CASTELLANA PROPERTIES SOCIMI, S.A.
Y SOCIEDADES DEPENDIENTES

Limited review report on the interim condensed
consolidated financial statements
at 30 September 2018

"This version of our report is a free translation from the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation."

LIMITED REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Castellana Properties SOCIMI, S.A.:

Introduction

We have carried out a limited review of the accompanying interim condensed consolidated financial statements of Castellana Properties SOCIMI, S.A. (the parent company) and subsidiaries (the Group), consisting of the interim statement of financial position at 30 September 2018, the interim income statement, the interim statement of comprehensive income, the interim statement of changes in equity, the interim cash-flow statement and the notes to the financial statements, all on a condensed and consolidated basis, for the interim six-month period then ended. The parent company's directors are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting as adopted by the European Union, on the preparation of interim condensed information. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

Scope of the review

We have carried out our limited review in accordance with International Standard on Review Engagements 2400 "Engagement to review financial statements". A limited review of interim financial statements consists of making enquiries, mainly of the employees responsible for financial and accounting matters and applying analytical and other review procedures. The scope of a limited review is substantially less than that of an audit carried out in accordance with prevailing auditing regulations in Spain and therefore we are unable to ensure that all important matters that could have been identified in an audit have come to our attention. Accordingly, we do not express an audit opinion on the accompanying interim condensed consolidated financial statements.

Conclusion

As a result of our limited review, which at no time should be regarded as an audit, no matter has come to our attention which leads us to conclude that the accompanying interim condensed consolidated financial statements for the six-month period ended 30 September 2018 have not been drawn up, in all significant respects, in accordance with the provisions of International Accounting Standard (IAS) 34, Interim Financial Reporting as adopted by the European Union for the preparation of interim condensed financial statements.

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Emphasis of matter

We draw attention to accompanying Note 2.1, which mentions that the accompanying interim condensed consolidated financial statements do not include all the information that would be required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and therefore they should be read together with the Group's consolidated annual financial statements for the year ended 31 March 2018. Our opinion has not been modified for this matter.

Other matters

This report has been prepared at the request of the Board of Directors in relation to the publication of the six-month report required under Circular 6/2018 of Mercado Alternativo Bursátil on the "Information to be provided by expanding companies and SOCIMI listed for trading on the Mercado Alternativo Bursátil".

PricewaterhouseCoopers Auditores, S.L.

/s/ Rafael Pérez Guerra

November 13, 2018

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements
and Interim Management Report
for the six-month period ended
30 September 2018

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
(Thousands of euros)

	Notes	30 September 2018	31 March 2018
Assets			
Non-current assets			
Property, plant and equipment		72	58
Investment property	6	406,260	308,050
Non-current financial assets	7	2,889	2,329
Deferred tax assets		52	-
		409,273	**310,437**
Current assets			
Trade receivables for sales and services	7	363	546
Trade receivables from related companies	7 and 13	280	617
Other amounts receivable from Public Administrations		656	920
Short-term accruals		74	-
Cash and cash equivalents		14,231	16,026
		15,604	**18,109**
Total assets		**424,877**	**328,546**

Notes 1 to 16 form an integral part of these condensed consolidated interim financial statements.

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
(Thousands of euros)

	Notes	30 September 2018	31 March 2018
Equity			
Share capital	8	33,968	26,298
Share premium	8	155,845	118,832
Legal Reserve	9	148	15
Other reserves	9	9,422	8,548
Treasury shares	8	(300)	-
Retained earnings	9	28,064	22,711
Interim dividend	9	(10,948)	-
Profit/(loss) for the year		18,412	6,651
Adjustments due to changes in value	9	(329)	(210)
		234,282	**182,845**
Liabilities			
Non-current liabilities			
Bank borrowings	10	180,853	138,936
Derivative financial instruments	10	329	210
Deferred tax liabilities		437	437
Other non-current financial liabilities	10	5,201	4,142
		186,820	**143,725**
Current liabilities			
Bank borrowings	10	133	144
Trade and other payables		2,697	1,369
Other amounts payable to Public Administrations		945	463
Total current liabilities		**3,775**	**1,976**
Total liabilities		**190,595**	**145,701**
Total equity and liabilities		**424,877**	**328,546**

Notes 1 to 16 form an integral part of these condensed consolidated interim financial statements.

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
(Thousands of euros)

	Note	Six-month period ended 30 September 2018	Six-month period ended 30 September 2017 (*)
Continued operations			
Provision of services	5	13,404	4,220
Changes in fair value of investment property	5 and 6	12,095	2,114
Personnel costs	5	(1,100)	(40)
Other operating expenses	5	(3,332)	(410)
Other results	5	77	-
OPERATING PROFIT/(LOSS)		**21,144**	**5,884**
Financial income		-	-
Financial expenses	5 and 10	(2,732)	(394)
NET FINANCIAL INCOME/(EXPENSE)		**(2,732)**	**(394)**
PROFIT/(LOSS) BEFORE TAX		**18,412**	**5,490**
Income tax		-	(71)
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY'S OWNERS		**18,412**	**5,419**
EARNINGS PER SHARE ATTRIBUTABLE TO THE PARENT COMPANY'S OWNERS			
Basic and diluted earnings per share	8	**0.57**	**0.48**

(*) Figures not subject to limited review
Notes 1 to 16 form an integral part of these condensed consolidated interim financial statements.

CASTELLANA PROPERTIES SOCIMI S.A.
SPAIN. REAL ESTATE. REAL GROWTH.

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(Thousands of euros)

		Thousand euros	
	Note	**Six-month period ended 30 September 2018**	**Six-month period ended 30 September 2017 (*)**
Consolidated profit/(loss) for the period	**5**	**18,412**	**5,419**
Consolidated other comprehensive income			
Items that may be reclassified to profit/(loss)			
Other results		-	-
Items that will not be reclassified to profit/(loss)			
Cash flow hedges		(119)	-
Other comprehensive income for the financial year, after tax		-	-
Total consolidated comprehensive income for the period		**18,293**	**5,419**

(*) Figures not subject to limited review
Notes 1 to 16 form an integral part of these condensed consolidated interim financial statements.

CASTELLANA PROPERTIES SOCIMI S.A.
SPAIN. REAL ESTATE. REAL GROWTH.

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(Thousands of euros)

	Note	Six-month period ended 30 September 2018	Six-month period ended 30 September 2017 (*)
A) CASH FLOW FROM OPERATING ACTIVITIES			
Profit/(loss) for the year before tax	**5**	**18,412**	**5,490**
Adjustments to profit/(loss)		**(9,248)**	**(1,720)**
Changes in fair value of investment property	6	(12,095)	(2,114)
Change in provisions		115	-
Financial expenses		2,732	394
Changes in working capital		**2,889**	**2,691**
Debtors and other receivables	7	405	(2,144)
Other current assets	7	264	-
Creditors and other payables	10	2,289	3,033
Other current liabilities		(516)	525
Other non-current assets and liabilities		447	1,277
Cash flows from operating activities		**12,053**	**6,461**
B) CASH FLOW FROM INVESTMENT ACTIVITIES			
Payments on investments			
Property, plant and equipment		(14)	(11)
Investment property	6	(86,115)	(198,985)
Cash flow from investment activities		**(86,129)**	**(198,996)**
C) CASH FLOW FROM FINANCING ACTIVITIES			
Collections and payments relating to equity instruments		**45,257**	**103,081**
Issue of equity instruments	8	45,557	103,081
Acquisition of own equity instruments	8	(300)	-
Collections and payments, financial liability instruments	**10**	**39,174**	**94,508**
Receivables on financial borrowings		41,039	89,502
Amounts received from shareholders' borrowings		-	5,400
Interest paid		(1,865)	(394)
Dividends paid and payment with other equity instruments:		**(12,150)**	**0**
Dividends	9	(12,150)	-
Cash flow from financing activities		**72,281**	**197,589**
NET INCREASE/REDUCTION IN CASH AND CASH EQUIVALENTS		**(1,795)**	**5,054**

(*) Figures not subject to limited review
Notes 1 to 16 form an integral part of these condensed consolidated interim financial statements.

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
(Thousands of euros)

	Attributable to the owners of the parent company								
	Capital	Share premium	Reserves	Treasury shares	Retained earnings	Interim Dividend	Profit/(loss) for the period	Hedging transactions	TOTAL
	Note 8	Note 8	Note 9	Note 8	Note 9	Note 9		Note 9	
BALANCE AT 31 MARCH 2017	**12,660**		**(139)**				**260**		**12,781**
Profit/(loss) for the period							5,159		5,159
Other comprehensive income for the period									0
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**5,159**	**-**	**5,159**
Share capital reduction	(10,128)		10,128						0
Share capital increase	17,180	85,901							103,081
Other changes			233						233
Total transactions with owners, recognised directly in equity	**7,052**	**85,901**	**10,361**	**-**	**-**	**-**	**-**	**-**	**103,314**
BALANCE AT 30 SEPTEMBER 2017 (*)	**19,712**	**85,901**	**10,222**	**-**	**-**	**-**	**5,419**	**-**	**121,254**
Profit/(loss) for the period							21,150		21,150
Other comprehensive income for the period								(210)	(210)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**21,150**	**(210)**	**20,940**
Distribution of profit/(loss)	-	-	(1,319)	-	21,103	-	(19,918)	-	(134)
Share capital increase (Note 8)	6,586	32,931	(340)	-	-	-	-	-	39,177
IFRS 9 (Note 2.2)					1,608				1,608
Total transactions with owners, recognised directly in equity	**6,586**	**32,931**	**(1,659)**	**-**	**22,711**	**-**	**(19,918)**	**-**	**40,651**
BALANCE AT 31 MARCH 2018	**26,298**	**118,832**	**8,563**	**-**	**22,711**	**-**	**6,651**	**(210)**	**182,845**
Profit/(loss) for the period							18,412		18,412
Other comprehensive income for the period								(119)	(119)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**18,412**	**(119)**	**18,293**
Distribution of prior year profit/(loss)			133		5,316		(6,651)		(1,202)
Share capital increase (Note 8)	7,670	37,013	874						45,557
Distribution of dividends (Note 9)						(10,948)			(10,948)
Treasury stock transactions (Note 8)				(300)					(300)
Other changes					37				37
Total transactions with owners, recognised directly in equity	**7,670**	**37,013**	**1,007**	**(300)**	**5,353**	**(10,948)**	**(6,651)**	**-**	**33,144**
BALANCE AT 30 SEPTEMBER 2018	**33,968**	**155,845**	**9,570**	**(300)**	**28,064**	**(10,948)**	**18,412**	**(329)**	**234,282**

(*) Figures not subject to limited review

Notes 1 to 16 form an integral part of these condensed consolidated interim financial statements.

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Thousands of euros)

1. ACTIVITIES AND GENERAL INFORMATION

Castellana Properties Socimi, S.A. (hereinafter, the “”) was incorporated in Spain on 19 May 2015 under the Spanish Capital Companies Act. Originally called Vinemont Investment, S.A., its name was changed to the current one on 30 May 2016. Its registered office is at Glorieta de Rubén Darío, 3 – 1ª Planta derecha, 28010 Madrid.

