Financial Highlights at a Glance[1]

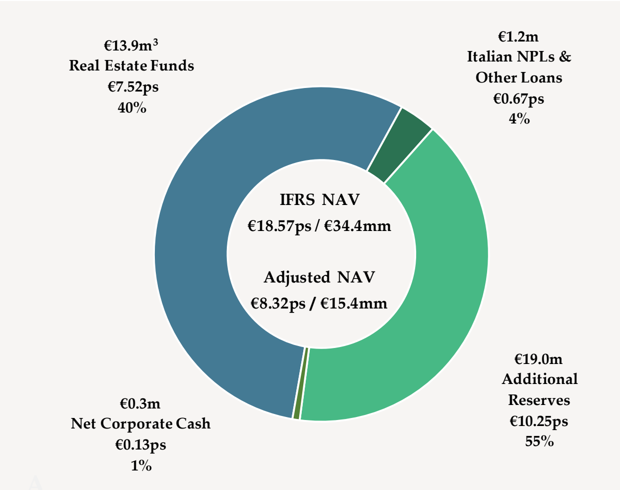
ADJUSTED 2019 NAV[2]: €15.4mm	FY 2019 NFFO: €104.9 mm	FY 2019 Dividend: €13.3mm
€8.32ps	**€2.55ps**	**€0.30ps**
2019 IFRS NAV: €34.4 mm / €18.57ps (2018: €393.0 mm / €8.70ps)	(Q4 19: €68.3mm / €2.14ps) (FY 18: €32.0 mm / €0.63ps)	(FY 18: €38.4 mm / €0.78ps)
Adjusted NAV of €8.14 per share at announcement of Realisation Plan	*Q4 2019 NFFO reflects the impact of the Realisation Plan*	*Following announcement of Realisation Plan – Distribution Policy did not apply from Q3 2019*

Company Strategy

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

Portfolio Overview

Following implementation of the Realisation Plan in December 2019, Eurocastle's remaining portfolio of Italian Investments is made up of Real Estate Funds and residual interests in Italian NPLs & Other Loans, with the balance comprising Net Corporate Cash after taking into account reserves for future costs and potential liabilities considered by the Board in light of the Realisation Plan. The chart below shows the net assets as at **31 December 2019**.



RE Funds: Interests in:

- One publicly listed fund
  - RE Fund I: all assets sold in 2019, €1.0 million expected in March 2020 with a further estimated distribution of €1.5 million expected.
- Two private Italian real estate development funds:
  - RE Fund II: one building complete and fully sold, second building complete with approximately 75% of units sold.
  - RE Fund V: Construction completed on budget, with 38% of units sold in line with underwriting values.

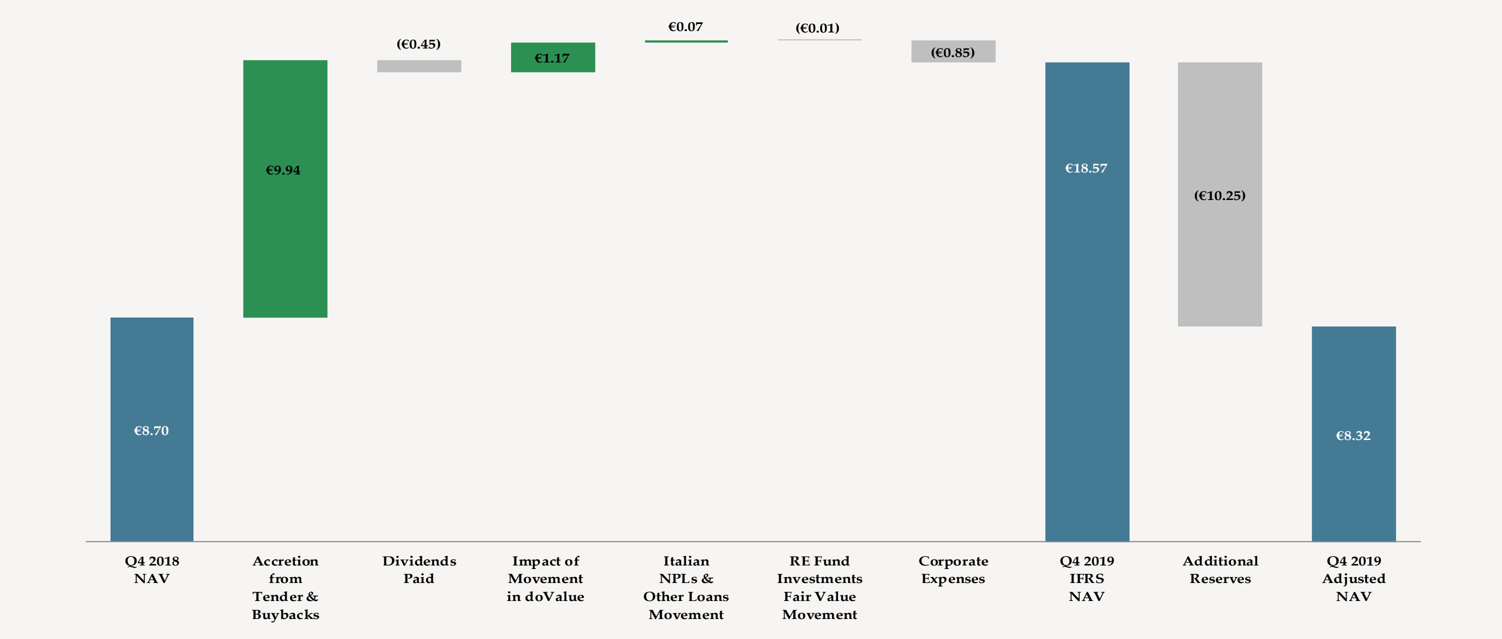
Italian NPLs & Other Loans: Residual minority interest in 3 NPL pools

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 not accounted for under IFRS.

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

FY 2019 NAV Bridge

In € per share



2019 Business Highlights

Realisation Plan

On 18 November 2019 the Board of Directors ("Board") announced a Realisation Plan to realise the majority of the Company's assets in order to accelerate the return of value to the Company's shareholders.

At an Extraordinary General Meeting on 2 December 2019, the Company's shareholders approved a transaction to dispose of its Italian loan portfolio for a gross purchase price of €140.2 million to funds managed by an affiliate of FIG LLC, the Company's Manager. At the same time, shareholders also approved a tender offer (the "Tender Offer") whereby the Company would buy back Eurocastle shares in exchange for a combination of its shares in doValue and the distributable cash proceeds from the NPL sale. On 20 December 2019, the Company repurchased 34.6 million Eurocastle shares (95% of the shares outstanding at the time) from tendering shareholders via an off-market share buyback in exchange for its 15.04 million shares in doValue and €109.2 million in cash. Approximately 0.4353 doValue shares and €3.16 in cash were exchanged for each Eurocastle share, representing a value per ordinary share of €8.14 at the time of announcement of the realisation plan. As at 31 December 2019, the Company no longer holds any interest in doValue.

As a result of the Realisation Plan, the Board does not currently intend to make any material new investments with the proceeds realised from the Company's existing holdings. With respect to the remaining assets, which predominantly comprise Eurocastle's investments in Italian real estate funds, the Company plans to continue to hold and realise these assets in accordance with existing business plans. It will support these investments to the extent required to optimise returns and distribute cash to shareholders when available.

Italian NPLs & Other Loans Realisation

On 16 December 2019, the Company completed the sale of its portfolio of Italian Loans (the "NPL Portfolio") for a gross purchase price (after customary adjustments for collections) of €140.2 million to funds managed by an affiliate of its Manager (the "NPL Purchaser"). The purchase price represented a 5% discount to the Q3 2019 NAV of the NPL Portfolio excluding certain residual interests which the Company was required to retain due to legal obligations and which the NPL Purchaser has committed to acquire at the same 5% discount when such obligations no longer apply. In addition, the NPL Purchaser assumed an obligation to fund the €18.1 million deferred purchase price which was due to be paid by the Company in relation to its investment in the FINO portfolio. The cash proceeds received by the Company on completion of the sale of the NPL Portfolio was €122.1 million. As a result of this transaction, the Company retained a residual interest in three Italian NPL & Other Loan pools.

