

Castellana Properties Socimi, S.A.

Independent auditor's report on the annual accounts
for the year-ended March 31, 2020



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.:

Report on the annual accounts

Opinion

We have audited the annual accounts of Castellana Properties Socimi, S.A. (the Company), which comprise the balance sheet as at March 31, 2020, 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 March 31, 2020, 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 2.a 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.

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1

| Most relevant aspects of the audit | How our audit addressed the most relevant aspects of the audit |
|------------------------------------|--|
|------------------------------------|--|

Valuation of investments in Group companies

The Company has investments in Group companies amounting to €437,715 thousand, as detailed in note 8 to the annual accounts.

Investments are measured at cost less, where appropriate, accumulated value adjustments for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, understood as the asset's fair value less the higher of costs to sell and value in use.

With respect to fair value, the investment properties owned by the group companies should be taken into account as the independent external valuers of the real estate assets have issued a valuation based on the identification of a "material valuation uncertainty" as per VPS3 and VPGA10 of the RICS Global Red Book. As a result, a lower level of certainty should be attributed and a higher degree of attention should be drawn to the valuation as described in note 1.

This is a key audit matter due to the relevance of the heading and because it entails a high level of judgement and estimation by management.

When testing the analysis of the recovery of the value of investments in Group companies, we drew on our knowledge in order to conclude on whether the value and the assumptions employed by Management are appropriate. In particular:

- We compared the cost of the investees with the results and reserves relating to each investment and its performance compared with the previous year.
- We used our technical knowledge in order to conclude on whether the value and assumptions used by management are appropriate. Specifically, we confirmed the reasonableness of the existing latent capital gains resulting from the valuation of the real estate assets and checked the arithmetic calculations.

We considered the appropriateness of the disclosures provided in note 1 to the annual accounts, explaining that there is a material valuation uncertainty in relation to the group's investment property. In this respect, we discussed with management and obtained sufficient evidence to demonstrate that the evaluation performed by them was appropriate.

Additionally, we assessed the sufficiency and adequacy of the information disclosed in the Company's annual accounts in this respect.

As a result of our tests, we considered that management's estimates sufficiently underpin the amount recognised as investments in group companies.

Other information: Management report

Other information comprises only the management report for the 2020 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 Company obtained during the audit of the aforementioned financial statements, and does not include information different to that obtained as evidence during our audit. Likewise, our responsibility is 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 20x1 financial year, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the directors and the audit and risk committee for the annual accounts

The Company's directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of ABC, S.A., in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the 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 Company's 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.

The audit and risk committee is responsible for overseeing the process of preparation and presentation of the annual accounts.

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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's 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



Castellana Properties Socimi, S.A.

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 Company's audit and risk committee 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.

We also provide the Company's audit and risk committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit and risk committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Company's audit and risk committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

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

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish by
Rafael Pérez Guerra (20738)

CASTELLANA PROPERTIES SOCIMI, S.A.

Annual Accounts for the financial year ending 31 March 2020 and the
Management Report for the 2020 financial year.

CONTENTS OF THE ANNUAL ACCOUNTS

Balance Sheet

Income Statement

Statement of Recognised Income and Expense

Cash Flow Statement

Statement of Changes in Equity

Notes to the Annual Accounts

- 1. Activities and general information**
- 2. Basis of presentation**
- 3. Accounting policies**
- 4. Risk management**
- 5. Property, plant and equipment**
- 6. Investment property**
- 7. Analysis of financial instruments**
- 8. Long-term investments in Group companies and associates**
- 9. Loans and receivables**
- 10. Cash and cash equivalents**
- 11. Shareholders' funds**
- 12. Reserves and income for the year**
- 13. Creditors and payables**
- 14. Income tax and tax situation**
- 15. Income and expenses**
- 16. Financial income**
- 17. Provisions and contingencies**
- 18. Company directors' remuneration, shareholdings and balances**
- 19. Related-party transactions and balances**
- 20. SOCIMI reporting requirements, Law 11/2009, as amended by Law 16/2012**
- 21. Audit fees**
- 22. Events after the reporting period**

Management Report

CASTELLANA PROPERTIES SOCIMI, S.A.

BALANCE SHEET

(Thousands of euros)

| ASSETS | Note | Thousands of euros | |
|---|----------|--------------------|----------------|
| | | 31 March 2020 | 31 March 2019 |
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | | 21 | - |
| Property, plant and equipment | 5 | 89 | 83 |
| Investment property | 6 | 83,929 | 23,053 |
| Long-term investments in Group companies and associates | 8 | 437,715 | 421,005 |
| Other non-current financial assets | 7 | 1,056 | 357 |
| | | 522,810 | 444,498 |
| Current assets | | | |
| Trade and other receivables | | 4,469 | 11,682 |
| Trade receivables for sales and services | 7 and 9 | 114 | 101 |
| Trade receivables, Group companies and associates | 7 and 19 | 1,348 | 1,047 |
| Trade receivables, related companies | 7 and 19 | 44 | 44 |
| Receivables from Group companies | 7 and 9 | 2,963 | 9,274 |
| Other accounts receivable from Public Administrations | 14 | - | 1,216 |
| Short-term prepayments and accrued income | | 103 | 39 |
| Cash and cash equivalents | | 17,906 | 615 |
| | | 22,478 | 12,336 |
| Total assets | | 545,288 | 456,834 |

The accompanying Notes 1 to 22 form an integral part of the Annual Accounts at 31 March 2020.

CASTELLANA PROPERTIES SOCIMI, S.A.

BALANCE SHEET

(Thousands of euros)

| EQUITY AND LIABILITIES | Note | Thousands of euros | |
|--|--------------|--------------------|----------------|
| | | 31 March 2020 | 31 March 2019 |
| Equity | | | |
| Share capital | 11 | 86,271 | 74,894 |
| Share premium | 11 | 400,568 | 360,436 |
| Legal reserve | 12 | 3,045 | 148 |
| Other reserves | 12 | 10,042 | (4,742) |
| Treasury shares | 11 | (228) | (273) |
| Other equity instruments | 18 | 1,000 | - |
| Profit/(loss) for the year | 12 | 23,321 | 28,962 |
| Interim dividend | 12 | (17,025) | (17,916) |
| | | 506,994 | 441,509 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Long-term bank borrowings | 7 and 13 | 21,661 | - |
| Long-term payables to Group companies and associates | 7, 13 and 19 | 11,719 | 11,676 |
| Other non-current financial liabilities | 7 and 13 | 1,661 | 294 |
| | | 35,041 | 11,970 |
| Current liabilities | | | |
| Short-term payables to Group companies and associates | 7, 13 and 19 | 339 | 1,815 |
| Trade and other payables | | 2,914 | 1,540 |
| Trade payables | 7 and 13 | 438 | 95 |
| Sundry and other payables | 7 and 13 | 1,129 | 546 |
| Payables, Group companies and associates | 7, 13 and 19 | 11 | - |
| Other liabilities | 7 and 13 | 1,030 | 700 |
| Other accounts payable to Public Administrations | 14 | 306 | 199 |
| | | 3,253 | 3,355 |
| Total liabilities | | 38,294 | 15,325 |
| Total equity and liabilities | | 545,288 | 456,834 |

The accompanying Notes 1 to 22 form an integral part of the Annual Accounts at 31 March 2020.

CASTELLANA PROPERTIES SOCIMI, S.A.

INCOME STATEMENT

(Thousands of euros)

| Thousands of euros | | | |
|--|----------|---|---|
| | Note | Financial year ended on 31 March 2020 | Financial year ended on 31 March 2019 |
| Continuing operations | | | |
| Revenue | | 34,054 | 33,980 |
| Provision of services | 15 | 11,392 | 5,591 |
| Income from holdings in Group company equity instruments | 15 | 22,662 | 28,389 |
| Staff costs | 15 | (4,685) | (2,831) |
| Other operating expenses | 15 | (4,194) | (2,128) |
| Other profit/(loss) | | (18) | 11 |
| Fixed asset depreciation | 5 and 6 | (832) | (274) |
| Impairment and profit/(loss) on fixed asset disposals | 6 | - | 49 |
| OPERATING PROFIT/(LOSS) | | 24,325 | 28,807 |
| Financial income | 8 and 16 | - | 489 |
| Financial expenses | 16 | (1,004) | (334) |
| NET FINANCIAL INCOME/(EXPENSE) | | (1,004) | 155 |
| PROFIT/(LOSS) BEFORE TAX | | 23,321 | 28,962 |
| Income tax | 14 | - | - |
| PROFIT/(LOSS) FOR THE YEAR | | 23,321 | 28,962 |

The accompanying Notes 1 to 22 form an integral part of the Annual Accounts at 31 March 2020.

CASTELLANA PROPERTIES SOCIMI, S.A.

STATEMENT OF RECOGNISED INCOME AND EXPENSES

(Thousands of euros)

| | Note | Thousands of euros | |
|--|-----------|---------------------------------------|---------------------------------------|
| | | Financial year ended on 31 March 2020 | Financial year ended on 31 March 2019 |
| Profit/(loss) from the income statement | 15 | 23,321 | 28,962 |
| Other comprehensive income | | - | - |
| Items that may be reclassified to profit/(loss) | | - | - |
| Items that will not be reclassified to profit/(loss) | | - | - |
| Other comprehensive income for the year, after tax | | - | - |
| Total comprehensive income for the year | | 23,321 | 28,962 |

The accompanying Notes 1 to 22 form an integral part of the Annual Accounts at 31 March 2020.

