €0.1 million, or less than 1% of the Company's total Adjusted NAV.

Investment Realisations & Highlights

- **Real Estate Funds –** In April, Eurocastle received €0.5 million, or €0.50 per share, mainly representing its share of the proceeds from the sale of the last remaining apartment units. The remaining NAV for these investments of €0.1 million, or €0.08 per share, reflects cash currently reserved in the funds that is expected to be released once the fund manager resolves certain potential liabilities and liquidates each fund.

- **Additional Reserves -** The Company reduced these reserves from €12.1 million to €11.7 million, or €11.74 per share, during the first half of the year with the reduction of €0.4 million reflecting reserves being utilised in line with anticipated costs. As at 30 June 2023, of the total Additional Reserves of €11.7 million, €6.5 million related to the legacy German tax matter with the balance of approximately €5.2 million in place to allow for future costs and potential liabilities while the Company pursues in parallel the New Investment Strategy.

- As previously announced, the Company made a payment of €4.6 million in March 2022 in relation to the legacy German tax matter against which it raised a corresponding tax asset. In February 2023, in line with the Company's expectations, Eurocastle made a further payment of €0.2 million and increased the corresponding tax asset to €4.8 million. The current remaining financial impact (excluding associated costs of €0.2 million) is estimated to be €1.5 million. As at 30 June 2023, this remaining expected financial impact has not been reflected within the IFRS NAV of the Company. Notwithstanding the Company's expectation that the tax matter will eventually be resolved in the Company's favour, as at 30 June 2023, the full potential liability is fully reserved for within the Additional Reserves (please refer to the Subsequent Event section for a further update on this matter).

Net Available Cash for the New Investment Strategy

As at 30 June 2023 the Company has €17.1 million of net corporate cash and treasury investments and approximately €10.2 million of net available cash after all additional reserves to commence seeking new investments under the New Investment Strategy.

Subsequent Event to 30 June 2023

In July, the Company received revised tax assessments in relation to the legacy German tax matter which resulted in a total reimbursement to the Company of €1.1 million of the €4.8 million of additional tax paid by Eurocastle in 2022 and 2023. This follows an appeal by the Company against the additional tax assessed in relation to a property subsidiary for the period 2008 to 2012. The revised tax assessments represent a full reversal of the additional tax for 2008 as well as a part of the amount for 2009. The Company is awaiting receipt of the final report from the appeals office on the full period and until such time is unable to assess the impact of these findings on the total amount reserved for this matter. The Company intends to appeal any remaining tax liability assessed on this matter through the German court system.

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Income Statement For Six Months Ended 30 June 2023

	Income Statement H1 2023 *€ Thousands*	Income Statement H1 2022 *€ Thousands*
Portfolio Returns		
Italian NPLs & Other Loans realised gain	2	-
Italian NPLs & Other Loans unrealised fair value movement	-	152
Real Estate Funds unrealised fair value movement	(49)	(5)
Fair value movement on Italian investments	**(47)**	**147**
Other income	2	-
Interest income	210	-
Loss on foreign currency translation	-	(2)
Total income	**165**	**145**
Operating Expenses		
Interest expense	**-**	**11**
Manager base and incentive fees	52	75
Remaining operating expenses	526	635
Other operating expenses	**578**	**710**
Total expenses	**578**	**721**
(Loss) for the period	**(413)**	**(576)**
€ per share	***(0.41)***	***(0.31)***

Balance Sheet and Adjusted NAV Reconciliation as at 30 June 2023

	Italian Investments *€ Thousands*	Corporate *€ Thousands*	Total *€ Thousands*
Assets			
Other assets	-	55	55
Legacy German tax asset	-	4,818	4,818
Investments - Real Estate Funds	81	-	81
Cash, cash equivalents and treasury investments:			
Cash and cash equivalents	-	13,157	13,157
Treasury Investments	-	4,211	4,211
Total assets	**81**	**22,241**	**22,322**
Liabilities			
Trade and other payables	-	338	338
Manager base and incentive fees	-	22	22
Total liabilities	**-**	**360**	**360**
IFRS Net Asset Value	**81**	**21,881**	**21,962**
Liquidation cash reserve	-	(5,246)	(5,246)
Legacy German tax cash reserve	-	(1,665)	(1,665)
Legacy German tax asset reserve	-	(4,818)	(4,818)
Adjusted NAV	**81**	**10,152**	**10,233**
Adjusted NAV (€ per Share)	***0.08***	***10.17***	***10.25***

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Additional Reserves

The table below summarises the movement of Eurocastle's Additional Reserves, set as part of the Realisation Plan in 2019. In light of the disposal of the majority of its investments, the Company has taken a prudent view in managing its cash and accordingly implemented various reserves which sought to ensure that the Company could continue to meet known, potential and unknown future liabilities over the period which it anticipated would be required for the Company to complete the realisation of its investments and then be liquidated in an orderly fashion. The Additional Reserves are not accounted for under IFRS as no formal commitments for these future costs and potential liabilities exist.