Investment Activity In The Year

During the year, the Company funded a further €46.6 million in the FINO portfolio and received €98.0 million from its investments.

- In February 2019, the Company funded €46.6 million of the €64.7 million deferred purchase price related to its interest in the FINO portfolio. The remaining €18.1 million commitment was assumed by the NPL Purchaser.
- In 2019, the Company received €61.3 million from its investment in doValue, of which €51.7 million related to the net proceeds from the placement of 5 million doValue shares in August 2019 at a price of €10.45 per doValue share.
- The Company received a further €36.7 million from its investments with €24.2 million generated from its Italian NPLs and Other Loans portfolio and €12.4 million generated from its Real Estate Fund Investments.

Capital Activity

During 2019, the Company repurchased 96% of its voting shares for a total of €353.6 million through;

- The share tender following adoption of the Realisation Plan of €281.2 million of shares at €8.14 per share
- Two additional share tenders repurchasing €70 million of shares at an average price of €8.30 per share and
- €2.3 million of shares at an average price of €7.22 per share through the Company's open market buyback programme. The last buyback programme ended on 13 November 2019 and the Board has chosen not to extend the programme.

Subsequent Event to 31 December 2019

Mr. Hammad Khan, who joined the board of the Company on 15 February 2019 as a representative of an affiliate of EJF Capital LLC, tendered his resignation, effective 5 March 2019.

ITALIAN REAL ESTATE FUNDS

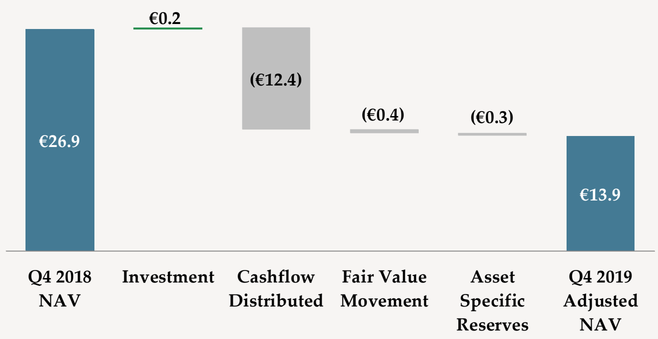
Since 2014, Eurocastle has made several investments in this asset class, investing €67.2 million in five separate real estate funds; of which two have been fully realised.

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

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

Italian RE funds – FY 2019 Adjusted NAV Bridge

(€ million)



RE Fund Investments	Equity Invested *€ million*	Total Cash flows Distributed to Eurocastle *€ million*	*Of which Received in 2019* *€ million*	Adjusted NAV *€ million*	Adjusted NAV *€ per share*	Total Return (Cash flows Distributed +Adj. NAV) *€ million*
I	22.2	24.2	*7.2*	2.5	1.36	26.7
II	15.4	11.4	*5.2*	4.3	2.36	15.7
V	5.6	-	-	7.4	3.98	7.4
Asset specific reserves[3]	-	-	-	(0.3)	(0.18)	(0.3)
TOTAL	***43.2***	**35.6**	***12.4***	***13.90***	***7.52***	***49.5***

RE Funds Update

Interests in one publicly listed fund and two private Italian real estate redevelopment funds.

- RE Fund I (publicly listed fund) - Fund manager accepted a binding offer for all of its assets, the largest closed in July 2019 with the Company receiving a €6.7 million distribution in August 2019. The sale of the remaining properties closed in December 2019, with a further ~€2.5 million expected to be received by the Company.
- RE Fund II - Redevelopment of both buildings is completed with all units of first building sold and approximately 75% of units sold in the second building.
- RE Fund V – Construction completed on budget and 38% of units pre-sold in line to underwriting values, with first closings taking place in January 2020.

Further details of all remaining real estate fund investments as at 31 December 2019 can be found in the table below:

	Fund Investment I	Fund Investment II	Fund Investment V
Investment Date	Mar-14	Jul-14	Q2-17
Eurocastle Ownership	7.5%	49.7%	49.6%
Fund Type	Publicly Listed	Private	Private
Collateral Type	n/a – assets sold	2 luxury residential redevelopments	1 luxury residential redevelopment
Collateral Location	n/a	Rome	Rome
ECT Q4 2019 NAV per share	€1.36	€2.36	€3.98
Fund Leverage	0%	0%	50%[4]
Legal Fund Maturity	Q4 2020	Q4 2020	Q4 2023

SEE PAGE 13 FOR ALL END NOTES

Income Statement For The Year Ended 31 December 2019

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

	Income Statement 2019	Income Statement 2018
	€ Thousands	*€ Thousands*
Portfolio Returns		
doValue realised gain	47,879	-
doValue unrealised fair value movement	-	(78,889)
Italian NPLs & Other Loans realised gain	2,868	-
Italian NPLs & Other Loans unrealised fair value movement	165	30,162
Real Estate Funds unrealised fair value movement	(424)	(864)
Fair value movement on Italian investments	**50,488**	**(49,591)**
Fair value movements on residual Legacy entities	**764**	**4,045**
Other income - gain on foreign currency translation	1	2
Total income / (loss)	**51,253**	**(45,544)**
Operating Expenses		
Interest expense	**121**	**461**
Manager base and incentive fees	32,237	10,670
Remaining operating expenses	3,115	4,016
Other operating expenses	**35,352**	**14,686**
Total expenses	**35,473**	**15,147**
Profit / (loss) for the year	**15,780**	**(60,691)**
€ per share	***0.38***	***(1.20)***

Balance Sheet and Adjusted NAV Reconciliation as at 31 December 2019

	Italian Investments	Corporate	Total
	€ Thousands	*€ Thousands*	*€ Thousands*
Assets			
Cash and cash equivalents	-	41,681	41,681
Other assets	-	98	98
Investments:			
Italian NPLs & Other Loans	1,246	-	1,246
Real Estate Funds	14,261	-	14,261
Total assets	**15,507**	**41,779**	**57,286**
Liabilities			
Trade and other payables	-	2,743	2,743
Manager base and incentive fees	-	20,155	20,155
Total liabilities	**-**	**22,898**	**22,898**
IFRS Net Asset Value	**15,507**	**18,881**	**34,388**
Additional Reserves	(340)[3]	(18,640)	(18,980)[2]
Adjusted NAV	**15,167**	**241**	**15,408**
Adjusted NAV (€ per Share)	***8.19***	***0.13***	***8.32***

SEE PAGE 13 FOR ALL END NOTES

NORMALISED FFO

Normalised FFO ("NFFO") is a non-IFRS financial measure that, with respect to all of the Company's Italian Investments other than doValue, recognises i) income on an expected yield basis updated periodically, allowing Eurocastle to report the run rate earnings from these investments in line with their expected annualised returns and ii) any additional gains or losses not previously recognised through NFFO at the point investments are realised. Cash flow receipts are therefore allocated by the Company between income and capital in accordance with this expected yield methodology. With respect to doValue, following the IPO, the Company recognises NFFO based on its share of doValue's reported annual net income excluding non-recurring items after tax together with any gains or losses arising from the sale of its shares. The income cash flow profile of each of the Company's investments may not exactly equal the NFFO recognised by the Company each period but will do so over the life of each investment.

Unrealised gains or losses as typically reported in the financial statements under IFRS do not affect NFFO but impact the Company's asset valuations and therefore its Net Asset Value in the period in which the relevant valuation movement is recognised. Accordingly, while the quantum of NFFO recognised in any period may differ from the corresponding fair value movements recognised in the Company's financial statements in the same period, over the total life of an investment NFFO will always equal the total profit recorded in the Company's financial statements.

The measure is also used as the basis to determine the Manager's entitlement to receive incentive compensation, with the base upon which such an amount is determined equal to the net invested capital of the Company's Italian Investments and calculated against the NFFO for Italian Investments after allocated corporate costs[5].

As part of the Realisation Plan, the Company's Manager agreed to amend the calculation of NFFO and therefore the incentive fee to treat the Company's remaining assets, which predominantly comprise investments in Italian Real Estate Funds, as fully realised on 31 December 2019. The amendments reduced the fee payable to the Manager for 2019 by €2.4 million to €19.5 million and no further fees will be due in relation to the Company's remaining investments. The Manager will be entitled to earn back a portion of this discount if excess amounts are released from certain reserves put in place by the Board to fund future costs and potential liabilities.