CASTELLANA PROPERTIES SOCIMI, S.A.

CASH FLOW STATEMENT

(Thousands of euros)

| | Note | Thousands of euros | |
|--|---------|----------------------------------|-----------------|
| | | Financial year ended on 31 March | |
| | | 2020 | 2019 |
| A) CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/(loss) for the year before tax | 12 | 23.321 | 28.962 |
| Adjustments to profit/(loss) | | (18.825) | (35.242) |
| Fixed asset depreciation | 5 and 6 | 833 | 274 |
| Impairment adjustments | | - | (49) |
| Change in provisions | | 2.001 | - |
| Financial income | | - | (489) |
| Financial expenses | 16 | 1.004 | 327 |
| Dividends | | (22.663) | (35.305) |
| Changes in working capital | | 55 | 1.334 |
| Trade and other receivables | 7 | 931 | (1.556) |
| Other current assets | 7 | (64) | (39) |
| Trade and other payables | 13 | (944) | 2.888 |
| Other current liabilities | | (541) | 43 |
| Other non-current assets and liabilities | | 673 | (2) |
| Other cash flows from operating activities | | 24.264 | 12.198 |
| Dividends collected | | 24.264 | 12.198 |
| Cash flows from operating activities | | 28.815 | 7.252 |
| B) CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments on investments | | (73.736) | (35.832) |
| Group companies, associates and business units | 8 | (12.000) | (35.800) |
| PPE and intangible assets | 5 and 6 | (37) | (32) |
| Investment property | 6 | (61.699) | - |
| Cash flows from investing activities | | (73.736) | (35.832) |
| C) CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Collections and payments on equity instruments | | 75.894 | 43.372 |
| Issuance of equity instruments | 11 | 75.849 | 43.645 |
| Acquisition of own equity instruments | 11 | (5) | (273) |
| Disposal of own equity instruments | | 50 | - |
| Collections and payments on financial liability instruments | 13 | 21.050 | (268) |
| Bank borrowings | | 21.632 | - |
| Interest payments | | (582) | (268) |
| Dividend payments and return on other equity instruments | | (34.732) | (19.278) |
| Dividends | 12 | (34.732) | (19.278) |
| Cash flows from financing activities | | 62.212 | 23.826 |
| NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS | | 17.291 | (4.754) |
| Cash and cash equivalents at the start of the year | | 615 | 5.369 |
| Cash and cash equivalents at the year end | | 17.906 | 615 |

The accompanying Notes 1 to 22 form an integral part of the Annual Accounts at 31 March 2020.

CASTELLANA PROPERTIES SOCIMI, S.A.

STATEMENT OF CHANGES IN EQUITY

(Thousands of euros)

| 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) | TOTAL |
|---|---------------------------------|----------------------------|--------------------------------------|-----------------------------|------------------------------|---|-------------------------------|---------------------------------------|-----------------|
| BALANCE AT 31 MARCH 2018 | 26,298 | 118,832 | 15 | 8,548 | - | 1,335 | - | - | 155,028 |
| Total comprehensive income for the period | - | - | - | - | - | 28,962 | - | - | 28,962 |
| Distribution of prior year profit/(loss) | - | - | 133 | - | - | (1,335) | - | - | (1,202) |
| Share capital increase | 48,596 | 242,338 | - | (13,293) | - | - | - | - | 277,641 |
| Dividend distribution | - | (734) | - | - | - | - | (17,916) | - | (18,650) |
| Treasury share transactions | - | - | - | 3 | (273) | - | - | - | (270) |
| BALANCE AT 31 MARCH 2019 | 74,894 | 360,436 | 148 | (4,742) | (273) | 28,962 | (17,916) | - | 441,509 |
| Total comprehensive income for the period | - | - | - | - | - | 23,321 | - | - | 23,321 |
| Distribution of prior year profit/(loss) | - | - | 2,897 | - | - | (28,962) | - | - | (26,065) |
| Share capital increase | 11,377 | 64,623 | - | (157) | - | - | - | - | 75,843 |
| Dividend distribution | - | (9,557) | - | - | - | - | 891 | - | (8,666) |
| Treasury share transactions | - | - | - | 7 | 45 | - | - | - | 52 |
| Other changes | - | (14,934) | - | 14,934 | - | - | - | 1,000 | 1,000 |
| BALANCE AT 31 MARCH 2020 | 86,271 | 400,568 | 3,045 | 10,042 | (228) | 23,321 | (17,025) | 1,000 | 506,994 |

The accompanying Notes 1 to 22 form an integral part of the Annual Accounts at 31 March 2020.

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

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, 1^o 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 the Value Added Tax Act 37 of 28 December 1992.
- The ownership of interests in the share capital of other Spanish Real Estate Investment Trusts (*Sociedad Anónima Cotizada de Inversión en el Mercado Inmobiliario*, "SOCIMI") or other companies that are not resident in Spain, that have the same corporate purpose, and that are governed by rules similar to those governing SOCIMIs in Spain as regards the compulsory, legal or statutory policy on profit distribution.
- The ownership of shares or interests in the share capital of other companies that are both resident and non-resident in Spain, whose main purpose is the acquisition of urban properties to let, and which are governed by the same legal framework that governs SOCIMIs as regards the compulsory, legal and statutory policy on profit distribution, and which meet the investment requirements set out in Article 3 of the Spanish SOCIMI Law 11/2019, 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 Spanish Alternative Stock Exchange (*Mercado Alternativo Bursátil, MAB*), 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 14 May 2019, the Castellana Properties Socimi, S.A General Shareholders' Meeting approved the Individual and Consolidated Annual Accounts for the financial year ended 31 March 2019.

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 18 June 2020. These Annual Accounts were prepared by the Company's

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

directors on 18 June 2020. They will be submitted for approval by the Shareholders' Meeting, where they are expected to be approved with no amendments.

On 11 March 2020, the World Health Organization (WHO) declared the COVID-19 coronavirus outbreak a "Global Pandemic". This situation has impacted global financial markets, restrictions having been imposed on transport and businesses having been affected in many industries.

The Spanish Government declared a state of emergency on 14 March 2020, situation that at the date of formulation of these accounts is still in force. Among other aspects, this entails restrictions on mobility and the closure of shopping centres.

The response to COVID-19 means that we are now facing a number of unprecedented circumstances. In this regard, the Group's valuers have issued a valuation based on a "material valuation uncertainty" under the RICS VPS3 and VPGA10 Red Book Global Standards. Consequently, a lower degree of certainty and a greater degree of attention should be attributed to the valuation.

However, the valuation of the Group's assets at 31 March 2020 includes an estimate of the potential impact of this situation on net income, growth expectations and discounts, among others, from each property. This has led to a 2.4% reduction in the Castellana Group's portfolio value.

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.

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

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

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, as amended by Royal Decrees 1159/2010 and 602/2016, for the purposes of providing a true and fair view of the equity, financial position and profit/(loss) of the Company.

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. The current prices in an active marketplace of different kinds of properties in varying states of repair and different locations, adjusted to reflect differences with the Company's own assets.
- ii. 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

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

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.

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 used to pursue the 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.

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

2.2. Comparability

The information contained in these Annual Accounts for the financial year ended 31 March 2020 is presented, for comparative purposes, together with the information relating to the financial year ended on 31 March 2019.

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.

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 period 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:

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

| 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 office buildings owned by the Company that are held to obtain long-term rental income and are 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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets unless they mature more than 12

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

months after the balance sheet date, in which case they are carried as non-current assets. Loans and receivables are recognised on the balance sheet under "Trade and other receivables".

These financial assets are initially recognised at fair value, including directly attributable transaction costs, and are subsequently measured at amortised cost. Accrued interest is recognised applying the effective interest rate, which is understood to be the discount rate that brings the instrument's carrying amount into line with all estimated cash flows through to maturity. Nonetheless, trade receivables that fall due within less than one year are carried at face value at both initial recognition and subsequent measurement, provided the effect of not discounting cash flows is immaterial.

At the year end at least, the necessary impairment adjustments are made where there is objective evidence that all receivables will not be collected.

Impairment losses are calculated as the difference between the carrying amount of the asset in question and the present value of estimated future cash flows, discounted at the effective interest rate at the initial recognition date. Measurement adjustments and any reversals are taken to the income statement.

Investments in the assets of Group companies

They are measured at cost less any cumulative impairment losses. If there is objective evidence that the carrying amount is not recoverable, the relevant measurement adjustment will be made for the difference between the carrying amount and the recoverable amount, which is understood to be the higher of fair value less costs to sell and the present value of cash flows from the investment. Unless there is better evidence of the recoverable amount, when estimating the impairment of these investments, the subsidiary's equity is taken into account and adjusted for latent capital gains existing on the measurement date. The measurement adjustment and related reversals are recognised in the income statement for the year they arise.

3.6. Financial liabilities

Creditors and payables

This category includes trade and non-trade payables. These third-party resources are classified as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

These payables are initially recognised at fair value, adjusted for directly attributable transaction costs, including any related financing fees, and subsequently measured at amortised cost using the effective interest method. The effective interest rate is the discount rate that brings the instrument's carrying amount into line with expected future payment flows to the maturity of the liability.

