Castellana Properties Socimi, S.A.

Independent auditor's report of the annual accounts for the year-ended 31 March 2023

This version of our report is a free translation of 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

Independent auditor's report on the annual accounts

To the shareholders of Castellana Properties Socimi, S.A.

Opinion

We have audited the annual accounts of Castellana Properties Socimi, S.A. (the Company), which comprise the balance sheet as at 31 March 2023, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at 31 March 2023, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2a of the notes to the annual accounts), and in particular, with the accounting principles and criteria included therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Most relevant aspects of the audit

The most relevant aspects of the audit are those that, in our professional judgment, were considered to be the most significant risks of material misstatement in our audit of the annual accounts of the current period. These risks were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

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

Most relevant aspects of the audit	How our audit addressed the most relevant aspects of the audit
Valuation of investments in long-term equity investments in Group companies and associates	
The Company maintains investments in group companies amounting to 431,293 thousand euros, as detailed in note 8 of the annual accounts. Long-term equity investments in Group companies and associates are valued at cost less, where applicable, the accumulated amount of corrections for value impairment. An impairment loss is recognized for the excess book value of the asset over its recoverable amount, understood as the fair value of the asset less costs to sell or value in use, the greater of the two, as mentioned in note 2c). As of March 31, 2023, the Company has not recorded impairment associated with investments in group companies. Unless there is better evidence of the recoverable amount, the equity of the investee is taken into account, corrected by the unrealized capital gains existing on the valuation date. This is the most relevant aspect of the audit due to the magnitude of the heading and because it entails a high level of judgment and estimation on the part of management.	We have made an understanding of the methodology used by the Company to conclude that the book value of investments in group companies is recoverable. We have obtained the financial statements of the investees and the amounts of the unrealized capital gains identified. The unrealized capital gains correspond to the difference between the fair value and the book value of the real estate investments of investees; for this, we have obtained the valuation of the real estate investments carried out by the independent expert. We have compared the difference between the book value and the recoverable value of said investments in group companies, verifying that there is no indication of impairment. Additionally, we have evaluated the adequacy of the information disclosed in the annual accounts. The result of the procedures carried out has made it possible to reasonably achieve the audit objective for which said procedures were designed.

Other information: Management report

Other information comprises only the management report for the 2023 financial year, the formulation of which is the responsibility of the Company's directors and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the management report, in accordance with legislation governing the audit practice, is to evaluate and report on the consistency between the management report and the annual accounts as a result of our knowledge of the entity obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described in the previous paragraph, the information contained in the management report is consistent with that contained in the annual accounts for the 2023 financial year, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the directors for the annual accounts

The directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of the Company, in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the entity's directors, we determine those risks that were of most significance in the audit of the annual accounts of the current period and are, therefore, considered to be the most significant risks.

We describe these risks in our auditor’s report unless law or regulation precludes public disclosure about the matter.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original signed by Rafael Pérez Guerra

24 May 2023

CASTELLANA PROPERTIES SOCIMI, S.A.

Annual Accounts for the year ended on 31 March 2023 and Management Report for 2023

CONTENTS OF THE ANNUAL ACCOUNTS

CASTELLANA PROPERTIES SOCIMI, S.A.

BALANCE SHEET
(Thousand euro)

ASSETS	Note	Thousand euro	
		31 March 2023	**31 March 2022**
Assets			
Non-current assets			
Intangible assets		16	19
Property, plant and equipment	5	103	96
Investment property	6	57,280	56,982
Long-term equity investments in Group companies and associates	8	431,293	439,726
Long-term equity investments	7	105,949	89,879
Other non-current financial assets	7 and 9	858	789
		595,499	**587,491**
Current assets			
Trade and other receivables		**2,149**	**1,509**
Trade receivables for sales and services	7 and 9	348	309
Trade receivables, Group companies and associates	7, 9 and 19	1,799	1,156
Trade receivables, related companies	7, 9 and 19	-	44
Other amounts receivable from Public Administrations	14	2	-
Short-term financial assets	7, 9 and 19	**18,653**	**6,408**
Short-term prepayments and accrued income		**100**	**248**
Cash and cash equivalents	10	**5,949**	**7,078**
		26,851	**15,243**
Total assets		**622,350**	**602,734**

The accompanying Notes 1 to 22 form an integral part of the Annual Accounts at 31 March 2023.

CASTELLANA PROPERTIES SOCIMI, S.A.

BALANCE SHEET

(Thousand euro)

EQUITY AND LIABILITIES	Note	Thousand euro	
		31 March 2023	31 March 2022
Equity			
Shareholders' funds			
Share capital	11	101,152	98,771
Share premium	11	442,960	434,641
Legal reserve	12	8,030	5,377
Other reserves	12	10,943	10,007
Treasury shares	12	(343)	(357)
Other equity instruments	18	-	3,000
Profit/(loss) for the year	12	15,478	26,540
Interim dividend	12	(7,000)	(6,000)
Measurement adjustments	7	7,405	(9,061)
		578,625	**562,918**
Liabilities			
Non-current liabilities			
Long-term bank borrowings	7 and 13	20,213	21,313
Other non-current financial liabilities	7 and 13	2,621	1,337
		22,834	**22,650**
Current liabilities			
Short-term bank borrowings	7 and 13	**1,150**	**978**
Other short-term financial liabilities	7 and 13	**201**	**128**
Short-term payables to Group companies and associates	7, 13 and 19	**13,182**	**10,035**
Trade and other payables		**6,358**	**6,025**
Sundry and other payables	7 and 13	2,305	4,081
Other liabilities	7 and 13	3,835	1,405
Other accounts payable to Public Administrations	14	218	539
		20,891	**17,166**
Total liabilities		**43,725**	**39,816**
Total equity and liabilities		**622,350**	**602,734**

The accompanying Notes 1 to 22 form an integral part of the Annual Accounts at 31 March 2023.

CASTELLANA PROPERTIES SOCIMI, S.A.

INCOME STATEMENT

(Thousand euro)

	Note	Thousand euro Financial year ended on 31 March 2023	Thousand euro Financial year ended on 31 March 2022
Continuing operations			
Revenue		**25,874**	**26,863**
Provision of services	15	15,738	12,528
Income from equity instruments, Group companies	15	10,136	14,335
Staff costs	15	**(5,817)**	**(5,000)**
Other operating expenses	15	**(5,879)**	**(5,761)**
Fixed asset depreciation	5 and 6	**(815)**	**(883)**
Profit/(loss) on fixed asset disposals	6	**-**	**3,676**
Impairment of long-term shareholdings in Group companies	8 and 15	**-**	**9,178**
OPERATING PROFIT/(LOSS)		**13,363**	**28,073**
Financial income from ownership interests in other companies	16	**3,229**	**-**
Financial expenses	16	**(1,114)**	**(1,533)**
NET FINANCIAL INCOME/(EXPENSE)		**2,115**	**(1,533)**
PROFIT/(LOSS) BEFORE TAX		**15,478**	**26,540**
Income tax	14	**-**	**-**
PROFIT/(LOSS) FOR THE YEAR		**15,478**	**26,540**

The accompanying Notes 1 to 22 form an integral part of the Annual Accounts at 31 March 2023.

CASTELLANA PROPERTIES SOCIMI, S.A.

STATEMENT OF CHANGES IN EQUITY

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES

(Thousand euro)

		Thousand euro	
	Note	**Financial year ended on 31 March 2023**	**Financial year ended on 31 March 2022**
Profit for the year	15	**15,478**	**26,540**
Other comprehensive income			-
Items that may be reclassified to profit/(loss)			-
Items that will not be reclassified to profit/(loss)	7	16,466	(9,061)
Other comprehensive income for the year, after tax			-
Total comprehensive income for the year		**31,944**	**17,479**

The accompanying Notes 1 to 22 form an integral part of the Annual Accounts at 31 March 2023.

CASTELLANA PROPERTIES SOCIMI, S.A.

STATEMENT OF CHANGES IN EQUITY

B) TOTAL STATEMENT OF CHANGES IN EQUITY

(Thousand euro)

Description	Authorised capital (Note 11)	Share premium (Note 11)	Legal and bylaw reserve (Note 12)	Other reserves (Note 12)	Treasury shares (Note 11)	Profit/(loss) for the year (Note 12)	Interim dividend (Note 12)	Other equity instruments (Note 18)	Measurement adjustments (Note 7)	TOTAL
BALANCE AT 31 MARCH 2021	**86,271**	**376,952**	**5,377**	**10,107**	**(355)**	**(4,811)**	**-**	**2,000**	**-**	**475,541**
Total comprehensive income for the year	-	-	-	-	-	26,540	-	-	-	**26,540**
Distribution of prior year profit/(loss)	-	(4,811)	-	-	-	4,811	-	-	-	**-**
Share capital increase	12,500	62,500	-	(100)	-	-	-	-	-	**74,900**
Dividend distribution	-	-	-	-	-	-	(6,000)	-	-	**(6,000)**
Treasury share transactions	-	-	-	-	(2)	-	-	-	-	**(2)**
Other movements	-	-	-	-	-	-	-	1,000	(9,061)	**(8,061)**
BALANCE AT 31 MARCH 2022	**98,771**	**434,641**	**5,377**	**10,007**	**(357)**	**26,540**	**(6,000)**	**3,000**	**(9,061)**	**562,918**
Total comprehensive income for the year	-	-	-	-	-	15,478	-	-	-	**15,478**
Distribution of prior year profit/(loss)	-		2,654	886	-	(26,540)	23,000	-	-	**-**
Share capital increase	2,381	12,619	-	-	-	-	-	-	-	**15,000**
Dividend distribution	-	(4,300)	-	-	-	-	(24,000)	-	-	**(28,300)**
Treasury share transactions	-	-	-	3	14	-	-	-	-	**17**
Other movements	-	-	(1)	47	-	-	-	(3,000)	16,466	**13,512**
BALANCE AT 31 MARCH 2023	**101,152**	**442,960**	**8,030**	**10,943**	**(343)**	**15,478**	**(7,000)**	**-**	**7,405**	**578,625**

The accompanying Notes 1 to 22 form an integral part of the Annual Accounts at 31 March 2023.

CASTELLANA PROPERTIES SOCIMI, S.A.

CASH FLOW STATEMENT

(Thousand euro)

	Note	Financial year ended on 31 March 2023 (Thousand euro)	Financial year ended on 31 March 2022 (Thousand euro)
A) CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year before tax	**15**	**15.478**	**26.540**
Adjustments to profit/(loss)		**(7.915)**	**(22.700)**
Fixed asset depreciation	5 and 6	815	883
Impairment adjustments	16	-	(9.178)
Profit/(loss) on write-offs and disposals of fixed assets	6	-	(3.676)
Change in provisions		3.509	2.073
Financial incomes	16	(3.229)	-
Financial expenses	16	1.114	1.533
Changes in working capital		**(6.149)**	**369**
Trade and other receivables	7 and 9	(420)	416
Other current assets	7 and 9	148	(116)
Trade and other payables	13	(321)	333
Other current liabilities		(2.836)	(1.065)
Other non-current assets and liabilities		(1.812)	2.280
Interest payments	13	(908)	(1.479)
Other cash flows from operating activities		**7.606**	**5.730**
Dividends collected		7.606	5.730
Cash flows from operating activities		**9.020**	**9.939**
B) CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		**(10.488)**	**(99.245)**
Group companies, associates and business units	8	-	(186)
Intangible assets	5 and 6	(2)	(3)
Property, plant and equipment		(21)	(18)
Investment property	5 and 6	(1.094)	(98)
Other financial assets	7	(9.371)	(98.940)
Collections from divestments		**11.623**	**37.665**
Group companies, associates and business units		**11.623**	**11.574**
Investment property		-	26.091
Cash flows from investing activities		**1.135**	**(61.580)**
C) CASH FLOWS FROM FINANCING ACTIVITIES			
Collections and payments on equity instruments		**15.014**	**74.998**
Issuance of equity instruments		15.000	75.000
Acquisition of own equity instruments	11	(35)	(104)
Disposal of equity instruments	11	49	102
Collections and payments, financial liability instruments		**2.002**	**(19.705)**
Bank borrowings	13	(978)	(345)
Receipts of payables to related companies		18.000	10.000
Payments to related companies	19	(15.000)	(29.360)
Other borrowings		(20)	-
Dividend payments and return on other equity instruments:		**(28.300)**	**(6.000)**
Dividends	12	(28.300)	(6.000)
Cash flows from financing activities		**(11.284)**	**49.293**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(1.129)**	**(2.348)**
Cash and cash equivalents at the start of the year		**7.078**	**9.426**
Cash and cash equivalents at the year end		**5.949**	**7.078**

The accompanying Notes 1 to 22 form an integral part of the Consolidated Annual Accounts at 31 March 2023.

1. ACTIVITIES AND GENERAL INFORMATION

Castellana Properties Socimi, S.A. (hereinafter, the Company) was incorporated on 19 May 2015 under the Spanish 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, 28010 – No. 3, 1º dcha, 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 Value Added Tax Law 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 Law 11, dated 26 October 2009.
- The ownership of shares or interests in Collective Real Estate Investment Institutions governed by Spanish Collective Investment Institutions Law 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 the parent company of a Group of subsidiaries in the terms detailed in Article 42 of the Spanish Commercial Code. Pursuant to the requirements for listing on the BME Growth, the company has prepared separate Consolidated Annual Accounts.

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 Shareholders' Meeting approved the change of the Group companies' financial year end to 31 March each year (previously 31 December). Accordingly, the financial year of the parent company and its subsidiaries runs from 1 April to 31 March of the following year.

On 6 July 2022, the Castellana Properties Socimi, S.A. General Shareholders' Meeting approved the Individual and Consolidated Annual Accounts for the period ended 31 March 2022.

Castellana Properties SOCIMI, S.A. is the parent company of the Castellana Group. The Consolidated Annual Accounts are filed at the Madrid Company Registry. The Company's directors prepared the Consolidated Annual Accounts on 24 May 2023. These Annual Accounts were prepared by the Company's directors on 24 May 2023. They will be submitted for approval by the Shareholders' Meeting, where they are expected to be approved with no amendments.

a) Regulatory regime

The Company is regulated under the Spanish Companies Act.

In addition, on 15 September 2016 the Company informed the tax authorities that it wished to avail itself of the rules governing Spanish Real Estate Investment Trusts (SOCIMIs) and is therefore subject to Law 11 of 26 October 2009, as amended by Law 16 of 27 December 2012 on SOCIMIs. Article 3 of Law 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 2.1 of the aforementioned Law.

ii) At least 80% of the income for 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 pursue 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. The calculation of this term will include the time that the properties have been offered for lease, up to a maximum of one year.