Its corporate purpose is described in Article 2 of its Articles of Association and consists of:

- The acquisition and development of urban properties intended for lease. The development activity includes refurbishment of buildings according to the terms of the Value Added Tax Act 37 of 28 December 1992.
- The ownership of interests in the share capital of other Spanish Real Estate Investment Trusts (*Sociedad Anónima Cotizada de Inversión en el Mercado Inmobiliario*, “SOCIMI”) or other companies that are not resident in Spain, that have the same corporate purpose, and that are governed by rules similar to those governing SOCIMIs in Spain as regards the compulsory, legal or statutory policy on profit distribution.
- The ownership of shares or interests in the share capital of other companies that are both resident and non-resident in Spain, whose main purpose is the acquisition of urban properties to let, and which are governed by the same legal framework that governs SOCIMIs as regards the compulsory, legal and statutory policy on profit distribution, and which meet the investment requirements set out in Article 3 of the Spanish SOCIMI Act 11, dated 26 October 2009.
- The ownership of shares or interests in Collective Investment Institutions governed by Spanish Collective Investment Institutions Act 35 of 4 November 2003.

The Company may also engage in other ancillary activities, this being understood to mean activities that generate income accounting for less than 20% of the Company’s total income over a single tax period.

Any activity that must by law meet special requirements that are not met by the Company are excluded.

The aforementioned business activities may also be fully or partially engaged in indirectly by the Company through the ownership of interests in another company or companies with a similar corporate purpose.

The Company is in turn majority owned by the group of companies parented by Vukile Property Fund Limited, a South African company listed on the Johannesburg Stock Exchange.

On 21 December 2017, the General Meeting of Shareholders approved the change of financial year end date for the companies comprising the Group, to 31 March of each year (previously 31 December). Accordingly, the financial year of the parent and its subsidiaries runs from 1 April to 31 March.

On 13 July 2018, the Castellana Properties Socimi, S.A General Meeting of Shareholders approved the individual and consolidated annual accounts for the three-month period ended 31 March 2018.

(Thousands of euros)

a) Regulatory regime

The Company is regulated under the Spanish Capital Companies Act.

In addition, on 15 September 2016 the Company informed the Tax Authorities that it wished to opt for application of the rules governing Spanish Real Estate Investment Trusts (SOCIMIs), and is therefore subject to Act 11 of 26 October 2009, with the amendments introduced by Act 16 of 27 December 2012, under which SOCIMIs are governed. Article 3 of Act 11 of 26 October 2009 sets out certain requirements that must be met by this type of company, namely:

i) They must have invested at least 80% of the value of their assets in urban properties intended for lease, or in land for the development of properties that are to be used for the same purpose, provided that development begins within three years following its acquisition, or in equity investments in other companies, as set out in Article 2, Section 1 of the aforementioned Act.

ii) At least 80% of the income from the tax period corresponding to each year, excluding the income deriving from the transfer of ownership interests and real estate properties used by the Company to comply with its main corporate purpose, once the retention period referred to in the following paragraph has elapsed, must come from the lease of properties and from dividends or shares in profits associated with the aforementioned investments.

iii) The real estate properties that make up the Company's assets must remain leased for at least three years. Calculation of this term will include the time that the properties have been offered for lease, up to a maximum of one year.

The First Transitional Provision of the SOCIMI Act allows for application of the SOCIMI tax rules under the terms set out in Article 8 of the SOCIMI Act, even when the requirements it contains are not met on the date of incorporation, on the condition that these requirements are met during the two years following the date on which it is decided to opt for application of the said tax rules. It is the opinion of the Company's directors that these requirements will be met in full, within the proper time and in the proper manner.

All of the shares of Castellana Properties Socimi, S.A. have been listed on the Alternative Stock Exchange (MAB) since 25 July 2018, within the SOCIMI segment.

b) Subsidiaries

As at 30 September 2018, Castellana Properties Socimi, S.A. is the parent company of a Group of companies which is comprised of the following subsidiaries:

Company	**Registered Address**	**Corporate Purpose**	**Shareholding %**	**Date of takeover**
Junction Parque Castellón S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017
Junction Parque Principado, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017
Randolph Spain, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017
Roxbury Spain, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017

(Thousands of euros)

Junction Parque Huelva, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017
Junction Parque Motril, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017
Junction Parque Granada, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017
Junction Parque Cáceres, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017
Junction Parque Mérida, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017
Junction Parque Villanueva 1, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017
Junction parque Villanueva fase 2, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017
Junction Parque Alameda, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	5 December 2017
Junction Parque Habaneras, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	9 May 2018

On 30 June 2017, the Parent Company acquired 100% of the stakes in 11 of the companies listed in the table above. The companies engage in real estate investment, as the Parent Company does, and they own a variety of properties. This transaction is considered and defined as a property investment, as it does not conform to the business definition established in IFRS 3.

On 5 December 2017, the Company acquired two properties via its subsidiary, Junction Parque Alameda, S.L.U. (previously known as Netece Servicios Empresariales, S.L.): Pinatar Park Retail Park (San Pedro del Pinatar, Murcia) and Alameda Shopping Centre (Pulianas, Granada).

On 9 May 2018, the Company acquired Habaneras Shopping Centre (Torrevieja, Alicante) via its subsidiary, Junction Parque Habaneras, S.L.U. (previously known as Socatena Servicios y Gestiones, S.L.).

2. BASES FOR THE PRESENTATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The main accounting policies adopted in the preparation of these condensed consolidated interim financial statements are described below. These policies have been applied consistently to all the periods shown, unless otherwise stated.

2.1 Bases for presentation

These condensed consolidated interim financial statements for the six-month period ended 30 September 2018 have been prepared under IAS 34 “Interim Financial Reporting" and do not therefore include all the information that would be required of full consolidated financial statements drawn up under the International Financial Reporting Standards adopted by the European Union, so the accompanying condensed consolidated interim financial statements must be read together with the Group's consolidated annual accounts for the financial year ended 31 March 2018, prepared in compliance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU).

These condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations

Committee (IFRIC) adopted by the European Union (jointly, IFRS-EU), pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council and its successive amendments.

The condensed consolidated interim financial statements have been prepared on a historical cost basis, though values have been modified as the result of the restatement to fair value of investment property, financial assets and financial liabilities (including derivatives), with changes shown in the results.

The preparation of these condensed consolidated interim financial statements in accordance with IFRS-EU requires the use of certain critical accounting estimates. It also requires Management to exercise judgement in the process of applying the Group's accounting policies. Note 2.3 explains the areas that require a higher level of judgement or complexity and the areas in which assumptions and estimates have a significant effect on the condensed consolidated interim financial statements.

Unless otherwise stated, the figures contained in these condensed consolidated interim financial statements are expressed in thousands of euros.

These condensed consolidated interim financial statements have been prepared and approved by the Board of Directors on 8 November 2018. These condensed consolidated interim financial statements have been submitted for limited review, but they have not been audited.

2.2 New IFRS-EU standards, amendments and IFRIC interpretations issued

a) Standards, amendments and obligatory interpretations for the years commencing 1 January 2018:

- IFRS 4 (Amendment) "Applying IFRS 9 "Financial instruments" with IFRS 4 "Insurance contracts" – Amendments to IFRS 4"
- Annual Improvements to IFRSs. 2014 – 2016 Cycle: The amendments affect IFRS 1 and IAS 28, and they apply to annual periods beginning from 1 January 2018 onwards. The main amendments relate to the following:
  - IFRS 1, "First-time Adoption of International Financial Reporting Standards"
  - IAS 28, "Investments in Associates and Joint Ventures"
- IFRS 2 (Amendment) "Classification and measurement of share-based payment transactions"
- IAS 40 (Amendment) "Transfers of investment property"
- IFRIC 22 "Foreign currency transactions and advance considerations"
- IFRS 9 - Financial instruments: IFRS 9 supersedes IAS 39 as from financial years starting on or after 1 January 2018 and affects both asset and liability financial instruments. The new asset classification approach is based on the contractual features of the asset cash flows and the entity's business model, which has entailed a name change but has had no impact on the measurement of the Group's financial assets and liabilities.

Additionally, as regards amendments to liability financial instrument contracts which, under IAS 39, did not entail derecognition from the balance sheet due to being regarded as non-substantive changes, the new standard stipulates that they must be recognised as a change to the estimated contractual flows from the liability, maintaining the original effective interest rate and adjusting the carrying amount on the date of the amendment; the difference is taken to the income statement. In prior years, the Group refinanced a part of its debt and recognised the impact of this change in accumulated reserves for an initial amount of €1,608 thousand.

The new standard lays down a financial asset impairment model based on expected losses as compared with the former incurred-loss model. The Group has analysed credit risk on financial assets since initial recognition, having concluded that there is no accounting impact on the model because financial assets receivable, comprising accounts receivable mainly from property sales, are settled at the same time the revenue is recognised, so there is no credit risk. Advance payments from customers are collected before the revenue is recognised, together with a liability in the same amount. The Group therefore considers that credit risk on advance payments is covered by the liabilities recognised and is not affected by the new standard. The Group also records a payable, the recovery of which has been separately analysed, the expected loss and counterparty credit risk having already been taken into account, so the new standard has no further impact.

- IFRS 15 – Revenue from Contracts with Customers: IFRS 15 is the new standard for recognising revenue from customers, which came into force on 1 January 2018. The new 5-step revenue recognition model has had no impact on either the measurement of revenue or on the timing of recognition, so no adjustments have been made to the opening balance of reserves due to the first-time adoption of this standard.

  The Group recognises revenue when ownership of the properties is transferred, as was previously the case under IAS 18, this being the date the sale and purchase agreements are executed in a public deed. Revenue is measured at the property transfer price and no material financial impact has been identified due to advance payments from customers, which are recognised when collected together with a liability reflecting the obligation to hand over the properties.
  The incremental costs of obtaining a contract, specifically sales commissions, are capitalised in the balance sheet as prepaid expenses until the actual transfer of ownership of the properties and recognition of the revenue, as was previously the case. The costs are capitalised on the basis that the entity expects to recover the relevant amounts through the sale of the assets.

The analysis of accounting standards and interpretations applicable as from 1 January 2018 has revealed no material impact that must be included in these condensed consolidated interim financial statements.

b) Standards, amendments and interpretations that are not yet in force, but which may be adopted in advance.

As at the date on which these condensed consolidated financial statements are signed, the IASB and IFRS Interpretations Committee had published the standards, amendments and interpretations that are outlined below, although the Group has not early adopted them.

- IFRS 16 – Leases: IFRS 16 – Leases will replace IAS 17 – Leases in the years commencing 1 January 2019. This new standard proposes a single model for the lessee for all leases (immaterial leases and those with a term of less than 12 months may be excluded) and maintains a dual model for the lessor based on the current IAS 17, and leases are finance or operating leases.

- IFRS 9 (Amendment) “Prepayment features with negative compensation”

These new standards, amendments and interpretations are not expected to have a significant impact on the Group's consolidated annual accounts.

C) Standards, amendments and interpretations of existing rules that cannot be adopted early or have not been adopted by the European Union

On the date on which these condensed consolidated financial statements are being prepared, the IASB and IFRS Interpretations Committee had published the standards, amendments and interpretations that are outlined below, and which are pending adoption by the European Union.