Nonetheless, trade payables that are due within less than one year and do not have a contractually agreed interest rate are carried at face value both at initial recognition and subsequent measurement, provided the effect of not discounting cash flows is immaterial.

Borrowings

Borrowings are initially recognised at fair value less any transaction costs incurred. Subsequently, borrowings are measured at amortised cost: any difference between the proceeds obtained (net of the costs required to obtain them) and the repayment value is taken to the income statement over the life of the borrowings using the effective interest method.

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

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 interest 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 share 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 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

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

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 15).

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 has the authority to decide whether remuneration is supplemented by Company shares, stock options or cash-settled share-based remuneration.

The Board of Directors will propose a long-term share-based incentive plan at the General Shareholders' Meeting. 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 comprises the period from 1 April 2019 to 31 March 2022 (see Note 18).

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.

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

3.14. Revenue recognition

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

Provision of services

The Company provides leasing services. Revenue received from the leasing of properties is recognised on an accrual basis and profits are distributed on a straight-line basis with regard to incentives and the initial costs of the lease agreements. 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 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.

3.16. Functional and presentation currency

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

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:

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

4.1. Financial risk management

a) Market risk

(i) 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 2020, 100% of its financing was linked to a variable rate (100% at 31 March 2019). The Company's borrowings at variable interest rates are denominated in euros. The variable interest rate varies from el 2,05% y el 2,18%.

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

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 time frame: The time frame for the analysis and any potential departures will be taken into account.

Based on the simulations carried out, the maximum recalculated impact that a 1% interest-rate fluctuation would have on profit after tax would be a €147 thousand increase, or a €120 thousand reduction in financial expenses. 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

The Company's Finance Department is responsible for managing liquidity risk in order to cover any existing payment obligations and/or any undertakings arising from new investments. To this end, it prepares annual projections of expected cash flows.

The maturity dates set for the Company's financial asset and liability instruments at 31 December 2020 and 31 March 2019 are shown in Note 7.

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

5. PROPERTY, PLANT AND EQUIPMENT

The entry for Property, plant and equipment at 31 March 2020 and 31 March 2019 and movements in that category break down as follows:

| Description | Thousands of euros |
|--------------------------------------|-----------------------|
| Carrying amount at 31.03.2018 | 58 |
| Acquisitions | 32 |
| Depreciation charge | (7) |
| Balance at 31.03.2019 | 83 |
| Cost | 96 |
| Accumulated depreciation | (13) |
| Carrying amount at 31.03.2019 | 83 |
| Acquisitions | 14 |
| Depreciation charge | (8) |
| Balance at 31.03.2020 | 89 |
| Cost | 110 |
| Accumulated depreciation | (21) |
| Carrying amount at 31.03.2020 | 89 |

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 2020 and 2019, no impairment adjustments were made or reversed in respect of property, plant and equipment element.

At 31 March 2020 and 31 March 2019, none of the Company's property, plant and equipment items had been fully-depreciated.

6. INVESTMENT PROPERTY

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

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

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

| Description | Thousands of euros | | | |
|--------------------------------------|--------------------|---------------|---------------|----------------|
| | Land | Buildings | Plant | Total |
| Carrying amount at 31.03.2018 | 8,026 | 11,831 | 3,414 | 23,271 |
| Acquisitions | - | - | - | - |
| Depreciation charge | - | (136) | (131) | (267) |
| Reversal of impairment | - | 49 | - | 49 |
| Balance at 31.03.2019 | 8,026 | 11,744 | 3,283 | 23,053 |
| Cost | 8,026 | 12,231 | 3,677 | 23,934 |
| Accumulated depreciation | - | (487) | (394) | (881) |
| Accumulated impairment | - | - | - | - |
| Carrying amount at 31.03.2019 | 8,026 | 11,744 | 3,283 | 23,053 |
| Acquisitions | 6,353 | 41,995 | 13,351 | 61,699 |
| Depreciation charge | - | (416) | (407) | (823) |
| Reversal of impairment | - | - | - | - |
| Balance at 31.03.2020 | 14,379 | 53,323 | 16,227 | 83,929 |
| Cost | 14,379 | 54,226 | 17,028 | 85,633 |
| Accumulated depreciation | - | (903) | (801) | (1,704) |
| Accumulated impairment | - | - | - | - |
| Carrying amount at 31.03.2020 | 14,379 | 53,323 | 16,227 | 83,929 |

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

- Property located in Alcobendas, on Avenida de la Industria (Madrid). This property was acquired by the Company on 30 May 2016. The property comprises a total constructed area of 16,055 sqm and a gross lettable area of 10,100 sqm. The Company recognises this property in its balance sheet at a gross value of €7,415 thousand as regards land, €8,045 thousand as regards buildings and €2,605 thousand as regards technical equipment. The whole property acquired is let to one tenant.
- Property located in Bollullos de la Mitación (Seville). This property was acquired by the Company on 30 May 2016. The property comprises a total constructed area of 10,870 sqm and a gross lettable area of 5,674 sqm. The Company recognises these properties in its balance sheet at a gross value of €611 thousand for land, €4,186 thousand for buildings and €1,072 thousand for plant. The whole property acquired is let to one tenant.
- Pinatar Fase II Retail Park, located at San Pedro de Pinatar, in the UA-1 Local Level Plan (*Plan Parcial*) "Área 3e" Manzana P-9 (Murcia). This property was acquired by the Company on 17 June 2019. The property comprises a total constructed area of 5,616 sqm and a gross lettable area of 2,623.93 sqm. The Company recognises these properties in its balance sheet at a gross value of

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

€1,522 thousand for land, €1,948 thousand for buildings and €327 thousand for plant. The whole property acquired is let to several tenants.

- 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 29,732 sqm, including terraces and storage areas. The Company recognises these properties in its balance sheet at a gross value of €4,831 thousand for land, €40,047 thousand for buildings and €13,024 thousand for plant. The whole property acquired is let to several tenants.

Several mortgage guarantees have been put in place on the first two properties, the market value of which amounts to €26,370 thousand (€26,300 thousand at 31 March 2019), by way of guaranteeing 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., Junction Parque Castellón, S.L.U. and Junction Parque Alameda, S.L.U. being the borrowers of the loan. At 31 March 2020, the nominal value of this financing amounted to €154,000 thousand (€152,019 thousand at 31 March 2019) distributed among all of the borrower companies that are parties to the syndicated loan secured by the properties of the Company and of the other borrowers.

No mortgage was arranged to purchase the Pinatar Fase II Retail Park, which has a market value of €3,570 thousand.

A number of guarantees were given to purchase the Puerta Europa shopping centre, which has a market value of €62,930 thousand. At 31 March 2020, the nominal value of this financing amounted to €23,000 thousand.

a) Income and expenses on investment property

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

| Description | Thousands of euros | |
|---|--------------------|--------------|
| | 2020 | 2019 |
| Rental income (Note 15) | 6,568 | 2,235 |
| Operating expenses related to investment properties that generate rental income (Note 15) | (1,879) | (383) |
| Operating expenses related to investment properties that do not generate rental income | - | - |
| | 4,689 | 1,852 |

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

b) Operating leases

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

| Description | 31.03.2020 | 31.03.2019 |
|------------------------------|---------------|---------------|
| Less than one year | 5,615 | 1,928 |
| Between one and two years | 4,942 | 1,986 |
| Between two and three years | 4,259 | 2,046 |
| Between three and four years | 3,829 | 2,108 |
| Between four and five years | 3,291 | 2,170 |
| More than five years | 18,841 | 16,021 |
| | 40,777 | 26,259 |

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 2020 and 31 March 2019 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.

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:

| | Thousands of euros | |
|--------------------------------|------------------------------|---------------|
| | 31.03.2020 | 31.03.2019 |
| | Long-term financial assets | |
| | Loans, derivatives and other | |
| Loans and receivables (Note 9) | 1,056 | 357 |
| | 1,056 | 357 |
| | Short-term financial assets | |
| | Loans, derivatives and other | |
| Loans and receivables (Note 9) | 4,469 | 10,466 |
| | 4,469 | 10,466 |
| Total financial assets | 5,525 | 10,823 |

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

| | Thousands of euros | |
|------------------------------------|----------------------------------|-------------------|
| | Long-term financial liabilities | |
| | Loans, derivatives and other | |
| | 31.03.2020 | 31.03.2019 |
| Creditors and payables (Note 13) | 35,041 | 11,970 |
| | 35,041 | 11,970 |
| | Short-term financial liabilities | |
| | Loans, derivatives and other | |
| | 31.03.2020 | 31.03.2019 |
| Creditors and payables (Note 13) | 2,947 | 3,156 |
| | 2,947 | 3,156 |
| Total financial liabilities | 37,988 | 15,126 |

7.2. Analysis by maturity date

Financial instruments with specific or determinable maturities are set out below by year of maturity at 31 March 2020:

31 March 2020

| | Thousands of euros | | | | | | |
|---|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------------|--------------|
| | Financial assets | | | | | | |
| | March 2021 | March 2022 | March 2023 | March 2024 | March 2025 | Subsequent years | Total |
| Financial investments | | | | | | | |
| Other financial assets | - | 330 | 131 | 149 | 74 | 372 | 1,056 |
| Loans and receivables | | | | | | | |
| Trade receivables for sales and services | 114 | - | - | - | - | - | 114 |
| Trade receivables, Group companies and associates | 1,348 | - | - | - | - | - | 1,348 |
| Trade receivables, related companies | 44 | - | - | - | - | - | 44 |
| Trade receivables, Group companies | 2,963 | | | | | | 2,963 |
| | 4,469 | 330 | 131 | 149 | 74 | 372 | 5,525 |