As a result of the Realisation Plan, the Company will no longer report NFFO.

NORMALISED FFO FOR THE YEAR ENDED 31 DECEMBER 2019

	Average Net Invested Capital[6] *€ Thousands*	Annualised Yield	Total NFFO *€ Thousands*
doValue	74,401	181%	134,879
Italian NPLs & Other Loans	117,282	11%	13,170
Real Estate Fund Investments	27,209	(25)%	(6,905)
Italian Investments NFFO before expenses	**218,892**	**65%**	**141,144**
Legacy portfolios			350
Manager base & incentive fees[5]			(32,237)
Other operating expenses			(4,400)
Normalised FFO			**104,857**
Per Share			2.55

Italian Investments generated €141.1 million, or €3.44 per share, representing a yield of 65% on the average net invested capital for the period of which the majority relates to the gains realised under the Realisation Plan. Net of all expenses, NFFO for the year was €104.9 million (€2.55 per share).

The following table provides a reconciliation of net profit and loss as reported in the income statement provided on page 4 to Normalised FFO:

NET PROFIT TO NORMALISED FFO RECONCILIATION

	doValue *€ Thousands*	Italian NPLs & Other Loans *€ Thousands*	Real Estate Fund Investments *€ Thousands*	Italian Investments *€ Thousands*	Legacy *€ Thousands*	Corporate Expenses *€ Thousands*	Total *€ Thousands*
Net profit / (loss)	47,879	3,033	(424)	50,488	764	(35,472)	**15,780**
Effective yield adjustments[7]	87,000	10,137	(6,481)	90,656	(414)	(1,165)	**89,077**
Normalised FFO for the year	**134,879**	**13,170**	**(6,905)**	**141,144**	**350**	**(36,637)**	**104,857**
Per Share	*3.28*	*0.33*	*(0.17)*	*3.44*	*0.01*	*(0.90)*	*2.55*

Distribution Policy

In March 2017 the Company announced the adoption of a distribution policy with the goal of generating substantial liquidity to shareholders by accelerating distributions of Normalised FFO and surplus capital not invested.

The policy saw the establishment of a three-part programme with the intention to:

i. continue to pay a regular quarterly dividend (currently set at €0.15 per share);
ii. supplement this on a quarterly basis with undistributed NFFO realised in cash; and
iii. supplement this on a semi-annual basis with 50% of the capital held by the Company at the previous half-year end that has not been invested or designated for investment in an opportunity being actively pursued at the time,

in each case all distributions being subject to the applicable legal requirements for working capital, distributions and expenses.

The supplemental distributions took the form considered by the Directors to be in the best interests of the Company at the relevant time, and could be made in any manner available to the Board, including, among others, by way of increased dividends, returns of capital or share buybacks.

As a result of the Realisation Plan, the Company's distribution policy, including the regular quarterly dividend, ceased from Q3 2019.

Distributions

				Declared & Paid in 2019		Relating to 2019	
Period	**Type**	**Date Declared**	**Date Paid**	*€ million*	*€ per share*	*€ million*	*€ per share*
Q4 2018	Income	06/03/2019	28/03/2019	€ 6.8	€ 0.15	-	-
Q1 2019	Income	16/05/2019	30/05/2019	€ 6.8	€ 0.15	€ 6.8	€ 0.15
Q2 2019	Income	08/08/2019	29/08/2019	€ 6.5	€ 0.15	€ 6.5	€ 0.15
Total				**€ 20.1**	**€ 0.45**	**€ 13.3**	**€ 0.30**

Directors

The Directors who have held office during the year were:

Randal A. Nardone
Claire Whittet[8]
Jason Sherwill[8]
Peter Smith
Simon J. Thornton[8]
Hammad Khan (appointed 15 February 2019 and resigned on 5 March 2020)

Mr. Hammad Khan was officially appointed to the Board of Directors on 15 February 2019 as a representative of Eurocastle's largest shareholder at the time, which is an affiliate of EJF Capital LLC ("EJF"). Mr. Khan is a senior managing director, Europe, of EJF. Mr Khan resigned from the Board on 5 March 2020.

Directors Interests

The interests of the Directors in the voting shares of Eurocastle are as follows:

	As at 31-Dec-19	**As at 31-Dec-18**
Randal A. Nardone[9]	7,662	1,026,859
Claire Whittet	3,324	3,000
Jason Sherwill	11,965	13,400
Peter Smith	-	-
Simon J. Thornton	10,427	11,547
Hammad Khan	-	-

SEE PAGE 13 FOR ALL END NOTES

Substantial Shareholdings

Per the shareholder register and as at 5 March 2020, the following shareholders had an interest in 3% or more of Eurocastle's share capital:

	% Holdings[10]
Nederlands Centraal Instituut Voor Giraal Effectenverkeer BV	53%
Euroclear Nominees Limited	30%
State Street Nominees Limited	11%

Eurocastle is subject to EU transparency rules as a result of its listing on an EU regulated market and, consequently, shareholders are required to notify Eurocastle and the relevant regulators of certain changes to the percentage of voting rights in Eurocastle held by them.

The shareholding above has been obtained from the share register. A number of individual shareholders have made a notification of exceeding the reporting thresholds per the Netherlands Authority for Financial Markets (AFM). These notifications can be found at the following website www.afm.nl.

Auditors

BDO LLP were re-appointed during the period and have expressed a willingness to continue in office.

Corporate Governance

The Directors have applied the principles of the Guernsey Code of Corporate Governance which came into effect from the 1 January 2012.

As a Guernsey incorporated company which is managed and controlled in Guernsey, Eurocastle Investment Limited is subject to the provisions of the UK City Code on Takeovers and Mergers.

Management Agreement

The Independent Directors have reviewed the continued appointment of the Manager. In carrying out the review, the Independent Directors considered the past performance of the Company and the capability and resources of the Manager to deliver satisfactory investment performance and have concluded that the continued appointment of the Manager is in the best interest of the shareholders.

Directors' Statements As To Disclosure Of Information To Auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 6. Having made enquiries of fellow Directors and of Eurocastle's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which Eurocastle's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that Eurocastle's auditors are aware of that information.

Going Concern

Following the announcement of the Realisation Plan, 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 to the financial statements, as well as reviewing the annual budget, including the additional reserves set aside as part of the Realisation Plan. As a result of this review, 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.

Directors' Statements Pursuant To The Disclosure And Transparency Rules

Each of the Directors as at 31 December 2019 (whose names are listed on page 6) confirms that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the Report of the Directors contained in the Annual Report 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 risks and uncertainties that they face.

Statement Of Directors' Responsibilities In Respect Of The Financial Statements

The Directors are responsible for preparing the financial statements in accordance with applicable Guernsey law and generally accepted accounting principles.

Guernsey Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue its business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

Registered Office

Regency Court
Glategny Esplanade
St. Peter Port
Guernsey
GY1 1WW

On behalf of the Board

Simon J. Thornton
Director and Audit Committee Chairman
Date: 5 March 2020

Independent Auditor's Report To The Members Of Eurocastle Investment Limited

Opinion

We have audited the financial statements of Eurocastle Investment Limited (the "Company") for the year ended 31 December 2019 which comprise the income statement, the balance sheet, the cash flow statement, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Financial Statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis Of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusion Relating To Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where :

- the directors' use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

SEE PAGE 13 FOR ALL END NOTES

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>

Valuation, existence and ownership of investments

Refer to note 2 accounting policies (financial instruments) and note 8 (investments)

The valuation of investments, in particular unlisted investments, requires significant judgement and estimates by management in determining future cash flows and discount rates and is therefore considered a significant risk due to the subjective nature of certain assumptions inherent in each valuation.

The investment portfolio at the year-end comprised of listed investments valued at £2.5m and unlisted investments valued at £13m.

Any input inaccuracies or unreasonable bases used in the valuation judgements could result in a material misstatement of the financial statements.

There is also a risk that management may influence the significant judgements and estimates in respect of valuations in order to achieve valuations and other performance targets to meet market expectations.