As at 30 June 2023, the Additional Reserves totalled €11.7 million, of which €6.5 million is specifically related to the disposal of a legacy German property subsidiary in prior years, with the balance of approximately €5.2 million in place to allow for an orderly liquidation process. Notwithstanding the Company's expectation that the legacy German tax matter will eventually be resolved in the Company's favour, as at 30 June 2023, the potential liability was fully reserved for within the Additional Reserves.

Eurocastle started the year with €12.1m of Additional Reserves to fund future costs and potential liabilities. These reserves currently stand at €11.7 million as at 30 June 2023 after utilising €0.4 million of reserves in line with anticipated costs.

	Dec 2022 Additional Reserves *€ million*	**Reserves paid/ payable in 2023** *€ million*	**Dec 2022 Reserves after paid/ payable in 2023** *€ million*	**Q2 2023 Reserves** *€ million*	**2023 Net Movement on Reserves** *€ million*
Legacy German Tax Reserve[3]	(6.5)	0.1	(6.5)	(6.5)	-
Liquidation Reserve	(5.5)	0.3	(5.2)	(5.2)	-
Total	**(12.1)**	**0.4**	**(11.7)**	**(11.7)**	**-**
Per Share	(12.12)	*0.34*	*(11.75)*	*(11.75)*	-

	Additional Reserves as at announcement of Realisation Plan *€ million*	**Reserves paid/ payable since Realisation Plan** *€ million*	**Reserves after paid/ payable since Realisation Plan** *€ million*	**Q2 2023 Reserves** *€ million*	**2023 Net Movement on Reserves** *€ million*
Legacy German Tax Reserve[3]	(7.1)	0.3	(6.8)	(6.5)	0.3
Liquidation Reserve	(12.9)	6.3	(6.6)	(5.2)	1.3
Total	**(20.0)**	**6.6**	**(13.4)**	**(11.7)**	**1.6**
Per Share	*(20.05)*	*6.67*	*(13.38)*	*(11.75)*	*1.64*

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Forward Looking Statements

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

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

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

Independent Auditors Review

These interim financial statements as at 30 June 2023 have not been reviewed or audited by our auditors, BDO LLP.

Registered Office

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

On behalf of the Board

Simon J. Thornton
Director and Audit Committee Chairman
Date: 9 August 2023

ENDNOTES

[1] Per share calculations for Eurocastle throughout this document are based on the weighted average or outstanding voting shares and therefore exclude shares held in treasury. As at 30 June 2023, a total of 998,555 shares were in issue of all were voting shares and no shares were held in treasury. Amounts per share are therefore calculated on the following basis: Q2 2023 Net Asset Value per share ("NAV per share") – 998,555 voting shares in issue; Q4 2022 NAV per share based on 995,555 voting shares; Q1 2023 NAV per share based on 995,555 voting shares.

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

[3] Since March 2022, the Company has made payments totalling €4.8 million in relation to the legacy German tax matter. Notwithstanding the Company's expectation that the tax matter will eventually be resolved in the Company's favour, as at 30 June 2023, this tax asset was fully reserved for within the Additional Reserves.

INCOME STATEMENT (UNAUDITED)

	Notes	Six months ended 30 June 2023 (unaudited) €'000	Six months ended 30 June 2022 (unaudited) €'000
Portfolio Returns			
Realised/Unrealised fair value movements on Italian investments	4	(47)	147
Other income			
Other income		2	-
Interest income		210	-
Loss on foreign currency translation		-	(2)
Total income		**165**	**145**
Operating expenses			
Interest expense		-	11
Other operating expenses	5	578	710
Total expenses		**578**	**721**
Net operating (loss) before taxation for the period		**(413)**	**(576)**
Taxation expense - current		-	-
Total tax expense		**-**	**-**
Net (loss) after taxation for the period		**(413)**	**(576)**
Attributable to:			
Ordinary equity holders of the Company		(413)	(576)
Net (loss) after taxation		**(413)**	**(576)**
		€	€
Earnings per ordinary share[(1)]			
Basic and diluted	12	(0.41)	(0.31)

The Company had no other comprehensive income for the six months ended 30 June 2023 and for the six months ended 30 June 2022.