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

| | Financial liabilities | | | | | | |
|---|-----------------------|--------------|--------------|--------------|--------------|------------------|---------------|
| | March 2021 | March 2022 | March 2023 | March 2024 | March 2025 | Subsequent years | Total |
| Payables | | | | | | | |
| Other financial liabilities | - | 514 | 207 | 236 | 117 | 587 | 1,661 |
| Bank borrowings | - | 324 | 921 | 1,083 | 1,083 | 18,250 | 21,661 |
| Payables to Group companies and associates | 339 | 3,516 | 3,018 | 5,185 | - | - | 12,058 |
| Trade and other payables | | | | | | | |
| Trade payables | 438 | - | - | - | - | - | 438 |
| Sundry payables | 1,129 | - | - | - | - | - | 1,129 |
| Payables, Group companies and associates | 11 | - | - | - | - | - | 11 |
| Other liabilities | 1,030 | - | - | - | - | - | 1,030 |
| | 2,947 | 4,354 | 4,146 | 6,504 | 1,200 | 18,837 | 37,988 |

The entry “Other long-term financial assets” includes the amounts deposited with the competent organisations in each Autonomous Region.

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

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 2020 and 2019:

31 March 2020

| Company name | Holding percentage | Gross carrying amount of the shareholding | Net carrying amount of the shareholding | Share capital | Share premium | Reserves | Shareholder contributions | Profit/(loss) for the year | Interim dividend | Investee's shareholders' funds |
|------------------------------------|--------------------|---|---|---------------|----------------|--------------|---------------------------|----------------------------|------------------|--------------------------------|
| JUNCTION PARQUE CASTELLÓN, S.L.U. | 100% | 3,815 | 3,815 | 3 | - | 51 | 1,868 | 129 | (103) | 1,948 |
| JUNCTION PARQUE PRINCIPADO, S.L.U. | 100% | 17,445 | 17,445 | 3 | - | 330 | 6,513 | 1,231 | (985) | 7,092 |
| RANDOLPH SPAIN, S.L.U. | 100% | 13,080 | 13,080 | 300 | 9,534 | 471 | 1,506 | 875 | (700) | 11,986 |
| ROXBURY SPAIN, S.L.U. | 100% | 15,900 | 15,900 | 171 | - | 1,129 | 10,713 | 566 | (453) | 12,126 |
| JUNCTION PARQUE HUELVA, S.L.U. | 100% | 14,493 | 14,493 | 3 | - | 714 | 9,272 | 691 | (553) | 10,127 |
| JUNCTION PARQUE MOTRIL, S.L.U. | 100% | 4,312 | 4,312 | 3 | - | 67 | 2,599 | 198 | (158) | 2,709 |
| JUNCTION PARQUE GRANADA, S.L.U. | 100% | 22,339 | 22,339 | 3 | - | 583 | 12,408 | 1,092 | (874) | 13,212 |
| JUNCTION PARQUE CÁCERES, S.L.U. | 100% | 4,532 | 4,532 | 3 | - | 80 | 2,441 | 230 | (184) | 2,570 |
| JUNCTION PARQUE MÉRIDA, S.L.U. | 100% | 11,644 | 11,644 | 3,750 | - | 329 | - | 649 | (467) | 4,261 |
| JUNCTION VILLANUEVA 1, S.L.U. | 100% | 3,274 | 3,274 | 125 | - | 736 | 194 | 64 | (51) | 1,068 |
| JUNCTION VILLANUEVA 2, S.L.U. | 100% | 4,501 | 4,501 | 774 | - | 155 | - | 318 | (255) | 992 |
| JUNCTION PARQUE ALAMEDA, S.L.U. | 100% | 28,953 | 28,953 | 3 | - | 1 | 28,235 | 1,981 | (1,585) | 28,635 |
| JUNCTION PARQUE HABANERAS, S.L.U. | 100% | 42,717 | 42,717 | 3 | - | 1 | 42,699 | 2,655 | (2,124) | 43,234 |
| MORZAL PROPERTY IBERIA S.L.U. | 100% | 250,710 | 250,710 | 39,000 | 195,000 | (158) | 16,709 | 19,515 | (14,170) | 255,896 |
| | | 437,715 | 437,715 | 44,144 | 204,534 | 4,489 | 135,157 | 30,194 | (22,662) | 395,856 |

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

31 March 2019

| Company name | Holding percentage | Gross carrying amount of the shareholding | Net carrying amount of the shareholding | Share capital | Share premium | Reserves | Shareholder contributions | Profit/(loss) for the year | Interim dividend | Investee's shareholders' funds |
|------------------------------------|--------------------|---|---|---------------|----------------|--------------|---------------------------|----------------------------|------------------|--------------------------------|
| JUNCTION PARQUE CASTELLÓN, S.L.U. | 100% | 3,814 | 3,814 | 3 | - | 51 | 1,868 | 179 | (177) | 1,924 |
| JUNCTION PARQUE PRINCIPADO, S.L.U. | 100% | 17,445 | 17,445 | 3 | - | 330 | 6,513 | 1,206 | (1,206) | 6,846 |
| RANDOLPH SPAIN, S.L.U. | 100% | 13,080 | 13,080 | 300 | 9,534 | 471 | 1,506 | 732 | (732) | 11,811 |
| ROXBURY SPAIN, S.L.U. | 100% | 15,900 | 15,900 | 171 | - | 1,129 | 10,713 | 744 | (744) | 12,013 |
| JUNCTION PARQUE HUELVA, S.L.U. | 100% | 14,493 | 14,493 | 3 | - | 714 | 9,272 | 729 | (729) | 9,989 |
| JUNCTION PARQUE MOTRIL, S.L.U. | 100% | 4,312 | 4,312 | 3 | - | 67 | 2,599 | 238 | (238) | 2,669 |
| JUNCTION PARQUE GRANADA, S.L.U. | 100% | 22,339 | 22,339 | 3 | - | 583 | 12,408 | 1,207 | (1,207) | 12,994 |
| JUNCTION PARQUE CÁCERES, S.L.U. | 100% | 4,532 | 4,532 | 3 | - | 80 | 2,441 | 284 | (284) | 2,524 |
| JUNCTION PARQUE MÉRIDA, S.L.U. | 100% | 11,644 | 11,644 | 3,750 | - | (110) | - | 587 | (148) | 4,079 |
| JUNCTION VILLANUEVA 1, S.L.U. | 100% | 3,274 | 3,274 | 125 | - | 736 | 195 | 62 | (62) | 1,056 |
| JUNCTION VILLANUEVA 2, S.L.U. | 100% | 4,501 | 4,501 | 774 | - | (63) | 13 | 357 | (153) | 928 |
| JUNCTION PARQUE ALAMEDA, S.L.U. | 100% | 28,953 | 28,953 | 3 | - | - | 28,235 | 3,815 | (3,814) | 28,239 |
| JUNCTION PARQUE HABANERAS, S.L.U. | 100% | 42,718 | 42,718 | 3 | - | - | 42,699 | 2,426 | (2,426) | 42,702 |
| MORZAL PROPERTY IBERIA S.L.U. | 100% | 234,000 | 234,000 | 39,000 | 195,000 | (1,150) | - | 9,922 | (8,930) | 233,842 |
| | | 421,005 | 421,005 | 44,144 | 204,534 | 2,838 | 118,462 | 22,488 | (20,850) | 371,618 |

On 24 April 2018, the Company acquired all of the shares of the company Junction Parque Habaneras, S.L.U. for an amount of €3 thousand. On 8 May 2018, the Company contributed €42,700 thousand to its subsidiary. The remaining amount up to the value of the equity interest relates to subsequent capitalisations carried out by the Company.

On 27 November 2018, the Company's General Shareholders' Meeting approved a share capital increase consisting of the contribution of 100% of the shares held in the company Morzal Property Iberia, S.L. in the amount of €234,000 thousand (Note 10).

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

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

9. LOANS AND RECEIVABLES

As of 31 March 2020 and 31 March 2019, the breakdown of this heading is as follows:

| Description | Thousands of euros | |
|---|--------------------|---------------|
| | 31.03.2020 | 31.03.2019 |
| Long-term loans and receivables (Note 7): | | |
| Other financial assets | 1,056 | 357 |
| | 1,056 | 357 |
| Short-term loans and receivables (Note 7): | | |
| Trade receivables for sales and services | 114 | 101 |
| Trade receivables, Group companies and associates (Note 19) | 1,348 | 1,047 |
| Trade receivables, related companies (Note 19) | 44 | 44 |
| Other financial assets (Note 19) | 2,963 | 9,274 |
| | 4,469 | 10,466 |
| | 5,525 | 10,823 |

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

Other short-term financial assets include the dividends receivable from its subsidiaries (See Note 19).

Of the total short-term loans and receivables, at 31 March 2020, trade and other receivables had matured to the value of €95 thousand (€101 thousand at 31 March 2019), of which €10 thousand had been provisioned (€0 thousand at 31 March 2019) in accordance with the evaluation relating to trade receivables carried out by the Company.