- IFRS 10 (Amendment) and IAS 28 (Amendment) “Sales or contributions of assets between an investor and its associates/joint ventures”.
- IFRS 17 “Insurance contracts”
- IFRIC 23, “Uncertainty over income tax treatments”
- IAS 28 (Amendment) "Long-term interest in associates and joint ventures"
- Annual Improvements to IFRSs. 2015 – 2017 Cycle: The amendments affect IFRS 3, IFRS 11, IAS 12 and IAS 23, and they apply to annual periods beginning from 1 January 2019 onwards, all being subject to adoption by the EU. The main amendments relate to the following:

    - IFRS 3 “Business combinations”
    - IFRS 11 "Joint arrangements"
    - IAS 12 "Income tax"
    - IAS 23 “Borrowing Costs”

- IAS 19 (Amendment) "Plan amendment, curtailment or settlement"

These new standards, amendments and interpretations are not expected to have a significant impact on the Group's consolidated annual accounts.

2.3 Use of estimates

The preparation of these condensed consolidated interim financial statements requires the parent company's directors to make judgements, estimates and assumptions that affect the application of the accounting policies and the balances of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and judgements are continually reassessed and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

The Group makes estimates and judgements concerning the future. The resulting accounting estimates, by definition, will rarely match actual results. The estimates and judgements that entail a significant risk of giving rise to a substantial adjustment to the book values of assets and liabilities during the next financial year are discussed below.

- Fair value of investment property

The best evidence of the fair value of real estate investments in an active market is the price of similar assets. In the absence of such information and in light of the current market situation, the Company determines fair value using a range of reasonable values. When making such judgements, the Company uses a series of sources, including:

i. The current prices in an active marketplace of different kinds of properties in varying states of repair and different locations, adjusted to reflect differences with the Company's own assets.
ii. The recent prices paid for properties in other, less active marketplaces, adjusted to reflect changes in economic conditions since the transaction date.
iii. The discounting of cash flows based on estimates resulting from the terms and conditions contained in current lease contracts and, where possible, evidence of the market prices of similar properties in the same location, through the use of discount rates that reflect the uncertainty of the time factor.

The market value of the real estate investments has been obtained from the valuations carried out by independent experts as at 30 September 2018. These valuations are calculated in accordance with the criteria established by the Royal Institution of Chartered Surveyors (RICS).

- Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, off-exchange derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and develop hypotheses that are based on current market conditions at each balance sheet date. The Group has used discounted cash flow analyses for various interest rate contracts that are not traded on active markets.

- Income tax

The company applies the system provided for in Act 11 of 26 October 2009, which governs Spanish Real Estate Investment Trusts (SOCIMIs), which in practice means that, provided that it meets certain requirements, the Company is subject to a Corporate Income Tax rate of 0% (Note 1).
The Directors monitor compliance with the requirements set out in the relevant legislation in order to secure the tax advantages offered.
In this regard, the Directors consider that the necessary requirements will be met within the established terms and periods, and they have therefore not entered any income or expense in respect of Corporate Income Tax.

2.4 Consolidation

(a) Subsidiaries

Subsidiaries are all the companies (including structured institutions) over which the Group has control. The Group controls a company or institutions when it obtains, or has the right to obtain, variable returns as the result of its involvement in the subsidiary and also has the ability to use its power over the company in question in order to influence these returns. Subsidiaries are consolidated from the date on which control is transferred to the Group and deconsolidated on the date on which such control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Where necessary, amounts presented by subsidiaries have been adjusted to bring them into line with the Group's accounting policies.

(b) Changes to shareholdings held in subsidiaries without any change of control

Transactions involving non-controlling shareholdings that do not result in a loss of control are entered as equity transactions, i.e. as transactions with the owners in their capacity as such. The difference between the fair value of the consideration paid and the corresponding proportion of the book value of the subsidiary's net assets is entered under net worth. Any gains or losses resulting from the disposal of non-controlling shareholdings are entered under net worth.

(c) Disposal of subsidiaries

When the Group ceases to have control, any shareholding retained in the company is remeasured at its fair value on the date on which control is lost, and the change is entered in the book value in the income statement. Fair value is the initial book value for the purposes of the subsequent entry of the shareholding maintained as an associate, joint venture or financial asset. In addition, any amount previously entered in respect of the company in question under other comprehensive income is accounted for as if the Group had directly sold the related assets and liabilities. This could mean that the amounts previously entered under other comprehensive income are moved to the income statement.

2.5 Financial information by segment

Information on business segments is reported on the basis of the internal information supplied to the body with ultimate authority to make decisions. The investments committee has been identified as the body with ultimate authority to make decisions, since it is responsible for allocating resources and assessing the performance of operating segments, as well as being in charge of strategic decision-making, with final approval from the Board of Directors.

2.6 Investment property

Property that is held in order to obtain long-term rent or capital gains or both and is not occupied by Group companies is classified as investment property. Investment property includes shopping centres, retail parks and other items owned by the Group. Investment property also includes property that is under construction or being developed for future use as investment property.

Investment property is initially valued at cost, including related transaction costs and financing costs, if applicable. Following its initial entry, investment property is accounted for at fair value.

The fair value of investment property reflects, *inter alia*, income from leasing and other assumptions that market players would take into account when valuing the property under current market conditions.

Subsequent expenses are capitalised at the asset's book value only when it is likely that future profits associated with these expenses will flow to the Group and the item's cost may be reliably measured. Any remaining costs for repairs and maintenance are entered in the income statement when they are incurred. When part of an investment property is replaced, the book value of the replaced part is written down.

If the valuation obtained for a property held for lease is net of all payments which are expected to be made, any liabilities entered separately on the balance sheet in respect of its lease are added once again when the book value of the investment property for accounting purposes is reached.

Any changes to fair value are entered in the income statement.

The fair value of the investment property is presented at the end of the reference period and is not amortised in accordance with the contents of IAS 40.

When the Group disposes of a property at fair value in an arm's-length transaction, the book value immediately prior to the sale is adjusted to the transaction price and the adjustment is entered in the income statement as part of the net gain from the adjustment to the fair value of investment property.
If an investment property becomes an owner-occupied property, it is reclassified as property, plant and machinery. Its fair value on the date on which it is reclassified becomes its cost for subsequent accounting purposes.

If an owner-occupied property becomes an investment property, due to a change of use, the resulting difference between the book value and fair value of that asset on the transfer date is treated in the same way as a restatement under IAS 16. Any resulting increase in the book value of the property is entered in the income statement, insofar as it reverses a previous loss due to impairment. Any remaining increase is entered under other comprehensive income, directly increasing equity in the revaluation reserve. Any resulting fall in the book value of the property is initially entered under other comprehensive income against any previously entered restatement reserve, and any remaining fall in value is entered in the income statement.

When an investment property is subject to a change of use, as demonstrated by the beginning of development work with a view to its sale, the property is transferred to stocks. The cost allocated to property for subsequent entry under stocks is its reasonable value on the date on which the change of use occurs.

2.7 Property, plant and equipment

Property, plant and equipment items are entered at their acquisition price or production cost, minus accumulated depreciation and the accumulated value of any recognised losses.

Subsequent expenses are capitalised at the asset's book value only when it is likely that future profits associated with these expenses will flow to the Group and the item's cost may be reliably measured. Recurring maintenance costs are charged to the income statement for the period in which they are incurred.

The depreciation of property, plant and equipment (except for land, which is not depreciated) is systematically calculated by the straight-line method according to its estimated useful life, taking account of the actual depreciation caused by its operation, use and benefit. Estimated useful life figures are as follows:

	Depreciation rate (%)
Other facilities	10%
Furniture	10%
Data processing equipment	25%
Transport items	25%
Other fixed assets	10%

The useful life of all property, plant and equipment is reviewed and, where applicable, adjusted on the date of each balance sheet.

When the book value of a fixed asset is higher than its estimated recoverable value, its book value is immediately reduced to its recoverable value (Note 2.8).

2.8 Losses due to the value impairment of non-financial assets

Assets subject to depreciation are subjected to impairment reviews whenever some event or a change in circumstances indicates that the book value may not be recoverable. An impairment loss is entered in the amount by which the asset's book value exceeds its recoverable value. The recoverable value is calculated as either the fair value minus sale costs or the operational value, whichever is higher. In order to assess impairment losses, assets are grouped at the lowest level for which there are generally independent identifiable cash flows (cash generating units). Previous impairment losses on non-financial assets (other than goodwill) are reviewed for their possible reversal on each financial reporting date.

2.9 Stocks

Group stocks arise when there is a change in the use of investment property, as demonstrated by the beginning of development work with a view to its sale, and the properties are reclassified as stock at attributed cost, which is the fair value on the date on which they are reclassified. These are subsequently valued at either cost price or net realisable value, whichever is the lower. The realisable value is the estimated sale price in the normal course of business, minus the costs incurred in completing the development and sale costs. At the close of this period, the Group did not have any stock.

2.10 Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included under current assets unless they mature more than 12 months after the balance sheet date, in which case they are entered under non-current assets. Loans and receivables are entered on the balance sheet under "Trade and other receivables".

These financial assets are initially valued at fair value, including directly attributable transaction costs, and are subsequently valued at amortised cost. Accrued interest is entered at the effective interest rate, this being understood to be the updated rate that brings the instrument's book value into line with all estimated cash flows through to maturity. Notwithstanding the foregoing, trade receivables that are due within less than one year are valued at their par value, both when initially entered and on subsequent valuation, provided that the effect of not updating flows is not significant.

At least at the end of each financial year, the necessary value adjustments are made to account for impairment when there is objective evidence that all receivables will not be collected.

Losses due to impairment are calculated as the difference between book value of the asset in question and the current value of estimated future cash flows, discounted at the effective interest rate at the time of initial entry. Value adjustments, as well as any applicable reversions, are accounted for in the income statement.

Cash and cash equivalents

Cash and cash equivalents includes cash holdings, instantly accessible deposits with credit institutions, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.11 Financial derivatives and hedge accounting

Financial derivatives are measured at fair value both on initial entry and on subsequent measurement. The method used to enter any resulting gains or losses depends on whether the derivative is designated as a hedging instrument or not and, if so, the type of hedging applied.

Hedging instruments are valued and entered according to their characteristics, insofar as they do not provide, or cease to provide, effective coverage.

In the case of derivatives that do not qualify for hedge accounting, gains or losses in their fair value are immediately entered in the income statement.

The Group designates certain derivatives as hedges for a specific risk associated with a recognised asset or liability or with a highly probable forecast transaction (cash flow hedges).

Upon initiating the transaction, the Group documents the relationship between the hedging instruments and hedged items and its risk management objectives and strategy for arranging various hedging transactions. The Group also documents its evaluation, both at the outset and continuously thereafter, as to whether the derivatives being used in the hedging transactions are expected to be highly effective in order to offset changes in fair value or in cash flows from hedged items.

The total fair value of a hedging derivative is entered under non-current assets or liabilities if the time remaining to maturity of the hedged item is more than 12 months and under current assets or liabilities if the time remaining to maturity of the hedged item is less than 12 months. Derivatives held for trading are entered under current assets or liabilities.

Cash flow hedges

The effective portion of changes in the fair value of a derivative designated as a cash flow hedge is entered under other comprehensive income. The profit or loss on the ineffective portion is entered immediately in the income statement under “other net (losses)/profits”.

Amounts accumulated in equity are reclassified to the income statement in the periods in which the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). Gains or losses on the effective part of interest rate swaps used to hedge loans at variable rates are entered in the income statement under “financial income/expenses”. However, when the forecast transaction that is being hedged results in the entry of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial valuation of the cost of the asset. The deferred amounts are definitively entered as the cost of the assets sold, in the case of stocks, or as depreciation in the case of property, plant and equipment.