</td><td>

We performed the following procedures for all material investments:

In respect of listed investments (4.4% of the total assets) we:

- Agreed valuations to externally quoted prices from reputable sources.
- Agreed the investment holdings to independently received third party confirmation from the custodian to confirm existence and ownership.

In respect of unlisted investments we have performed the following procedures:

- Utilised our own internal experts to evaluate the appropriateness of the valuation methodology used and the integrity of the valuation models
- Reperformed the calculation of the investment valuations.
- Where available, checked financial inputs to the valuation models to audited financial information of investee companies.
- We analysed changes in significant assumptions compared with assumptions applied in previous periods and checked these to independent evidence, where available, including available industry data
- Challenged the investment manager regarding significant judgements made in relation to projected cash flows and discount rate and obtaining corroborating evidence where available.
- Agreed investment holdings to independently received third party confirmation from the custodian

Key observations:

Based on the procedures we performed we identified no changes to key assumptions that would result in material changes to the valuation of investments or any matters relating to existence and ownership of these investments.

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Completeness and accuracy of incentive fees paid to the investment manager note 5 (other operating expenses)

The investment manager is entitled to an incentive fee calculated against Normalised Funds From Operations (NFFO). The investment manager is perceived to be in a unique position to be able to manipulate NFFO through its input into the valuation of the investment portfolio and its responsibility for calculating the incentive fee.

</td><td>

We responded to this matter by recalculating the incentive fee under the terms of the investment management agreement.

In particular, we:

- Agreeded the rates used in the NFFO calculations to the signed agreement.
- Agreed all the amounts paid in the year to bank statements or year-end accrual.
- For a sample of investments, we agreed distributions received from investments in the year to bank statements and recalculated the roll-forward of the net invested capital against which the performance hurdle rate is assessed.

Key observations:

Based on the procedures performed, we consider the incentive fees paid to the investment manager appropriate.

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</table>

Our Application Of Materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality

We determined materiality for the financial statements as a whole to be €1 million (2018: €3.98 million, which was set at 1.75% (2018: 1%) of total assets. This provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures.

We determined that total assets would be the most appropriate basis for determining overall materiality as we consider it to be one of the principal considerations for members of the Company in assessing the financial performance of the Company.

Performance Materiality

Performance materiality is the application of materiality at the individual account or balance level and is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality for the Company should be 75% (2018: 75%) of materiality, namely €0.75million (2018: €2.98 million).

Reporting Threshold

This is the amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of €20k (2018: €80k) as well as differences below this threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

An Overview Of The Scope Of Our Audit

We designed our audit by determining materiality and assessing the risks of material misstatements in the financial statements. In particular, we looked at where the Directors make subjective judgements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The Company operates solely through one segment, investments in Europe. The Company audit team performed all the work necessary to issue the Company audit opinions, including undertaking all of the audit work on the key risks of material misstatement.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

SEE PAGE 13 FOR ALL END NOTES

Matters On Which We Are Required To Report By Exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion :

- proper accounting records have not been kept by the Company; or
- the Financial Statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities Of Directors

As explained more fully in the statement of directors responsibilities in respect of the financial statements, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s Responsibilities For The Audit Of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Use Of Our Report

This report is made solely to the Company’s members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Daniel Taylor
For and on behalf of BDO LLP
Chartered Accountants and Recognised Auditor
London
5 March 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

[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 31 December 2019, a total of 1.9 million shares were in issue of which 1.9 million were voting shares and no shares were held in treasury. Amounts per share are therefore calculated on the following basis: Q4 2019 Net Asset Value per share ("NAV per share") – 1.9 million voting shares in issue; Q4 2018 NAV per share based on 45.2 million voting shares.; Normalised FFO ("NFFO") and net income in FY 2019 based on 41.1 million weighted average voting shares, Q4 2019 on 31.9 million weighted average voting shares, FY 2018 on 50.6 million weighted average voting shares and Q4 2018 on 47.2 million voting shares.

[2] In light of the Realisation Plan, the Adjusted NAV as at 31 December 2019 reflects the additional reserves for future costs and potential liabilities, which have not been accounted for under the IFRS NAV.

[3] Real Estate Fund Investments NAV includes asset specific reserves of €0.3 million as a result of the Realisation Plan.

[4] Fund leverage as of Q3 2019.

[5] Up to implementation of the Realisation Plan, Manager base fees are equal to the sum of (i) 1.5% of the Company's Net Asset Value excluding Net Corporate Cash and (ii) 0.75% of the Company's Net Corporate Cash (including cash committed to investments but not yet deployed) calculated and paid monthly in arrears. Incentive fees are equal to 25% of the euro amount by which the Company's NFFO derived from Italian Investments (net of allocable fees and expenses) exceeds the net amount invested in such investments multiplied by a simple interest rate of 8% per annum (calculated on a cumulative but not compounding basis). Following the Realisation Plan, the Company will no longer report NFFO.

[6] Time weighted average of invested capital (net of any capital returned) over the relevant period.

[7] Adjusts all profit and loss movements recognised on the Italian Investments to that which is derived from an effective yield methodology where income is calculated on an expected yield basis given actual and projected cash flows of each investment. With respect to doValue, following the IPO, the Company recognised NFFO based on its share of doValue's reported annual net income excluding non-recurring items after tax together with any gains or losses arising from the sale of its shares.

[8] Independent directors.

[9] Randal A. Nardone is a member of Fortress Operating Entity I LP (registered holder of 38 shares) and Principal Holdings I LP (registered holder of 750 shares) and as a result of these relationships he is interested in the shares owned by these entities.

[10] Percentages calculated on 1.9 million voting shares in issue.

INCOME STATEMENT

	Notes	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Portfolio Returns			
Realised fair value gain on Italian investments	4	50,747	-
Unrealised fair value loss on Italian investments	4	(259)	(49,591)
Realised fair value movements on other net assets of subsidiaries	4	764	4,045
Other income			
Gains on foreign currency translation		1	2
Total income		**51,253**	**(45,544)**
Operating expenses			
Interest expense		121	461
Other operating expenses	5	35,352	14,686
Total expenses		**35,473**	**15,147**
Net operating profit / (loss) before taxation		**15,780**	**(60,691)**
Taxation expense - current		**-**	**-**
Total tax expense		**-**	**-**
Profit / (loss) after taxation for the year		**15,780**	**(60,691)**
Attributable to:			
Ordinary equity holders of the Company		15,780	(60,691)
Net profit / (loss) after taxation		**15,780**	**(60,691)**
		€	€
Earnings per ordinary share[(1)]			
Basic and diluted	11	0.38	(1.20)

The Company had no other comprehensive income in the year ended 31 December 2019 and the year ended 31 December 2018.

[(1)] Earnings per share is based on the weighted average number of shares in the year of 41,059,499 (31 December 2018: 50,550,606). Refer to note 11.

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

BALANCE SHEET

	Notes	As at 31 December 2019 €'000	As at 31 December 2018 €'000
Assets			
Cash and cash equivalents	6	41,681	87,768
Other assets	7	98	133
Investments	8	15,507	310,064
Total assets		**57,286**	**397,965**
Equity and Liabilities			
Capital and reserves			
Issued capital, no par value, unlimited number of shares authorised	12	1,625,727	1,977,731
Treasury shares	12	-	(156,833)
Accumulated loss		(1,591,339)	(1,427,875)
Total equity		**34,388**	**393,023**
Liabilities			
Trade and other payables	10	22,898	4,942
Total liabilities		**22,898**	**4,942**
Total equity and liabilities		**57,286**	**397,965**

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 5 March 2020 and signed on its behalf by:

Simon J. Thornton
Director and Audit Committee Chairman

CASH FLOW STATEMENT

	Notes	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Cash flows from operating activities			
Net operating profit / (loss) before taxation for the year		**15,780**	**(60,691)**
Adjustments for:			-
Realised fair value gain on Italian investments	4	(50,747)	49,591
Unrealised fair value loss on Italian investments	4	259	-
Realised fair value movement on other net assets of subsidiaries	4	(764)	(4,045)
Interest expense		121	461
Gain on foreign currency and other derivatives		(1)	(2)
Total adjustments to profit / (loss) for the year		**(51,132)**	**46,005**
Decrease in other assets		(34)	(77)
Increase / (decrease) in trade and other payables		17,172	(2,136)
Movements in working capital		**17,138**	**(2,213)**
Acquisition of Italian investments	8	(46,817)	(28,770)
Disposal of Italian investments	8	173,275	48,579
Cash distribution from Italian investments	8	46,279	62,689
Cash distribution from subsidiaries		1,353	3,946
Interest paid		(126)	(510)
Cash movements from operating activities		**173,964**	**85,934**
Cash generated from operations		**155,750**	**69,035**
Taxation paid		-	-
Net cash flows from operating activities		**155,750**	**69,035**
Cash flows from financing activities			
Repurchase of share capital net of costs		(181,779)	(56,847)
Dividends paid	13	(20,058)	(45,901)
Net decrease in cash flows from financing activities		**(201,837)**	**(102,748)**
Net decrease in cash and cash equivalents		**(46,087)**	**(33,713)**
Cash and cash equivalents, beginning of the year	6	**87,768**	**121,481**
Total cash and cash equivalents, end of the year	6	**41,681**	**87,768**

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

STATEMENT OF CHANGES IN EQUITY

	Share capital €'000	Treasury shares €'000	Accumulated loss €'000	Total equity €'000
As at 1 January 2018	**1,992,810**	**(115,026)**	**(1,321,265)**	**556,519**
Loss after taxation for the year	-	-	(60,691)	(60,691)
Total comprehensive loss for the year	**-**	**-**	**(60,691)**	**(60,691)**
Contributions by and distributions to owners:				
Shares issued to Directors from treasury shares (note 12)	-	18	(18)	-
Shares repurchased and cancelled (note 12)	(15,079)	-	-	(15,079)
Repurchase of shares (note 12)	-	(41,825)	-	(41,825)
Dividends declared (note 13)	-	-	(45,901)	(45,901)
As at 31 December 2018	**1,977,731**	**(156,833)**	**(1,427,875)**	**393,023**
Profit after taxation for the year	-	-	15,780	15,780
Total comprehensive profit for the year	**-**	**-**	**15,780**	**15,780**
Contributions by and distributions to owners:				
Shares issued to Directors from treasury shares (note 12)	-	18	(18)	-
Shares repurchased and cancelled (note 12)	(352,004)	-	-	(352,004)
Repurchase of shares (note 12)	-	(2,353)	-	(2,353)
Dividends declared (note 13)	-	-	(20,058)	(20,058)
Cancellation of treasury shares (note 12)		159,168	(159,168)	
As at 31 December 2019	**1,625,727**	**-**	**(1,591,339)**	**34,388**

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”) with the Financial Conduct Authority (“FCA”) its home state regulator (due to its original previous listing on the London Stock Exchange). Eurocastle is subject to EU transparency rules as a result of its listing on an EU regulated market and, consequently, shareholders are required to notify Eurocastle and the relevant regulators when their holding of the issued share capital and/or of the voting rights in Eurocastle reaches, exceeds or falls below certain thresholds, whereby the lowest threshold is 5%.

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

As a result of the Realisation Plan, the Board does not currently intend to make any material new investments with the proceeds realised from the Company’s existing holdings. With respect to the remaining assets, which predominantly comprise Eurocastle’s investments in Italian real estate funds, the Company plans to continue to hold and realise these assets in accordance with existing business plans. It will support these investments to the extent required to optimise returns and distribute cash to shareholders when available.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

Following the announcement of the Realisation Plan, the Board 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. 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.

These financial statements have been prepared in accordance with International Financial Reporting Standards 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 basis of accounting, except for investments at fair value through profit and loss, which are measured at fair value.

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

Significant estimates and judgements

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

Fair value movements on investments

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

Interest expense

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

Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital and reserves

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

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

Dividends

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

Financial Instruments

Recognition

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

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

Classification

Financial Assets

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

Financial liabilities

Financial liabilities are composed of trade and other payables.

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

Derecognition of financial assets and liabilities

Financial assets

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

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

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 Company’s continuing involvement is the amount of the transferred asset that the Company 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 Company’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

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

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

Foreign currency translation

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

Segment Reporting

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

New standards, interpretations and amendments effective from 1 January 2019

New standards impacting the Company that have been adopted in the annual financial statements for the year ended 31 December 2019 were:

Ammendments to IFRS 9 ''Financial Instruments''

On 12 October 2017, the IASB published 'Prepayment Features with Negative Compensation (Amendments to IFRS 9)' to address the concerns about how IFRS 9 'Financial Instruments' classifies particular prepayable financial assets. In addition, the IASB clarified an aspect of the accounting for financial liabilities following a modification.

There has been no impact on transition and adoption of the standard in the current year and the comparatives.

IFRS 16 ''Leases''

The objective of IFRS 16 is to report information that (a) faithfully represents lease transactions and (b) provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognise assets and liabilities arising from a lease.

The Company does not have any leases and therefore there has been no impact on the financial statements.

New amendments were enacted during the year which had no impact on the financial statements of the Company. New standards issued after 31 December 2019 have been considered and it has been determined that these new standards will not have a material impact on the financial statements of the Company.

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 31 December 2019, the leverage (as defined by this measure) under the gross and commitment basis was 46.33% and 46.33% respectively (31 December 2018: 79.03% and 79.03%).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management

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

Capital Risk Management

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

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

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

The Company’s objectives when managing capital are to safeguard the Company’s ability to meet its obligations as they fall due and to achieve positive returns in all market environments. In order to maintain or adjust the capital structure, the Company may raise or return capital from or to shareholders through the issue and repurchase of voting shares and/or capital distribution. Liberum Capital Limited acts as the Company’s nominated adviser and broker. The Company established a distribution policy in 2017 which, in addition to share buybacks, includes payment of a regular dividend and other forms of capital distribution. This distribution policy ceased to apply with effect from Q3 2019, following the announced realisation plan. At 31 December 2019, the Company had net equity of €34.4 million (31 December 2018: €393.0 million) and no direct leverage (31 December 2018: no direct leverage).

The Company’s objectives, policies and processes for managing capital reflect the change in strategy from November 2019.

Credit Risk

Credit risk is the risk of the financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents. As at 31 December 2019, the Company's cash and cash equivalents was €41.7 million (31 December 2018: €87.8 million).

Banking arrangements

The Company’s banking arrangements are with major financial institutions with investment grade credit ratings with which the Company and its affiliates may also have other financial relationships. While it is not anticipated that any of these counterparties will fail to meet their obligations, there is no certainty in current market conditions that this will be the case. As at 31 December 2019, the Company has placed €16.3 million of its corporate cash with a financial institution rated long term stable: A+ by Fitch; Aa3 by Moody's; and A+ by S&P (31 December 2018: €60.0 million - rated long term stable: A+ by Fitch; Aa3 by Moody's; and A+ by S&P). As at 31 December 2019, the remaining corporate cash was held with a financial institution rated long term stable: A+ Stable by Fitch; A1 Stable by Moody's; and A Stable by S&P (31 December 2018: rated long term stable: A+ stable by Fitch; A2 stable by Moody's; and A stable by S&P). The Company monitors on a regular basis the credit worthiness of the various financial institutions to mitigate credit risk exposure with respect to its banking arrangements.

Market Risk

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

Macro-economic and political risks

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

In August 2019, the coalition government formed between two “anti-establishment” political parties; the League and the Five Star Movement, ended following the leader of the League and then deputy prime minister, Matteo Salvini, ending the alliance. The prime minister, Giuseppe Conte, subsequently managed to form a new majority and avoid the possibility of an early election. The new coalition remains in place, however the situation remains very fluid. This ongoing political uncertainty which has characterised Italian politics for a number of years has not helped the world’s ninth biggest economy with the economy contracting in both the third and fourth quarters of 2019. Domestic demand decreased significantly, having been hit by policy uncertainty, stifled credit extension, muted wage growth and labour market slack.