At the end of the period, the trade receivables include an amount of €29 thousand pending invoicing, primarily for variable rent relating to 2019 at 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:

| Description | Thousands of euros | |
|------------------------|--------------------|------------|
| | 31.03.2020 | 31.03.2019 |
| Up to 3 months | 44 | 101 |
| Between 3 and 6 months | 17 | - |
| More than 6 months | 34 | - |
| | 95 | 101 |

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

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

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

Movements in the bad debt provision during the period were as follows:

| Description | Thousands of euros | |
|------------------------|--------------------|------------|
| | 31.03.2020 | 31.03.2019 |
| Opening balance | - | - |
| Appropriation | (10) | - |
| Reversal | - | - |
| Application | - | - |
| Closing balance | (10) | - |

10. CASH AND CASH EQUIVALENTS

As of 31 March 2020 and 31 March 2019, the breakdown of this heading is as follows:

| Description | Thousands of euros | |
|----------------------------------|--------------------|------------|
| | 31.03.2020 | 31.03.2019 |
| Cash and cash equivalents | | |
| Current accounts | 17,906 | 615 |
| | 17,906 | 615 |

Current accounts accrue a market interest rate.

At 31 March 2020, there were restrictions on the availability of a total of €380 thousand (€329 thousand at 31 March 2019).

11. SHAREHOLDERS' FUNDS

a) Share capital

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

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

Following this operation, at 31 December 2016 the parent company's share capital amounted to €12,660 thousand, represented by 2,532,000 shares with a par value of €5 each, all in the same class, fully subscribed, paid up and carrying the same shareholder rights.

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

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

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

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

Following this operation, on 31 December 2017, the parent company's share capital stood at €25,546 thousand, consisting of 25,545,505 shares with a par value of €1 each, all in the same class, fully subscribed, paid up and carrying the same shareholder rights.

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

Following this operation, at 31 March 2018, share capital stood at €26,298 thousand, consisting of 26,298,295 shares with a par value of €1 each, all in the same class, fully subscribed, paid up and carrying the same shareholder rights.

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

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

The Ordinary and Extraordinary General Shareholders' Meeting held on 27 November 2018 agreed to increase share capital by €39,000 thousand through the issuance of 39,000,000 ordinary shares as a non-monetary contribution. The new shares were issued at a par value of €1 plus a share premium of €5 per share, resulting in an issue price of €6 per share. The cost of the share capital increase totalled €234,000 thousand, of which €39,000 thousand corresponds to share capital and €195,000 thousand to a share premium. Castellana's share capital prior to the capital increase amounted to €33,968 thousand, consisting of 33,967,703 shares each with a par value of €1, all in the same category and series, carrying the same voting rights and represented by book entries.

On 14 March 2019, the Universal Extraordinary Shareholders' Meeting agreed on a share capital increase by capitalising accounts payable of €1,926 thousand, through the issuance of 1,926,099 shares with a par value of €1 and a share premium of €5.36 per share, equating to €12,250 thousand.

Following this share capital increase, at 31 March 2019, share capital stood at €74,894 thousand, represented by 74,893,802 shares.

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

On 11 July 2019, the Board of Directors agreed on a share capital increase through a cash contribution of €3,892 thousand and the issuance of 3,892,216 shares with a par value of €1 and a share premium of €5.68 per share, equating to €22,108 thousand.

On 17 September 2019, the General Shareholders' Meeting agreed on a share capital increase by capitalising accounts payable of €7,485 thousand and issuing 7,485,029 new shares with a par value of €1 and a share premium of €5.68 per share, equating to €42,515 thousand.

Following this share capital increase, at 31 March 2020, share capital stood at €86,271 thousand, represented by 86,271,047 shares.

As at 31 March 2020, the shareholders with more than a 3% stake in the Company are Vukile Property Fund Limited and Morze European Real Estate Ventures. As at 31 March 2019, the shareholders with more than a 3% stake were Vukile Property Fund Limited, Morze European Real Estate Ventures and Westbrooke Yield Plus, S.à r.l.

Lava Capital Partners Limited has an indirect stake of 9.80%.

The breakdown is as follows:

| | 31.03.2020 | | 31.03.2019 | |
|-------------------------------------|-------------------|---------|-------------------|---------|
| | No. of shares | % Share | No. of shares | % Share |
| Vukile Property Fund Limited | 71,204,716 | 83% | 52,916,295 | 73% |
| Morze European Real Estate Ventures | 13,333,333 | 15% | 13,333,333 | 18% |
| Westbrooke Yield Plus | - | - | 5,833,333 | 8% |

As of 31 March 2020 and 31 March 2019, the breakdown of share capital is as follows:

| Description | Thousands of euros | |
|--------------------|---------------------------|-------------------|
| | 31.03.2020 | 31.03.2019 |
| Authorised capital | 86,271 | 74,894 |
| | 86,271 | 74,894 |

b) Share premium

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

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

c) Treasury shares

Movements in 2020 and 2019 were as follows:

| Description | 2020 | | 2019 | |
|------------------------|---------------------------|--------------------|---------------------------|--------------------|
| | Number of treasury shares | Thousands of euros | Number of treasury shares | Thousands of euros |
| Opening balance | 45,470 | 273 | - | - |
| Additions/purchases | 800 | 5 | 50,790 | 305 |
| Decreases | (8,388) | (50) | (5,320) | (32) |
| Closing balance | 37,882 | 228 | 45,470 | 273 |

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, following approval by the Board of Directors on 17 July 2018.

The company's treasury shares held at 31 March 2020 represented 0.04% of the Company's share capital (0.06% at 31 March 2019) and totalled 37,882 shares (45,470 at 31 March 2019). The average cost of the Company's treasury shares at 31 March 2020 and 31 March 2019 was €6 per share.

These shares are recognised as a reduction of €228 thousand in the value of the Company's shareholders' funds at 31 March 2020 (€273 thousand at 31 March 2019).

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 2020, €3,045 thousand (€148 thousand at 31 March 2019) 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 | Thousands of euros | |
|-----------------------|--------------------|----------------|
| | 31.03.2020 | 31.03.2019 |
| Legal reserve | 3,045 | 148 |
| Other reserves | 10,042 | (4,742) |
| Treasury shares | (228) | (273) |
| Total reserves | 12,859 | (4,867) |

Other reserves at 31 March 2020 also include a restricted reserve in the amount of €10,128 thousand due to a share capital reduction carried out by the Company in 2017. This reserve will only be made available

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

if this is approved by the General Shareholders' Meeting and published in order to allow the creditors the stipulated period of time to object to the capital reduction. Also included are the expenses associated with the issuance of shares and with the share capital increases completed in the financial year in the amount of €157 thousand (€14,634 thousand at 31 March 2019).

The variation from 31 March 2019 to 31 March 2020 is explained by the fact that voluntary reserves were offset against the share premium balance in the amount of €14,934 on 12 November 2019.

Distribution of profit/(loss)

The proposed distribution of the Company's results and reserves to be submitted to the General Shareholders' Meeting is as follows:

| Description | Thousands of euros |
|--|--------------------|
| Available for distribution | |
| Profit for the year | 23,321 |
| Issue premium | 19,527 |
| | 42,848 |
| Application | |
| Legal reserve | 2,332 |
| Interim dividend 13 November 2019 | 17,025 |
| Interim dividend 18 June 2020 (Note 22) | 3,846 |
| Premium distributed 13 November 2019 | 2,107 |
| Dividend charged to issue premium 18 June 2020 (Note 22) | 17,420 |
| Voluntary reserves | 118 |
| | 42,848 |

Interim dividend

On 13 November 2019, Castellana's Board of Directors agreed to pay out an interim dividend for the financial year ended 31 March 2020 in the amount of €17,025 thousand, i.e. €0.197 per share and a share premium of €2,106 thousand, i.e. €0.024 per share, which was made effective on 28 November 2019. The forecast cash flow statement prepared by the Board of Directors is as follows:

| | |
|------------------------------------|---------------|
| Profit/(loss) | 19,893 |
| Legal reserve | (1,989) |
| Voluntary reserve | (879) |
| Dividend charged to profits | 17,025 |
| Share premium distribution | 2,107 |
| Total dividend payable | 19,132 |
| Available cash | 20,745 |

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

Distribution of profit/(loss)

The distribution of the profit/(loss) at 31 March 2019, which was approved at the General Shareholders' Meeting on 18 June 2019, was:

| Description | Thousands of euros |
|--------------------------------------|--------------------|
| Available for distribution | |
| Profit for the year | 28,962 |
| | 28,962 |
| Distribution of profit/(loss) | |
| Legal reserve | 2,896 |
| Dividend distribution | 26,066 |
| | 28,962 |

13. CREDITORS AND PAYABLES

| Description | Thousands of euros | |
|---|--------------------|---------------|
| | 31.03.2020 | 31.03.2019 |
| Long-term creditors and payables (Note 7): | | |
| Long-term bank borrowings | 21,661 | - |
| Long-term payables to Group companies and associates (Note 19) | 11,719 | 11,676 |
| Other financial liabilities | 1,661 | 294 |
| | 35,041 | 11,970 |
| Short-term creditors and payables (Note 7): | | |
| Short-term payables to Group companies and associates (Note 19) | 339 | 1,815 |
| Trade payables | 438 | 95 |
| Sundry and other payables | 1,129 | 546 |
| Trade payables to Group companies and associates (Note 19) | 11 | - |
| Other liabilities | 1,030 | 700 |
| | 2,947 | 3,156 |
| | 37,988 | 15,126 |

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 are recognised at amortised cost.