[(1)] Earnings per share is based on the weighted average number of shares in the period of 995,829 (30 June 2022: 1,857,535). Refer to note 12.

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

BALANCE SHEET (UNAUDITED)

	Notes	As at 30 June 2023 (Unaudited) €'000	As at 31 December 2022 €'000
Assets			
Cash and cash equivalents	6	13,157	17,721
Other assets	7	55	109
Treasury investments held at amortised costs	8	4,211	-
Investments held at fair value	9	81	628
Legacy German tax asset	7	4,818	4,645
Total assets		**22,322**	**23,103**
Equity and Liabilities			
Capital and reserves			
Issued capital, no par value, unlimited number of shares authorised		1,615,136	1,615,091
Accumulated loss		(1,593,174)	(1,592,741)
Total equity		**21,962**	**22,350**
Liabilities			
Trade and other payables	11	360	753
Total liabilities		**360**	**753**
Total equity and liabilities		**22,322**	**23,103**

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

The financial statements were approved by the Board of Directors on 9 August 2023 and signed on its behalf by:

Simon J. Thornton
Director and Audit Committee Chairman

CASH FLOW STATEMENT (UNAUDITED)

	Notes	Six months ended 30 June 2023 (unaudited) €'000	Six months ended 30 June 2022 (unaudited) €'000
Cash flows from operating activities			
Net operating (loss) before taxation for the period		**(413)**	**(576)**
Adjustments for:			
Unrealised fair value movement on Italian investments	4	47	(147)
Interest expense/income		(210)	11
Loss on foreign currency		-	2
Total adjustments to (loss) for the period		**(163)**	**(134)**
Increase in other assets		(119)	(50)
Increase / (decrease) in trade and other payables		(201)	131
Movements in working capital		**(320)**	**81**
Acquisition of Treasury investments held at amortised cost	8	(4,401)	-
Cash distribution from Italian investments	9	499	2,082
Interest paid		381	(11)
Cash movements from operating activities		**(3,521)**	**2,071**
Cash generated from operations		**(4,417)**	**1,442**
Taxation paid - Legacy German Tax	18	(174)	(4,645)
Net cash flows from operating activities		**(4,591)**	**(3,203)**
Cash flows from financing activities			
Repurchase of share capital/Final adjustment to costs	12	25	-
Return of distributions paid	14	2	-
Net decrease in cash flows from financing activities		**27**	**-**
Net decrease in cash and cash equivalents		**(4,564)**	**(3,203)**
Cash and cash equivalents, beginning of the period	6	**17,721**	**28,356**
Total cash and cash equivalents, end of the period	6	**13,157**	**25,153**

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

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital €'000	Accumulated loss €'000	Total equity €'000
As at 1 January 2022	**1,624,762**	**(1,591,830)**	**32,932**
Loss after taxation for the six months ended 30 June 2022 (unaudited)	-	(576)	(576)
Total comprehensive (loss) for the six months ended 30 June 2022 (unaudited)	**-**	**(576)**	**(576)**
Contributions by and distributions to owners:			
Costs in relation to repurchase of share capital (note 12)	(710)	-	(710)
As at 30 June 2022 (unaudited)	**1,624,052**	**(1,592,406)**	**31,646**
Loss after taxation for the six months ended 31 December 2022	**-**	(307)	**(307)**
Total comprehensive (loss) for the six months ended 31 December 2022	**-**	**(307)**	**(307)**
Contributions by and distributions to owners:			
Shares issued to Directors (note 12)	28	(28)	**-**
Repurchase of share capital (note 12)	(8,989)	-	(8,989)
As at 31 December 2022	**1,615,091**	**(1,592,741)**	**22,350**
Loss after taxation for the six months ended 30 June 2023 (unaudited)	-	(413)	(413)
Total comprehensive loss for the period (unaudited)	**-**	**(413)**	**(413)**
Contributions by and distributions to owners:			
Shares issued to Directors (note 12)	20	(20)	-
Repurchase of share capital/Final adjustment to costs	25	-	25
As at 30 June 2023 (unaudited)	**1,615,136**	**(1,593,174)**	**21,962**

1. BACKGROUND

Eurocastle Investment Limited (“Eurocastle”, the "Company") was incorporated in Guernsey, Channel Islands on 8 August 2003 and commenced its operations on 21 October 2003. Eurocastle is a Euro denominated Guernsey closed-end investment company listed on Euronext Amsterdam (formerly listed on the London Stock Exchange) regulated by the Nederlands Authority for Financial Markets (“AFM”), which is also now its home state regulator as a result of Brexit. Eurocastle is subject to EU transparency rules as a result of its listing on an EU regulated market and, consequently, shareholders are required to notify Eurocastle and the AFM when their holding of the issued share capital and/or of the voting rights in Eurocastle reaches, exceeds or falls below certain thresholds, whereby the lowest threshol d is 3%.