When a hedging instrument matures or is sold or when the requirements for the application of hedge accounting cease to be met, any gains or losses accumulated in equity to that date will remain in equity and will be entered when the forecast transaction is finally entered in the income statement. When it is expected that the scheduled transaction is not going to take place after all, the gains or loss accumulated in the equity is immediately transferred to the income statement under the heading “other net (losses)/profits”.

2.12 Financial liabilities

Creditors and payables

This category includes trade and non-trade payables. These third-party resources are classified as current liabilities unless the Company has an unconditional right to defer settlement for at least twelve months after the balance sheet date.

These payables are initially entered at their fair value, adjusted for directly attributable transaction costs, and subsequently entered at amortised cost using the effective interest rate method. The effective interest rate is the updated rate which brings the instrument's book value into line with expected future payment flows until maturity of the liability.

However, trade receivables that are due within less than one year and do not have a contractually agreed interest rate are valued at their par value, both when initially entered and on subsequent valuation, provided that the effect of not updating cash flows is not significant.

Financial borrowings

Financial borrowings are initially entered at their fair value, minus any transaction costs incurred. Subsequently, financial borrowings are valued at amortised cost: any difference between the proceeds obtained (net of the costs required to obtain them) and the redemption value is entered in the income statement over the life of the borrowings using the effective interest rate method.

2.13 Offsetting financial instruments

Financial assets and financial liabilities are offset and are shown in the net amount on the balance sheet when there is a legally enforceable right to offset the amounts recognised and the Group intends to settle them for the net amount or realise the asset or cancel the liability simultaneously. The legally enforceable right should not be contingent on future events and should be enforceable in the normal course of business and in the event of a breach or the insolvency or bankruptcy of the company or counterparty.

2.14 Share capital

The share capital is made up of ordinary shares.

The costs of issuing new shares or options are entered directly in equity as a reduction in reserves.

In the event that the Company acquires treasury shares, the consideration paid including any incremental cost that is directly attributable, is deducted from equity until the shares are redeemed, issued again or otherwise disposed of. When treasury shares are subsequently sold or reissued, any amount received is moved to equity, net of any directly attributable incremental costs.

Basic earnings per share are calculated by dividing the profit attributable to the company's owners, excluding the cost of servicing equity other than ordinary shares, among the weighted average number of ordinary shares in circulation during the year, adjusted for incentives in ordinary shares issued during the year and excluding treasury shares.

For diluted earnings per share, the figures used in determining basic earnings per share are adjusted, taking account of the effect after income tax of interest and other financial costs associated with potential ordinary shares with dilutive effects and the weighted average number of additional ordinary shares that would have been in circulation, assuming the conversion of all potential ordinary shares with dilutive effects.

2.15 Current and deferred income tax

In accordance with the SOCIMI tax rules, the Parent Company is subject to a Corporate Income Tax rate of 0%.

As established in Article 9.2 of Act 11 of 26 October 2009, with the amendments incorporated via Act 16 of 27 December 2012, the Company shall be subject to a special rate of 19% on the overall sum of the dividends or profit distributions received by shareholders whose stake in the share capital of the Company is equal to or greater than 5%, when those dividends, in the possession of its shareholders, are exempt from or have a tax rate of less than 10% (to this effect, the tax due will be taken into consideration under the Non-Resident Income Tax Act).

However, that special rate will not apply when the dividends or profit shares are received by entities whose purpose is the ownership of interests in the share capital of other SOCIMIs or other companies that are not resident in Spain, that have the same corporate purpose, and that are governed by rules similar to those governing SOCIMIs as regards the compulsory, legal or statutory policy on profit distribution, with respect to companies that have a share that is equal to or greater than 5% of the share capital of the SOCIMIs and that pay tax on those dividends or profit shares at a rate of at least 10%.

For each Company in the Group that does not form part of the aforementioned tax rules, the income tax expense (income) is the sum that, for this concept, accrues in the financial year and comprises the expense (income) related to both current tax and deferred tax.

Both the current tax expense and deferred tax expense (income) is entered in the profit and loss statement. However, the tax effect related to entries that are directly registered in the equity have been entered in net worth.

The assets and liabilities related to current tax will be valued at the amounts expected to be paid or recovered from the tax authorities, in line with the legislation in force or approved and pending publication at the end of the financial year.

Deferred taxes are calculated, in accordance with the liability method, on the time-period differences arising between the tax bases for assets and liabilities and their book values.
However, the deferred taxes will not be entered if they arise from the initial entry of an asset or liability in a transaction that is not a combination of businesses which, at the time of transaction, does not affect the accounting result or the tax base. The deferred tax is determined by applying the regulation and tax rates approved or about to be approved at the date of the balance sheet, and that are expected to be applied when the relevant deferred tax asset is realised or the deferred tax liability is paid.

As regards assets due to deferred taxes, these are only recognised to the extent that it is probable that the company will earn future taxable profits that will allow these time-period differences to be offset.

2.16 Leases

a) <u>When the Group is the lessee - Operating lease</u>

Leases in which the lessor maintains a significant part of the risks and benefits arising from ownership are classified as operating leases. Operating lease payments (net of any incentive received by the lessor) are charged to the income statement for the year in which they accrue on a straight-line basis over the lease period.

b) <u>When the Group is the lessor</u>

Properties let out under operating lease are included with investment property on the balance sheet. Income earned from the leasing of property is entered on a straight-line basis over the lease period (Note 2.19).

2.17 Long-term incentive plans

According to the prospectus for admission to the Alternative Stock Market, executive directors' remuneration may include long-term incentive plans consisting of the delivery of shares or stock options, or cash-settled share-based remuneration. The General Shareholders' Meeting has the authority to decide whether remuneration is supplemented by Company shares, stock options or cash-settled share-based remuneration.

Company management is currently analysing these long-term remuneration options and plans to implement the option chosen in the second half of the financial year ended 31 March 2019.

2.18 Provisions and contingent liabilities

Provisions are set aside: when the Group has a present legal or implied obligation as a result of past events; when it is likely that an outflow of resources will be required to settle the obligation; and when the amount has been reliably estimated. No provisions are set aside for future operating losses.

Provisions are valued at the current value of the payments that are expected to be required to settle the obligation, using a pre-tax rate that reflects the current market assessment of the time value of money and the specific risks of the obligation. The adjustments to provisions as the result of their restatement are entered as an expense as they accrue.

Provisions that mature in one year or less and have non-significant financial effects are not discounted. When it is expected that a portion of the payment necessary to cancel the provision will be reimbursed by a third party, this reimbursement is entered as an independent asset, provided that its receipt is practically certain.

Contingent liabilities are those possible obligations resulting from past events, the crystallisation of which is contingent on future events that are not entirely under the Group's control. These contingent liabilities are not recognised in the accounts.

2.19 Revenue recognition

Revenue is stated at the fair value of the consideration to be received and it represents the amounts to be collected for the services rendered during the ordinary course of the Group’s activities, minus returns, discounts, rebates and VAT.

<u>Provision of services</u>

The Group provides leasing services. Income earned from the leasing of property is entered on a straight-line basis over the lease period. When the Group offers incentives to its tenants, the cost of the incentive is entered during the lease period on a linear basis, as a reduction in rental income. The costs associated with each rental payment are entered as an expense.

Interest income

Interest income is entered using the effective interest method. When the value of a receivable is impaired, the Group reduces the book amount to its recoverable amount, which is calculated as the estimated future cash flow discounted at the original effective interest rate of the instrument, and the receivable is continuously updated as interest income.

2.20 Dividend distribution

The payment of dividends to the Company's shareholders is entered as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

The parent company falls into the special category of SOCIMI (Spanish Real Estate Investment Trust), and is thus governed by the special tax rules established under Act 11 of 26 October 2009, with the amendments introduced by Act 16 of 27 December 2012, under which SOCIMIs are governed.

They are required to distribute the profits they obtain over the course of the year to their shareholders in the form of dividends, after complying with the relevant corporate obligations. Distribution must be approved within the six months following the year end, in the following way:

a) 100% of the profits resulting from dividends or profit shares received from the companies referred to in Article 2.1 of this Act.

b) At least 50% of the profits earned from the transfer of the property, shares or ownership interests referred to in Article 2.1. of the Act, where this occurs after the deadlines referred to in Article 3.3 of the Act have expired, when the property, shares or interests are used to comply with the Company's primary corporate purpose. The remainder of these profits must be reinvested in other property or investments related to the performance of this corporate purpose within three years of the transfer date. Otherwise, these profits must be distributed in full together with any profit earned, where applicable, in the year in which the reinvestment period expires. If the items in which the reinvestment has been made are transferred prior to the end of the holding period, profits must be distributed in full, together, where applicable, with the part of the profits attributable to the years in which the Company was not taxed under the special tax scheme provided for in the aforementioned Act.

c) At least 80% of the remaining profits obtained.

The dividend must be paid within one month of the distribution agreement.
When dividends are distributed with a charge to reserves originating from profits for a year in which the special tax rules were applied, the distribution must compulsorily be approved by means of the resolution referred to above.

2.21 Going concern

These condensed consolidated interim financial statements have been drawn up on a going concern basis, assuming that the Group will realise its assets and settle its commitments in the ordinary course of business.

3. SIGNIFICANT CHANGES DURING THE CURRENT REPORTING PERIOD

On 9 May 2018, the Company acquired Habaneras Shopping Centre (Torrevieja, Alicante) via its subsidiary Junction Parque Habaneras, S.L.U. (previously known as Socatena Servicios y Gestiones, S.L.), for €83,807 thousand (including acquisition costs). On the same day, the financing for the property was agreed with Aareal Bank for a sum of €42,330 thousand.

On 25 July 2018, the parent Company began to trade on the Spanish Alternative Stock Exchange (MAB).

4. FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to various financial risks: market risk (interest rate risk), credit risk and liquidity risk. The Group's risk management programme focuses on uncertainty in financial markets and seeks to minimise any potential adverse impact on its financial profitability.

Risk management is overseen by the Group's Finance Department, which identifies, evaluates and hedges financial risks in accordance with the policies approved by the Board of Directors. The Board provides policies for overall risk management and policies covering specific areas such as interest rate risk, liquidity risk, the use of derivatives and non-derivatives and investing excess liquidity.

4.1 Financial risk management

a) <u>Market risk</u>

The Group's interest rate risk originates from its financial borrowings. Borrowings issued at floating rates expose the Group to interest rate risk on cash flow. At 30 September 2018 circa 78% (100% in March 2018) of its financing was linked to a floating rate. The Group's borrowings at variable interest rates are denominated in euros.

The Group analyses its exposure to interest rate risk dynamically. Several scenarios are generated, taking account of financing and hedging alternatives. Based on these scenarios, the Group estimates the impact of a certain interest rate change on the result (scenarios are only used for liabilities that represent the most significant positions affected by interest rates).

These analyses take the following into account:

- The economic environment in which it conducts its business: The design of different economic scenarios, modifying the key variables that may affect the group (interest rates, share price, percentage of ownership of property investments, etc.). The identification of interdependent variables and the degree to which they are connected.
- The timeframe within which the evaluation is being made: The timeframe for the analysis and any potential divergence will be taken into account.