Transitional Provision One of the SOCIMI Law allows for application of the SOCIMI tax rules under the terms set out in Article 8 of the SOCIMI Law, 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.

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

2. BASIS OF PRESENTATION

a) True and fair view

For the periods shown in these Annual Accounts, the directors have prepared the Annual Accounts in accordance with current Spanish Company Law and the Spanish Chart of Accounts approved by Royal Decree 1514/2007 and its amendments. The latest amendments were brought in by Royal Decree 1/2021 of 12 January, which is in force in financial years beginning on or after 1 January 2021, so as to present fairly the Company's equity, financial situation and results.

The figures in these Annual Accounts are presented in thousands of euros, the euro being the Company's presentation and functional currency.

The Annual Accounts have been drawn up on a historical cost basis.

b) Critical measurement issues and estimates of uncertainty

The preparation of these Annual Accounts requires the 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 in the circumstances. The Company makes estimates and judgements concerning the future. The resulting accounting estimates, by definition, will rarely match actual results. The adjustments made when the estimates are regularised will be prospective.

Estimates and judgements that entail a significant risk of giving rise to a substantial adjustment to the carrying amounts of assets and liabilities during the following financial year are explained below.

Fair value of investment property

The Company obtains independent valuations of its investment properties every six months. In their end-of-year reports for each financial year, the directors assesses each property's fair value, taking account of the most recent independent valuations. The directors determine the value of a property within a range of reasonably acceptable estimated values.

The best evidence of the fair value of investment property in an active market is the price of similar assets. The Company determines fair value using a range of reasonable values. When making such judgements, the Company uses a series of sources, including:

i. Current prices in an active marketplace of different kinds of properties in varying states of repair and different locations, adjusted to reflect differences with respect to the Company's own assets.

ii. Recent prices paid for properties in other, less active marketplaces, adjusted to reflect changes in economic conditions since the transaction date.

iii. Discounted cash flows based on estimates resulting from the terms and conditions contained in current lease agreements 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 time.

Useful life of investment property

The Company management establishes the estimated useful life of its investment property, along with the corresponding charges for depreciation. The useful life of a real estate investment is estimated on the basis of the period in which each of the elements included under this heading will generate financial profits. At the close of each year, the Company reviews the useful life of its investment property, and if its estimates differ from the estimates made in the past, the effects of this change are entered prospectively from the financial year in which the change is made.

Income tax

The Company applies the system provided by Law 11 of 26 October 2009 on Spanish Real Estate Investment Trusts (SOCIMIs) which, in practice, means that the Company is subject to a Corporate Income Tax rate of 0%, provided certain requirements are met (Note 1).

The directors monitor compliance with the requirements set out in the relevant legislation in order to secure the tax benefits 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 recognised any income or expense in respect of corporate income tax.

Notwithstanding the fact that the estimation criteria are based on reasonable assessments and objective methods of analysis, it is possible that future events may make it necessary to adjust such estimates (upwards or downwards) in future periods; where necessary, the change of estimate will be recognised prospectively in the income statement.

Financial assets at fair value through equity

The Company holds long-term equity investments in companies listed in liquid secondary markets, carried as financial assets through equity, so as to obtain financial returns.

Company management regularly analyses and assesses market data, forecasts and the investments held with the aim of minimising price risks affecting these securities, which could lead to the impairment of the investments.

The best evidence of the fair value of these financial assets through equity is the quoted price of the securities in the asset's primary market, which is understood to be the market having the largest volume or activity.

2.1. Distribution of dividends and compulsory payment of dividends

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

The Company falls into the special category of SOCIMI (Spanish Real Estate Investment Trust Status) and is thus governed by the special tax rules laid down in Law 11 of 26 October 2009, as amended by Law 16 of 27 December 2012 on SOCIMIs.

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 legal 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 shares of profits received from the companies referred to in Article 2.1 of this Law.

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 Law, where this occurs after the deadlines referred to in Article 3.3 of the Law have expired, when the property, shares or interests are used to pursue the Company's primary corporate purpose. The remainder of these profits must be reinvested in other property or investments related to the pursuit of this corporate purpose within three years of the transfer date. Otherwise, the profits must be distributed in full together with any profits for 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 subject to the special tax scheme provided for in the aforementioned Law.

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

   The dividend must be paid within one month of the distribution resolution.

   When dividends are charged to reserves originating from profits for a year in which the special tax rules were applied, the distribution must necessarily be approved by means of the resolution referred to above.

2.2. Comparability

The information contained in these Annual Accounts for the financial year ended on 31 March 2023 is presented, for comparative purposes, together with the information relating to the financial year ended on 31 March 2022.

2.3. Going concern basis

These Annual Accounts have been drawn up on a going concern basis, assuming that the Company will realise its assets and settle its commitments in the ordinary course of business.

At 31 March 2023, the parent company's working capital is positive in the amount of €5,960 thousand (working capital was negative in the amount of €1,923 thousand at 31 March 2022, mainly due to a loan of €10,000 thousand from the principal shareholder Vukile Property Fund Limited).

2.4. Grouping of items

The items in these Annual Accounts are grouped in order to facilitate the understanding of the balance sheet and income statement, any necessary analyses being provided in the relevant Notes to the accounts.

2.5. Non-mandatory accounting principles

Where an accounting principle is compulsory and has a significant effect on the preparation of the Annual Accounts, there is no instance in which it has not been applied.

3. ACCOUNTING POLICIES

3.1. Intangible assets

Computer software

Software licences acquired from third parties are capitalised based on the costs incurred to acquire the specific program and prepare it for use. These costs are amortised over the estimated useful life.

Software maintenance costs are expensed when incurred. Costs directly related to the production of unique and identifiable software controlled by the Company and likely to have economic benefits over more than one year are accounted for as intangible assets. Direct costs include software development staff costs and a suitable percentage of general overheads.

3.2. Property, plant and equipment

Property, plant and equipment are recognised at acquisition price or production cost, less accumulated depreciation and any accumulated impairment losses.

Subsequent expenses are capitalised at the asset's carrying amount only when it is likely that future economic benefits associated with the expenditure will flow to the Company and the asset's cost may be reliably measured. Recurring maintenance costs are charged to the income statement for the year in which they are incurred.

Depreciation of property, plant and equipment (except for land, which is not depreciated) is systematically calculated using the straight-line method over the estimated useful life, taking into account actual depreciation caused by wear and tear. Estimated useful lives are as follows:

Description	Depreciation rate (%)
Other facilities	10%
Furniture	10%
Data-processing equipment	25%

The useful life of all fixed assets is reviewed and, where applicable, adjusted at each balance sheet date.

When the carrying amount of a fixed asset is higher than its estimated recoverable value, the carrying amount is immediately written down to recoverable value (Note 3.4).

3.3. Investment property

Investment property includes a shopping centre owned by the Company that is held to obtain long-term rental income and is not occupied by the Company. Investment property is valued at cost of acquisition less accumulated depreciation and any impairment losses.

Investment property is depreciated using the straight-line method, based on the number of years of useful life estimated in each case:

Description	Depreciation rate (%)
Buildings	1%
Plant	3%

When an investment property undergoes a change of use, as reflected by the beginning of development work with a view to its sale, the property is transferred to inventories. The cost allocated to the property for subsequent recognition under inventories is its fair value on the date on which the change of use occurs.

The criteria used to recognise impairment losses on these assets and, where applicable, the recovery of any impairment losses recognised in prior years are described in Note 3.4.

3.4. Impairment losses on non-financial assets

Assets subject to depreciation are reviewed for impairment whenever an event or change in circumstances indicates that the carrying amount may not be recoverable. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable value. Recoverable value is the higher of the asset's fair value less costs to sell and value in use. 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 are reviewed for possible reversal on each financial reporting date.

3.5. Financial assets

a) <u>Financial assets at amortised cost</u>

This category includes financial assets, including those traded on an organised market, in which the Company invests in order to receive cash flows when the contract is performed and the contractual conditions of the financial asset give rise, on specific dates, to cash flows that consist only of receipts of principal and interest on the outstanding amount of principal.

Contractual cash flows that are only receipts of principal and interest on the outstanding principal are inherent in an arrangement that has the nature of an ordinary or common loan, regardless of whether or not the agreed interest rate is zero or below market.

This category includes trade and non-trade receivables:

a) Trade receivables: financial assets arising from the sale of goods or provision of services in business transactions completed on deferred payment terms; and

b) Non-trade receivables: financial assets that are not equity instruments or derivatives, do not arise from commercial transactions, give rise to receipts in determined or determinable amounts and derive from loans or credit granted by the entity.

Initial measurement

The financial assets in this category will initially be measured at fair value, which, unless there is evidence to the contrary, will be the transaction price, this will be equivalent to the fair value of the consideration delivered, plus directly attributable transaction costs.

Nonetheless, trade receivables maturing in one year or less which do not have an explicit contractual interest rate, receivables from employees, dividends receivable and payments due on equity instruments, the amount of which is expected to be received in the short term, are measured at nominal value, to the extent that the effect of not discounting cash flows is deemed immaterial.

Subsequent measurement

Financial assets included in this category will be measured at amortised cost. Interest accrued will be taken to the income statement using the effective interest method.

However, receivables falling due in one year or less which, as explained in the preceding paragraph, are initially carried at nominal value, continue to be measured at that amount unless they are impaired.

When the contractual cash flows of a financial asset change due to the issuer's financial difficulties, the Company will analyse whether an impairment loss must be recognised.

Value impairment

Measurement adjustments are made at the year-end at least and whenever there is objective evidence that a financial asset, or a group of financial assets with similar risk characteristics measured collectively, is impaired as a result of one or more events that occurred after initial recognition, reducing or delaying the estimated future cash flows, which may be explained by the debtor's insolvency.

Generally speaking, the impairment loss on these financial assets is the difference between their carrying amount and the present value of future cash flows, including, where applicable, those arising from the enforcement of collateral and personal guarantees, as estimated, and discounted at the effective interest rate calculated at the time of initial recognition. For financial assets at variable interest rates, the effective interest rate at the closing date of the annual accounts will be used in accordance with contractual conditions.

Impairment losses, and reversals when the amount of the impairment loss decreases as a result of a subsequent event, are recognised as expense or income, respectively, in the income statement. The reversal of impairment is limited to the carrying amount of the asset that would have been recognised at the date of reversal had no impairment loss been recognised.

b) Financial assets at fair value through equity

This category includes financial assets the contractual conditions of which give rise, on specific dates, to cash flows that consist only of receipts of principal and interest on the outstanding amount of principal, and which are not held for trading or carried as “Financial assets at amortised cost”. This category also includes equity investments for which the “Financial assets at fair value through equity” irrevocable classification option has been exercised.

Initial measurement

Financial assets included in this category are initially measured at fair value which, in general, is the transaction price, that is the fair value of the consideration paid plus directly attributable transaction costs, including the amount of any pre-emptive subscription and similar rights that may have been acquired.

Subsequent measurement

Financial assets included in this category are measured at fair value without deducting any transaction costs that may be incurred on the sale of the assets. Changes in fair value are reflected directly in equity until the financial asset is written off the balance sheet or becomes impaired at which time the amount recognised is taken to the income statement.

However, impairment adjustments and losses or gains due to exchange differences in monetary financial assets denominated in a foreign currency are recognised in the income statement.

Interest calculated using the effective interest method and dividends accrued are also taken to the income statement.

When value must be allocated to these assets due to being written off or for any other reason, the weighted average cost method is applied by homogeneous group.

In the exceptional event that an equity instrument's fair value is no longer reliable, prior adjustments recognised directly in equity will be afforded the same treatment as impairment adjustments made to financial assets at cost.

In the event of the sale of preferential subscription and similar rights or where they are segregated in order to be exercised, the cost of the rights reduces the carrying amount of the respective assets. This amount reflects the fair value or cost of the rights, which is consistent with the value of the associated financial assets.

Value impairment

At the year-end at least, measurement adjustments are made whenever there is objective evidence that a financial asset or a group of financial assets in this category, with similar risk characteristics measured collectively, has become impaired as a result of one or more events that occurred after initial recognition, leading to:

a) In the case of debt instruments acquired, a reduction or delay in estimated future cash flows be due to debtor insolvency; or

b) In the case of investments in equity instruments, the non-recoverability of the asset's carrying amount due to a protracted or significant fall in its fair value. Considering that, in general, the instrument is impaired following a fall in its quoted price for one and a half years or of 40%, without recovering value, notwithstanding the fact that it may be necessary to recognise an impairment loss before that period has elapsed or before the price has fallen by that percentage.

The impairment adjustment to these financial assets is the difference between cost or amortised cost less any impairment adjustment previously recognised in the income statement and fair value at the measurement date.

Accumulated losses recognised in equity on the decrease in fair value, provided that there is objective evidence of impairment of the relevant asset, are recognised in the income statement.

Fair value increases in subsequent years are credited to the income statement for the year in order to reverse the measurement adjustment made in prior years. Fair value increases in equity instruments are an exception and are recognised directly in equity.

c) Financial assets at cost

In any case, this measurement category includes the following:

a) Equity investments in Group companies, jointly-controlled entities and associates.

b) Other investments in equity instruments the fair value of which cannot be determined by reference to a quoted price on an active market for an identical instrument, or cannot be reliably estimated, and derivatives for which these investments serve as underlying assets.

c) Hybrid financial assets whose fair value cannot be reliably estimated, unless amortised cost accounting requirements are met.

d) Contributions made as a result of a joint venture or similar arrangement.

e) Participating loans accruing contingent interest, either because a fixed or variable interest rate is agreed and made conditional on the achievement of a milestone by the borrower entity (for example, the obtainment of profits), or because it is calculated exclusively by reference to the said entity's business performance.

f) Any other financial asset that must initially be included in the fair value through profit or loss portfolio where a reliable estimate of fair value cannot be obtained.

Initial measurement

The investments included in this category are initially measured at cost, which is equal to the fair value of the consideration paid plus directly attributable transaction costs, the latter not being included in the cost of investments in Group companies.

However, in the cases where the investment predates classification as a Group company, jointly-controlled entity or associate, the cost of that investment is the carrying amount that it should have immediately prior to such classification.

The initial value includes the amount of preferential subscription rights and similar rights acquired.

Subsequent measurement

The equity instruments included in this category are measured at cost less any cumulative impairment adjustments.