The current instability in the geopolitical environment could have a material impact on financial activities both at a market and retail level. Additional risks such as the Coronavirus (COVID-19) could have an impact on the Company’s ability to realise its assets at its target prices and in the timeline envisaged. A deterioration of the Italian economy may affect real estate values as well as the recoveries the Company expects on its investments. At the same time, it could affect investor demand in general for these types of investments. While the expected yield on these portfolios is sensitive to the performance of the underlying assets, the value at which these investments are held by the Company is sensitive to the market yields at which they trade. Refer to note 8 for details of sensitivity analysis on the Italian investments.

Interest rate risk

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

Foreign Currency Risk

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

Liquidity Risk

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

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

4. PORTFOLIO RETURNS

Movements on investments are summarised below:

	Year ended 31 December 2019			Year ended 31 December 2018		
	Realised fair value movements €'000	Unrealised fair value movements €'000	Total fair value movements €'000	Realised fair value movements €'000	Unrealised fair value movements €'000	Total fair value movements €'000
doValue (note 8)	47,879	-	47,879	-	(78,889)	(78,889)
Italian NPLs & Other Loans (note 8)	2,868	165	3,033	-	30,162	30,162
Real Estate Funds (note 8)	-	(424)	(424)	-	(864)	(864)
Portfolio returns on Italian investments	**50,747**	**(259)**	**50,488**	**-**	**(49,591)**	**(49,591)**
Fair value movements on other net assets of subsidiaries	764	-	764	4,045	-	4,045
Total portfolio returns	**51,511**	**(259)**	**51,252**	**4,045**	**(49,591)**	**(45,546)**

5. OTHER OPERATING EXPENSES

	Year ended 31 December 2019 €'000	Year ended 31 December 2018 €'000
Professional fees	951	1,372
Transaction costs	47	570
Manager base and incentive fees (related party, note 14)	32,237	10,670
Manager recharge (related party, note 14)	1,511	1,552
General and administrative expenses	606	522
Total other operating expenses	**35,352**	**14,686**

6. CASH AND CASH EQUIVALENTS

	As at 31 December 2019 €'000	As at 31 December 2018 €'000
Corporate cash at Company level	41,681	87,768
Total cash and cash equivalents	**41,681**	**87,768**

7. OTHER ASSETS

	As at 31 December 2019 €'000	As at 31 December 2018 €'000
Prepaid expenses	98	133
Total other assets	**98**	**133**

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

8. INVESTMENTS

The Company directly or indirectly holds the following investments:

	As at 31 December 2019 €'000	As at 31 December 2018 €'000
Italian investment portfolio	15,507	309,816
Other net assets of subsidiaries	-	248
Total investments	**15,507**	**310,064**

As at 31 December 2019, the movements in the Italian investment portfolio were as follows:

	doValue	Italian NPLs & Other Loans	Real Estate Funds	
	Fair value accounted	Fair value accounted	Fair value accounted	Total Investments
	€'000	€'000	€'000	€'000
Balance as at 1 January 2019	185,518	97,422	26,876	309,816
Additions	-	46,569	248	46,817
Disposals	(223,767)	(121,568)	-	(345,335)
Distributions received	(9,630)	(24,210)	(12,439)	(46,279)
Realised fair value gain	47,879	2,868	-	50,747
Unrealised fair value movement	-	165	(424)	(259)
Balance as at 31 December 2019	-	1,246	14,261	15,507

As at 31 December 2018, the movements in the Italian investment portfolio were as follows:

	doValue	Italian NPLs & Other Loans	Real Estate Funds	
	Fair value accounted	Fair value accounted	Fair value accounted	Total Investments
	€'000	€'000	€'000	€'000
Balance as at 1 January 2018	271,842	140,103	29,960	441,905
Additions	-	28,395	375	28,770
Disposals	-	(48,579)	-	(48,579)
Distributions received	(7,435)	(52,659)	(2,595)	(62,689)
Unrealised fair value movement	(78,889)	30,162	(864)	(49,591)
Balance as at 31 December 2018	185,518	97,422	26,876	309,816

Refer to the portfolio summary for further details on investments on page 24.

8. INVESTMENTS (CONTINUED)

Portfolio summary

During the year, the Company's investments were categorised as follows:

I. doValue (formerly doBank)
II. Italian NPLs & Other Loans
III. Real Estate Funds

On 18 November 2019, the Board announced its intention to realise the majority of the Company's assets, being its shares in doValue S.p.A and interests in Italian Loan Investments ("NPL Portfolio") in order to accelerate the return of value to the Company's shareholders by way of a tender offer (the "Realisation Plan").

On 2 December 2019, the shareholders approved a transaction to dispose of the NPL Portfolio for a gross purchase price of €140.2 million to funds managed by an affiliate of FIG LLC, the Company's Investment Manager. The shareholders also approved a tender offer (the "Tender Offer") whereby the Company would buyback Eurocastle shares in exchange for a combination of doValue shares and the distributable cash proceeds from the NPL sale. Under the Tender Offer, tendering shareholders received approximately 0.4353 doValue shares and €3.16 in cash in exchange for each Eurocastle share.

I. doValue (formerly doBank):

In October 2015, the Company indirectly acquired a 50% equity interest in doValue S.p.A. (formerly UniCredit Credit Management Bank S.p.A ("UCCMB")), predominantly a NPL servicing business.

On 14 July 2017, doValue completed its initial public offering ("IPO") through which the Company sold approximately 48.8% of its shareholding. The Company, together with other Fortress affiliates, retained immediately after the IPO a joint 51.1% interest in the outstanding shares (excluding 1.55 million of treasury shares) of doValue. doValue is listed on the Milan Stock Exchange.

On 8 August 2019, the Company announced the successful completion of the placement to institutional investors of 5 million ordinary shares in doValue S.p.A., formerly (doBank S.p.A). The gross proceeds of the placement amounted to approximately €52.3 million, with the placement price of €10.45 per doValue share.

On 20 December 2019, the Company disposed of its remaining 15.04 million doValue shares. Under the Tender Offer, the Company delivered its remaining doValue Shares and €109.2 million in cash, in exchange for 34.6 million Eurocastle shares via an off-market share buyback process. Approximately 0.4353 doValue shares and €3.16 in cash were exchanged per Eurocastle share representing a value per ordinary share at the time of announcement of the Tender Offer of €8.14. As at 31 December 2019, the Company no longer holds any interest in doValue.

II. Italian NPLs & Other Loans

During the year, the Company held interests across 24 pools with a combined GBV of €25.4 billion. The interest in these pools ranged from minority stakes up to 80.66% and were held through subsidiaries, joint ventures and associates incorporated in Italy, Luxembourg and United States of America.

All NPLs / PLs are serviced by doValue (refer to note 14).

On 16 December 2019, the Company completed the sale of its NPL Portfolio for a gross purchase price (after customary adjustments for collections) of €140.2 million to funds managed by an affiliate of its Manager (the "NPL Purchaser"). The purchase price represented a 5% discount to the Q3 2019 NAV of the NPL Portfolio excluding certain residual interests which the Company was required to retain due to legal obligations and which the NPL Purchaser has committed to acquire at the same 5% discount when such obligations no longer apply. In addition, the NPL Purchaser has assumed an obligation to fund the €18.1 million deferred purchase price on the FINO portfolio which was due to be paid by the Company in July 2020. Therefore the cash proceeds received by the Company on completion of the sale of the NPL Portfolio was €122.1 million. As a result of this transaction, the Company retained a residual interest in three Italian NPL & Other Loan pools.

III. Real Estate Funds

The Company has the following Real Estate Fund investments:

Real Estate Fund Investment I:

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

In June 2019, the fund announced the acceptance of a binding offer for all of its assets and subsequently, in August 2019, the fund closed on the sale of its largest property and distributed €6.7 million to the Company. The sale of the remaining properties closed in December 2019, with approximately €2.5 million expected to be received by the Company.

8. INVESTMENTS (CONTINUED)

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 year end, both projects have been completed, with one project fully sold and approximately 75% of units sold in the second project.

The Company's investment is held through a joint venture 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 in Torre Real Estate Fund III Value Added – Sub fund B. To date, the work has been completed on time and in line with budget with 38% of the units pre-sold in line with underwriting.