Based on the simulations carried out, the maximum recalculated impact that a 1% interest-rate variation would have on profit after tax would be a respective €742 thousand increase or a €742 thousand reduction in financial expenses. Simulations are performed regularly to ensure that the potential maximum loss remains within the limits established by Management.

(Thousands of euros)

On the basis of these different scenarios, the Group manages the cash flow interest rate risk through variable to fixed interest rate swaps. These interest rate swaps have the economic effect of converting variable interest borrowings to fixed interest borrowings. In general, the Group obtains long-term borrowings at variable interest rates and swaps them for borrowings at fixed interest rates lower than those which would be available if the Group obtained borrowings directly at fixed interest rates. Under interest rate swaps, the Group undertakes with third parties to exchange on a regular basis the difference between fixed and variable interest, calculated on the basis of the notional principal amount contracted. Fixed interest rates vary between 1.50% and 2.00% and floating interest rates vary between 1.40% and 1.60%.

b) Credit risk

Credit risk is managed at Group level. The Group defines its policy for managing and analysing the credit risk of its new customers before offering them normal terms and conditions. Credit risk mainly arises from deposits made with the relevant organisations, financial derivatives and receivables for sales and services rendered, as well as various debtors. The Group's credit risk controls set out the credit quality that must be displayed by customers, taking account of their financial situation, past experience and other factors. Individual credit limits are established on the basis of internal and external ratings, in accordance with the limits established by the Board of Directors. The use of credit limits is regularly reviewed.

The Group believes that it does not have any significant concentrations of credit risk, this being understood to refer to the possible impact that a default on receivables could have on the income statement.

The Group's maximum exposure to credit risk by type of financial asset (excluding financial derivatives and deposits) is as follows:

	Thousand euros	
	30.09.2018	**31.03.2018**
Current assets net of impairment provisions		
Trade and other receivables (Note 7)	643	1,163
Cash and cash equivalents	14,231	16,026
	14,874	**17,189**

Deposits to be returned to the Group's tenants will be withheld if the balances payable by the tenants to the Group are not paid or there is a breach of the lease agreement.

The fair value of cash and cash equivalents is close to the book value shown in the above table.

(Thousands of euros)

c) Liquidity risk

Cash flow predictions are carried out by the Group's Finance Department. This Department monitors forecasts of the Group's liquidity requirements in order to ensure that it has sufficient cash to meet its operational needs while maintaining sufficient available liquidity at all times to ensure that the Group continues to comply with its financing limits and covenants. These forecasts take account of the Group's financing plans, ratio compliance, compliance with internal objectives and, where applicable, any regulatory or legal requirements.

The cash surplus maintained by the Group is usually deposited in current accounts that attract interest at a specific rate or in term deposits, with maturity dates or levels of liquidity that are sufficient to offer the appropriate flexibility in light of the forecasts mentioned above. On the date of this balance sheet, the Group has cash assets totalling €14,231 thousand (€16,026 thousand at 31 March 2018) which are expected to generate cash inflows.

d) Tax risk

As mentioned in Note 1, the Parent Company has applied the special tax regime for Spanish Listed Real Estate Investment Trusts (SOCIMIs). Pursuant to the contents of Article 6 of Act 11 of 26 October 2009, as amended by SOCIMI Act 16 of 27 December 2012, companies that have applied this regime are required to distribute the profits they obtain over the course of the year to their shareholders in the form of dividends, after complying with the relevant corporate obligations. Distribution must be approved within the six months following the year end and paid within one month of the date of the distribution agreement (Note 9).

If the General Meeting of Shareholders of such Companies does not approve the dividend distribution proposed by the Board of Directors, calculated in accordance with the requirements of the said Act, they will be in breach of the Act and will therefore be taxed under the general tax rules, rather than the rules that apply to SOCIMIs.

4.2 Capital management

The Group's main capital management objectives are to ensure long- and short-term financial stability, the positive performance of Castellana Properties Socimi, S.A.’s shares, the appropriate financing of investments and a reduction in debt levels. Financial leveraging ratios, calculated as: (Net financial borrowings at amortised cost) / (Net financial borrowings at amortised cost + Equity) at 30 September 2018 and 31 March 2018 were as follows:

	Thousand euros	
	30.09.2018	**31.03.2018**
Net borrowings (Note 10)	167,084	123,264
Equity	234,282	182,845
Leveraging	41.6%	40.3%

The Management believes that the Group’s level of indebtedness is low.

(Thousands of euros)

The investment property leveraging ratio, calculated as: (Net financial borrowings at amortised cost) / (Fair value of investment property) at 30 September 2018 and 31 March 2018 was 41% and 40% respectively, and the Group's aim is to keep these ratios at between 50%-60%:

	Thousand euros	
	30.09.2018	**31.03.2018**
Net borrowings (Note 10)	167,084	123,264
Fair value of investment property (Note 6)	406,260	308,050
Leveraging	41.1%	40.0%

4.3 Estimation of fair value

The table shown below contains an analysis of the financial instruments that are measured at fair value, classified by valuation method. The different levels have been defined as follows:

- Quoted prices (non-adjusted) in active markets for identical assets and liabilities (Level 1).
- Inputs that differ from the quoted price included in Level 1, that are observable for the asset or liability, either directly (the prices themselves) or indirectly (derived from prices) (Level 2).
- Data for the asset or liability, which is not based on observable market input (i.e., unobservable inputs) (Level 3).

The following table shows the Group's financial assets and liabilities at fair value. See Note 6, which reports on the fair value of investment property.

(Thousands of euros)

30 September 2018

Assets	Level 1	Level 2	Level 3	Total
Long-term financial investments				
Interest rate hedging derivatives	-	-	-	-
Total assets	**-**	**-**	**-**	**-**
Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Long-term debts				
Interest rate hedging derivatives	-	329	-	329
Total liabilities	**-**	**329**	**-**	**329**

31 March 2018

Assets	Level 1	Level 2	Level 3	Total
Long-term financial investments				
- Interest rate hedging derivatives	-	-	-	-
Total assets	**-**	**-**	**-**	**-**
Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Long-term debts				
- Interest rate hedging derivatives	-	210	-	210
Total liabilities	**-**	**210**	**-**	**210**

The fair value of interest rate swaps is calculated as the current value of estimated future cash-flows, based on the estimated interest rate curve.

During the six-month period ending on 30 September 2018, no transfers between levels occurred.

4.4 Offsetting financial assets and liabilities

The Group's only financial assets and liabilities are, respectively, deposits made with official bodies and deposits to be returned to tenants. It is the Group's intention that these financial assets and liabilities will be settled on a gross basis.

(Thousands of euros)

5. FINANCIAL INFORMATION BY SEGMENT

The investments committee acting together with the Board of Directors represent the Group's highest decision-making authority. The management has defined operating segments, based on information which is reviewed by these bodies for the purposes of allocating resources and evaluating performance. The management analyses the performance of the operating segments based on the results for the period. The management considers retail and office activities separately.

Six-month period ended 30 September 2018

				Thousand euros
	Retail	**Offices**	**Corporate**	**Total**
Provision of services	11,961	1,106	337	13,404
Changes in fair value of investment property	11,709	386	-	12,095
Personnel costs	-	-	(1,100)	(1,100)
Other operating expenses	(2,188)	(103)	(1,041)	(3,332)
Other results	27	-	50	77
Operating profit/(loss)	**21,509**	**1,389**	**(1,754)**	**21,144**
Financial income				
Financial expenses	(2,732)	-	-	(2,732)
Net financial income/(expense)	**(2,732)**	**-**	**-**	**(2,732)**
Profit/(loss) before tax	**18,777**	**1,389**	**(1,754)**	**18,412**
Income tax	-	-	-	-
Profit/(loss) for the period	**18,777**	**1,389**	**(1,754)**	**18,412**

(Thousands of euros)

Six-month period ended 30 September 2017

				Thousand euros
	Retail	**Offices**	**Corporate**	**Total**
Provision of services	2,980	1,240	-	4,220
Changes in fair value of investment property	1,822	292	-	2,114
Personnel costs	-	-	(40)	(40)
Other operating expenses	(76)	(127)	(207)	(410)
Other results	-	-	-	-
Operating profit/(loss)	**4,726**	**1,405**	**(247)**	**5,884**
Financial income				
Financial expenses	(394)	-	-	(394)
Net financial income/(expense)	**(394)**	**-**	**-**	**(394)**
Profit/(loss) before tax	**4,332**	**1,405**	**(247)**	**5,490**
Income tax	-	-	(71)	(71)
Profit/(loss) for the period	**4,332**	**1,405**	**(318)**	**5,419**

The amounts provided to the Investments Committee and the Board of Directors in respect of total assets and liabilities are valued in accordance with the same criteria as those applied in the condensed consolidated interim financial statements. These assets and liabilities are assigned on the basis of segment activities.

(Thousands of euros)

30 September 2018

	Retail	Offices	Corporate	Total
				Thousand euros
Non-current assets				
Investment property	380,120	26,140	-	406,260
Other non-current assets	2,535	355	123	3,013
	382,655	**26,495**	**123**	**409,273**
Current assets				
Trade and other receivables	363	-	280	643
Other current assets	9,131	2,948	2,882	14,961
	9,494	**2,948**	**3,162**	**15,604**
Non-current liabilities				
Bank borrowings	180,853	-	-	180,853
Other non-current liabilities	5,236	294	437	5,967
	186,089	**294**	**437**	**186,820**
Current liabilities	**3,616**	**-**	**159**	**3,775**

31 March 2018

	Retail	Offices	Corporate	Total
				Thousand euros
Non-current assets				
Investment property	282,300	25,750	-	**308,050**
Other non-current assets	1,974	355	58	**2,387**
	284,274	**26,105**	**58**	**310,437**
Current assets				
Trade and other receivables	576	1,507	-	**2,083**
Other current assets	10,657	2,685	2,684	**16,026**
	11,233	**4,192**	**2,684**	**18,109**
Non-current liabilities				
Bank borrowings	138,936	-	-	**138,936**
Other non-current liabilities	4,495	294	-	**4,789**
	143,431	**294**	**-**	**143,725**
Current liabilities	**1,976**	**-**	**-**	**1,976**

(Thousands of euros)

6. INVESTMENT PROPERTY

Investment property primarily includes shopping centres and retail parks owned by the Group that are held to obtain long-term rental income and are not occupied by the Group.

The following table contains a breakdown of the entries shown for investment property and the movements in these figures:

	Thousand euros
	Investment property
Balance at 31.12.2017	**304,140**
Acquisitions	-
Subsequent capitalised disbursements	-
Profit/(loss) net of adjustments at fair value	3,910
Balance at 31.03.2018	**308,050**
Acquisitions	80,627
Subsequent capitalised disbursements	5,488
Profit/(loss) net of adjustments at fair value	12,095
Balance at 30.09.2018	**406,260**

During the six-month period ended 30 September 2018, the Group acquired Habaneras Shopping Centre (Torrevieja, Alicante) via its subsidiary Junction Parque Habaneras, S.L.U. for €83,807 thousand (including acquisition costs).

Note 15 contains detailed information on the properties included in this item.

Several mortgage guarantees have been put in place for certain properties, the market values of which stand at €406,260 thousand (€308,050 thousand at 31 March 2018), by way of guaranteeing the Company will meet the terms and conditions upon which it has obtained financing. At 30 September 2018, the nominal value of this financing amounted to €188,330 thousand (€146,000 thousand at 31 March 2018) (Note 10).