Until December 2019, the activities of the Company included investing indirectly in Italian performing and non-performing loans ("PLs" / "NPLs"), distressed loan assets and other credit receivables, Italian loan servicing platforms, real estate related assets and other related businesses in Italy. In July 2022, the Company announced the decision to refocus the Company’s investment programme on opportunistic real estate in Greece with a plan to expand across Southern Europe, where the Manager has an extensive footprint and a long track record of investing in this asset class (the "New Investment Strategy"). The Company’s New Investment Strategy seeks to leverage the Manager’s deep knowledge of the sector, which offers significant investment opportunities in the current market cycle.

Eurocastle is externally managed by its investment manager, FIG LLC (the “Manager”). The Manager is majority owned by Softbank Group Corp (9984: Tokyo) (“Softbank”) and operates as an independent business within Softbank under the continuing leadership of Pete Briger, Wes Edens and Randal Nardone. Eurocastle has entered into a management agreement (the “Management Agreement”) under which the Manager advises the Company on various aspects of its business and manages its day-to-day operations, subject to the supervision of the Company’s Board of Directors. For its services, the Manager receives an annual management fee and incentive compensation (as well as reimbursement for expenses, including expenses of certain employees providing asset management and finance services), as described in note 15. The Company has no ownership interest in the Manager.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The six months ended 30 June 2023 interim condensed financial statements of the Company have been prepared in accordance with International IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (“IASB”) as adopted by the European Union on a going concern basis and under the historical cost convention, except for investments which are measured at fair value. The financial information has been prepared in accordance with the Company’s principal accounting policies as set out in the Annual Report for the year ended 31 December 2022.

Significant estimates and judgements

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

The areas involving significant judgements are:
- valuation technique selected in estimating the fair value of unquoted investments - refer to note 9
- treatment of a potential tax liability associated with the disposal of a legacy property subsidiary in prior years - refer to note 18

The area involving significant estimates are:
- inputs used in calculating the fair value of unquoted investments - refer to note 9

Fair value movements on investments

Fair value movements on un-quoted investments includes revaluation gains and losses from the underlying investments. The Company's investments during the period comprised of real estate fund units and intermediate holding companies (refer to note 9).

Interest income and expense

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 includes 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

The Company falls under the Collective Investment Schemes exemption for Guernsey tax purposes and is charged €1,400 per annum (2022: €1,400). The Company is granted this exemption status on an annual basis and therefore the Company is treated as not being resident in Guernsey for tax purposes and is not liable for Guernsey tax on non-Guernsey source income (which for these purposes includes Guernsey bank deposit interest).

Tax asset

Tax assets are recognised when amounts have been paid in relation to a disputed matter where there is uncertainty over the tax treatment and the Company deems it probable that the ultimate tax authority (i.e. the relevant jurisdictional tax court) will determine that the tax is not due. The accounting policy adopted by the Company relating to the tax balance is to account for the transaction at amounts that do not reflect time value of money considering that there is no clear guidance on long term receivable tax assets under IAS 12.

Cash and cash equivalents

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

Capital and reserves

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

Where the Company purchases and cancels its own equity shares (see note 12), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders.

Dividends

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

Financial Instruments

Recognition

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

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

Classification

Financial Assets

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

Financial assets held until maturity in the scope of receiving repayments of principal and interest, will be presented at amortised cost, under the effective interest method and tested for impairment based on credit rating and fair value.

Financial liabilities

Financial liabilities are composed of trade and other payables.

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

Derecognition of financial assets and liabilities

Financial assets

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

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

Financial liabilities

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

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

Segment Reporting

The company operates in one geographical segment, being Europe. The Board of Directors assesses its business through one primary segment, Italian investments. The Company's Italian investments are predominantly made up of Italian Real Estate Funds and its residual interests in NPLs & Other Loans until their disposal in 2022.

3. FINANCIAL RISK MANAGEMENT

Alternative Investment Fund Managers Directive ("AIFMD") Leverage

The AIFMD prescribes two methods of measuring and expressing leverage and requires disclosure of the maximum amount of leverage the Company might be subject to. The definition of leverage is wider than that of gearing and includes those assets on balance sheet that are subject to market based valuation changes. For the purposes of AIFMD reporting, leverage is the ratio between the fair value of the assets under management and the net asset value of the Company. The ratio is required to be calculated on a gross basis and a commitment basis, under the European Commission's Delegated Regulation (commonly known as the Level 2 Regulation). The gross basis does not take into account any netting or hedging, whereas the commitment basis takes into account both netting and hedging. As at 30 June 2023, the leverage (as defined by this measure) under the gross and commitment basis was 41.73% and 41.73% respectively (31 December 2022: 24.08% and 24.08%).