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

Fair value hierarchy

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

As at 31 December 2019:

	Level 1 **€'000**	**Level 2** **€'000**	**Level 3** **€'000**	**Total fair value** **€'000**
doValue	-	-	-	-
Italian NPLs & Other Loans	-	-	1,246	1,246
Real Estate Funds	2,517	-	11,744	14,261
Total	**2,517**	**-**	**12,990**	**15,507**

As at 31 December 2018:

	Level 1 **€'000**	**Level 2** **€'000**	**Level 3** **€'000**	**Total fair value** **€'000**
doValue	185,518	-	-	185,518
Italian NPLs & Other Loans	-	-	97,422	97,422
Real Estate Funds	7,635	-	19,241	26,876
Total	**193,153**	**-**	**116,663**	**309,816**

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

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

8. INVESTMENTS (CONTINUED)

Transfers between levels

There were no transfers between levels for the year ended 31 December 2019 (31 December 2018: no transfers).

The following table shows a reconciliation for the Level 3 fair value measurements as at 31 December 2019:

	Italian NPLs & Other Loans €'000	Real Estate Funds €'000	Total €'000
As at 1 January 2019	97,422	19,241	116,663
Distributions received	(24,210)	(5,281)	(29,491)
Unrealised fair value movement in the year	165	(2,464)	(2,299)
Realised fair value movement in the year	2,868	-	2,868
Disposals in the year	(121,568)	-	(121,568)
Investments acquired in the year	46,569	248	46,817
As at 31 December 2019	**1,246**	**11,744**	**12,990**

The following table shows a reconciliation for the Level 3 fair value measurements as at 31 December 2018:

	Italian NPLs & Other Loans €'000	Real Estate Funds €'000	Total €'000
As at 1 January 2018	140,103	18,841	158,944
Distributions received	(52,659)	(809)	(53,468)
Unrealised fair value movement in the year	30,162	834	30,996
Disposals in the year	(48,579)	-	(48,579)
Investments acquired in the year	28,395	375	28,770
As at 31 December 2018	**97,422**	**19,241**	**116,663**

Expected recoveries of investments

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

	2019		2018	
	Within one year (1) €'000	More than one year €'000	Within one year (2) €'000	More than one year €'000
doValue	-	-	9,406	176,112
Italian NPLs & Other Loans	445	801	8,801	88,621
Real Estate Funds	9,295	4,966	447	26,429

(1) Amounts recoverable within one year represent actual and known cash flows as at the reporting date with the residual balance shown as amounts due to mature in over one year.

(2) Amounts recoverable within one year represent actual cash flows received on investments.

8. INVESTMENTS (CONTINUED)

Fair value methodology and sensitivity analysis

Italian NPLs & Other Loans

During the year, the Company held investment in 24 loan pools. As at 31 December 2019, following implementation of the Realisation Plan, the Company held residual interests in three pools. All pools are classified as level 3 on the fair value hierarchy. The fair value of the investments is derived from internal valuation models. The assumptions used in the models are based on cash flows (actual and projected) per the latest business plan and reviewed by senior management.

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

For the year ended 31 December 2019:

	Italian NPLs	Total Unlevered	Total Levered
Expected profit multiple [1]	1.5	1.5	1.6
Remaining weighted average life	2.5	2.5	2.8
Discount rate	12%	12%	16%

For the year ended 31 December 2018:

	Italian PLs	Italian NPLs	FINO NPLs	Total Unlevered	Total Levered
Expected profit multiple [1]	2.1	1.7	1.4	1.6	1.8
Remaining weighted average life	3.2	3.1	4.0	3.4	4.8
Discount rate	23%	12%	10%	12%	15%

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

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

(1) The expected profit multiple is derived from the underlying cash flows on which the relevant valuation model is built.

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

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

For the year ended 31 December 2019:

	Italian NPLs €'000	Total Unlevered €'000	Total Levered €'000
Fair value	2,167	2,167	1,246
Increase in discount rate by 25bps	2,157	2,157	1,234
Value sensitivity	**(10)**	**(10)**	**(12)**

For the year ended 31 December 2018:

	Italian PLs €'000	Italian NPLs €'000	FINO NPLs €'000	Total Unlevered €'000	Total Levered €'000
Fair value	9,317	132,748	66,851	208,916	97,422
Increase in discount rate by 25bps	9,280	132,154	66,317	207,751	96,257
Value sensitivity	**(37)**	**(594)**	**(534)**	**(1,165)**	**(1,165)**

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

Real Estate Funds

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

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

For the year ended 31 December 2019	Real Estate Funds	Total
Expected profit multiple	1.2	1.2
Remaining weighted average life	1.3	1.3
Discount rate	17%	17%

For the year ended 31 December 2018	Real Estate Funds	Total
Expected profit multiple	1.4	1.4
Remaining weighted average life	1.0	1.0
Discount rate	19%	19%

8. INVESTMENTS (CONTINUED)

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

For the year ended 31 December 2019	**Real Estate Funds €'000**	**Total €'000**
Fair value	11,744	11,744
Increase in discount rate by 25bps	11,720	11,720
Value sensitivity	**(24)**	**(24)**

For the year ended 31 December 2018	**Real Estate Funds €'000**	**Total €'000**
Fair value	19,062	19,062
Increase in discount rate by 25bps	19,021	19,021
Value sensitivity	**(41)**	**(41)**

9. CONTRACTUAL MATURITIES

Contractual maturities

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

As at 31 December 2019, 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

Set out below is a comparison by category of carrying amounts and fair values of the Company’s financial instruments that are carried in the financial statements excluding trade and other receivables and payables, and current liabilities whose carrying value is equal to fair value due to the short period before settlement.

	As at 31 December 2019 Carrying value €'000	**As at 31 December 2018 Carrying value €'000**	**As at 31 December 2019 Fair value €'000**	**As at 31 December 2018 Fair value €'000**
Financial assets				
Cash and cash equivalents	41,681	87,768	41,681	87,768
Italian investments held at fair value through profit or loss	15,507	310,064	15,507	310,064

10. TRADE AND OTHER PAYABLES

	As at 31 December 2019 €'000	**As at 31 December 2018 €'000**
Due to Manager (related party, refer note 14)	20,658	3,230
Accrued expenses and other payables	2,240	1,712
Total trade and other payables	**22,898**	**4,942**

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

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net profit after taxation by the weighted average number of ordinary shares outstanding during the year.
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 31 December 2019	As at 31 December 2018
Weighted average number of ordinary shares excluding treasury shares*	41,059,499	50,550,606
Weighted average number of ordinary shares - dilutive	**41,059,499**	**50,550,606**

*****weighted average shares for the year

12. SHARE CAPITAL AND RESERVES

As at 31 December 2019, there were 1,851,535 shares (31 December 2018: 63,813,362) issued of which no shares (31 December 2018: 18,655,060) 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	**Treasury shares**	**Total**
As at 1 January 2018	**52,712,164**	**13,408,890**	**66,121,054**
Shares issued from treasury to the Directors as part of their in-place compensation arrangements for €nil consideration - 21 June 2018	3,000	(3,000)	-
Shares repurchased and held in treasury - 6 August 2018	(5,000,000)	5,000,000	-
Share buyback programme	(249,170)	249,170	
Shares repurchased and cancelled - 20 December 2018	(2,307,692)	-	**(2,307,692)**
As at 31 December 2018	**45,158,302**	**18,655,060**	**63,813,362**
Shares issued from treasury to the Directors as part of their in-place compensation arrangements for €nil consideration - 20 June 2019	3,000	(3,000)	-
Share buyback programme	(325,136)	325,136	-
Shares repurchased and cancelled - 20 June 2019	(1,333,333)	-	(1,333,333)
Shares repurchased and cancelled - 16 September 2019	(7,100,591)	-	(7,100,591)
Shares repurchased and cancelled - 20 December 2019	(34,550,707)	-	(34,550,707)
Cancellation of treasury shares	-	(18,977,196)	(18,977,196)
As at 31 December 2019	**1,851,535**	**-**	**1,851,535**

Date	**Description**	**Number of shares**	**Price Per share**	**Share repurchase (€'000)**	**Directly attributable costs (€'000)**
6 August 2018	Share tender - shares repurchased and held in treasury	5,000,000	€ 8.00	40,000	120
20 December 2018	Share tender - shares repurchased and cancelled	2,307,692	€ 6.50	15,000	79
Full year 2018	Share buyback programme - shares repurchased and held in treasury	249,170	€ 6.59 (1)	1,641	64
20 June 2019	Share tender - shares repurchased and cancelled	1,333,333	€ 7.50	10,000	57
16 September 2019	Share tender - shares repurchased and cancelled	7,100,591	€ 8.45	60,000	65
20 December 2019	Share tender - shares repurchased and cancelled	34,550,707	€ 8.14	281,238	645
20 December 2019	Treasury shares cancelled	18,977,196	€ 8.35 (2)	159,168	n/a
Full year 2019	Share buyback programme - shares repurchased, held in treasury and cancelled on 20 December 2019	325,136	€ 7.22 (1)	2,343	10

(1) Average price of shares for the period
(2) Average price of shares which were previously held in the treasury shares reserve

As at 31 December 2019, the Company held no shares in treasury (31 December 2018: 18,655,060).