(Thousands of euros)

a) Income and expenses on investment property

The following income and expenses on investment property have been detailed in the income statement:

	Thousand euros	
	Six-month period ended 30 September 2018	**Six-month period ended 30 September 2017**
Rental income	13,067	4,220
Expenses for the operations resulting from investment property that generate rental income	(2,291)	(203)
Expenses for the operations resulting from investment property that does not generate rental income	-	-
	10,776	**4,017**

b) Operating leases

The total amount of future minimum collections from non-cancellable operating leases is as follows:

	Thousand euros	
	30.09.2018	**31.03.2018**
Less than one year	23,127	17,102
Between one and five years	50,300	37,561
More than five years	19,326	22,607
	92,753	**77,270**

c) Insurance

The Company maintains a policy of taking out all the insurance policies necessary to cover any possible risk that might affect any aspect of its investment property. Coverage under these policies is deemed to be sufficient.

(Thousands of euros)

d) Valuation process

The cost and fair value of the investment property at 30 September 2018 and 31 March 2018 are detailed below:

				Thousand euros
	30.09.2018		**31.03.2018**	
	Net cost value	**Fair value**	**Net cost value**	**Fair value**
Investment property	373,464	406,260	289,657	308,050

Their valuation was made using "market value" hypotheses, in accordance with the Property Appraisal and Valuation method and the Guidance Notes published by the Royal Institution of Chartered Surveyors of Great Britain (RICS), Valuation Standards, 8th edition. The market value of the Group's properties has been determined on the basis of a valuation carried out by independent expert valuers (Colliers International).

"Market Value" is defined as the estimated amount at which a property should exchange on the valuation date, between a willing seller and a willing buyer and after a reasonable sales marketing period, during which both parties have acted knowledgeably, prudently and without compulsion.

The valuation methodology adopted by the independent valuers in order to determine fair value was primarily the discounted cash flow method at 10 years and the income capitalisation method (reflecting net rent, capitalised expenses, etc.), in addition to verifying the information against comparables.

The discounted cash flow method is based on forecasts of the probable net income that will be generated by assets over a specific time period, taking into account the residual value of the assets in question at the end of that period. Cash flows are discounted at an internal rate of return in order to arrive at current net value. This internal rate of return is adjusted to reflect the risk associated with the investment and assumptions adopted. Key variables are therefore net income, approximate residual value and internal rate of return.

The income capitalisation method consists of capitalising estimated net income from each property, based on the length of the lease and reversion. This involves the capitalisation of current income over the entire period, together with the valuation of probable subsequent rentals following rent reviews or the arrangement of new rentals in each of the forecast periods, always taking current value as a basis. The yield applied to the different income categories reflects all forecasts and risks associated with cash flows and the investment.

(Thousands of euros)

Therefore, the key variables involved in the capitalisation method are the determination of net income, the period over which it is discounted, the approximate value at which it is realised at the end of each period and the target internal rate of return used to discount cash flows.

The estimated yields depend on the type and age of the properties and their location. The properties have been valued individually, via calculations based on the lease agreements in place at the end of the financial year and, if applicable, the forecast value based on current market rents for the different areas, as well as comparables and completed transactions.

On the basis of the simulations performed, the recalculated impact that a variation of 0.25% would have on the fair value of the property would be as follows:

30 September 2018

	Thousand euros	
THEORETICAL RESULT YIELD VARIANCE		
	(0.25%)	**0.25%**
Retail	7,110	(7,180)
Offices	460	(460)
	7,570	**(7,640)**

YIELDS	
Retail	5% - 6.75%
Offices	7.10% - 9.15%

	DISCOUNT RATES
Retail	7.5% - 10%
Offices	9.25% - 10.25%

(Thousands of euros)

31 March 2018

	Thousand euros	
	THEORETICAL RESULT YIELD VARIANCE	
	(0.25%)	**0.25%**
Retail	5,500	(5,210)
Offices	460	(440)
	5,960	**(5,650)**

YIELDS	
Retail	5% - 6.75%
Offices	7.10% - 9.15%

	DISCOUNT RATES
Retail	7.5% - 10%
Offices	9.25% - 10.25%

The valuation of investment property is classified under level 2, according to the definition in Note 4.3 above. The fair value of investment property has been calculated by independent expert valuers using valuation techniques involving observable and available market data, based, to a lesser extent, on specific estimates by the organisations.

During the six-month period ending on 30 September 2018, no transfers between levels occurred.

On 30 September 2018, Grupo Castellana's EPRA NAV stood at €234,996 thousand (€6.92 per share).

(Thousands of euros)

7. LOANS AND RECEIVABLES

	Thousand euros	
	30.09.2018	**31.03.2018**
Long-term loans and receivables:		
- Other financial assets	2,889	2,329
	2,889	**2,329**
Short-term loans and receivables:		
- Trade receivables for sales and services	363	546
- Trade receivables for sales and services - related parties (Note 13)	280	617
	643	**1,163**
	3,532	**3,492**

The book amounts of loans and receivables (both long and short-term) approximate their fair values, since the effect of discounting is not significant.

The entry "Other long-term financial assets" includes the amounts deposited with the corresponding organisations.

Of the total short-term loans and receivables, at 30 September 2018, trade and other receivables to the value of €432 thousand had matured (€621 thousand at 31 March 2018), of which €190 thousand had been provisioned (€75 thousand at 31 March 2018) according to the established antiquity policy for client balances and the Group's own analysis. At the end of the period, the trade receivables item includes an amount of €121 thousand pending invoicing (€0 at 31 December March 2018).

The following table contains a breakdown of the age of receivables for sales and services, receivables from related parties and other receivables:

	Thousand euros	
	30.09.18	**31.03.18**
Up to 3 months	259	621
Between 3 and 6 months	32	-
More than 6 months	141	-
	432	**621**

The carrying amounts of loans and receivables is denominated in euros.

(Thousands of euros)

Movements in the provision for insolvencies over the period were as follows:

	Thousand euros	
	30.09.2018	**31.03.2018**
Opening balance	(75)	(44)
Allocation	(115)	(31)
Reversion	-	-
Application	-	-
Closing balance	**(190)**	**(75)**

8. SHARE CAPITAL AND SHARE PREMIUM

a) Share capital

At 19 May 2015 (see Note 1) the Parent Company's share capital amounted to €60 thousand, represented by 60,000 shares with a par value of €1 each, all of which were in the same class, fully subscribed and paid up. Subsequently, par value was reduced (without reducing share capital) to €0.01 per share and then increased (without increasing share capital) to €5 per share. As a result, the number of shares fell from 60,000 to 12,000.

A share capital increase took place on 30 May 2016, with the issue of 2,520,000 shares with a par value of €5 each, all of which were in the same class, fully subscribed and paid up.

Following this operation, on 31 December 2016, the Parent Company's share capital amounted to €12,660 thousand, represented by 2,532,000 shares with a par value of €5 each, all of which were in the same class, fully subscribed and paid up, with the same rights transferred to shareholders.

On 28 June 2017, capital was reduced by €10,128 thousand and a restricted reserve was posted in the same amount. The capital reduction was carried out by reducing the €5 par value of each share by €4, resulting in a par value per share of €1 and share capital of €2,532 thousand following the adoption of the capital reduction resolution.

On 28 June 2017, share capital was increased by €17,180 thousand, via the issue of 17,180,172 new shares, each with a par value of €1. These new shares were issued with a total issue premium of €85,901 thousand. The share capital increase, as well as the share premium, were fully subscribed and paid up by the Company shareholder, Vukile Property Fund Limited.

(Thousands of euros)

On 4 December 2017, share capital was increased by €5,833 thousand, via the issue of 5,833,333 new shares, with a par value of €1 each. These new shares were issued with a total issue premium of €29,167 thousand. The share capital increase, as well as the share premium, were fully subscribed and paid up by the shareholder, Vukile Property Fund Limited.

Following this operation, on 31 December 2017, the Parent Company's share capital amounted to €25,546 thousand, represented by 25,545,505 shares with a par value of €1 each, all of which were in the same class, fully subscribed and paid up, with the same rights transferred to shareholders.

On 8 March 2018, the General Meeting of Shareholders approved a capital increase by capitalising the loan of €4,475 thousand granted on 28 November 2017 by the majority shareholder Vukile Property Fund Limited, plus €42 thousand in capitalised accrued interest. They approved a share capital increase of €753 thousand, via the issue of 752,790 new registered shares, with a par value of €1 each. This increase was carried out with a total share premium of €3,764 thousand.

Following this operation, at 31 March 2018, the Parent Company's share capital amounted to €26,298 thousand, represented by 26,298,295 shares with a par value of €1 each, all of which were in the same class, fully subscribed and paid up, with the same rights transferred to shareholders.

On 8 May 2018, the Universal Extraordinary Meeting of Shareholders agreed a share capital increase of €7,117 thousand, via the issue of 7,116,666 shares with a share premium of €5 per share, equating to €35,583 thousand.

On 7 June 2018, the General and Universal Meeting of Shareholders agreed two new share capital increases: the first valued at €50 thousand, with the issue of 50,000 new shares and a share premium of €5 per share, equating to €250 thousand, and the second increase valued at €503 thousand with the issue of 502,742 new shares with a share premium of €5 per share, equating to €2,514 thousand.

Following this increase, at 30 September 2018, share capital rose to €33,968 thousand, represented by 33,967,703 shares.

As at 30 September 2018 and 31 March 2018, the only shareholder with more than a 10% stake in the Share Capital of the Parent Company was Vukile Properties Limited.

As of 30 September 2018 and 31 March 2018, the breakdown of share capital is as follows:

	Thousand euros	
	30.09.2018	**31.03.2018**
Subscribed share capital	33,968	26,298
Non-paid-up capital	-	-
	33,968	**26,298**

(Thousands of euros)

b) Share premium

This reserve is freely available.

c) Treasury shares

Movements in treasury shares over the period have been as follows:

	30.09.2018		31.03.2018	
	Number of treasury shares	**Thousand euros**	**Number of treasury shares**	**Thousand euros**
Opening balance	-	-	-	-
Additions/purchases	50,000	300	-	-
Reductions	-	-	-	-
Closing balance	**50,000**	**300**	**-**	**-**

On 10 July 2018, Castellana Properties entered into a liquidity contract with Renta 4 Banco, S.A. with the aim of increasing liquidity and promoting stability in the listing of the Company's shares. This contract came into effect on 25 July 2018.

Shares owned by the Company itself at September 2018 represented 0.15% of the Company’s share capital and totalled 50,000 shares. The average cost of the Company’s treasury shares was €6 per share.

These shares are registered, thus reducing the value of the Company's equity on 30 September 2018 by €300 thousand.

The Company has complied with the requirements of Article 509 of the Spanish Capital Companies Act, which establishes that the par value of acquired shares listed on official secondary markets, together with those already held by the Parent Company and its subsidiaries, must not exceed 10% of the share capital. The subsidiaries do not hold either treasury shares or shares in the Company.

d) Earnings per share

Basic earnings per share are calculated by dividing the net profit/(loss) attributable to the parent Company's owners for the period by the weighted average number of ordinary shares in circulation during the period, excluding the weighted average number of treasury shares held over the period.