When value must be allocated to these assets due to being written off or for any other reason, the weighted average cost method is applied by homogeneous group, which is understood to mean a group of instruments carrying the same rights.

In the event of the sale of preferential subscription and similar rights or where they are segregated in order to be exercised, the cost of the rights reduces the carrying amount of the respective assets.

Contributions made under a joint venture or similar arrangement will be carried at cost increased or reduced by the profit or loss, respectively, pertaining to the entity as a non-managing venturer, and less any cumulative impairment adjustments.

Value impairment

At the year-end at least, the necessary measurement adjustments are made, provided that there is objective evidence that the investment's carrying amount will not be recoverable. The amount of the value correction is the difference in its book value and the recoverable amount, the latter being understood to mean the higher of either its fair value minus sale costs or the current value of future cash flows resulting from the investment, which in relation to equity instruments, is calculated either as an estimate of the cash flows expected as a consequence of the distribution of dividends by the company in which the holding is held and the disposal or write-down in the accounts of this holding, or as an estimate of the share in cash flows that are expected to be generated by the company in which the holding is held, both from its ordinary business activities and from the sale or write-down of the company.

3.6. Financial liabilities

Financial liabilities are included in one of the following categories for measurement purposes:

a) Financial liabilities at amortised cost

Generally speaking, this category includes trade and non-trade payables.

a) Trade payables: financial liabilities arising from the purchase of goods and services in business transactions completed on deferred payment terms; and

b) Non-trade payables: financial liabilities that are not derivatives and do not arise from commercial transactions but from loans or credit received by the entity.

Participating loans that have the features of an ordinary or common loan are also included in this category, regardless of the agreed interest rate (zero or below market).

Initial measurement

The financial liabilities in this category are initially measured at fair value, which is the transaction price, this being the fair value of the consideration received, adjusted for directly attributable transaction costs.

However, trade payables falling due in less than one year that do not have a contractual interest rate, and share capital called up by third parties, the amount of which is expected to be paid in the short term, are measured at nominal value when the effect of not discounting cash flows is immaterial.

Subsequent measurement

Financial liabilities included in this category are measured at amortised cost. Interest accrued is taken to the income statement using the effective interest method.

However, payables maturing in less than one year which, are initially carried at nominal value, continue to be measured at that amount.

3.7. 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 Company 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.

3.8. Cash and cash equivalents

Cash and cash equivalents includes petty cash, bank demand deposits, other short-term highly-liquid investments with original maturities of three months or less, and bank overdrafts.

3.9. Share capital

Share capital is made up of ordinary shares.

The costs of issuing new shares or options are recognised 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, reissued or sold. When treasury shares are subsequently sold or reissued, any amount received is taken to equity, net of any directly attributable incremental costs.

3.10. Current and deferred income tax

In accordance with the SOCIMI tax rules, the Company is subject to a corporate income tax rate of 0%.

As established in Article 9.2 of Law 11 of 26 October 2009, as amended by Law 16 of 27 December 2012, the Company will be subject to a special rate of 19% on the overall sum of the dividends or shares of profits received by shareholders whose shareholding in the Company's share capital is equal to or greater than 5%, when those dividends, in the possession of its shareholders, are exempt 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 Law).

However, that special rate will not apply when the dividends or shares of profits 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 shareholding that is equal to or greater than 5% of the share capital of the SOCIMIs and that pay tax on those dividends or shares of profits at a rate of at least 10%.

Both current and deferred tax expense (income) is recognised in the income statement. However, the tax effect of to entries that are taken directly to equity is carried in equity.

Current tax assets and liabilities are measured at the amounts expected to be paid or recovered from the tax authorities, in line with legislation in force or approved and pending publication at the year end.

Deferred taxes are calculated, using the liability method, on temporary differences arising between the tax bases of the assets and liabilities and their carrying amounts. However, deferred taxes are not recognised if they arise from the initial recognition of an asset or liability in a transaction that is not a combination of businesses which, at the time of the transaction, does not affect the accounting result or the tax base. Deferred tax is determined by applying tax legislation and tax rates approved or about to be approved at the balance sheet date, and that are expected to be applied when the relevant deferred tax asset is realised or deferred tax liability is paid.

Deferred tax assets are only recognised to the extent that it is probable that the Company will earn future taxable profits that will allow these temporary differences to be offset.

3.11. Leases

When the Company is the lessee - Operating lease

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

When the Company is the lessor

Properties let out under operating leases are included in investment property on the balance sheet. Income earned from the leasing of property is recognised on a straight-line basis over the lease term (Note 3.14).

3.12. Long-term incentive plans

According to the Spanish Alternative Stock Market admission prospectus, executive directors' remuneration may include long-term incentive plans consisting of shares or stock options, or cash-settled share-based remuneration.

The General Shareholders’ Meeting held on 15 September 2020 approved a share-based long-term incentive plan. This plan will be in effect for nine years and the right to receive shares as an incentive will accrue when the conditions set out in the plan are met for each calculation period. The first cycle comprised the period from 1 April 2019 to 31 March 2022 and the second cycle comprises the period from 1 April 2022 to 31 March 2025. Both incentive plans will be settled in cash.

3.13. Provisions and contingent liabilities

Provisions are set aside: when the Company has a present legal or constructive 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 present value of 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. Adjustments to provisions as the result of their restatement are expensed as they accrue.

Provisions that mature in one year or less and have no material 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 recorded as an independent asset, provided that its receipt is practically certain.

Contingent liabilities are possible obligations resulting from past events, the crystallisation of which is contingent on future events beyond the Company's control. These contingent liabilities are not recognised in the accounts.

3.14. Revenue recognition

Revenues are recognised when control of the goods or services is transferred to customers. At that time, revenue is recognised in the amount of consideration to which the Company is expected to be entitled in exchange for the transfer of committed goods and services under contracts with customers, as well as other revenue not derived from contracts with customers forming part of the Company's ordinary business activities. The amount recognised is determined by deducting any discounts, returns, price reductions, incentives or rights granted to customers, as well as value added tax and other directly related taxes that must be charged, from the amount of the consideration for the transfer of the goods or services committed with customers or other revenue relating to the Company's ordinary activities.

In cases in which the price set in contracts with customers includes a variable consideration, the price to be recognised includes the best estimate of the variable consideration, provided it is highly likely that there will be no significant reversal of the amount of revenue recognised when the uncertainty associated with the variable consideration is subsequently resolved. The Company’s estimates are based on historical information, taking into account customer type, transaction type and specific terms.

Provision of services

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

Interest income

Interest income from financial assets measured at amortised cost is recognised using the effective interest method. When a receivable is impaired, the Company writes the carrying amount down 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 discounted as interest income.

Income and expenses arising from equity interests in other companies

The Company’s core business is the holding of equity interests in other companies, in addition to the letting of properties owned.

The dividends obtained from its equity interests and other business income will form part of revenue, together with profits from the disposal of investments. The remaining income and expenses associated with this business activity are carried in operating profit/(loss) in the income statement.

3.15. Related-party transactions

Generally speaking, transactions between related parties are initially recognised at fair value. Where applicable, if the agreed price differs from fair value, this difference will be recognised based on the economic reality of the transaction. It will subsequently be measured in accordance with the provisions set out in the relevant standards.

4. RISK MANAGEMENT

The Company's activities are exposed to various financial risks: market risk (interest rate risk), credit risk and liquidity risk. The Company's overall 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 Company'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 cash surpluses.

When all requirements are met and provided it is material, hedge accounting is used to eliminate the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in the recognition of interest expense at a fixed interest rate for the variable-rate loans hedged and inventories at a fixed exchange rate for the purchases hedged.

This note explains the Company's exposure to financial risks and how these risks could affect future financial returns. Qualitative and quantitative information will be provided for each type of risk.

Risk	Risk exposure arises from	Measurement	Risk management
Market risk - price of securities	Equity investments	Sensitivity analysis	Portfolio diversification
Market risk – interest rates	Long-term financial debt at variable rates	Sensitivity analysis	Interest rate swaps
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments, debt investments and contract assets	Ageing analysis Credit rating	Diversification of bank deposits, credit limits and letters of credit Debt investment guides
Liquidity risk	Borrowings and other liabilities	Cash flow forecasts	Availability of committed credit lines and credit facilities

(Thousand euro)

4.1. Financial risk management

a) Market risk

(i) Price risk

The Company is exposed to equity instrument price risk due to the investments held and carried in the balance sheet at fair value through equity or at fair value through profit or loss. The Company is not exposed to commodity price risk.

The Company's equity investments are quoted on the Spanish continuous market (Madrid Stock Exchange).

Sensitivity analysis

The following table summarises the effect of an increase/decrease in the stock market index on the Company's profit after tax and equity for the year. This analysis assumes a 1% increase/decrease in the index with the other variables remaining constant and that all the Company's equity instruments would change in accordance with the historical correlation to the index:

	Thousand euro			
	Effect on profit after tax		Effect on other equity components	
Index	**2023**	**2022**	**2023**	**2022**
Lar España Real Estate Socimi, S.A.		-	1,059	899

(ii) Cash flow and fair value interest rate risk

The Company's interest rate risk relates to borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. At 31 March 2023, 100% of its financing was linked to a variable rate (100% at 31 March 2022). The Company's borrowings at variable interest rates are denominated in euros. The variable interest rate is referenced to Euribor and will only apply when the Euribor rate is positive.

The Company's interest rate risk relates to borrowings with banks, Group companies and related parties.

The Company analyses its exposure to interest rate risk dynamically. Several scenarios are generated, taking account of financing and hedging alternatives. Based on these scenarios, the Company estimates the impact of a certain interest rate change on the result (scenarios are only used for liabilities that represent the most significant positions subject to 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 occupancy of investment property, etc.). The identification of interdependent variables and the degree to which they are connected.
- The assessment timeframe: The timeframe for the analysis and any potential departures will be taken into account.

At 31 March 2023, had interest rates on euro borrowings been 1% higher/lower, the other variables remaining constant, financial expenses for the year would have been €209 thousand higher or €141 thousand lower (€232 thousand higher or €0 thousand lower at 31 March 2022), due primarily to higher/lower interest expense on variable-rate loans. Simulations are performed regularly to ensure that the potential maximum loss remains within the limits established by management.

b) Credit risk

The Company is not exposed to significant levels of credit risk, this being the impact that the non-payment of receivables could have on its income statement. The Company has policies in place to ensure that both sales and lettings are made to clients with an appropriate credit history.

c) Liquidity risk

Cash flow forecasts are made by the Company's Finance Department. This department monitors the Company'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 Company does not breach its financial obligations. These forecasts take account of the Company's financing plans, ratio compliance, fulfilment of internal objectives and, where applicable, any regulatory or legal requirements.

The maturity dates set for the Company's financial asset and liability instruments at 31 March 2023 and 31 March 2022 are shown in Note 7.

On the balance sheet date, the Company records cash totalling €5,949 thousand (€7,078 thousand at 31 March 2022).

At 31 March 2023, the parent company's working capital is positive in the amount of €5,960 thousand (working capital was negative in the amount of €1,923 thousand at 31 March 2022).

Other Risks

On 24 February 2022, Russia invaded Ukraine, sparking a war between the two countries in Ukraine. The campaign was preceded by a prolonged military build-up by Russia since early 2021 and by numerous Russian demands for security measures and legal prescriptions against Ukraine joining NATO. The duration of the conflict and the actual consequences for the global economy are still uncertain. Following a preliminary assessment of the Group's situation, the war is not expected to have a direct or material impact on the business and no consequences are therefore envisaged.

However, in view of the potential effects of this geopolitical uncertainty and volatility on the global economy and on the prices of energy, transport, products and commodities, the parent company's directors and management have implemented detailed procedures to monitor, assess and mitigate risks and are constantly overseeing the status and consequences of the war so as to successfully overcome any possible impacts going forward.

(Thousand euro)

5. PROPERTY, PLANT AND EQUIPMENT

The entry for Property, plant and equipment at 31 March 2023 and 31 March 2022 and movements in that category break down as follows:

Description	Thousand euro
Carrying amount at 31.03.2021	**90**
Acquisitions	**18**
Depreciation charge	**(12)**
Balance at 31/03/2022	**96**
Cost	**139**
Accumulated depreciation	**(43)**
Carrying amount at 31/03/2022	**96**
Acquisitions	**21**
Depreciation charge	**(14)**
Balance at 31/03/2023	**103**
Cost	**160**
Accumulated depreciation	**(57)**
Carrying amount at 31/03/2023	**103**

Additions during both financial years relate to furnishings, data-processing equipment and electronic equipment installed in the Company's offices at its registered address.

During 2023 and 2022, no impairment adjustments were made or reversed in respect of any property, plant and equipment element.

At 31 March 2023 and 31 March 2022, none of the Company's property, plant and equipment items had been fully depreciated.

(Thousand euro)

6. INVESTMENT PROPERTY

Investment property includes a shopping centre owned by the Company that is held to obtain long-term rental income and is not occupied by the Company.

The following table contains a breakdown of the investment property and related movements:

Description	Thousand euro				
	Land	Buildings	Plant	Plant in course of construction	Total
Carrying amount at 31.03.2021	**14,479**	**53,774**	**15,644**	**-**	**83,897**
Acquisitions	-	15	102	-	**117**
Disposals	(8,026)	(12,231)	(3,677)	-	**(23,934)**
Non-cash contributions	(1,522)	(1,948)	(327)	-	**(3,797)**
Disposal of depreciation	-	833	750	-	**1,583**
Depreciation charge	-	(578)	(288)	-	**(866)**
Other transfers	-	(19)	19	-	**-**
Other movements	-	(18)	-	-	**(18)**
Balance at 31/03/2022	**4,931**	**39,828**	**12,223**	**-**	**56,982**
Cost	4,931	40,907	13,227	-	**59,065**
Accumulated depreciation	-	(1,079)	(1,004)	-	**(2,083)**
Carrying amount at 31/03/2022	**4,931**	**39,828**	**12,223**	**-**	**56,982**
Acquisitions	-	470	369	255	**1,094**
Disposals	-	-	-	-	**-**
Non-cash contributions	-	-	-	-	**-**
Disposal of depreciation	-	-	-	-	**-**
Depreciation charge	-	(410)	(386)	-	**(796)**
Balance at 31/03/2023	**4,931**	**39,888**	**12,206**	**255**	**57,280**
Cost	4,931	41,377	13,596	255	**60,159**
Accumulated depreciation	-	(1,489)	(1,390)	-	**(2,879)**
Carrying amount at 31/03/2023	**4,931**	**39,888**	**12,206**	**255**	**57,280**

The following is a detailed breakdown of the investment property held by the Company:

- Puerta Europa Shopping Centre, located at A7, km 106, in Algeciras (Cádiz). This property was acquired by the Company on 31 July 2019. The property comprises a total constructed area of 41,302 sqm and a gross lettable area of 29,783 sqm, including terraces and storage areas. The Company recognises these properties in its balance sheet at a gross value of €4,931 thousand for land, €41,377 thousand for buildings and €13,596 thousand for plant. The whole property acquired is let to several tenants.