Risk Management

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

Capital Risk Management

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

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

- Working capital requirements and follow on investment capital for existing investments along with investments under the Company's new investment strategy;
- The possible timing and extent of returning capital to shareholders through distributions and share repurchases.
- The potential raising of new capital in order to pursue opportunities arising from the new investment strategy.

The Company's objectives when managing capital are to safeguard the Company's ability to meet its obligations as they fall due and to achieve positive returns in all market environments. In order to maintain or adjust the capital structure, the Company may raise or return capital from or to shareholders through the issue and repurchase of voting shares and/or capital distribution. As at 30 June 2023, the Company had net equity of €21.9 million (31 December 2022: €22.4 million) and no direct leverage (31 December 2022: no direct leverage).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk

Credit risk is the risk of the financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash, treasury investments and cash equivalents. As at 30 June 2023, the Company's cash and cash equivalents was €13.2 million (31 December 2022: €17.7 million). The Company's treasury investments as at 30 June 2023 amounted to €4.2 million (31 December 2023: €nil).

Banking arrangements

The Company’s banking arrangements are with major financial institutions with investment grade credit ratings with which the Company and its affiliates may also have other financial relationships. While it is not anticipated that any of these counterparties will fail to meet their obligations, there is no certainty in current market conditions that this will be the case.. As at 30 June 2023, the Company has placed €10.7 million of its corporate cash in a 35 day notice money market account and €2,3 million in a cash management account with a financial institution rated long term: A by Fitch; A3 by Moody's; and A negative by S&P (31 December 2022: €15.7 million of its corporate cash in a 35 day notice money market account and €1.7 million in a cash management account- rated long term: A by Fitch; A3 by Moody's; and A negative by S&P). As at 30 June 2023, the remaining corporate cash of €0.2 million was held with a financial institution rated long term: A+ stable by Fitch; A1 Stable by Moody's; and A positive by S&P (31 December 2022:€0.3 million rated long term: A+ stable by Fitch; A1 Stable by Moody's; and A positive by S&P). The Company monitors on a regular basis the credit worthiness of the various financial institutions to mitigate credit risk exposure with respect to its banking arrangements.

Market Risk

Market risk encompasses the following risks:

Interest rate risk

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

Foreign Currency Risk

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

Liquidity Risk

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

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

4. PORTFOLIO RETURNS

Movements on investments are summarised below:

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)
	Fair value movements €'000	**Fair value movements €'000**
Italian NPLs & Other Loans (note 9)	2	152
Real Estate Funds (note 9)	(49)	(5)
Portfolio returns on Italian investments	**(47)**	**147**
Fair value movements on other net assets of subsidiaries	-	-
Total portfolio returns	**(47)**	**147**

5. OTHER OPERATING EXPENSES

	Six months ended 30 June 2023 (unaudited) €'000	Six months ended 30 June 2022 (unaudited) €'000
Professional fees	208	191
Manager base and incentive fees (related party, note 15)	52	75
Manager recharge (related party, note 15)	140	255
General and administrative expenses	178	189
Total other operating expenses	**578**	**710**

6. CASH AND CASH EQUIVALENTS

	As at 30 June 2023 (unaudited) €'000	As at 31 December 2022 1977
Cash at bank	2,468	1,977
Cash on deposit	10,689	15,744
Total cash and cash equivalents	**13,157**	**17,721**

7. OTHER ASSETS

	As at 30 June 2023 (unaudited) €'000	As at 31 December 2022 €'000
Prepaid expenses and other receivables	55	109
Legacy German tax asset	4,818	4,645
Total other assets and Legacy German tax asset	**4,873**	**4,754**

All other assets are expected to mature in less than one year. The Legacy German tax asset is expected to be resolved in more than one year (refer to note 18).

8. TREASURY INVESTMENTS HELD AT AMORTIZED COST

	As at 30 June 2023 (unaudited) €'000	As at 31 December 2022 €'000
Acquisition cost	4,192	-
Accretion	19	-
Total Treasury Investments held at amortized costs - Bonds	**4,211**	**-**

On 14 February 2023, the Company invested €4.4 million of its corporate cash in an Italian Inflation-linked Government Bond (the "Bond") in order to i) diversify the credit risk in which its cash is held and ii) improve the yield it is earning on such cash in light of the rising interest rate and inflationary environment.