Diluted earnings per share are calculated by dividing the net profit/(loss) attributable to the parent Company's owners for the period by the weighted average number of ordinary shares in circulation during the period, plus the weighted average number of ordinary shares that would be issued during the conversion of all potentially dilutive instruments.

The following table shows the income figures and information on the number of shares used to calculate basic and diluted earnings per share:

Calculation of basic and diluted earnings

	Six-month period ended 30 September 2018	**Six-month period ended 30 September 2017**
Net profit (thousand euros)	18,412	5,419
Weighted average number of shares issued (shares)	32,284,535	11,356,788
Average number of treasury shares held in the company's own portfolio (shares)	31,421	0
Basic and diluted earnings per share (euros)	0.57	0.48

In terms of calculating earnings per share, there have been no transactions on ordinary or potential ordinary shares between the date on which the condensed consolidated interim financial statements were closed and their drafting, which have not been taken into consideration in said calculations for the six-month period ending on 30 September 2018.

(Thousands of euros)

9. RESERVES AND RETAINED EARNINGS

Reserves

At 30 June 2018, €148 thousand (€15 thousand at 31 March 2018) corresponded to the legal reserve. This reserve has been set aside under the terms of Article 274 of the Spanish Capital Companies Act, which establishes that companies must in all cases allocate an amount equal to 10% of their profits for the year to this reserve, until the total reaches at least 20% of the share capital figure. It cannot be distributed, and if it is used to offset losses when the other available reserves are not sufficient for this purpose, it must be replenished with future profits.

	Thousand euros	
	30.09.2018	**31.03.2018**
Legal Reserve	148	15
Other Reserves	9,422	8,548
Hedging reserve	(329)	(210)
Treasury shares	(300)	-
Total Reserves	**8,941**	**8,353**
Retained earnings		
Accumulated profit/(loss)	29,400	22,845
Distribution of dividends	(12,284)	(134)
Total retained earnings	**17,116**	**22,711**

The Other Reserves entry, mainly registers the expenses associated with issuing shares and with the two share capital increases completed. Said expenses totalled €705 thousand and are mainly attributable to banks and advisors.

Distribution of the profit/(loss)

The proposed distribution of the Parent Company Castellana Properties Socimi, S.A's profit/(loss) for the 3 months ended on 31 March 2018, which was approved at the General Meeting of Shareholders on 13 July 2018, was as follows:

	Thousand euros
	2018
Base for distribution	
Profit and loss	1,335
Application	
Legal reserve	133
Dividends	1,202
	1,335

(Thousands of euros)

The approved distribution of the 2018 profit/(loss) including the distribution of an interim dividend of €1,202 thousand, which was paid to shareholders in June 2018.

Interim dividend

On 21 May 2018, the Board of Directors approved an interim dividend payment for the financial year ended on 31 March 2019 in the amount of €10,948 thousand, which was paid the same day.

10. CREDITORS AND PAYABLES

	Thousand euros	
	30.09.2018	**31.03.2018**
Long-term creditors and payables:		
- Bank borrowings	180,853	138,936
- Other financial liabilities	5,201	4,142
- Derivative financial instruments	329	210
	186,383	**143,288**
Short-term creditors and payables:		
- Bank borrowings	133	144
- Trade and other payables	1,721	1,369
- Trade payables with related companies	976	-
	2,830	**1,513**
	189,213	**144,801**

The book amounts of creditors and payables, both long and short-term, approximate their fair values, since the effect of discounting is not significant. In the case of debts with financial institutions, these are entered at their amortised cost.

The rental income received from tenants as per the lease agreements signed are registered as other long-term financial liabilities.

Creditors and other payables mainly includes provisioned amounts relating to the Company’s property acquisitions, financing obtained during the current financial year, as well as balances payable relating to investments currently under construction.

The book value of loans and receivables to be paid by the Company is denominated in euros.

(Thousands of euros)

Debt with credit institutions includes the balance of two loans granted to the Group. The maturities of this debt with credit institutions is detailed below by par value:

				Thousand euros
	30.09.2018		31.03.2018	
Maturity year	**Non-Current**	**Current**	**Non-Current**	**Current**
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	43,800	-	43,800	-
>2022	144,530	-	102,200	-
Total	**188,330**	**-**	**146,000**	**-**

The Company has included €7,477 thousand (€7,064 thousand at 31 March 2018) in the amortised cost on the balance sheet for the formalisation of the debt costs. As of 30 September 2018, accrued financial interest not paid stood at €135 thousand (€144 thousand at 31 March 2018). The financial expenses accrued during the period stand at €1,433 thousand (€394 thousand at 30 September 2017). The other financial expenses recognised in the income statement relate to interest on hedging derivatives and financial expenses at amortised cost.

During the period the Group has signed financing agreements to the value of €42,300 thousand (€146,000 thousand as at 30 March 2018).

The loans detailed are secured via a mortgage commitment on certain properties whose market value at 30 September 2018 totalled €406,260 thousand (Note 6) (€308,050 thousand at 31 March 2018).

On 5 December 2017, the Parent Company, acting not as a borrower but as a guarantor, together with the investees listed below, arranged a syndicated loan for a total amount of €146 million, maturing in 2023, with the banks CaixaBank, Banco Popular and Banco Santander, the latter acting as the agent bank, which has been used to settle the Group's previous financing and fund the purchase of the properties acquired by the company Junction Parque Alameda, S.L.U. The bank loan is secured with assets as detailed in the following table:

(Thousands of euros)

		Outstanding nominal value	
Company	**Property**	**30/09/2018**	**31/03/2018**
Junction Parque Castellón S.L.U.	Ciudad del Transporte	2,924	2,924
Junction Parque Principado, S.L.U.	Parque Principados Retail Park	13,593	13,593
Randolph Spain, S.L.U.	Parque Oeste Retail Park	12,436	12,436
Roxbury Spain, S.L.U.		8,941	8,941
Junction Parque Huelva, S.L.U.	Marismas del Polvorín Retail Park	12,466	12,466
Junction Parque Motril, S.L.U.	Motril Retail Park	3,594	3,594
Junction Parque Granada, S.L.U.	Kinepolis Retail Park & Leisure Centre	23,359	23,359
Junction Parque Cáceres, S.L.U.	Mejostilla Retail Park	3,856	3,856
Junction Parque Mérida, S.L.U.	La Heredad Retail Park	6,176	6,176
Junction Parque Villanueva 1, S.L.U.	La Serena Retail Park	2,523	2,523
Junction parque Villanueva fase 2, S.L.U.	Villanueva de la Serrena II Retail Park	4,368	4,368
Junction Parque Alameda, S.L.U.	Alameda Shopping Centre	51,764	51,764
	San Pedro del Pinatar Retail Park		
	TOTAL	**146,000**	**146,000**

On 9 May 2018, the subsidiary company Junction Parque Habaneras, S.L.U. took out a mortgage with the financial entity Aareal Bank, AG in the amount of €42,330 thousand, secured by the Habaneras Shopping Centre, with maturity in 2025.

These loans are granted subject to compliance with certain financial ratios, which is standard practice in the sector in which the Company operates, with the ratio being calculated every six months. As of 30 September 2018, the Group had complied with all of these ratios.

11. PROVISIONS AND CONTINGENCIES

As of 30 September 2018 and 31 March 2018 the Group had no provisions or contingent liabilities.

12. BOARD OF DIRECTORS AND OTHER PAYMENTS

Remuneration of members of the Board of Directors

During the six-month period ended 30 September 2018, payments to members of the Board of Directors totalled €209 thousand (€12 thousand at 30 September 2017), of which executive members received a total of €162 thousand (€12 thousand at 30 September 2017).

The Group has not authorised any loans to the Board of Directors and does not hold pension funds or any other similar liabilities to the benefit of its Directors.

(Thousands of euros)

13. RELATED PARTY TRANSACTIONS

The following table shows a breakdown of the transactions carried out with related parties:

	Thousand euros	
Income	**Six-month period ended 30 September 2018**	**Six-month period ended 30 September 2017**
Provision of services	280	-
	280	**-**

	Thousand euros	
Costs	**Six-month period ended 30 September 2018**	**Six-month period ended 30 September 2017**
Billings for services	(976)	-
	(976)	**-**

The breakdown is as follows:

	Thousand euros	
BREAKDOWN OF ASSET BALANCES	**30.09.2018**	**31.03.2018**
Adam Lee Morze	-	78
Morzal Properties Iberia, S.A.	280	-
Dream, SL	-	3
Vukile Property Fund Limited	-	536
	280	**617**

	Thousand euros	
BREAKDOWN OF LIABILITY BALANCES	**30.09.2018**	**31.03.2018**
Dream, SL	976	-
	976	**-**

(Thousands of euros)

14. OTHER INFORMATION

The average number of employees paid during the six-month period, shown by professional grade, is as follows:

Grade	30.09.2018	30.09.2017
Directors	5	-
Employees with degrees or advanced diplomas	4	-
Interns	1	-
Administrative personnel and others	2	-
	12	**-**

15. INFORMATION REQUIREMENTS RESULTING FROM SOCIMI STATUS, ACT 11/2009, AS AMENDED BY ACT 16/2012

a) Reserves from financial years prior to the application of the tax rules set out in Act 11/2009, as amended by Act 16 of 27 December 2012.

Not applicable.

b) Reserves from financial years in which the tax rules set out in Act 11/2009, as amended by Act 16 of 27 December 2012, have been applied, distinguishing the part that derives from income subject to the zero tax rate, or the 19% rate, from income that has been taxed at the general rate, if applicable.

The established reserves come from income subject to tax at 0%.

c) Dividends distributed against profits each year in which the tax rules contained in Act 11/2009, amended by Act 16 of 27 December 2012, applied, with differentiation between the portion originating from income subject to tax at a rate of 0% or 19%, and the portion originating from income subject to tax at the general rate.

All of the dividends distributed come from income subject to tax at 0%.

d) In the case of distribution against reserves, identifying the year from which the reserves applied originate, and whether they were taxed at 0%, 19% or the general rate.

No dividends were distributed against reserves (Note 9).

e) Date of the agreement for the distribution of dividends referred to in c) and d) above.

- The dividend of €134 thousand for the 2016 financial year, approved by the General Meeting of Shareholders on 29 June 2017.

- The dividend of €1,202 thousand for the three-month period ended 31 March 2018, approved by the General Meeting of Shareholders on 13 July 2018.

(Thousands of euros)

- Interim dividend of €10,948 thousand for the financial year ended 31 March 2019, approved by the Board of Directors on 21 May 2018.

f) Date of acquisition of properties intended for rent and interests in the share capital of companies referred to in Article 2.1 of this Act.