- Assets in course of construction with a carrying amount of €255 thousand recognised by the Company at year-end 2023 reflect improvements under way at the Puerta Europa shopping centre.

A number of guarantees were given to purchase the Puerta Europa shopping centre, which has a market value of €75,180 thousand. At 31 March 2023, the nominal value of this financing amounted to €21,678 thousand (€22,656 thousand at 31 March 2022).

Disposals in 2022 relate to the sale of two office buildings in Alcobendas and in Bollullos de la Mitación (Seville), and the Pinatar Fase II retail park in San Pedro de Pinatar.

On 18 June 2021, the Company sold the office buildings at Avenida de la Industria, Alcobendas (Madrid) and in Bollullos de la Mitación (Seville) for a total amount of €26,500 thousand. Transaction costs amounted to €408 thousand, giving rise to a profit of €3,676 thousand recognised under "Profit/(loss) on fixed asset disposals". These properties had a carrying amount of €22,416 thousand in the Company's balance sheet at 18 June 2021.

The mortgage guarantees put in place on these properties, to guarantee the Castellana Group will meet the terms and conditions upon which it has obtained the syndicated financing, in which the Company acts as a shareholder, with the companies Junction Parque Mérida, S.L.U, Junction Parque Villanueva I, S.L.U. Junction Parque Villanueva II, S.L.U, Junction Parque Motril, S.L.U., Junction Parque Huelva, S.L.U., Junction Parque Granada, S.L.U, Junction Parque Cáceres, S.L.U., Junction Parque Principado, S.L.U., Junction Parque Castellón, S.L.U., Randolph Spain, S.L.U., Roxbury Spain, S.L.U. and Junction Parque Alameda, S.L.U. being the borrowers of the loan, were cancelled following the sale of the assets. At 18 June 2021, the nominal value of this financing amounted to €154,000 thousand. During the financial year ended 31 March 2022, the Group refinanced this debt with Aareal Bank and included the Habaneras shopping centre owned by Junction Parque Habaneras, S.L.U. The total amount refinanced was €184,793 thousand.

On 17 September 2021, the Company transferred the Pinatar Fase II retail park to its subsidiary Junction Parque Alameda, SLU for €3,736 thousand. This transaction was completed as a non-cash shareholder contribution. The asset's carrying amount was written off and the ownership interest in the subsidiary is carried at fair value. The building is recognised in the balance sheet at a net value of €3,732 thousand, relating to €1,521 thousand for land, €1,905 thousand for buildings and €306 thousand for plant. This asset was not mortgaged.

(Thousand euro)

a) Income and expenses on investment property

The following income and expenses on investment property have been taken to the income statement:

Description	Thousand euro	
	2023	2022
Rental income (Note 15)	8,131	8,278
Operating expenses related to investment properties that generate rental income (Note 15)	(2,815)	(3,219)
	5,316	**5,059**

At 31 March 2023, lease income was reduced by temporary rent concessions granted to tenants as a result of the Covid-19 pandemic in the amount of €0 thousand (€152 thousand at 31 March 2022). These rent concessions will be taken to the Group's income statement for the year, as the effect of straight-line recognition is immaterial.

b) Operating leases

Total future minimum receipts under non-cancellable operating leases are as follows:

Description	31/03/2023	31/03/2022
Less than one year	6,574	4,636
Between one and two years	2,989	3,097
Between two and three years	1,634	2,244
Between three and four years	1,076	1,257
Between four and five years	688	935
More than five years	2,258	3,092
	15,219	**15,261**

c) Insurance

The Company has a policy of taking out all the insurance policies necessary to cover any possible risk that might affect any aspect of its investment properties. The coverage provided by these policies is deemed to be sufficient.

d) Losses due to impairment

As of 31 March 2023 and 31 March 2022 the Company had no impairments.

e) Obligations

At the year end, the Company did not have any contractual obligations to acquire, build or develop investment properties, or to repair, maintain or insure them, besides those already reported in this Note.

(Thousand euro)

7. ANALYSIS OF FINANCIAL INSTRUMENTS

7.1. Analysis by category

The carrying amount of each category of financial instruments laid down in the standards on the recognition and measurement of financial instruments, excluding equity investments in Group companies, jointly-controlled entities and associates (Note 8), is as follows:

Long-term and short-term financial assets

	Thousand euro					
	Long-term financial assets					
	Equity instruments		Loans, derivatives and other		Total	
	2023	2022	2023	2022	2023	2022
Financial assets at amortised cost (Note 9)	-	-	858	789	**858**	**789**
Financial assets at cost (Note 8)	431,293	439,726	-	-	**431,293**	**439,726**
Assets at fair value through equity	105,949	89,879	-	-	**105,949**	**89,879**
Total	**537,242**	**529,605**	**858**	**789**	**538,100**	**530,394**

	Thousand euro			
	Short-term financial assets			
	Loans, derivatives and other		Total	
	2023	2022	2023	2022
Financial assets at amortised cost (Note 9)	20,802	7,917	**20,802**	**7,917**
Total	**20,802**	**7,917**	**20,802**	**7,917**

(Thousand euro)

The heading “Financial assets at amortised cost” reflects the Group’s investment in Lar Real Estate SOCIMI, S.A. (€4.93 per share at 31 March 2023).

The Group increased its ownership interest up to 25.70% at a cost of €15,930 thousand (31 March 2022: 21.70%). In addition, the Group received dividends from Lar Real Estate SOCIMI, S.A. totalling €6,557 thousand during the year, reducing the investment, since they relate to profits obtained before the ownership interest was acquired by the Group. The investment’s fair value rose by €16,466 thousand during the year (reduction of €9,061 thousand at 31 March 2022).

The heading “Short-term financial assets” includes a dividend receivable from Grupo Lar Real Estate SOCIMI, S.A. in the amount of €12,907 thousand, of which €9,678 thousand reduces the investment and €3,229 thousand is included under the heading “Financial income from ownership interests in other companies”.

Long-term and short-term financial liabilities

	Thousand euro					
	Long-term financial liabilities					
	Bank borrowings		Derivatives, Other		Total	
	2023	2022	2023	2022	2023	2022
Financial liabilities at amortised cost or at cost (Note 15)	20,213	21,313	2,621	1,337	**22,834**	**22,650**
Total	**20,213**	**21,313**	**2,621**	**1,337**	**22,834**	**22,650**

	Thousand euro					
	Short-term financial liabilities					
	Bank borrowings		Derivatives, Other		Total	
	2023	2022	2023	2022	2023	2022
Financial liabilities at amortised cost or at cost (Note 15)	1,150	978	19,523	15,649	**20,673**	**16,627**
Total	**1,150**	**978**	**19,523**	**15,649**	**20,673**	**16,627**

(Thousand euro)

7.2. Analysis by maturity date

Financial instruments with specific or determinable maturities are set out below by year of maturity at 31 March 2023:

	Thousand euro						
	Financial assets						
	March 2024	March 2025	March 2026	March 2027	March 2028	Subsequent years	Total
Financial investments							
Investments in Group companies	-	-	-	-	-	431,293	**431,293**
Equity instruments	-	-	-	-	-	105,949	**105,949**
Security deposits furnished	53	283	47	83	86	359	**911**
Dividend receivable from Group companies	12,907	-	-	-	-	-	**12,907**
Dividend receivable from other companies	5,676	-	-	-	-	-	**5,676**
Loans and receivables							
Trade receivables for sales and services	348	-	-	-	-	-	**348**
Trade receivables, Group companies and associates	1,799	-	-	-	-	-	**1,799**
Other financial assets	17	-	-	-	-	-	**17**
	20,800	**283**	**47**	**83**	**86**	**537,601**	**558,900**

	Financial liabilities						
	March 2024	March 2025	March 2026	March 2027	March 2028	Subsequent years	Total
Payables							
Bank borrowings	1,150	1,116	1,133	1,133	1,984	14,847	**21,363**
Payables to Group companies and associates	13,182	-	-	-	-	-	**13,182**
Security deposits received	201	332	120	161	135	573	**1,522**
Other non-current financial liabilities	-	-	1,300	-	-	-	**1,300**
Trade and other payables							
Sundry payables	2,305	-	-	-	-	-	**2,305**
Other liabilities	3,835	-	-	-	-	-	**3,835**
	20,673	**1,448**	**2,553**	**1,294**	**2,119**	**15,420**	**43,507**

The entry "Other current financial assets" includes the amounts deposited with the competent organisations in each Autonomous Region

(Thousand euro)

8. LONG-TERM INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

The following table shows a breakdown of long-term investments in Group companies and associates at 31 March 2023 and 2022:

31 March 2023	**Thousand euro**									
Company name	**Holding percentage**	**Gross carrying amount of the shareholding**	**Share capital**	**Share premium**	**Reserves**	**Shareholder contributions**	**Merger reserves**	**Profit/(loss) for the year**	**Interim dividend**	**Investee's shareholders' funds**
JUNCTION PARQUE CASTELLÓN, S.L.U.	100%	3,297	3	-	88	1,350	-	201	(201)	**1,441**
JUNCTION PARQUE PRINCIPADO, S.L.U.	100%	12,492	3	-	754	1,560	-	1,510	(1,510)	**2,317**
CASTELLANA PARQUE ALCORCON, S.L.U.	100%	26,612	300	6,326	829	547	18,816	949	(949)	**26,818**
JUNCTION PARQUE HUELVA, S.L.U.	100%	12,658	3	-	917	7,437	-	829	(829)	**8,357**
JUNCTION PARQUE MOTRIL, S.L.U.	100%	3,866	3	-	118	2,153	-	322	(322)	**2,274**
JUNCTION PARQUE GRANADA, S.L.U.	100%	22,839	3	-	805	12,908	-	902	(902)	**13,716**
JUNCTION PARQUE CÁCERES, S.L.U.	100%	3,831	3	-	155	1,739	-	297	(297)	**1,897**
JUNCTION PARQUE MÉRIDA, S.L.U.	100%	8,063	3	-	511	166	-	722	(722)	**680**
CASTELLANA PARQUE VILLANUEVA, S.L.U.	100%	6,733	3	-	87	97	3,153	635	(635)	**3,340**
JUNCTION PARQUE ALAMEDA, S.L.U.	100%	41,836	3	-	524	41,119	-	1,837	(1,837)	**41,646**
JUNCTION PARQUE HABANERAS, S.L.U.	100%	41,729	3	-	667	41,711	-	1,872	(1,872)	**42,381**
MORZAL PROPERTY IBERIA S.L.U.	100%	247,151	39,000	195,000	4,589	2,138	-	(555)	-	**240,172**
CASTELLANA INNOVACION, S.L.U.	100%	183	3	-	-	180	-	(1)	-	**182**
CASTELLANA GREEN, S.L.U.	100%	3	3	-	-	-	-	(1)	-	**2**
		431,293	**39,336**	**201,326**	**10,044**	**113,105**	**21,969**	**9,519**	**(10,076)**	**385,223**

(Thousand euro)

31 March 2022

Company name	Holding percentage	Gross carrying amount of the shareholding	Share capital	Share premium	Reserves	Shareholder contributions	Merger reserves	Profit/(loss) for the year	Interim dividend	Investee's shareholders' funds
JUNCTION PARQUE CASTELLÓN, S.L.U.	100%	3,297	3	-	88	1,350	-	117	(117)	**1,441**
JUNCTION PARQUE PRINCIPADO, S.L.U.	100%	12,362	3	-	754	1,430	-	1,193	(1,193)	**2,187**
CASTELLANA PARQUE ALCORCON, S.L.U.	100%	26,602	300	6,326	829	137	19,216	842	(842)	**26,808**
JUNCTION PARQUE HUELVA, S.L.U.	100%	12,658	3	-	917	7,437	-	479	(479)	**8,357**
JUNCTION PARQUE MOTRIL, S.L.U.	100%	3,746	3	-	118	2,033	-	118	(118)	**2,154**
JUNCTION PARQUE GRANADA, S.L.U.	100%	22,339	3	-	807	12,408	-	(2)	-	**13,216**
JUNCTION PARQUE CÁCERES, S.L.U.	100%	4,281	3	-	155	2,189	-	181	(181)	**2,347**
JUNCTION PARQUE MÉRIDA, S.L.U.	100%	11,810	3,750	-	552	166	-	603	(543)	**4,528**
CASTELLANA PARQUE VILLANUEVA, S.L.U.	100%	7,858	774	-	250	97	3,353	262	(262)	**4,474**
JUNCTION PARQUE ALAMEDA, S.L.U.	100%	41,107	3	-	525	40,389	-	1,728	(1,728)	**40,917**
JUNCTION PARQUE HABANERAS, S.L.U.	100%	41,329	3	-	666	41,311	-	1,277	(1,277)	**41,980**
MORZAL PROPERTY IBERIA S.L.U.	100%	252,151	39,000	195,000	(7,269)	18,151	-	8,439	(7,595)	**245,726**
CASTELLANA INNOVACION, S.L.U.	100%	183	3	-	-	180	-	-	-	**183**
CASTELLANA GREEN, S.L.U.	100%	3	3	-	-	-	-	-	-	**3**
		439,726	**43,854**	**201,326**	**(1,608)**	**127,278**	**22,569**	**15,237**	**(14,335)**	**394,321**

During the financial year ended 31 March 2023, no impairment loss was recognised for shareholdings in Group companies (impairment losses of €9,178 thousand were reversed during the financial year ended 31 March 2022).

On 1 April 2021, the companies Randolph, S.L.U. and Roxbury, S.L.U. were merged into the acquiring company Randolph, S.L.U., with the resulting company changing its business name to Castellana Parque Alcorcón, S.L.U. on 30 July 2021. Merger reserves amounted to €19,216 thousand.

On 1 April 2021, the companies Junction Parque Villanueva 1, S.L.U. and Junction Parque Villanueva Fase 2, S.L.U. were merged into the acquiring company Junction Parque Villanueva Fase 2, S.L.U., with the resulting company changing its business name to Castellana Parque Villanueva, S.L.U. on 30 July 2021. Merger reserves amounted to €3,353 thousand.