Eurocastle acquired the Bond at a price of 98.64% of its nominal value of €4.25 million plus interest and inflation compensation accrued up to the date of acquisition. The Bond pays interest every six months at an annual rate of 0.4% of its nominal value plus a variable return determined by applying the percentage change in the Italian consumer price index since the previous interest payment date to the Bond's nominal value and current coupon due. The Company intends to hold the Bond until its maturity in April 2024.

The Bond is publicly traded on the Milan stock exchange. As at 30 June 2023, excluding accrued interest the Bond has a fair value of €4.24 million (31 December 2022: € Nil) based on a closing price of 99.81% of its nominal value.

All accretion and interest income recognised from the Bond is reported in the Company's Income Statement under "Other income – Interest". As at 30 June 2023, €0.04 million (31 December 2022: € Nil) of interest revenue from the Bond has been recognized in the period of which €0.02 million (31 December 2022: € Nil) is accretion.

As at 30 June 2023, the issuer of the Bond, the Italian Government, was rated long term BBB by Fitch; Baa3 by Moody's; and BBB by DBRS (31 December 2022: BBB by Fitch; Baa3 by Moody's; and BBB by DBRS).

For the purposes of impairment assessment, based on their credit ratings and market price, the Bond is considered to have a low level of credit risk. As at the reporting date no impairment was recognised.

9. INVESTMENTS HELD AT FAIR VALUE

The Company directly or indirectly holds the following investments:

	As at 30 June 2023 (unaudited) €'000	As at 31 December 2022 €'000
Italian investment portfolio	81	628

As at 30 June 2023 (unaudited), the movements in the Italian investment portfolio were as follows:

	Italian NPLs & Other Loans	Real Estate Funds	
	Fair value accounted €'000	Fair value accounted €'000	Total Investments €'000
Balance as at 1 January 2023	**-**	**628**	**628**
Distributions received	(2)	(497)	(499)
Realised fair value gain	2	-	2
Unrealised fair value movement	-	(49)	(49)
Balance as at 30 June 2023 (unaudited)	**-**	**81**	**81**

As at 31 December 2022, the movements in the Italian investment portfolio were as follows:

	Italian NPLs & Other Loans	Real Estate Funds	
	Fair value accounted €'000	Fair value accounted €'000	Total Investments €'000
Balance as at 1 January 2022	**1,337**	**3,725**	**5,062**
Disposals	(1,254)	-	(1,254)
Distributions received	(199)	(3,379)	(3,578)
Realised fair value movement	116	-	116
Unrealised fair value movement	-	282	282
Balance as at 31 December 2022	**-**	**628**	**628**

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

9. INVESTMENTS (CONTINUED)

Portfolio summary

During the period the Company's investments were comprised of the following investments.

I. Real Estate Funds

Real Estate Fund Investment II:

On 22 July 2014, the Company indirectly invested in a newly established real estate development fund (Real Estate Fund Investment II) which purchased two office buildings in Rome for redevelopment into high-end residential properties for resale. As at 30 June 2023 both projects have been completed, with all units sold and the fund is in the process of liquidating.

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

Real Estate Fund Investment V:

In April 2017, building on Real Estate Fund Investment II, the Company closed on the purchase of an office to residential conversion development site in Rome (“Real Estate Fund Investment V”) through a joint venture interest (ownership percentage: 49.6%) in Torre Real Estate Fund III Value Added – Sub fund B. As at 30 June 2023, the project has been fully completed with all the units sold and the fund is in the process of liquidating.

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

9. INVESTMENTS (CONTINUED)

Fair value hierarchy

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

As at 30 June 2023 (unaudited):

	Level 3 €'000	**Total fair value** €'000
Real Estate Funds	81	81

As at 31 December 2022:

	Level 3 €'000	**Total fair value** €'000
Real Estate Funds	628	628

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

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

9. INVESTMENTS (CONTINUED)

Transfers between levels

There were no transfers between levels for the period ended 30 June 2023 (31 December 2022: no transfers).