Other long-term financial liabilities in the amount of €1,661 thousand refer to the guarantee deposits received from tenants as per the lease agreements signed, which are recorded as other long-term financial liabilities, €294 thousand at 31 March 2019.

The balance sheet heading "Long-term payables to Group companies and associates" in the balance sheet includes 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. This loan matures on 20 November 2023 and accrues annual interest at the 3-month Euribor reference rate plus a spread of 2.55%. The short-term amount includes accrued unmatured interest on this loan and on a loan of €50,000 thousand arranged with Vukile Property Fund Limited on 20 May 2019. This loan was capitalised on 17 September 2019.

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

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

The maturities of the nominal amounts included in “Long-term payables to Group companies and associates” are as follows:

| Description | Thousands of euros | | | |
|--------------|--------------------|---------|---------------|---------|
| | 31.03.2020 | | 31.03.2019 | |
| | Non-current | Current | Non-current | Current |
| March 2021 | - | - | - | - |
| March 2022 | 3,558 | - | 3,558 | - |
| March 2023 | 3,054 | - | 3,054 | - |
| March 2024 | 5,248 | - | 5,248 | - |
| > March 2025 | - | - | - | - |
| | 11,860 | - | 11,860 | - |

The balance sheet heading “Long-term bank borrowings” 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 carrying amount of creditors and payables is denominated in euros.

The maturities of the nominal amounts carried in “Long-term bank borrowings” are as follows:

| Description | Thousands of euros | | | |
|--------------|--------------------|---------|-------------|---------|
| | 31.03.2020 | | 31.03.2019 | |
| | Non-current | Current | Non-current | Current |
| March 2021 | - | - | - | - |
| March 2022 | 344 | - | - | - |
| March 2023 | 978 | - | - | - |
| March 2024 | 1,150 | - | - | - |
| > March 2025 | 20,528 | - | - | - |
| | 23,000 | - | - | - |

The Company has included an amortised cost of €1,480 thousand (€184 thousand at 31 March 2019) on the balance sheet in respect of loan arrangement costs. At 31 March 2020, accrued unmaturing interest amounted to €339 thousand (€7 thousand at 31 March 2019). Interest expenses accrued during the period totalled €1,004 thousand (€334 thousand at 31 March 2019).

The Company acts 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 had been fully drawn down at financial year end. These loans mature in 2021, 2022 and 2023, and are granted 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 2020, the Group had complied with all of these covenants.

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

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 | |
|---------------------------------------|------|------|
| | 2020 | 2019 |
| Average supplier payment period | 33 | 26 |
| Ratio of transactions settled | 32 | 13 |
| Ratio of transactions not yet settled | 41 | 52 |

| Description | Thousands of euros | |
|----------------------------|--------------------|--------|
| | 2020 | 2019 |
| Total payments settled | 5,541 | 10,789 |
| Total outstanding payments | 362 | 15,789 |

14. INCOME TAX AND TAX SITUATION

As of 31 March 2020 and 31 March 2019, the breakdown of taxes refundable and payable is as follows:

| Description | Thousands of euros | |
|-------------------------------|--------------------|--------------|
| | 31.03.2020 | 31.03.2019 |
| Receivables | | |
| VAT refundable | - | 1,216 |
| | - | 1,216 |
| Payables | | |
| VAT payable | 101 | - |
| PIT payable | 168 | 167 |
| Social security contributions | 37 | 32 |
| | 306 | 199 |

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

| | Thousands of euros | | | | | |
|--|--------------------|-----------|---------------|---|--------------|--------------|
| | Income statement | | | Income and expenses attributed directly to equity | | |
| | Increases | Decreases | Total | Increases | Decreases | Total |
| Net income/(expense) for the year | 23,321 | - | 23,321 | - | (425) | (425) |
| Corporate income tax | - | - | - | - | - | - |
| Permanent differences | 576 | - | 576 | - | - | - |
| Temporary differences | 1,009 | - | 1,009 | - | - | - |
| Tax base (taxable income) | 24,906 | - | 24,906 | - | (425) | (425) |

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

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.

Financial years pending verification and inspection processes

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.

The corporate 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 applicable, 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 | Thousands of euros | |
|---|--------------------|---------------|
| | 2020 | 2019 |
| Rental income | 5,141 | 1,863 |
| Reinvoicing of costs to tenants | 1,427 | 372 |
| Income from services to Group companies (Note 19) | 4,451 | 2,980 |
| Reinvoicing of costs to Group companies (Note 19) | 373 | 376 |
| Income from equity instruments, Group companies (Note 19) | 22,662 | 28,389 |
| | 34,054 | 33,980 |

b) Staff costs

This consolidated income statement heading breaks down as follows:

| Description | Thousands of euros | |
|--|--------------------|----------------|
| | 2020 | 2019 |
| Wages, salaries and similar remuneration | (4,319) | (2,612) |
| Social security | (366) | (219) |
| | (4,685) | (2,831) |

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

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

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

| Description | Number of employees | |
|---|---------------------|-----------|
| | 2020 | 2019 |
| Directors | 7 | 5 |
| University graduates or diploma holders | 17 | 10 |
| Administrative personnel and other | 3 | 2 |
| | 27 | 17 |

In addition, at 31 March 2020 and 31 March 2019, the gender breakdown of the headcount was as follows:

2020

| Description | Number of employees | | |
|---|---------------------|-----------|-----------|
| | Men | Women | Total |
| Directors | 4 | 2 | 6 |
| University graduates or diploma holders | 7 | 11 | 18 |
| Administrative personnel and other | - | 3 | 3 |
| | 11 | 16 | 27 |

2019

| Description | Number of employees | | |
|---|---------------------|-----------|-----------|
| | Men | Women | Total |
| Directors | 4 | 1 | 5 |
| University graduates or diploma holders | 7 | 9 | 16 |
| Administrative personnel and other | - | 3 | 3 |
| | 11 | 13 | 24 |

The Group had no employees with a disability rating of 33% or more (or the local equivalent) at 31 March 2020 or 31 March 2019.

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

c) Other operating expenses

This income statement heading breaks down as follows:

| Description | Thousands of euros | |
|---|--------------------|----------------|
| | 2020 | 2019 |
| External services attributable directly to real estate assets | (1,879) | (383) |
| Other external services | (2,315) | (1,745) |
| | (4,194) | (2,128) |

16. NET FINANCIAL INCOME/(EXPENSE)

The breakdown of this heading by category during 2020 and 2019 is as follows:

| Description | Thousands of euros | |
|--|--------------------|--------------|
| | 2020 | 2019 |
| Financial income | | |
| Reversal of impairment | - | 489 |
| | - | 489 |
| Financial expenses | | |
| Interest on bank borrowings | (393) | - |
| Interest on payables to Group companies and associates (Note 19) | (611) | (334) |
| | (1,004) | (334) |
| | (1,004) | 155 |

Interest on loans to Group companies totalling €262 thousand relates to the upstream loan granted to Junction Parque Alameda, S.L.U. in the amount of €11,860 thousand on 5 December 2017 (Note 13). Interest on loans to associates totalling €349 thousand relates to the shareholder loan granted to Junction Parque Alameda, S.L.U. in the amount of €50,000 thousand on 20 May 2019, and capitalized on 17 September 2019.

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

Financial income for 2019 relates to the reversal of share impairment of the Company Junction Parque Alameda, S.L.U. at 31 December 2017 for a total amount of €1,695 thousand.

17. PROVISIONS AND CONTINGENCIES

As of 31 March 2020 and 31 March 2019 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.

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

Likewise, directors must disclose any direct or indirect interests 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.

Directors' remuneration

During 2020, remuneration accrued to the directors totalled €1,206 thousand (€522 thousand at 31 March 2019), of which executive directors received a total of €834 thousand (€405 thousand at 31 March 2019).

The Company 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 share-based remuneration plan for the Company's executive team (Note 3.12). The first calculation period comprises the period from 1 April 2019 to 31 March 2022. At 31 March 2020, the Company has estimated a cost of €1,000 thousand recognised in the item "Other equity instruments".