On 22 July 2021, the company Castellana Innovación, S.L.U. was incorporated to engage in the study and possible development of innovative business plans for the shopping centres.

The company Castellana Green, S.L.U. was incorporated on 25 January 2021. Its corporate purpose consists of developing and implementing solar panels and plants to produce electricity in shopping centres.

None of the Group companies in which the Company has a shareholding is listed on the stock market.

(Thousand euro)

9. FINANCIAL ASSETS AT AMORTISED COST

As of 31 March 2023 and 31 March 2022, the breakdown of this heading is as follows:

Description	Thousand euro	
	31/03/2023	**31/03/2022**
Long-term loans and receivables (Note 7):		
Other financial assets	858	789
	858	**789**
Short-term loans and receivables (Note 7):		
Trade receivables for sales and services	348	309
Trade receivables, Group companies and associates	1,799	1,156
Trade receivables, related companies	-	44
Other financial assets	18,653	6,408
	20,800	**7,917**
	21,658	**8,706**

The carrying 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 competent organisations in each Autonomous Region.

Other short-term financial assets primarily include the short-term security deposits received and the dividends receivable from other companies and its subsidiaries (Note 19).

Of the total short-term loans and receivables, at 31 March 2023, trade receivables had matured to the value of €128 thousand (€187 thousand at 31 March 2022), of which €37 thousand had been provisioned (€134 thousand at 31 March 2022) in accordance with the evaluation relating to trade receivables carried out by the Company.

At the balance sheet date, trade receivables include the amount of €257 thousand yet to be invoiced (€256 thousand at 31 March 2022), consisting mainly of variable rent accrued and not invoiced by the Puerta Europa shopping centre.

All the amounts reported in this section are past due and unprovisioned, which the Company expects to recover.

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

(Thousand euro)

Description	Thousand euro	
	31/03/2023	31/03/2022
Up to 3 months	54	36
Between 3 and 6 months	41	44
More than 6 months	33	107
	128	**187**

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

The balance in "Trade receivables" is shown net of impairment adjustments. The corresponding provisions are set aside for bad debts.

Movements in financial assets at amortised cost are as follows:

Description	Thousand euro	
	31/03/2023	31/03/2022
Opening balance	**(134)**	**(49)**
Appropriation	(19)	(135)
Reversal	23	49
Application	93	1
Closing balance	**(37)**	**(134)**

10. CASH AND CASH EQUIVALENTS

As of 31 March 2023 and 31 March 2022, the breakdown of this heading is as follows:

Description	Thousand euro	
	31/03/2023	31/03/2022
Cash and cash equivalents		
Current accounts	5,949	7,078
	5,949	**7,078**

At 31 March 2023, there were restrictions on the availability of a total of €264 thousand (€250 thousand at 31 March 2022).

(Thousand euro)

11. SHAREHOLDERS' FUNDS

a) Share capital and share premium

On 31 March 2023, share capital stood at €101,152 thousand (€98,771 thousand at 31 March 2022), consisting of 101,151,999 shares with a par value of €1 each, all in the same class, fully subscribed and paid up.

On 15 March 2022, the General Shareholders' Meeting agreed to increase share capital by capitalising the loan of €75,000 thousand granted by the sole shareholder Vukile Property Fund Limited on 20 January 2022 and issuing 12,500,000 new shares with a par value of €1 each (€12,500 thousand) and a share premium of €5 per share (€62,500 thousand).

On 16 January 2023, the General Shareholders' Meeting agreed to increase share capital by capitalising the loans of €10,000 thousand and €5,000 thousand granted by the sole shareholder Vukile Property Fund Limited on 20 January 2022 and 25 October 2022, respectively, for a total amount of €15,000 thousand, issuing 2,380,952 new shares with a par value of €1 each (€2,381 thousand) and a share premium of €5.3 per share (€12,619 thousand).

All the shares issued were fully subscribed by the shareholder Vukile Property Fund Limited.

As at 31 March 2023 and 2022, the shareholders with more than a 3% shareholding in the parent company are Vukile Property Fund Limited and Morze European Real Estate Ventures.

The breakdown is as follows:

	31/03/2023		31/03/2022	
	No. of shares	% Shareholding	No. of shares	% Shareholding
Vukile Property Fund Limited	90,835,371	89.80%	88,454,419	89.56%
Morze European Real Estate Ventures	9,833,333	9.72%	9,833,333	9.96%

As of 31 March 2023 and 31 March 2022, the breakdown of share capital is as follows:

Description	Thousand euro	
	31/03/2023	31/03/2022
Authorised capital	101,152	98,771
Share premium	442,960	434,641

This reserve is unrestricted so long as distribution would not result in the Company's shareholders' funds falling below the share capital figure.

On 15 September 2021, the General Shareholders' Meeting approved the offset of €4,811 thousand in prior-year losses against the share premium account.

On 15 November 2022, the Board of Directors approved the distribution of €4,300 thousand to shareholders, charged to the share premium account.

(Thousand euro)

All the shares issued were fully subscribed by the shareholder Vukile Property Fund Limited.

b) Treasury shares

Movements in 2023 and 2022 were as follows:

Description	2023		2022	
	Number of treasury shares	Thousand euro	Number of treasury shares	Thousand euro
Opening balance	**57,847**	**357**	**58,173**	**355**
Additions/purchases	5,028	35	16,446	104
Decreases	(7,560)	(49)	(16,772)	(102)
Closing balance	**55,315**	**343**	**57,847**	**357**

On 10 July 2018, Castellana Properties entered into a liquidity agreement with Renta 4 Banco, S.A. with the aim of increasing liquidity and favouring the stability of the Company's stock price. This agreement came into effect on 25 July 2018.

The Company's treasury shares held at 31 March 2023 represented 0.05% of the Company's share capital (0.06% at 31 March 2022) and totalled 55,315 shares (57,847 at 31 March 2022). The average cost of the Company's treasury shares at 31 March 2023 was €6.21 per share (€6 per share at 31 March 2022).

These shares are recognised as a reduction of €343 thousand in the value of the Company's shareholders' funds at 31 March 2023 (€357 thousand at 31 March 2022).

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

12. RESERVES AND PROFIT/(LOSS) FOR THE YEAR

At 31 March 2023, €8,030 thousand (€5,377 thousand at 31 March 2022) corresponded to the legal reserve. This reserve has been set aside under the terms of Article 274 of the Spanish 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.

Description	Thousand euro	
	31/03/2023	31/03/2022
Legal reserve	8,030	5,377
Other reserves	10,943	10,007
Treasury shares	(343)	(357)
Total reserves	**18,630**	**15,027**

(Thousand euro)

Other reserves at 31 March 2023 and 31 March 2022 include a restricted reserve in the amount of €10,128 thousand due to a share capital reduction carried out by the Company in 2017. It was a restricted reserve at 31 March 2021. The General Shareholders' Meeting approved the release of the reserve on 15 September 2021, so it is unrestricted at 31 March 2023.

The change on the previous year is due to expenses due to the capitalisation of capital increase costs.

Distribution of profit/(loss)

The proposal for the application of the result of 31 March 2023 closing, to be shown to the General Shareholders' Meeting is as follows:

Description	Thousand euro
Available for distribution	
Profit/(loss) for the year	15,478
Share premium	17,096
	32,574
Application	
Legal reserve	1,548
Interim dividend 15 November 2022	7,000
Interim dividend 24 May 2023	6,930
Share premium distribution	17,096
	32,574

Interim dividend distribution

On 15 November 2022, Castellana's Board of Directors agreed to pay out an interim dividend of €7,000 thousand for the financial year ended 31 March 2023, equating to €0.07 per share, and to distribute €4,300 thousand or €0.04 per share from the share premium account, payment having been made on 2 December 2022.

The forecast cash flow statement prepared by the Board of Directors is as follows:

Description	Thousand euro
Net profit at 30 September 2022	10,447
Legal reserve	(1,045)
Distributable profit	**9,402**
Interim dividend 15 November 2022	7,000
Distribution charged to the share premium account	4,300
Available cash	**19,500**

(Thousand euro)

Distribution of prior year profit/(loss)

The proposed distribution of the profit/(loss) and reserves of the Company for the financial year ended on 31 March 2022, which was approved by the General Shareholders' Meeting on 6 July 2022, was as follows:

Description	Thousand euro
Available for distribution	
Profit/(loss) for the year	26,540
	26,540
Application	
Legal reserve	2,654
Interim dividend 16 November 2021	6,000
Interim dividend 25 May 2022	17,000
Voluntary reserves	886
	26,540

13. FINANCIAL LIABILITIES

Financial liabilities at amortised cost

Liabilities at amortised cost include:

Description	Thousand euro	
	31/03/2023	**31/03/2022**
Long-term creditors and payables (Note 7):		
Bank borrowings	20,213	21,313
Other financial liabilities	2,621	1,337
	22,834	**22,650**
Short-term creditors and payables (Note 7):		
Bank borrowings	1,150	978
Other financial liabilities	201	128
Payables to Group companies and associates (Note 19)	13,182	10,035
Sundry and other payables	2,305	4,081
Other liabilities	3,835	1,405
	20,673	**16,627**
	43,507	**39,277**

(Thousand euro)

The carrying amounts of creditors and payables, both long and short term, approximate their fair values, since the effect of discounting is immaterial. Bank borrowings and payables to Group companies and associates are carried at amortised cost.

Guarantee deposits received from tenants as per the lease agreements signed are recorded as other long-term and short-term financial liabilities.

Creditors and other payables relate mainly to balances payable on investments in assets in course of construction, provisions related to property management and the provision for invoices pending payment to tenants for the rent concessions granted during the year.

The carrying amount of creditors and payables is denominated in euros.

Bank borrowings

This balance sheet heading relates to the loans obtained by the Company on 31 July 2019 from the financial institutions Banco Pichincha España (€8,000 thousand) and Liberbank (€15,000 thousand), both falling due on 30 June 2031 and bearing annual interest at a rate of 2.05%.

The Company has included an amortised cost of €315 thousand (€363 thousand at 31 March 2022) on the balance sheet in respect of loan arrangement costs. Interest expenses accrued during the period totalled €752 thousand (€647 thousand at 31 March 2022).

The Company acted as guarantor of the two loans received by the Castellana Group. A syndicated loan in the amount of €146,000 thousand and a CAPEX line related to the previous syndicated loan for a maximum amount of €8,000 thousand, which was fully drawn down at the end of the 2022 financial year. On 15 February 2022, the Group refinanced with Aareal Bank the syndicated financing granted by Banco Santander and Caixa Bank and included in this refinancing the loan from Junction Parque Habaneras, S.L.U. A total amount of €184,793 thousand was refinanced. At 31 March 2022, the CAPEX line of €8,000 thousand was fully repaid.

This loan is subject to compliance with certain covenants, which is standard practice in the sector in which the Company operates, the ratio being calculated every six months. As of 31 March 2023, the Group had complied with all of these covenants.

The maturities of the nominal amounts carried in "Long-term and short-term bank borrowings" are as follows:

	Thousand euro			
Description	**31/03/2023**		**31/03/2022**	
	Non-current	**Current**	**Non-current**	**Current**
March 2024	-	1,150	-	978
March 2025	1,150	-	1,150	-
March 2026	1,150	-	1,150	-
March 2027	1,150	-	1,150	-
March 2028	2,013		1,150	
Subsequent years	15,065	-	17,076	-
	20,528	**1,150**	**21,676**	**978**

Payables to Group companies and associates

The upstream loan that the Company arranged on 5 December 2017 with its subsidiary Junction Parque Alameda, S.L.U. in the amount of €11,860 thousand matures on 20 November 2023 and accrued an annual interest of 2.55%, plus the 3-month Euribor reference rate. It was fully repaid on 18 June 2021 following the sale of the office building. Interest accrued to the repayment date totalled €52 thousand and was settled on the repayment date.

On 14 July 2020, the parent company Castellana Properties SOCIMI, S.A. entered into a loan agreement with its principal shareholder Vukile Property Fund Limited for €17,500 thousand, maturing on 13 July 2021. On 14 May 2021, the Group signed an addendum to this agreement, which extended the maturity date to July 2022. The loan bore an annual interest rate of 3.5%. This loan was fully repaid on 24 November 2021. The loan had accrued interest of €405 thousand during the financial year ended 31 March 2022.

On 20 January 2022, the Company arranged two shareholder loans with its principal shareholder, Vukile Property Fund Limited, for €75,000 thousand and €10,000 thousand, maturing on 4 February 2022 and 28 November 2022, respectively. These loans bore an annual interest rate of 3.50% and 1.75% respectively.

On 15 March 2022, the General Shareholders' Meeting approved a loan capitalisation in the amount of €75,000 thousand. The capital increase to capitalise loans comprised capital of €12,500 thousand and a share premium of €62,500 thousand. Prior to capitalisation, during the year ended 31 March 2022 interest of €394 thousand accrued on the loan and was paid in full.

On 16 January 2023, the General Shareholders' Meeting approved a loan capitalisation in the amount of €10,000 thousand. The capital increase to capitalise loans comprised capital of €1,587 thousand and a share premium of €8,413 thousand. Prior to capitalisation, interest of €140 thousand accrued on the loan and was paid in full during the year ended 31 March 2023 (€35 thousand in interest accrued during the financial year ended 31 March 2022).

On 14 January 2022, the Company arranged two new loans with its principal shareholder for €13,000 thousand and €5,000 thousand, maturing on 14 November 2023 and 28 November 2022, respectively. Both loans initially accrued interest of 3.5%, but the interest rate on the first loan was changed to 5% on 1 March 2023. At 31 March 2023, these loans have accrued interest of €191 thousand and €31 thousand respectively.

On 16 January 2023, the General Shareholders' Meeting approved a shareholder loan capitalisation in the amount of €5,000 thousand. The capital increase to capitalise loans comprised capital of €794 thousand and a share premium of €4,206 thousand.

At the issuance date of the annual accounts, this balance sheet heading includes the shareholder loan received from the Company's parent company at 31 March 2023.