The parent company owns the following rental properties:

Property	Location	Date acquired
Konecta Madrid	Avenida de la Industria, 49 Alcobendas, Madrid	30 May 2016
Konecta Sevilla	Ctra. Prado de la Torre s/n Polígono 5, plots 77-79 Bollullos de la Mitación, Seville	30 May 2016

The Parent Company has holdings in the share capital of companies, referred to in Article 2.1 of the Spanish SOCIMI Act:

Company	Date acquired	Property	Location
Junction Parque Castellón S.L.U.	30 June 2017	Ciudad del Transporte	Avenida Europa 231, Castellon De La Plana
Junction Parque Principado, S.L.U.	30 June 2017	Parque Principados Retail Park	LG Paredes 201, Siero (Asturias)
Randolph Spain, S.L.U.	30 June 2017	Parque Oeste Retail Park	Avenida de Europa 4, Alcorcon - Madrid
Roxbury Spain, S.L.U.	30 June 2017		
Junction Parque Huelva, S.L.U.	30 June 2017	Marismas del Polvorín Retail Park	Calle Molino Mareal 1, Huelva
Junction Parque Motril, S.L.U.	30 June 2017	Motril Retail Park	Rambla de las Brujas, Motril, Granada
Junction Parque Granada, S.L.U.	30 June 2017	Kinepolis Retail Park & Leisure Centre	Calle Samuel Billy Wilder 1, Pulianas - Granada
Junction Parque Cáceres, S.L.U.	30 June 2017	Mejostilla Retail Park	Calle Jose Espronceda 52, Plot M-19.1ª, Caceres
Junction Parque Mérida, S.L.U.	30 June 2017	La Heredad Retail Park	Avenida José Saramago de Sousa, Merida
Junction Parque Villanueva 1, S.L.U.	30 June 2017	La Serena Retail Park	Carretera Don Benito, S/N, Villanueva de la Serena, Badajoz
Junction parque Villanueva fase 2, S.L.U.	30 June 2017	Villanueva de la Serrena II Retail Park	Carretera Don Benito, S/N, Villanueva de la Serena, Badajoz
Junction Parque Alameda, S.L.U.	5 December 2017	Alameda Shopping Centre	Calle Luis Buñuel 6, 18197, Pulianas - Granada
		San Pedro del Pinatar Retail Park	UA-1 Local Level Plan (*Plan Parcial*) "Area 3e", Manzana P-9, San Pedro del Pinatar (Murcia)
Junction Parque Habaneras, S.L.U.	9 May 2018	Habaneras Shopping Centre	Avenida Rosa Mazón Valero 7, Torrevieja, Alicante

g) Identification of assets taken into account when calculating the 80% referred to in Article 3.1 of this Act.

The assets taken into account when calculating the 80% referred to in Article 3.1 of the SOCIMI Act are the ones listed in the previous point.

h) Reserves from years in which the tax system provided for under the Act was applicable and which have been made use of (not for distribution or offsetting losses) during the tax period, with identification of the year from which the reserves originate.

Not applicable.

16. SUBSEQUENT EVENTS

On 16 October 2018, the Extraordinary General Meeting of Shareholders was convened to take place on 27 November 2018. At the meeting, the shareholders will be asked to approve the acquisition of the company Morzal Property Iberia S.L. (“Morzal”), by means of a capital increase through the non-cash contribution of that company's shares. On 31 July 2018, Morzal acquired the following four shopping centres in Spain, formerly owned by Unibail-Rodamco-Westfield: Los Arcos shopping centre in Seville; Bahía Sur shopping centre in Cádiz; El Faro shopping centre in Badajoz, and Vallsur shopping centre in Valladolid. These four centres comprise a total gross lettable area of 121,338 sqm and were acquired by Morzal as a portfolio, for a total price (including transaction fees) of €490 million.

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CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2018

1. ORGANISATIONAL STRUCTURE AND OPERATION

Castellana Properties Socimi, S.A. (Castellana Properties) was incorporated in Spain on 19 May 2015 under the Spanish Capital Companies Act. Originally called Vinemont Investment, S.A., its name was changed to the current one on 30 May 2016.

On 15 September 2016 the Company informed the Tax Authorities that it wished to opt for application of the rules governing Spanish Real Estate Investment Trusts (SOCIMIs).

On 25 July 2018, Castellana Properties listed 100% of its shares on the Alternative Stock Exchange (MAB).

Castellana Properties focuses its business strategy on investment in high-quality rental assets with strong growth potential. In just one and a half years, the market value of this investment has risen from €24 million at 31 March 2017 to €406 million at 30 September 2018.

Castellana Properties' Board of Directors conducts its business in accordance with the rules of good corporate governance set out primarily in the Company's Articles of Association, the General Meeting of Shareholders Regulations and the Board of Directors' Regulations.

The Board of Directors is the body that is responsible for overseeing and controlling the Company's business, with jurisdiction over matters such as the adoption of the Company's general policies and strategies, corporate governance and corporate social responsibility, and risk management and monitoring. It is at all times responsible for compliance with the requirements necessary to maintain the Company's status as a SOCIMI.

The Board of Directors has two committees, an Audit and Monitoring Committee and an Appointments and Remuneration Committee, whose essential purpose is to provide the Board of Directors with support in the performance of its duties relating to the supervision and control of the Company's day-to-day business.

2. BUSINESS PERFORMANCE AND PROFIT/(LOSS)

Since its first acquisition in 2016, the Company has engaged in several transactions for the acquisition of real estate assets which have led to retained earnings that on 30 September 2018 stood at €29.4 million on a consolidated basis.

The "net business turnover" figure from letting the acquired properties reached €13,404 thousand at 30 September 2018 (€4,220 thousand in the same period of 2017).

During the six-month period ended 30 September 2018, EBITDA stood at €21,144 thousand (€5,884 thousand in the same period in 2017). (EBITDA: Earnings before interest, taxes, depreciation and amortisation).

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CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2018

3. PERFORMANCE OF THE COMPANY'S SHARES

The Parent Company listed its shares on the Alternative Stock Exchange (MAB) on 25 July 2018. The shares were listed at €6.00 per share, closing at €6.30 per share on 30 September 2018.

4. TREASURY SHARES

Movements in treasury shares over the period have been as follows:

	2017		31.03.2018	
	Number of treasury shares	**Thousand euros**	**Number of treasury shares**	**Thousand euros**
Opening balance	-	-	-	-
Additions/purchases	50,000	300	-	-
Reductions	-	-	-	-
Closing balance	**50,000**	**300**	**-**	**-**

On 10 July 2018, Castellana Properties entered into a liquidity contract with Renta 4 Banco, S.A. with the aim of increasing liquidity and promoting stability in the listing of the Company's shares. This contract came into effect on 25 July 2018.

Shares owned by the Company itself at September 2018 represented 0.15% of the Company's share capital and totalled 50,000 shares. The average cost of the Company's treasury shares was €6 per share.

These shares are registered, thus reducing the value of the Company's equity on 30 September 2018 by €300 thousand.

The Company has complied with the requirements of Article 509 of the Spanish Capital Companies Act, which establishes that the par value of acquired shares listed on official secondary markets, together with those already held by the Parent Company and its subsidiaries, must not exceed 10% of the share capital. The subsidiaries do not hold either treasury shares or shares in the Company.

5. DIVIDEND POLICY

SOCIMIs are governed by the special tax rules established under Act 11 of 26 October 2009, with the amendments introduced by Act 16 of 27 December 2012, under which SOCIMIs (Spanish Real Estate Investment Trusts) are governed. They are required to distribute the profits they obtain over the course of the year to their shareholders in the form of dividends, after complying with the relevant corporate obligations. Distribution must be approved within the six months following the year end, in the following way:

a) 100% of the profits resulting from dividends or profit shares received from the companies referred to in Article 2.1 of this Act.

b) At least 50% of the profits earned from the transfer of the property, shares or ownership interests referred to in Article 2.1. of the Act, where this occurs after the deadlines referred to in Article 3.3 of the Act have expired, when the property, shares or interests are used to comply with the Company's primary corporate purpose. The remainder of these profits must be reinvested in other property or investments related to the performance of this corporate purpose within three years of the transfer date. Otherwise, these profits must be distributed in full together with any profit earned, where applicable, in the year in which the reinvestment period expires. If the items in which the reinvestment has been made are transferred prior to the end of the holding period, profits must be distributed in full, together, where applicable, with the part of the profits attributable to the years in which the Company was not taxed under the special tax scheme provided for in the aforementioned Act.

c) At least 80% of the remaining profits obtained.

The dividend must be paid within one month of the distribution agreement. When dividends are distributed with a charge to reserves originating from profits for a year in which the special tax rules were applied, the distribution must compulsorily be approved by means of the resolution referred to above.

The Company is required to allocate 10% of its profits for the year to the legal reserve until the balance held in this reserve amounts to 20% of its share capital. The balance of this reserve is not available for distribution to the shareholders until it exceeds the 20% limit. The articles of association of these companies may not establish any restricted reserve other than the foregoing.

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CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2018

The following table outlines the distribution of the profit/(loss) for the 3 months ended on 31 March 2018, which was approved at the General Meeting of Shareholders on 13 July 2018:

	Thousand euros
	2018
Base for distribution	
Profit and loss	1,335
Application	
Legal reserve	133
Dividends	1,202
	1,335

The approved distribution of the 2018 profit/(loss), with a total interim dividend of €1,202 thousand, which was paid to shareholders in June 2018.

Interim dividend

On 21 May 2018, the Board of Directors approved the distribution of an interim dividend of €10,948 thousand for the year ending 31 March 2019, which was paid on the same day.

6. RISK MANAGEMENT

Castellana Properties has a risk monitoring system in place that covers its operations and suitably matches its risk profile. Risk management policies are monitored by the Board of Directors.

The main risk to attaining the Company's objectives concerns compliance with the necessary legislative requirements to ensure it retains its SOCIMI status.

The risk monitoring system also includes the management of financial risk. The policies applied in order to hedge against each type of risk are detailed in the accompanying Notes.

Note 4 of these Notes gives details of the Group's risk management activities.

7. THE TEAM

The team of professionals who make up Castellana Properties is one of the Company's main strengths. Since its incorporation, the Group has selected the necessary personnel to develop its strategy and achieve its objectives.

Castellana Properties is a self-managed real estate investment group whose management team forms an integral part of its organisational structure.

This internal team works exclusively for the company and its shareholders on a full-time basis. The team comprises specialist professionals with extensive experience, a recognised track record in the real estate sector and a deep understanding of the market. This expert group of professionals is able to undertake highly complex investment operations over short periods of time and complete all aspects of the value creation process.

The Company is overseen by a Board of Directors, the broad majority of whom are independent directors, who combine skills in the real estate, financial and legal sectors. The Board is advised by an Appointments and Remuneration Committee and an Audit and Monitoring Committee that oversee compliance with the investment and profitability requirements established by the Company.

8. MAJOR EVENTS OCCURRING AFTER THE END OF THE PERIOD

Note 16 of the notes to these accounts details the events that have occurred between the end of the period and prior to the approval of these notes.

9. COMPANY PERFORMANCE FORECAST

During the second half of the year ending 31 March 2019, the Group will continue to pursue its investment strategy, which focuses on commercial properties in Spain.

The Group will also continue to actively manage its properties, focusing on improving leases expiring in 2019, as well as occupancy.

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PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2018

Pursuant to the requirements set out in Article 253 of the Spanish Capital Companies Act and Article 37 of the Spanish Commercial Code, on 8 November 2018 the Board of Directors of the Company Castellana Properties Socimi, S.A., hereby approves the condensed consolidated interim financial statements and the consolidated interim management report for the period between 1 April 2018 and 30 September 2018, which comprise the attached documents that precede this written submission.

Laurence Gary Rapp
Chairman

Alfonso Brunet
Board Member

Jorge Morán
Board Member

Michael John Potts
Board Member

Nigel George Payne
Board Member

Adam Lee Morze
Board Member

Guillermo Massó
Board Member