19. RELATED-PARTY TRANSACTIONS AND BALANCES

During 2020 and the year ending 31 March 2019, the breakdown of related-party transactions is as follows:

2020

| Description | Thousands of euros | | | |
|------------------------------------|--|--|---|----------------------------|
| | Financial income from holdings in Group company equity instruments | Income from re-invoicing of costs to Group companies | Income from services to Group companies | Costs for interest accrued |
| JUNCTION PARQUE CASTELLÓN, S.L.U. | 103 | 3 | 127 | - |
| JUNCTION PARQUE PRINCIPADO, S.L.U. | 985 | 3 | 227 | - |
| RANDOLPH SPAIN, S.L.U. | 700 | 1 | 203 | - |
| ROXBURY SPAIN, S.L.U. | 453 | 1 | 159 | - |
| JUNCTION PARQUE HUELVA, S.L.U. | 553 | 3 | 197 | - |
| JUNCTION PARQUE MOTRIL, S.L.U. | 158 | 3 | 136 | - |
| JUNCTION PARQUE GRANADA, S.L.U. | 874 | 35 | 267 | - |
| JUNCTION PARQUE CÁCERES, S.L.U. | 184 | 3 | 137 | - |
| JUNCTION PARQUE MÉRIDA, S.L.U. | 467 | 3 | 176 | - |
| JUNCTION VILLANUEVA 1, S.L.U. | 51 | 1 | 122 | - |
| JUNCTION VILLANUEVA 2, S.L.U. | 255 | 1 | 146 | - |
| JUNCTION PARQUE ALAMEDA, S.L.U. | 1,585 | 158 | 378 | (262) |
| JUNCTION PARQUE HABANERAS, S.L.U. | 2,124 | 17 | 413 | - |
| MORZAL PROPERTY IBERIA S.L.U. | 14,170 | 141 | 1,763 | - |
| VUKILE PROPERTY FUND LIMITED | - | - | - | (349) |
| | 22,662 | 373 | 4,451 | (611) |

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

2019

Thousands of euros

| 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. | 345 | 12 | 60 | - |
| JUNCTION PARQUE PRINCIPADO, S.L.U. | 2,277 | 12 | 155 | - |
| RANDOLPH SPAIN, S.L.U. | 2,927 | 9 | 127 | - |
| ROXBURY SPAIN, S.L.U. | 5,551 | 9 | 92 | - |
| JUNCTION PARQUE HUELVA, S.L.U. | 2,510 | 12 | 131 | - |
| JUNCTION PARQUE MOTRIL, S.L.U. | 507 | 12 | 69 | - |
| JUNCTION PARQUE GRANADA, S.L.U. | 2,200 | 24 | 307 | - |
| JUNCTION PARQUE CÁCERES, S.L.U. | 563 | 12 | 71 | - |
| JUNCTION PARQUE MÉRIDA, S.L.U. | 629 | 12 | 108 | - |
| JUNCTION VILLANUEVA 1, S.L.U. | 149 | 14 | 56 | - |
| JUNCTION VILLANUEVA 2, S.L.U. | 410 | 14 | 91 | - |
| JUNCTION PARQUE ALAMEDA, S.L.U. | 3,814 | 177 | 279 | (334) |
| JUNCTION PARQUE HABANERAS, S.L.U. | 2,426 | 46 | 289 | - |
| MORZAL PROPERTY IBERIA S.L.U. | 4,081 | 11 | 1,145 | - |
| | 28,389 | 376 | 2,980 | (334) |

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

As of 31 March 2020 and 31 March 2019, the breakdown of balances with related parties is as follows:

31 March 2020

| Description | Thousands of euros | | | | | |
|---|----------------------|--|--------------------------------------|--|---|--------------------------|
| | Dividends receivable | Trade receivables for sales and services | Trade receivables, related companies | Long-term payables to Group companies and associates | Payables to Group companies and related parties | Interest pending payment |
| JUNCTION PARQUE CASTELLÓN, S.L.U. | 35 | 38 | - | - | - | - |
| JUNCTION PARQUE PRINCIPADO, S.L.U. | 323 | 62 | - | - | - | - |
| RANDOLPH SPAIN, S.L.U. | 244 | 56 | - | - | - | - |
| ROXBURY SPAIN, S.L.U. | 231 | 46 | - | - | - | - |
| JUNCTION PARQUE HUELVA, S.L.U. | 206 | 56 | - | - | - | - |
| JUNCTION PARQUE MOTRIL, S.L.U. | 66 | 40 | - | - | - | - |
| JUNCTION PARQUE GRANADA, S.L.U. | 279 | 75 | - | - | - | - |
| JUNCTION PARQUE CÁCERES, S.L.U. | 69 | 41 | - | - | - | - |
| JUNCTION PARQUE MÉRIDA, S.L.U. | 161 | 51 | - | - | - | - |
| JUNCTION VILLANUEVA 1, S.L.U. | 17 | 37 | - | - | - | - |
| JUNCTION VILLANUEVA 2, S.L.U. | 88 | 43 | - | - | - | - |
| JUNCTION PARQUE ALAMEDA, S.L.U. | 440 | 173 | - | (11,719) | - | (7) |
| JUNCTION PARQUE HABANERAS, S.L.U. | 804 | 107 | - | - | - | - |
| MORZAL PROPERTY IBERIA S.L.U. | - | 523 | - | - | - | - |
| VUKILE PROPERTY FUND LIMITED | - | - | - | - | (11) | (332) |
| ADAM LEE MORZE | - | - | 42 | - | - | - |
| DIVERSIFIED REAL ESTATE ASSETS MANAGEMENT, S.L. | - | - | 2 | - | - | - |
| | 2,963 | 1,348 | 44 | (11,719) | (11) | (339) |

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

31 March 2019

| Description | Thousands of euros | | | | | |
|---|----------------------|--|--------------------------------------|--|---|--------------------------|
| | Dividends receivable | Trade receivables for sales and services | Trade receivables, related companies | Long-term payables to Group companies and associates | Payables to Group companies and related parties | Interest pending payment |
| JUNCTION PARQUE CASTELLÓN, S.L.U. | 70 | 20 | - | - | - | - |
| JUNCTION PARQUE PRINCIPADO, S.L.U. | 603 | 42 | - | - | - | - |
| RANDOLPH SPAIN, S.L.U. | 161 | 35 | - | - | - | - |
| ROXBURY SPAIN, S.L.U. | 463 | 27 | - | - | - | - |
| JUNCTION PARQUE HUELVA, S.L.U. | 300 | 36 | - | - | - | - |
| JUNCTION PARQUE MOTRIL, S.L.U. | 97 | 21 | - | - | - | - |
| JUNCTION PARQUE GRANADA, S.L.U. | 536 | 162 | - | - | - | - |
| JUNCTION PARQUE CÁCERES, S.L.U. | 117 | 22 | - | - | - | - |
| JUNCTION PARQUE MÉRIDA, S.L.U. | 148 | 31 | - | - | - | - |
| JUNCTION VILLANUEVA 1, S.L.U. | 1 | 18 | - | - | - | - |
| JUNCTION VILLANUEVA 2, S.L.U. | 140 | 28 | - | - | - | - |
| JUNCTION PARQUE ALAMEDA, S.L.U. | 1,309 | 73 | - | (11,676) | (58) | (7) |
| JUNCTION PARQUE HABANERAS, S.L.U. | 1,248 | 76 | - | - | - | - |
| MORZAL PROPERTY IBERIA S.L.U. | 4,081 | 456 | - | - | - | - |
| ADAM LEE MORZE | - | - | 42 | - | - | - |
| DIVERSIFIED REAL ESTATE ASSETS MANAGEMENT, S.L. | - | - | 2 | - | (1,750) | - |
| | 9,274 | 1,047 | 44 | (11,676) | (1,808) | (7) |

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

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

Not applicable.

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

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

- c) Dividends distributed against profits each year in which the tax rules contained in Law 11/2009, as amended by Law 16 of 27 December 2012, 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.

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

- 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.
 - Dividend charged to the share premium account in the amount of €2,107 thousand, approved by the Board of Directors on 13 November 2019.
- 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 |
|-------------------------------|--|----------------------|
| Konecta Madrid | Avenida de la Industria, 49 Alcobendas, Madrid | 30 May 2016 |
| Konecta Sevilla | Ctra. Prado de la Torre s/n Polígono 5, plots 77 - 79 Bollullos de la Mitación, Seville | 30 May 2016 |
| Pinatar Fase II Retail Park | UA-1 Local Level Plan (<i>Plan Parcial</i>) "Área 3e" Manzana P-9, San Pedro de Pintar, Murcia | 17 June 2019 |
| Puerta Europa Shopping Centre | A7, km 106, in Algeciras, Cádiz | 31 July 2019 |

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

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

| 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) |
| Randolph Spain, S.L.U. | 30 June 2017 | Parque Oeste Retail Park | Avenida de Europa 4, Alcorcón - Madrid |
| Roxbury Spain, S.L.U. | 30 June 2017 | Parque Oeste Retail Park | Avenida de Europa 4, Alcorcón - 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 | Kinopolis Retail Park & Leisure Centre | Calle Samuel Billy Wilder 1, Pulianas - Granada |
| Junction Parque Cáceres, S.L.U. | 30 June 2017 | Mejostilla Retail Park | Calle Jose Espronceda 52, Plot M-19.1ª, Caceres |
| Junction Parque Mérida, S.L.U. | 30 June 2017 | La Heredad Retail Park | Avenida José Saramago de Sousa, Merida |
| Junction Parque Villanueva 1, S.L.U. | 30 June 2017 | La Serena Retail Park | Carretera Don Benito, S/N, Villanueva de la Serena, Badajoz |
| Junction Parque Villanueva fase 2, S.L.U. | 30 June 2017 | Villanueva de la Serrena II Retail Park | Carretera Don Benito, S/N, Villanueva de la Serena, Badajoz |
| Junction Parque Alameda, S.L.U. | 5 December 2017 | Alameda Shopping Centre San Pedro Del Pinatar Retail Park | Calle Luis Buñuel 6, 18197, Pulianas - Granada UA-1 Local Level Plan (<i>Plan Parcial</i>) "Area 3e", Manzana P-9, San Pedro del Pinatar (Murcia) |
| Junction Parque Habaneras, S.L.U. | 9 May 2018 | Habaneras Shopping Centre | Avenida Rosa Mazón Valero 7, Torrevieja, Alicante |
| Morzal Property Iberia S.L.U. | 27 November 2018 | Vallsur Shopping Centre Los Arcos Shopping Centre Bahía Sur Shopping Centre El Faro Shopping Centre | Paseo de Zorilla, Valladolid Avenida de Andalucía S/N, Seville Avenida Caño Herrera S/N, San Fernando, Cádiz Avenida de Elvas S/N, Badajoz |

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

- 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.