Description	Thousand euro			
	31/03/2023		31/03/2022	
	Non-current	Current	Non-current	Current
March 2024	-	13,182	-	10,035
March 2025	-	-	-	-
March 2026	-	-	-	-
March 2027	-	-	-	-
March 2028	-	-	-	-
Subsequent years	-	-	-	-
	-	**13,182**	**-**	**10,035**

Information on the average supplier payment period

The following table shows a breakdown of the payments that are due for commercial operations completed during the year and that remained pending on the date on which the balance sheet was closed, with reference to the maximum payment period provided for under Law 15/2010 and subsequently amended by Law 31/2014:

Description	Days	
	31/03/2023	31/03/2022
Average supplier payment period	40	33
Ratio of transactions settled	40	33
Ratio of transactions not yet settled	32	47

Description	Thousand euro	
	31/03/2023	31/03/2022
Total payments settled	8,592	5,578
Total outstanding payments	114	76

Under the new legislation set forth in Article 9 of Law 18/2022 of 28 September, the following information is also required:

Number (units)	2023
Invoices settled before the end of the legal maximum supplier payment period	787
Percentage of total supplier invoices	79%

Volume (thousand euro)	2023
Invoices settled before the end of the legal maximum supplier payment period	7,315
Percentage of total supplier invoices	85%

(Thousand euro)

14. INCOME TAX AND TAX SITUATION

As of 31 March 2023 and 31 March 2022, the breakdown of taxes refundable and payable is as follows:

Description	Thousand euro	
	31/03/2023	31/03/2022
Receivables		
CIT refundable	2	-
	2	**-**
Payables		
VAT payable	74	383
PIT payable	94	103
Social security contributions	50	53
	218	**539**

The reconciliation of net income and expenses for the year with the income tax base is as follows:

	Thousand euro					
	Income statement			Income and expenses attributed directly to equity		
	Increases	Decreases	Total	Increases	Decreases	Total
Net income/(expense) for the year	**15,478**	**-**	**15,478**	**16,517**	**-**	**16,517**
Corporate income tax	-	-	**-**	-	-	**-**
Permanent differences	733	-	**733**	-	-	**-**
Temporary differences	1,300	(5)	**1,295**	-	-	**-**
Consolidation adjustments	-	-	**-**	-	-	**-**
Tax base (taxable income)	**17,511**	**(5)**	**17,506**	**16,517**	**-**	**16,517**

Pursuant to Law 11 of 26 October 2009, as amended by Law 16 of 27 December 2012 on SOCIMIs, current corporate income tax is calculated by applying a tax rate of 0% to taxable income.

<u>Financial years pending verification and inspection processes</u>

Under current law, taxes cannot be understood to have been effectively settled until the tax authorities have reviewed the tax returns filed or until the four-year time-bar period has elapsed.

(Thousand euro)

The income tax rate payable by SOCIMIs is set at 0%. However, when the dividends that the SOCIMI distributes to its shareholders with a percentage shareholding of more than 5% are tax-exempt or taxed at a rate of lower than 10%, the SOCIMI will be subject to a special tax of 19% on the amount of the dividend paid to the shareholders in question, which will be classified as income tax payable. Where it applies, this special tax must be paid by the SOCIMI within two months following the date on which the dividend is paid out.

15. INCOME AND EXPENSES

a) Revenue

Revenue from the Company's ordinary business activities is set out below:

Description	Thousand euro	
	2023	**2022**
Rental income (Note 6)	5,802	5,665
Reinvoicing of costs to tenants (Note 6)	2,328	2,613
Income from services to Group companies (Note 19)	7,428	3,984
Reinvoicing of costs to Group companies (Note 19)	180	266
Income from equity instruments, Group companies (Note 19)	10,136	14,335
	25,874	**26,863**

b) Staff costs

This income statement heading breaks down as follows:

Description	Thousand euro	
	2023	**2022**
Wages, salaries and similar remuneration	(5,307)	(4,556)
Social security	(510)	(444)
	(5,817)	**(5,000)**

Staff costs include the amount of €1,300 thousand relating to the long-term incentive plan (Note 18) (€1,000 thousand in 2022).

The average number of employees during the period by professional category was as follows:

Description	Number of employees	
	2023	**2022**
Directors	6	6
University graduates or diploma holders	24	23
Administrative personnel and other	3	2
	33	**31**

(Thousand euro)

In addition, at 31 March 2023 and 31 March 2022, the gender breakdown of the headcount was as follows:

2023

Description	Number of employees		
	Men	**Women**	**Total**
Directors	4	2	**6**
University graduates or diploma holders	11	13	**24**
Administrative personnel and other	-	3	**3**
	15	**18**	**33**

2022

Description	Number of employees		
	Men	**Women**	**Total**
Directors	4	2	**6**
University graduates or diploma holders	9	15	**24**
Administrative personnel and other	-	2	**2**
	13	**19**	**32**

The Group had no employees with a disability rating of 33% or more (or the local equivalent) at 31 March 2023 or 31 March 2022.

c) Other operating expenses

This income statement heading breaks down as follows:

Description	Thousand euro	
	2023	**2022**
External services attributable directly to real estate assets	(2,815)	(3,219)
Other external services	(3,064)	(2,542)
	(5,879)	**(5,761)**

d) Impairment of long-term shareholdings in Group companies

During the financial year ended 31 March 2023, no impairment loss was recognised for shareholdings in Group companies (€9,178 thousand was reversed at 31 March 2022).

(Thousand euro)

16. NET FINANCIAL INCOME/(EXPENSE)

The breakdown of this heading by category during 2023 and 2022 is as follows:

Description	Thousand euro	
	2023	**2022**
Financial income		
Financial income from ownership interests in other companies	3,229	-
Financial expenses		
Interest on bank borrowings	(752)	(647)
Interest on payables to Group companies and associates (Note 19)	(362)	(886)
	2,115	**(1,533)**

Financial income from ownership interests in other companies relates to the dividends received from the Company's interest in Lar España Real Estate Socimi, SA (Note 7).

Interest on bank borrowings relates to the financing received to purchase Puerta Europa Shopping Centre on 31 July 2019.

Interest on payables to Group companies amounts to €362 thousand, of which €171 thousand relates to the shareholder loans arranged with Vukile Property Fund Limited in the amount of €10,000 thousand on 20 January 2022 and €5,000 thousand on 25 October 2022 and later capitalised, while €191 thousand relates to the loan of €13,000 thousand from Vukile Property Fund Limited arranged on 25 October 2022 (Note 13).

17. PROVISIONS AND CONTINGENCIES

As of 31 March 2023 and 31 March 2022 the Company had no provisions or contingent liabilities.

18. COMPANY DIRECTORS' REMUNERATION, SHAREHOLDINGS AND BALANCES

Shareholdings, positions and activities of the members of the Board of Directors

Article 229 of the Spanish Companies Act, which was approved by Royal Legislative Decree 1 of 2 July 2010, requires directors to notify the Board of Directors (or, in the absence of such a body, the other Directors or the General Shareholders' Meeting) of any direct or indirect conflict of interest they may have with the Company.

Likewise, directors must disclose any direct or indirect shareholdings they or persons related to them may hold in any company engaging in activities which are identical, analogous or complementary to those comprising the Company's corporate purpose. They must also disclose the positions they hold or duties they perform at such companies. The directors have not notified any conflicts of interest with respect to the Castellana Group.

(Thousand euro)

Directors' remuneration

During 2023, remuneration accrued to the directors totalled €1,545 thousand (€1,492 thousand at 31 March 2022), of which executive directors received a total of €1,136 thousand (€1,050 thousand at 31 March 2022).

The Group has not granted any loans to the Board of Directors and does not have pension funds or any other similar obligations to the benefit of its directors.

There is a long-term remuneration plan for the parent company's executive team (Note 3.12). The first calculation period ran from 1 April 2019 to 31 March 2022. The amount of €2,288 thousand pending payment is carried under "Other short-term liabilities". The second calculation period comprises the period from 1 April 2022 to 31 March 2025. At 31 March 2023, the parent company estimated a cost of €1,300 thousand (€3,000 thousand at 31 March 2022). It is estimated that 48% may be allocated to the executive directors and 28% to the rest of the executive team.

19. TRANSACTIONS AND BALANCES WITH GROUP COMPANIES AND RELATED PARTIES

During 2023 and the year ended on 31 March 2022, the breakdown of related-party transactions is as follows:

2023

	Thousand euro			
Description	**Financial income from holdings in Group company equity instruments**	**Income from reinvoicing of costs to Group companies**	**Income from services to Group companies**	**Costs for interest accrued**
JUNCTION PARQUE CASTELLÓN, S.L.U.	201	1	56	-
JUNCTION PARQUE PRINCIPADO, S.L.U.	1,510	5	295	-
CASTELLANA PARQUE ALCORCON, S.L.U.	949	7	338	-
JUNCTION PARQUE HUELVA, S.L.U.	829	4	197	-
JUNCTION PARQUE MOTRIL, S.L.U.	322	1	733	-
JUNCTION PARQUE GRANADA, S.L.U.	902	18	64	-
JUNCTION PARQUE CÁCERES, S.L.U.	297	1	341	-
JUNCTION PARQUE MÉRIDA, S.L.U.	782	3	67	-
CASTELLANA PARQUE VILLANUEVA, S.L.U.	635	2	151	-
JUNCTION PARQUE ALAMEDA, S.L.U.	1,837	48	125	-
JUNCTION PARQUE HABANERAS, S.L.U.	1,872	12	551	-
MORZAL PROPERTY IBERIA S.L.U.	-	78	4,510	-
CASTELLANA INNOVACION, S.L.U.	-	-	-	-
CASTELLANA GREEN, S.L.U.	-	-	-	-
VUKILE PROPERTY FUND LIMITED	-	640	-	(362)
	10,136	**820**	**7,428**	**(362)**

(Thousand euro)

2022

Description	Thousand euro			
	Financial income from holdings in Group company equity instruments	Income from reinvoicing of costs to Group companies	Income from services to Group companies	Costs for interest accrued
JUNCTION PARQUE CASTELLÓN, S.L.U.	117	6	119	-
JUNCTION PARQUE PRINCIPADO, S.L.U.	1,193	32	227	-
CASTELLANA PARQUE ALCORCON, S.L.U.	842	48	372	-
JUNCTION PARQUE HUELVA, S.L.U.	479	28	199	-
JUNCTION PARQUE MOTRIL, S.L.U.	118	8	128	-
JUNCTION PARQUE GRANADA, S.L.U.	-	53	215	-
JUNCTION PARQUE CÁCERES, S.L.U.	181	8	133	-
JUNCTION PARQUE MÉRIDA, S.L.U.	543	14	181	-
CASTELLANA PARQUE VILLANUEVA, S.L.U.	262	15	259	-
JUNCTION PARQUE ALAMEDA, S.L.U.	1,728	62	312	(52)
JUNCTION PARQUE HABANERAS, S.L.U.	1,277	-	364	-
MORZAL PROPERTY IBERIA S.L.U.	7,595	-	1,467	-
CASTELLANA INNOVACION, S.L.U.	-	-	-	-
CASTELLANA GREEN, S.L.U.	-	-	-	-
VUKILE PROPERTY FUND LIMITED	-	280	-	(834)
	14,335	**554**	**3,976**	**(886)**

(Thousand euro)

As of 31 March 2023 and 31 March 2022, the breakdown of balances with related parties is as follows:

31 March 2023

	Thousand euro				
Description	**Dividends receivable**	**Trade receivables for sales and services**	**Trade receivables, related companies**	**Short-term payables to Group and related companies**	**Interest pending payment**
JUNCTION PARQUE CASTELLÓN, S.L.U.	141	12	-	-	-
JUNCTION PARQUE PRINCIPADO, S.L.U.	840	57	-	-	-
CASTELLANA PARQUE ALCORCON, S.L.U.	539	78	-	-	-
JUNCTION PARQUE HUELVA, S.L.U.	479	44	-	-	-
JUNCTION PARQUE MOTRIL, S.L.U.	202	14	-	-	-
JUNCTION PARQUE GRANADA, S.L.U.	402	78	-	-	-
JUNCTION PARQUE CÁCERES, S.L.U.	197	15	-	-	-
JUNCTION PARQUE MÉRIDA, S.L.U.	362	33	-	-	-
CASTELLANA PARQUE VILLANUEVA, S.L.U.	335	27	-	-	-
JUNCTION PARQUE ALAMEDA, S.L.U.	1,107	119	-	-	-
JUNCTION PARQUE HABANERAS, S.L.U.	1,072	188	-	-	-
MORZAL PROPERTY IBERIA S.L.U.	-	1,134	-	-	-
CASTELLANA INNOVACION, S.L.U.	-		-	-	-
CASTELLANA GREEN, S.L.U.	-		-	-	-
VUKILE PROPERTY FUND LIMITED	-		-	(13,000)	(182)
	5,676	**1,799**	**-**	**(13,000)**	**(182)**

(Thousand euro)

31 March 2022

Description	Dividends receivable	Trade receivables for sales and services	Trade receivables, related companies	Short-term payables to Group and related companies	Interest pending payment
	Thousand euro				
JUNCTION PARQUE CASTELLÓN, S.L.U.	117	23	-	-	-
JUNCTION PARQUE PRINCIPADO, S.L.U.	463	46	-	-	-
CASTELLANA PARQUE ALCORCON, S.L.U.	842	73	-	-	-
JUNCTION PARQUE HUELVA, S.L.U.	139	41	-	-	-
JUNCTION PARQUE MOTRIL, S.L.U.	18	26	-	-	-
JUNCTION PARQUE GRANADA, S.L.U.	-	50	-	-	-
JUNCTION PARQUE CÁCERES, S.L.U.	81	26	-	-	-
JUNCTION PARQUE MÉRIDA, S.L.U.	243	36	-	-	-
CASTELLANA PARQUE VILLANUEVA, S.L.U.	82	50	-	-	-
JUNCTION PARQUE ALAMEDA, S.L.U.	1,728	74	-	-	-
JUNCTION PARQUE HABANERAS, S.L.U.	27	87	-	-	-
MORZAL PROPERTY IBERIA S.L.U.	2,595	520	-	-	-
CASTELLANA INNOVACION, S.L.U.	-	-	-	-	-
CASTELLANA GREEN, S.L.U.	-	-	-	-	-
VUKILE PROPERTY FUND LIMITED	-	104	-	(10,000)	(35)
ADAM LEE MORZE	-	-	42	-	-
DIVERSIFIED REAL ESTATE ASSETS MANAGEMENT, S.L.	-	-	2	-	-
	6,335	**1,156**	**44**	**(10,000)**	**(35)**

20. INFORMATION REQUIREMENTS RESULTING FROM SOCIMI STATUS, LAW 11/2009, AS AMENDED BY LAW 16/2012 AND LAW 11/2021

a) Reserves from financial years prior to the application of the tax rules set out in this Law.