The following table shows a reconciliation for the Level 3 fair value measurements as at 30 June 2023 (unaudited):

	Italian NPLs & Other Loans €'000	Real Estate Funds €'000	Total €'000
As at 1 January 2023	-	628	628
Distributions received	(2)	(497)	(499)
Unrealised fair value movement in the period	-	(50)	(50)
Realised fair value movement in the year	2	-	2
As at 30 June 2023 (unaudited)	**-**	**81**	**81**

The following table shows a reconciliation for the Level 3 fair value measurements as at 31 December 2022:

	Italian NPLs & Other Loans €'000	Real Estate Funds €'000	Total €'000
As at 1 January 2022	1,337	3,725	5,062
Distributions received	(199)	(3,379)	(3,578)
Unrealised fair value movement in the year	116	282	398
Realised fair value movement in the year	(1,254)	-	(1,254)
As at 31 December 2022	**-**	**628**	**628**

Expected recoveries of investments

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

	2023		2022	
	Within one year [(1)] €'000	More than one year €'000	Within one year [(1)] €'000	More than one year €'000
Italian NPLs & Other Loans	-	-	-	-
Real Estate Funds	-	628	642	-

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

9. INVESTMENTS (CONTINUED)

Fair value methodology and sensitivity analysis

Real Estate Funds

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

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

For the period ended 30 June 2023 (unaudited)	**Real Estate Funds**
Expected profit multiple	1.1
Remaining weighted average life	1.1
Discount rate	9%

For the year ended 31 December 2022	**Real Estate Funds**
Expected profit multiple	1.1
Remaining weighted average life	0.3
Discount rate	9%

9. INVESTMENTS (CONTINUED)

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

For the period ended 30 June 2023 (unaudited)	**Real Estate Funds €'000**
Fair value	81
Increase in discount rate by 25bps	81
Value sensitivity	**-**

For the year ended 31 December 2022	**Real Estate Funds €'000**
Fair value	628
Increase in discount rate by 25bps	628
Value sensitivity	**-**

10. CONTRACTUAL MATURITIES

Contractual maturities

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

As at 30 June 2023, the Company had no contractual maturities on financial liabilities, outside of trade and other payables which are all due within one year.

Fair values of financial assets and financial liabilities

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

11. TRADE AND OTHER PAYABLES

	As at 30 June 2023 (unaudited) €'000	**As at 31 December 2022 €'000**
Due to Manager (related party, refer note 14)	110	151
Accrued expenses and other payables	250	602
Total trade and other payables	**360**	**753**

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

12. EARNINGS PER SHARE

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

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

	As at 30 June 2023 (unaudited)	**As at 30 June 2022 (unaudited)**
Weighted average number of ordinary shares excluding treasury shares*	995,829	1,857,535
Weighted average number of ordinary shares - dilutive	**995,829**	**1,857,535**

*weighted average shares for the period

13. SHARE CAPITAL AND RESERVES

As at 30 June 2023 (unaudited), there were 998,555 shares (31 December 2022: 995,555) issued of which no shares (31 December 2022: no shares) were held in treasury. All shares are fully paid up.

The movement in issued share capital is shown as follows:

	Number of shares
	Voting shares
As at 1 January 2022	**1,857,535**
As at 30 June 2022 (unaudited)	**1,857,535**
Shares repurchased and cancelled - 9 August 2022	(864,980)
Shares issued to the Directors as part of their in-place compensation arrangements for €nil consideration - 9 September 2022	3,000
As at 31 December 2022	**995,555**
Shares issued to the Directors as part of their in-place compensation arrangements for €nil consideration - 15 June 2023	3,000
As at 30 June 2023 (unaudited)	**998,555**

On 8 July 2022, the Company announced a tender offer to repurchase up to 1,286,181 shares at a price of €10.26 per ordinary share. In August 2022, the tender closed with the Company repurchasing 864,980 shares for a total tender amount, excluding costs, of €8.9 million.

Date	**Description**	**Number of shares**	**Price Per share**	**Value of Share repurchase (€'000)**	**Directly attributable costs (€'000)**
9 August 2022	Share tender - shares repurchased and cancelled	864,980	€ 10.26	8,875	800

As at 31 December 2022, €0.4 million of costs associated with the tender offer remain unpaid. These costs were settled in the current accounting period.

As at 30 June 2023, the Company held no shares in treasury (31 December 2022: no shares in treasury).

Accumulated loss

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

14. DISTRIBUTIONS PAID AND DECLARED

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

During the period ended 30 June 2023, no distributions were declared or paid (during the year ended 31 December 2022 no distributions were declared or paid).

15. MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

The Company entered into the Management Agreement with the Manager in August 2003. Pursuant to the Management Agreement, the Manager, under the supervision of the Board of Directors, will formulate investment strategies, arrange for the acquisition of assets, arrange for financing, monitor the performance of the Company's assets and provide certain advisory, administrative and managerial services in connection with the operations of the Company. The management fee paid to the Manager is equal to (i) 1.5% of the Company's Adjusted NAV reported quarterly, excluding net corporate cash, and (ii) 0.75% on net corporate cash attributable to certain reserves.