Accumulated loss

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

13. DIVIDENDS PAID AND DECLARED

The following dividends were declared for the year ended 31 December 2019:

Declaration date	Ex-dividend date	Record date	Payment date	Dividend per share[1]	Amount €'000
06 March 2019	13 March 2019	14 March 2019	28 March 2019	€ 0.150	6,763
16 May 2019	22 May 2019	23 May 2019	30 May 2019	€ 0.150	6,751
08 August 2019	15 August 2019	16 August 2019	29 August 2019	€ 0.150	6,544
Total				**€ 0.450**	**20,058**

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

The following dividends were declared for the year ended 31 December 2018:

Declaration date	Ex-dividend date	Record date	Payment date	Dividend per share	Amount €'000
20 March 2018	26 March 2018	27 March 2018	05 April 2018	€ 0.270	14,232
16 May 2018	22 May 2018	23 May 2018	31 May 2018	€ 0.330	17,395
09 August 2018	16 August 2018	17 August 2018	31 August 2018	€ 0.150	7,153
14 November 2018	21 November 2018	22 November 2018	29 November 2018	€ 0.150	7,121
Total				**€ 0.900**	**45,901**

(1) The Q1 2018 dividend of €0.33 per share includes €0.18 per share of capital distribution

14. MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

The Company entered into the Management Agreement with the Manager in August 2003. Pursuant to the Management Agreement, the Manager, under the supervision of the Board of Directors, will formulate investment strategies, arrange for the acquisition of assets, arrange for financing, monitor the performance of the Company's assets and provide certain advisory, administrative and managerial services in connection with the operations of the Company. Since 1 January 2015 the management fee paid to the Manager is equal to (i) 1.5% of the Company's Adjusted NAV reported quarterly, excluding net corporate cash, and (ii) 0.75% of the share of Adjusted NAV relating to net corporate cash. Incentive compensation is equal to 25% of the euro amount by which the Company's Normalised FFO derived from Italian Investments, after allocated corporate costs, exceeds the net invested capital in the Company's Italian Investments multiplied by the hurdle rate of 8% per annum (calculated on a cumulative but not compounding basis). Adjusted NAV, for the purposes of the management fee calculation, excludes all portfolios where the NAV is negative (following the disposal of the legacy assets in 2017, this is no longer applicable).

In light of the Realisation Plan, the Manager agreed to amend the calculation of its incentive fee to treat the Company's other remaining investments, which predominantly comprise investments in Italian real estate funds, as fully realised at an agreed value in 2019 to better reflect the price per ordinary share represented in the initial Exchange Ratio. These amendments reduced the fee payable by the Company to the Manager in the fourth quarter of 2019 by €2.4 million to €19.5 million and no further fees will be due in relation to the Company's remaining investments. The Manager will be entitled to earn back a portion of this discount if excess amounts are released from certain reserves put in place by the Board to fund future costs and potential liabilities.

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.

On 16 December 2019, the Company sold its NPL portfolio for a gross purchase price (after customary adjustments for collections) of €140.2 million to funds managed by an affiliate of its Manager. The purchase price represented a 5% discount to the Q3 2019 NAV of the NPL Portfolio excluding certain residual interests which the Company was required to retain due to legal obligations and which the NPL purchaser has committed to acquire at the same 5% discount when such obligations no longer apply. In addition the NPL purchaser has assumed an obligation to fund the €18.1 million deferred purchase price which was due to be paid by the Company in July 2020. Therefore the cash proceeds received by the Company on completion in relation to the sale of the NPL portfolios was €122.1 million. The transaction was made on arms' length terms and was approved by shareholders at the EGM held on 2 December 2019.

The Manager is deemed to be the key employee for reporting purposes. As at 31 December 2019, management fees, incentive fees and expense reimbursements of €20.7 million (31 December 2018: €3.2 million) were due to the Manager. During the year ended 31 December 2019, management fees of €5.0 million (31 December 2018: €6.0 million), €27.2 million of incentive fees (31 December 2018: €4.7 million), and expense reimbursements of €1.5 million (31 December 2018: €1.6 million) were charged to the income statement.

14. MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS (CONTINUED)

Mr. Hammad Khan was officially appointed to the Board of Directors on 15 February 2019 as a representative of Eurocastle's largest shareholder at the time, which is an affiliate of EJF Capital LLC ("EJF"). EJF held 29.1% of the Company's voting share capital prior to the Tender Offer announced as part of the Realisation Plan on 18 November 2019. EJF tendered their full allotment of shares as part of the Tender Offer. As a result of the tender, EJF disposed of 99.1% of its interest in the Company. As at 31 December 2019 EJF has a shareholding in the Company of 5.2%. Mr Khan resigned from the Board on 5 March 2020.

Total annual remuneration for the Eurocastle directors is €0.2 million (31 December 2018: €0.2 million), payable quarterly in equal instalments. Randal A. Nardone and Peter Smith do not receive any remuneration from the Company.

As a result of the investment in Italian performing and non-performing loans, the Company is party to various servicing agreements with doValue S.p.A. and its subsidiary Italfondiario S.p.A. ("doValue"). The terms of the agreements have been approved by the Independent Directors. doValue inter alia provides portfolio servicing, cash management and corporate services as part of the agreements in return for an agreed fee. The fee is made up of a fixed annual amount, a percentage of the outstanding portfolio balance as well as a percentage of the amount collected. The total fee paid in the year ended 31 December 2019 was €6.0 million (31 December 2018: €6.7 million). The fee is deducted from the collections prior to distribution. As such, there is no amount outstanding at 31 December 2019.

Fortress Italian NPL Opportunities Series Fund LLC (which owns the NPL pools) and Fortress Italian Real Estate Opportunities Series Fund LLC (being the entity where the majority of the Company's interest in Real Estate Fund Investments are held through) are managed by an affiliate of the Manager. The total management fee expense for the year ended 31 December 2019 is €0.5 million (31 December 2018: €0.7 million) and offsets fully against the Company's Management Fee payable to the Manager.

The Company's non-controlling interest in Real Estate Fund Investment I (refer to note 8) along with its joint venture investment in Real Estate Fund Investment II and Real Estate Fund Investment V (refer to note 8) are held in funds managed by Torre SGR S.p.A, which is majority owned by an affiliate of the Manager. The total management fee expense, across these funds, for the year ended 31 December 2019 was €0.3 million (31 December 2018: €0.3 million).

15. INVESTMENT IN SUBSIDIARIES

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

Luxembourg:
Verona Holdco S.à r.l
Undercroft S.à r.l
Luxgate S.à r.l
Truss Lux Participation S.à r.l
Mars Holdco S.à r.l (in liquidation)

Italy:
FMIL S.r.l

United States of America:
Fortress Italian Real Estate Opportunities Series Fund LLC - Series 1
Fortress Italian Real Estate Opportunities Series Fund LLC - Series 2

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

As at 31 December 2019, the unconsolidated subsidiaries do not have any significant restrictions (e.g. resulting from borrowing arrangements, regulatory requirements or contractual arrangements) on the ability to transfer funds to the Company in the form of cash dividends or to repay loans or advances made to the unconsolidated subsidiary by the Company.

16. SUBSEQUENT EVENTS

As at 5 of March 2020, there were no material subsequent events to disclose.

17. COMMITMENTS

As at 31 December 2019, the Company had no formal commitments.