Not applicable.

b) Reserves from financial years in which the tax scheme set out in this law was applied, distinguishing the portion arising from income subject to 0%, 15% or 19% tax from any income subject to tax at the general rate.

The reserves recognised derive from income subject to 0% tax.

c) Dividends distributed against profits each year in which the tax rules contained in this Law were applied, distinguishing the portion arising from income subject to 0% or 19% tax from the portion relating to income subject to tax at the general rate.

All of the dividends distributed derive entirely from income subject to 0% tax.

d) In the case of a distribution charged to reserves, stating the year in which the reserve applied originated and whether it were taxed at 0%, 19% or the general rate.

No dividends were distributed against reserves (Note 12).

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

- Dividend of €134 thousand for the 2016 financial year, approved by the General Shareholders' Meeting on 29 June 2017.
- Dividend of €1,202 thousand for the three-month period ended 31 March 2018, approved by the General Shareholders' Meeting on 13 July 2018.
- Interim dividend of €10,948 thousand for the financial year ended 31 March 2019, approved by the Board of Directors on 21 May 2018.
- Interim dividend of €6,967 thousand for the financial year ended 31 March 2019, approved by the Board of Directors on 15 November 2018.
- Dividend charged to the share premium account in the amount of €733 thousand, approved by the Board of Directors on 15 November 2018.
- Interim dividend of €8,150 thousand for the financial year ended 31 March 2019, approved by the Board of Directors on 14 May 2019.
- Interim dividend of €17,025 thousand for the financial year ended 31 March 2020, approved by the Board of Directors on 13 November 2019.
- Interim dividend of €3,898 thousand for the financial year ended 31 March 2020, approved by the Board of Directors on 13 June 2020.
- Dividend charged to the share premium account in the amount of €17,420 thousand, approved by the Board of Directors on 13 June 2020.
- Interim dividend of €53 thousand for the financial year ended 31 March 2020, approved at the General Shareholders' Meeting on 15 September 2020.

(Thousand euro)

- Dividend charged to the share premium account in the amount of €6,196 thousand, approved by the Board of Directors on 11 November 2020.
- Interim dividend of €6,000 thousand for the financial year ended 31 March 2022, approved by the Board of Directors on 16 November 2021.
- Interim dividend of €17,000 thousand for the financial year ended 31 March 2022, approved by the Board of Directors on 25 May 2022.
- Interim dividend of €7,000 thousand for the financial year ended 31 March 2023, approved by the Board of Directors on 15 November 2022.
- Dividend charged to the share premium account in the amount of €4,300 thousand, approved by the Board of Directors on 15 November 2022.
- Interim dividend of €6,930 thousand for the financial year ended 31 March 2023, approved by the Board of Directors on 24 May 2023.
- Dividend charged to the share premium account in the amount of €17,096 thousand, approved by the Board of Directors on 24 May 2023.

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 Law.

Property	Location	Date acquired
Puerta Europa Shopping Centre	A7, km 106, in Algeciras, Cádiz	31 July 2019

The parent company has also held an interest in the company Lar Real Estate SOCIMI, S.A. since 26 January 2022 (Note 7).

(Thousand euro)

The parent company has holdings in the share capital of companies, referred to in Article 2.1 of the Spanish SOCIMI Law:

Company	Date acquired	Property	Location
Junction Parque Castellón S.L.U.	30 June 2017	Ciudad del Transporte	Avenida Europa 231, Castellón De La Plana
Junction Parque Principado, S.L.U.	30 June 2017	Parque Principados Retail Park	LG Paredes 201, Siero (Asturias)
Castellana Parque Alcorcón, S.L.U.	30 June 2017	Parque Oeste Retail Park	Avenida de Europa 4, Alcorcon - Madrid
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
Castellana Parque Villanueva, S.L.U.	30 June 2017	Villanueva de la Serena Retail Park (Phases I and II)	Carretera Don Benito, S/N, Villanueva de la Serena, Badajoz
Junction Parque Alameda, S.L.U.	5 December 2017	lameda Shopping Centre	Calle Luis Buñuel 6, 18197, Pulianas - Granada
		San Pedro Del Pinatar Retail Park	UA-1 Local Level Plan (*Plan Parcial*) "Área 3e", Block P-9, San Pedro del Pintar (Murcia)
Junction Parque Habaneras, S.L.U.	9 May 2018	Habaneras Shopping Centre	Avenida Rosa Mazón Valero 7, Torrevieja, Alicante
Morzal Property Iberia S.L.U.	27 November 2018	Vallsur Shopping Centre	Paseo de Zorrilla, Valladolid
		Los Arcos Shopping Centre	Avenida de Andalucía S/N, Seville
		Bahía Sur Shopping Centre	Avenida Caño Herrera S/N, San Fernando, Cádiz
		El Faro Shopping Centre	Avenida de Elvas S/N, Badajoz

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

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

h) Reserves from years in which the tax scheme provided by the Law was applicable and which have been made use of (not for distribution or offsetting losses) during the tax period, stating the year from which the reserves originate.

- Voluntary reserves amounting to €886 thousand recognised during the financial year ended 31 March 2022 and not distributed or used to offset losses.

(Thousand euro)

21. AUDIT FEES

Fees accrued to PricewaterhouseCoopers Auditores, S.L. and its network firms during the financial years ended 31 March 2023 and 2022 are as follows:

	Thousand euro	
	2023	**2022**
Audit services	**87**	**88**
Other audit services (*)	**42**	**77**
Other assurance services provided by the auditor as required by other legislation	**9**	13
Other assurance services provided by the auditor and not required by other legislation	**33**	30
Other services provided by other firms of the auditor’s network	**-**	34
	129	**165**

*There are no tax services

22. EVENTS AFTER THE REPORTING PERIOD

On May 10, 2023, Vukile Property Fund Limited, listed on the Johannesburg Stock Exchange (South Africa), which held, as of March 31, 2023, 89.56% of the share capital of Castellana Properties SOCIMI, S.A., has acquired 9.8 million shares from the company Morze European Real Estate Ventures (MEREV), becoming the owner of 99.6% of the share capital of the company.

On May 24, 2023, the company's Board of Directors approved a distribution to shareholders for the amount of 24,026 thousand euros, that is, 0.2377 euros per share.

The provisional treasury statement formulated by the Board of Directors is as follows:

Description	Thousand euro
Profit/(loss)	15,478
Legal reserve	(1,548)
Interim dividend previously paid out	(7,000)
Dividend charged to profits (Note 12)	**6,930**
Share premium distribution	**17,096**
Total distribution to shareholders	**24,026**
Available cash	**27,591**

CASTELLANA PROPERTIES SOCIMI, S.A.

MANAGEMENT REPORT FOR THE FINANCIAL YEAR ENDED ON 31 MARCH 2023

1. ORGANISATIONAL STRUCTURE AND FUNCTIONING

Castellana Properties Socimi, S.A. (Castellana Properties) was incorporated in Spain on 19 May 2015 under the Spanish 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 avail itself of the rules governing Spanish Real Estate Investment Trusts (SOCIMIs).

On 25 July 2018, Castellana Properties listed 100% of its shares on the BME Growth (former Spanish Alternative Stock Exchange (MAB). On 31 March 2023, share capital stood at €101,152 thousand (€98,771 thousand at 31 March 2022), consisting of 101,151,999 shares with a par value of €1 each, all in the same class, fully subscribed and paid up.

As at 31 March 2023 and 2022, the shareholders with more than a 3% shareholding in the parent company are Vukile Property Fund Limited and Morze European Real Estate Ventures.

Castellana Properties focuses its business strategy on investment in high-quality rental assets with strong growth potential. In just five years, the market value of this investment has risen from €308 million at 31 March 2018 to €1,012 million at 31 March 2023.

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 Shareholders' Meeting 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 Group'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 Group's status as a SOCIMI.

The Board of Directors has two committees, an Audit and Control 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 Group's day-to-day business.

2. BUSINESS PERFORMANCE AND PROFIT/(LOSS)

Since its first acquisition in 2016, the Company has completed several transactions for the acquisition of real estate assets which have led to retained earnings that, on 31 March 2023, stood at €44 million on a consolidated basis.

"Revenue" from letting the acquired properties reached €82,807 thousand at 31 March 2023 (€72,595 thousand at 31 March 2022).

On 24 February 2022, Russia invaded Ukraine, sparking a war between the two countries in Ukraine. The campaign was preceded by a prolonged military build-up by Russia since early 2021 and by numerous Russian demands for security measures and legal prescriptions against Ukraine joining NATO. The duration of the conflict and the actual consequences for the global economy are still uncertain. Following a preliminary assessment of the Group's situation, the war is not expected to have a direct or material impact on the business and no consequences are therefore envisaged.

However, in view of the potential effects of this geopolitical uncertainty and volatility on the global economy and on the prices of energy, transport, products and commodities, the parent company's directors and management have implemented detailed procedures to monitor, assess and mitigate risks and are constantly overseeing the status and consequences of the war so as to successfully overcome any possible impacts going forward.

During the financial year ended 31 March 2023, operating profit/(loss) excluding the value of investment property stood at €49,327 thousand as compared to €40,511 thousand for the financial year ended 31 March 2022.

The market value of the Company's assets at 31 March 2023 stood at €1,012,275 thousand, equating to a 4.07% increase on the purchase price and a y-o-y increase of 1.14%.

3. EPRA INFORMATION

The Company has been a member of the EPRA Association since 2019. The ratios defined in EPRA's recommended best practices are as follows:

EPRA indicators

	31/03/2023	31/03/2022
EPRA earnings	47,598	23,728
EPRA earnings per share	0.48	0.27
Adjusted EPRA earnings	46,778	32,613
Adjusted EPRA earnings per share	0.47	0.38
EPRA NRV	674,943	644,337
EPRA NRV per share	6.68	6.53
EPRA NTA	645,901	615,637
EPRA NTA per share	6.39	6.24
EPRA NDV	635,517	597,483
EPRA NDV per share	6.29	6.05
EPRA Net Initial Yield (NIY)	5.96%	4.95%
EPRA "Topped-up" NIY	6.35%	5.65%
EPRA Vacancy Ratio	1.73%	2.13%
EPRA Cost Ratio (Including vacancy cost)	21.79%	23.33%
EPRA Cost Ratio (Excluding vacancy cost)	20.81%	22.00%
EPRA Cost Ratio adjusted by the Company (including vacancy cost)	21.79%	22.01%
EPRA Cost Ratio adjusted by the Company (excluding vacancy cost)	20.81%	20.76%
EPRA LTV	42.93%	45.25%
EPRA LTV incl. ITAI	41.85%	44.10%

EPRA earnings and EPRA earnings per share

	31/03/2023	31/03/2022
Earnings per IFRS	**46,548**	**45,665**
Adjustments to calculate EPRA, exclude:		
(i) Changes in value of investment property	1,050	(21,937)
(ii) Negative differences on consolidation	-	-
EPRA earnings	**47,598**	**23,728**
Average number of shares (excluding treasury shares)	99,196,894	86,764,254
EPRA earnings per share	**0.48**	**0.27**
Company-specific adjustments	(820)	8,885
Adjusted EPRA earnings	**46,778**	**32,613**
Average number of shares (excluding treasury shares)	99,196,894	86,764,254
Adjusted EPRA earnings per share	**0.47**	**0.38**

In fiscal year 2023, the specific adjustment refers to the reversal of Covid 19 discounts, amounted in previous years to 415 thousands, income from early cancellations of tenants amounting to 125 thousand euros, and other non-recurring income amounting to 280 thousand euros.

EPRA NRV, EPRA NTA and EPRA NDV

	31/03/2023		
	Net Reinstatement Value (NRV)	**Net Tangible Assets (NTA)**	**Net Disposal Assets (NDV)**
Equity attributable to shareholders	**643,776**	**643,776**	**643,776**
Include/Exclude:			
(i) Hybrid instruments	-	-	-
Diluted NAV	**643,776**	**643,776**	**643,776**
Include:			
ii.a) Restatement of investment property (when recognised using the cost method of accounting)	-	-	-
ii.b) Restatement of investment property being refurbished (when recognised using the cost method)	-	-	-
ii.c) Restatement of other non-recurring investments	-	-	-
iii) Restatement of leases when recognised as finance leases	-	-	-
iv) Restatement of available-for-sale assets	-	-	-
Diluted NAV at market value	**643,776**	**643,776**	**643,776**
Exclude:			
v) Deferred taxes related to the restatement of real estate assets	-	-	
(i) Fair value of financial instruments	2,273	2,273	
(vi) Goodwill resulting from deferred taxes	-	-	-
(vii.a) Goodwill carried in the balance sheet		-	-
(vii.a) Intangibles carried in the balance sheet		(148)	
Include:			
viii) Market value of fixed-interest debt			(8,259)
ix) Restatement of intangibles to market value			
x) Transfer tax	28,894	-	
EPRA NAV	**674,943**	**645,901**	**635,517**
EPRA NAV per share (in euros)	**6.68**	**6.39**	**6.29**

	31/03/2022		
	Net Reinstatement Value (NRV)	Net Tangible Assets (NTA)	Net Disposal Assets (NDV)
Equity attributable to shareholders	**606.726**	**606.726**	**606.726**
Include/Exclude:			
(i) Hybrid instruments	-	-	-
Diluted NAV	**606.726**	**606.726**	**606.726**
Include:			
ii.a) Restatement of investment property (when recognised using the cost method of accounting)	-	-	-
ii.b) Restatement of investment property being refurbished (when recognised using the cost method)	-	-	-
ii.c) Restatement of other non-recurring investments	-	-	-
iii) Restatement of leases when recognised as finance leases	-	-	-
iv) Restatement of available-for-sale assets	-	-	-
Diluted NAV at market value	**606.726**	**606.726**	**606.726**
Exclude:			
v) Deferred taxes related to the restatement of real estate assets	-	-	
(i) Fair value of financial instruments	9.061	9.061	
(vi) Goodwill resulting from deferred taxes	-	-	-
(vii.a) Goodwill carried in the balance sheet		-	-
(vii.a) Intangibles carried in the balance sheet		(150)	
Include:			
viii) Market value of fixed-interest debt			(9.243)
ix) Restatement of intangibles to market value	-		
x) Transfer tax	28.550	-	
EPRA NAV	**644.337**	**615.637**	**597.483**
EPRA NAV per share (in euros)	**6.53**	**6.24**	**6.05**

The EPRA NTA per share was 6.39 at 31/03/2023, having risen against the previous year due primarily to the consolidated Group results for 19 million and the capital increase of january 2023 amounting 15 millions.