The Manager is also entitled to an incentive fee, which was crystallised in respect of the Company's existing investments at the time of implementation of the Realisation Plan in 2019, resulting in a saving to the Company of €2.4 million. The Manager is entitled to earn back a portion of this saving if excess amounts are released from certain reserves put in place by the Board to fund future costs and potential liabilities. As at 30 June 2023, the amount due to the Manager was € nil (31 December 2022: € nil).

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

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

In connection with the New Investment Strategy, certain terms of the Management Agreement are expected to be amended to reflect the expected return profile of the new investment strategy.

The Manager is deemed to be the key employee for reporting purposes. As at 30 June 2023, management fees, incentive fees and expense reimbursements of €0.2 million (31 December 2022: €0.7 million) were due to the Manager. During the period ended 30 June 2023, management fees of €0.05 million (30 June 2022: €0.05 million), €0.01 million of incentive fees (30 June 2022: €0.02 million), and expense reimbursements of €0.14 million (30 June 2022: €0.26 million) were charged to the income statement.

Total annual remuneration for the Eurocastle directors as at 30 June 2023 was €0.1 million (30 June 2022: €0.1 million), payable quarterly in equal instalments. Dean Dakolias and Peter Smith do not receive any remuneration from the Company.

Fortress Italian Real Estate Opportunities Series Fund LLC (being the entity through which the majority of the Company's interest in Real Estate Fund Investments are held) are managed by an affiliate of the Manager. The total management fee expense for the six months ended 30 June 2023 is €0.0 million (30 June 2022: €0.0 million) and offsets fully against the Company's Management Fee payable to the Manager.

The Company's joint venture investment in Real Estate Fund Investment II and Real Estate Fund Investment V (refer to note 9) are held in funds managed by Torre SGR S.p.A, which is majority owned by an affiliate of the Manager. The total management fee expense, across these funds, for the six months ended 30 June 2023 was €0.0 million (30 June 2022: €0.0 million).

16. INVESTMENT IN SUBSIDIARIES

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

Luxembourg:
Luxgate S.à r.l
Luxira S.à r.l
United States of America:
Fortress Italian Real Estate Opportunities Series Fund LLC - Series 2
Greece:
Castlegate S.A.

As at 30 June 2023, the unconsolidated subsidiaries do not have any significant restrictions (e.g. resulting from borrowing arrangements, regulatory requirements or contractual arrangements) on the ability to transfer funds to the Company in the form of cash dividends or to repay loans or advances made to the unconsolidated subsidiary by the Company.

17. SUBSEQUENT EVENTS

In July, the Company received revised tax assessments in relation to the legacy German tax matter which resulted in a total reimbursement to the Company of €1.1 million of the €4.8 million of additional tax paid by Eurocastle in 2022 and 2023. This follows an appeal by the Company against the additional tax assessed in relation to a property subsidiary for the period 2008 to 2012. The revised tax assessments represent a full reversal of the additional tax for 2008 as well as a part of the amount for 2009. The Company is awaiting receipt of the final report from the appeals office on the full period and until such time is unable to assess the impact of these findings on the total amount reserved for this matter. The Company intends to appeal any remaining tax liability assessed on this matter through the German court system.

18. CONTINGENT LIABILITIES

The Company is exposed to a potential tax risk of up to €6.5 million associated with the disposal of a legacy property subsidiary in prior years. In February 2022, the Company received revised tax assessments related to this risk covering the period 2008 - 2012 determining an initial liability of €4.6 million with an additional €0.2 million of outstanding interest assessed in March 2023. In respect of the same legacy property subsidiary, the years 2013 - 2015 remain subject to ongoing tax audits, the timings of which are uncertain. The Company estimates that the remaining financial impact (excluding associated costs of €0.2 million) for all these audits, including interest, is approximately €1.5 million. The Company intends to appeal the current and any future assessments through the German tax system and, having taken independent advice, considers it probable that the matter will finally be determined in the Company's favour. In light of this, the Company has recognised a tax asset of €4.8 million following payment in March 2022 and March 2023. The Company has been advised that, based on average court timings for both the German fiscal and federal court systems, this matter can be expected to be resolved in approximately four years, but notes that it can take considerably longer and, in rare cases, up to ten years in total. Notwithstanding the Company's expectation that the tax matter will eventually be resolved in the Company's favour, as at 30 June 2023, the potential liability is fully reserved for within the Additional Reserves (see page 5).

19. COMMITMENTS

As at 30 June 2023, the Company had no formal commitments.