EPRA NIY and EPRA “Topped-up” NIY

	31/03/2023	31/03/2022
Investment property	1,012,275	1,000,840
Fewer projects under construction	(11,575)	(4,930)
Investment property completed	**1,000,700**	**995,910**
Estimated real estate asset transaction costs	28,669	19,918
Total property portfolio value (A)	**1,029,369**	**1,015,828**

	31/03/2023	31/03/2022
Annual return on real estate investments	64,710	53,803
Operating costs associated with non-recoverable assets	(3,341)	(3,543)
Annualised net rent (B)	**61,369**	**50,260**
Temporary rent concessions or rent-free periods	3,993	7,106
Maximum net return on real estate investments (C)	**65,362**	**57,366**
EPRA NIY (B/A)	**5.96%**	**4.95%**
EPRA "Topped-up" NIY (C/A)	**6.35%**	**5.65%**

EPRA Vacancy Rate

	31/03/2023	31/03/2022
ERV of available spaces	1,132	1,349
Total ERV	65,401	63,418
EPRA Vacancy Rate (*)	**1.73%**	**2.13%**

(*) We have not taken into consideration the ERV of warehouses, or the areas of the projects under construction.

The EPRA Vacancy ratio calculation reflects the percentage of market rent for vacant operational floor space in relation to the total market rental value of the entire operational portfolio.

The vacancy rate value at 31/03/2023 stood at 1.73%, having decreased slightly on the previous year, due essentially to the decrease on vacant units in Granaita Gallery and Los Arcos.

EPRA Cost Ratio

	31/03/2023	31/03/2022
Administrative and corporate costs	9,494	8,072
Non-recoverable operating costs	4,382	4,883
EPRA Costs (including direct vacancy costs)	**13,876**	**12,955**
Vacancy cost	(623)	(735)
EPRA Costs (excluding direct vacancy costs)	**13,253**	**12,220**
Gross rental income (including temporary Covid-19 rent concessions)	**63,684**	**55,531**
EPRA Cost Ratio (including direct vacancy costs)	**21.79%**	**23.33%**
EPRA Cost Ratio (excluding direct vacancy costs)	**20.81%**	**22.00%**
Gross rental income (excluding temporary Covid-19 rent concessions)	**63,684**	**58,869**
EPRA Cost Ratio (including direct vacancy costs)	**21.79%**	**22.01%**
EPRA Cost Ratio (excluding direct vacancy costs)	**20.81%**	**20.76%**

Administrative and corporate costs

Staff costs and structural costs not attributable to the assets have been included.

The Company has capitalized an amount of 874 thousand euros, which is mainly related to capitalizable expenses of projects under development.

Non-recoverable operating costs

Operating expenses that cannot be passed on to the recurring tenants and bad debt provisions have been included.

Vacancy cost

It relates to the cost directly attributable to vacant retail units in the portfolio.

Gross rental income (including temporary Covid-19 rent concessions)

Recurring rental income and temporary rent concessions given to tenants in the current year due to Covid-19 have been included in the amount of €0 thousand for the 2023 fiscal year and €3,338 thousand for the 2022 fiscal year.

Gross rental income (excluding temporary Covid-19 rent concessions)

Recurring rental income, without considering temporary rent concessions given to tenants due to Covid-19, has been included.

EPRA Cost Ratio variation

In this fiscal year 2023, the calculation of the EPRA Cost Ratio is the same, since no Covid-19 discounts have been granted.

In fiscal year 2022, the calculation of the EPRA Cost Ratio varies only due to the inclusion or not of the Covid-19 discounts. In the first calculation, gross rental income (including Covid-19 discounts) has been considered.

Despite the fact that administrative and corporate expenses have increased by €1,422M mainly due to the increase in ESG and Innovation costs and the increase in wages and salaries due to the increase in staff, the EPRA Cost Ratio at 03.31.23 has decreased significantly compared to to the previous year due to the consolidation of value-added projects and the increase in the CPI applied in this year, assuming an increase in gross income of €8,153M and 14.7% compared to the previous year.

EPRA Loan To Value

	31/03/2023	31/03/2022
Include:		
Bank financial liabilities	497,661	498,093
Net accounts payables	333	14,203
Liabilities with Group companies	13,182	10,035
Exclude:		
Cash and equivalents	(31,044)	(28,679)
Net debt (a)	**480,132**	**493,652**
Include:		
Investment property at market value	1,012,275	1,000,840
Intangible assets	148	150
Financial assets	105,949	89,879
Total value of assets (b)	**1,118,372**	**1,090,869**
Real Estate Asset Transfer Tax	28,894	28,550
Total value of assets incl. ITAI (c)	**1,147,266**	**1,119,419**
EPRA LTV (a/b)	**42.93%**	**45.25%**
EPRA LTV incl. ITAI (a/c)	**41.85%**	**44.10%**

In March 2022, EPRA introduced this new ratio.

Financial liabilities with credit institutions

This line reflects the loans that the Company has with Aareal Bank, Liberbank and Banco Pichincha at nominal value.

Net accounts payable

It includes 52 thousand euros of accrued and unpaid interest from external financing and 281 thousand euros of the net result between accounts payable (trade creditors, other financial liabilities, other debts with public administrations) and accounts receivable (customers, other financial assets and other credits with public administrations).

Liabilities with group companies

The loan with its senior partner Vukile Property Fund Limited is reflected under this line.

Cash and equivalents

Corresponds to the Company's cash without availability restrictions.

Financial assets

It reflects the Company's participation in Lar España Real Estate Socimi, S.A.

The EPRA LTV at 03.31.23 has decreased compared to 03.31.22 mainly due to the reduction in net accounts payable for an amount of 13,870 thousand euros, a higher market value in real estate investments of 11,435 thousand euros and a increase in stakes in Lar España of 16,070 thousand euros.

EPRA Like-for-like rental growth

	Offices	Retail	Total
Net rental income 31.03.2022	**433**	**51,971**	**52,404**
Like for like increase in rents	(431)	9,709	9,278
Non-recoverable like-for-like property expenses	-	(246)	(246)
Non-recoverable annualised property expenses on acquisitions in previous years	(2)	-	(2)
Other income	-	382	382
Net rental income 31.03.23	**-**	**61,816**	**61,816**

	Offices	Retail	Total
Valuation 31.03.22	**-**	**995,910**	**995,910**
Like for like	-	(988)	(988)
CAPEX investment	-	7,898	7,898
Acquisitions	-	3,589	3,589
Sales	-	-	-
Completed and operational projects	-	-	-
Valuation 31.03.23	**-**	**1,006,409**	**1,006,409**

We have not taken into account the value of plots of land ready for development (*solares*), nor projects under construction amounting to €5,865 thousand.

EPRA Capital expenditure breakdown

The Capex invested in 2023 and 2022 by property type and concept is as follows:

	31/03/2023	31/03/2022
	Total (Retail)	**Total (Retail)**
Acquisitions	3,589	2,640
Projects under construction	1,004	-
Asset investment	7,892	18,109
Increase in lettable area	-	-
No increase in lettable area	3,551	6,089
Tenant incentives	4,341	12,020
Other capitalised expenses	-	-
Capitalised financial expenses	-	-
Total Capex	**12,485**	**20,749**
Conversion of provision into cash	-	-
Total cash outflow due to Capex	**12,485**	**20,749**

The Castellana Group has no joint venture arrangements. All our assets are located in Spain.

All costs associated with the acquisition, renovation and increase in value of the asset are capitalised.

Acquisitions

In the 2023 financial year, the Group acquired three units of the Vallsur shopping center for 3,486 thousand euros (including acquisition costs), reaching 100% ownership of the shopping center with this acquisition. In addition, acquisition costs of Morzal Property Iberia, S.L.U. for an amount of 103 thousand euros from previous acquisitions have been capitalized.

Projects under construction

In the 2023 financial year, it is included the cost of the office building acquired next to the Los Arcos shopping center and the plots acquired next to the El Faro shopping center.

Investment in assets – Increase in lettable area

We did not make any CapEx investments entailing an increase of at least 10% in lettable retail floor space in each asset.

Investment in assets – No increase in lettable area

This relates to the Capex investment made in our assets through renovation work. These investments have not amounted to an increase of more than 10% of the lettable area at any of the assets.

Tenant incentives

It refers to the Capex investment to fit out retail units, including contributions made to tenants.

4. PERFORMANCE OF THE COMPANY'S SHARES

The Company has listed its shares on the BME Growth (Former Spanish Alternative Stock Exchange (MAB)) since 25 July 2018. The shares were listed at €6.00 per share, closing at €6.60 per share on 31 March 2023 (€6.60 per share on 31 March 2022).

5. TREASURY SHARES

Movements in 2023 and 2022 were as follows:

	2023		2022	
Description	**Number of treasury shares**	**Thousand euro**	**Number of treasury shares**	**Thousand euro**
Opening balance	**57,847**	**357**	**58,173**	**355**
Additions/purchases	5,028	35	16,446	104
Decreases	(7,560)	(49)	(16,772)	(102)
Closing balance	**55,315**	**343**	**57,847**	**357**

On 10 July 2018, Castellana Properties entered into a liquidity agreement with Renta 4 Banco, S.A. with the aim of increasing liquidity and favouring the stability of the Company's stock price. This agreement came into effect on 25 July 2018.

The parent company's treasury shares held at 31 March 2023 represented 0.05% of the Company's share capital (0.06% at 31 March 2022) and totalled 55,315 shares (57,847 at 31 March 2022). The average cost of the Company's treasury shares at 31 March 2023 was €6.21 per share (€6 per share at 31 March 2022).

These shares are recognised as a reduction of €343 thousand in the value of the Company's shareholders' funds on 31 March 2023 (€357 thousand at 31 March 2022).

The parent company has complied with the requirements of Article 509 of the Spanish Companies Act, which stipulates 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 share capital. The subsidiaries do not hold either treasury shares or parent company shares.

6. DIVIDEND POLICY

SOCIMIs are governed by the special tax rules laid down in Law 11 of 26 October 2009, as amended by Law 16 of 27 December 2012 on SOCIMIs (Spanish Real Estate Investment Trusts). Law 11 of 9 July 2021 on measures to prevent and combat tax fraud requires SOCIMIs to pay 15% tax on retained earnings as from financial years beginning on or after 1 January 2021, unless they have already been taxed at the general rate or the income is in the reinvestment period explained in letter "b" below.

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 legal 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 shares of profits received from the companies referred to in Article 2.1 of this Law.

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 Law, where this occurs after the deadlines referred to in Article 3.3 of the Law have expired, when the property, shares or interests are used to pursue the Company's primary corporate purpose. The remainder of these profits must be reinvested in other property or investments related to the pursuit of this corporate purpose within three years of the transfer date.

Otherwise, the profits must be distributed in full together with any profits for 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 subject to the special tax scheme provided for in the aforementioned Law.

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

The dividend must be paid within one month of the distribution resolution. When dividends are charged to reserves originating from profits for a year in which the special tax rules were applied, the distribution must necessarily 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.

Prior-year profit/(loss) distribution

The distribution of the profit/(loss) and reserves for the financial year ended on 31 March 2022, which was approved by the General Shareholders' Meeting on 6 July 2022, was as follows:

Description	Thousand euro
Available for distribution	
Profit/(loss) for the year	26,540
	26,540
Application	
Legal reserve	2,654
Interim dividend 16 November 2021	6,000
Interim dividend 25 May 2022	17,000
Voluntary reserves	886
	26,540

Distribution of profit/(loss)

The proposal for the application of the result of 31 March 2023 closing, to be shown to the General Shareholders' Meeting is as follows:

Description	Thousand euro
Available for distribution	
Profit/(loss) for the year	15,478
Share premium	17,096
	32,574
Application	
Legal reserve	1,548
Interim dividend 15 November 2022	7,000
Interim dividend 24 May 2023	6,930
Share premium distribution	17,096
	32,574

Interim dividend distribution

On 15 November 2022, Castellana's Board of Directors agreed to pay out an interim dividend of €7,000 thousand for the financial year ended 31 March 2023, equating to €0.07 per share, and to distribute €4,300 thousand or €0.04 per share from the share premium account, payment having been made on 2 December 2022.

7. 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 the Company's objectives concerns compliance with the necessary legislative requirements to ensure it retains its SOCIMI status.

The risk control 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 to the accounts.

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

8. AVERAGE SUPPLIER PAYMENT PERIOD

The following table shows a breakdown of the payments that are due for commercial operations completed during the year and that remained pending on the date on which the balance sheet was closed, with reference to the maximum payment period provided for under Law 15/2010 and subsequently amended by Law 31/2014:

Description	Days	
	31/03/2023	31/03/2022
Average supplier payment period	43	47
Ratio of transactions settled	43	47
Ratio of transactions not yet settled	66	72

Description	Thousand euro	
	31/03/2023	31/03/2022
Total payments settled	43,175	54,757
Total outstanding payments	1,051	848

Under the new legislation set forth in Article 9 of Law 18/2022 of 28 September, the following information is also required:

Number (units)	2023
Invoices settled before the end of the legal maximum supplier payment period	787
Percentage of total supplier invoices	79%

Volume (thousand euro)	2023
Invoices settled before the end of the legal maximum supplier payment period	7,315
Percentage of total supplier invoices	85%

9. THE TEAM

The team of professionals who make up Castellana Properties is one of the Company's main strengths. Since its incorporation, the Company 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 Control Committee that oversee compliance with the investment and profitability requirements established by the Company.

10. MAJOR EVENTS OCCURRING AFTER THE REPORTING PERIOD

Note 22 of the Notes to these accounts details the events that have occurred between the year end and the authorisation for issue of these Annual Accounts.

11. GROUP OUTLOOK

In the following year the Company will continue to pursue its investment strategy, which focuses on retail properties in Spain.

The Company will also continue to actively manage its properties, focusing on improving leases expiring in 2023-2024, as well as maintaining the good occupancy levels.

CASTELLANA PROPERTIES SOCIMI, S.A.

PREPARATION OF THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED ON 31 MARCH 2023

Pursuant to the requirements set out in Article 253 of the Spanish Companies Act and Article 37 of the Spanish Commercial Code, on 24 May 2023 the members of the Board of Directors of the Company Castellana Properties Socimi, S.A. prepared the following Annual Accounts and the Management Report for the financial year ending on 31 March 2023, 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

Guillermo Massó
Board Member

Debora Santamaría
Board Member

Laurence Cohen
Board Member