Not applicable.

21. AUDIT FEES

The fees accrued to PricewaterhouseCoopers Auditores, S.L. for auditing services and fees for other assurance services during the year amounted to €23 thousand (€22 thousand at 31 March 2019) and €9 thousand (€7 thousand at 31 March 2019), respectively.

The fees accrued to other companies of the PwC network as a result of tax consultancy services, other assurance services or other services rendered to the Company amounted to €49 thousand (€15 thousand at 31 March 2019).

22. EVENTS AFTER THE REPORTING PERIOD

On March 11, 2020, the World Health Organization (WHO) declared the appearance of the coronavirus COVID-19 as a "Global Pandemic". This situation has impacted global financial markets, transport restrictions have been implemented and business activity has been affected in many sectors.

On the other hand, the Government of Spain declared the "State of Alarm" under Royal Decree 463/2020, on March 14, 2020, a situation that as of the date of formulation of these accounts continues until 21 June 2020 (date that foreseeably will not be extended). This state implies, among others, restrictions on mobility and the closure of shopping centers.

This response means that we are facing an unprecedented series of circumstances and, at the date of formulation of these annual accounts, it is still very premature to make a quantitative valuation of the impact that COVID 19 may have on the Castellana Group.

Group measures:

Management team is monitoring variables such as the projection of the cash flow under different hypotheses, the review of non-essential capex and the analysis of the impact on income.

The Group's estimated cash position has been subjected to stress tests and, given the Group's strong cash position, the Board of Directors is sure that the Group has sufficient cash resources to comply with the going concern principle for the next 12 months.

CASTELLANA PROPERTIES SOCIMI, S.A.

NOTES TO THE ANNUAL ACCOUNTS

(Thousands of euros)

The Board of Directors has considered the following factors when evaluating the Group's cash flow forecast:

- Probabilities of rental discounts
- Operational expenses going forward
- Committed capex
- Capex which could be deferred
- Loan repayments that could be deferred
- Dividend payments

The Group is promoting the communication between the property and the tenants, thus knowing exactly and as soon as possible the situation of each of them, in order to make the best decisions adapted to each particular situation. Among these actions, the Group has taken the decision to subsidize the minimum guaranteed income for the month of April to those tenants who have not been able to carry out their activity as a result of the "State of Alarm".

The Group has signed various waivers with its main financial entities for which the Group has been exempt from compliance with the covenants included in its financing until March 31, 2021 (inclusive).

Likewise, for syndicated financing, it has agreed to modify the amortization date of its short-term maturities (3,333 thousand euros), placing its maturity in June 2021.

Additionally, on 18 June 2020, the Board of Directors of the Company approved the distribution of an interim dividend in the amount of 3,846 thousand euros, that is, 0.044 euros per share and a distribution of share premium in the amount of 17,420 thousands of euros, this is 0.2020 euros per share.

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

| | |
|---|---------------|
| Profit for the year | 23,321 |
| Legal reserve | (2,332) |
| Interim dividend previously distributed | (17,025) |
| Distributable dividend | 3,964 |
| Interim dividend to be paid | 3,846 |
| Share premium distribution | 17,420 |
| Total dividend to be paid | 21,266 |
| | |
| Available cash 10/07/2020 | 22,394 |

In order to face the current situation with the most solid treasury position, it is the intention of the main shareholder of the company to reinvest the previous distribution.

CASTELLANA PROPERTIES SOCIMI, S.A.

**MANAGEMENT REPORT FOR
THE FINANCIAL YEAR ENDED ON 31 MARCH 2020**

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 Spanish Alternative Stock Exchange (MAB).

During the financial year, share capital increases were carried out in the amount of €49 million, at a par value of €1 per share, with a related share premium of €242 million. Following these share capital increases, share capital rose to €74,894 thousand, represented by 74,893,802 shares.

As at 31 March 2019 and 31 March 2018, the three shareholders with more than a 3% stake in the share capital of the parent company are Vukile Property Fund Limited, Morze European Real Estate Ventures and Westbrooke Yield Plus, S.à r.l.

Castellana Properties focuses its business strategy on investment in high-quality rental assets with strong growth potential. In just one and a half years, the market value of this investment has risen from €308 million at 31 March 2018 to €916 million at 31 March 2019.

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 Company's general policies and strategies, corporate governance and corporate social responsibility, and risk management and monitoring. It is at all times responsible for compliance with the requirements necessary to maintain the Company's status as a SOCIMI.

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

2. BUSINESS PERFORMANCE AND PROFIT/(LOSS)

"Revenue" from letting the acquired properties reached €11,392 thousand at 31 March 2020 (€5,591 thousand at 31 March 2019).

During the financial year ended 31 March 2020, EBITDA stood at €25,157 thousand (€29,032 thousand at 31 March 2019). (EBITDA: Earnings before interest, taxes, depreciation and amortisation).

The market value of the Company's assets at 31 March 2020 stood at €92,870 thousand, equating to a 12.04% increase on the purchase price and (0.27%) on the portfolio in like-for-like terms at 31 March 2019.

CASTELLANA PROPERTIES SOCIMI, S.A.

**MANAGEMENT REPORT FOR
THE FINANCIAL YEAR ENDED ON 31 MARCH 2020**

The main reasons for the increase in value of the portfolio over the last year are as follows:

- Growth in turnover: since the beginning of the financial year, turnover from the leasing of real estate assets grew compared to the previous twelve months.

The following table shows a breakdown of the market valuation of the Company portfolio at 31 March 2020, as determined by Colliers International Spain (RICS):

| Project Name | Acqu. Price | FV MAR 20 | DELTA |
|---------------------|---------------|---------------|---------------|
| Konecta | 22,500 | 26,370 | 17.20% |
| Puerta Europa | 56,800 | 62,930 | 10.79% |
| Fase 2 Pinatar Park | 3,588 | 3,570 | -0.50% |
| TOTAL | 82,888 | 92,870 | 12.04% |

3. EPRA INFORMATION

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

EPRA indicators

| | 31/03/2020 | 31/03/2019 |
|--|------------|------------|
| EPRA earnings | 31,917 | 20,673 |
| EPRA earnings per share | 0.39 | 0.45 |
| EPRA NAV | 559,157 | 499,780 |
| EPRA NAV per share | 6.48 | 6.68 |
| EPRA NNNAV | 542,989 | 483,815 |
| EPRA NNNAV per share | 6.30 | 6.46 |
| EPRA Net Initial Yield (NIY) | 5.74% | 5.53% |
| EPRA "Topped-up" NIY | 6.05% | 5.69% |
| EPRA Vacancy Ratio | 1.20% | 2.06% |
| EPRA Cost Ratio (Including vacancy cost) | 18.20% | - |
| EPRA Cost Ratio (Excluding vacancy cost) | 16.03% | - |

CASTELLANA PROPERTIES SOCIMI, S.A.
MANAGEMENT REPORT FOR
THE FINANCIAL YEAR ENDED ON 31 MARCH 2020

EPRA Earnings and Earnings Per Share

| | 31/03/2020 | 31/03/2019 |
|---|---------------|---------------|
| Earnings per IFRS | 17,162 | 46,489 |
| Adjustments to calculate EPRA, exclude: | | |
| (i) Changes in value of investment property | 23,355 | (25,816) |
| (ii) Negative differences on consolidation | - | - |
| EPRA earnings | 40,517 | 20,673 |
| EPRA earnings per share | 0.50 | 0.45 |
| Company-specific adjustments | (8,600) | - |
| Adjusted EPRA earnings | 31,917 | 20,673 |
| Adjusted EPRA earnings per share | 0.39 | 0.45 |

EPRA Net Asset Value (NAV)

| | 31/03/2020 | 31/03/2019 |
|---|----------------|----------------|
| NAV per the financial statements (*) | 556,100 | 497,049 |
| Effect of exercise of options, convertibles and other interests | - | - |
| Diluted NAV | 556,100 | 497,049 |
| Exclude: | | |
| (iv) Fair value of financial instruments | 2,620 | 2,346 |
| (v.a) Deferred taxes | 437 | 385 |
| EPRA NAV | 559,157 | 499,780 |
| EPRA NAV per share (in euros) | 6.48 | 6.68 |

Triple NAV (NNNAV)

| | 31/03/2020 | 31/03/2019 |
|---|----------------|----------------|
| EPRA NAV | 559,157 | 499,780 |
| Include: | | |
| (i) Fair value of financial instruments | (2,620) | (2,346) |
| (ii) Fair value of debt | (13,111) | (13,234) |
| (iii) Deferred tax | (437) | (385) |
| EPRA NNNAV | 542,989 | 483,815 |

CASTELLANA PROPERTIES SOCIMI, S.A.
MANAGEMENT REPORT FOR
THE FINANCIAL YEAR ENDED ON 31 MARCH 2020

| EPRA YIELDS | 31/03/2020 | | |
|--|---------------|----------------|----------------|
| | Offices | Retail | Total |
| Investment property | 26,310 | 977,180 | 1,003,490 |
| Less assets under refurbishment | - | (90,080) | (90,080) |
| Investment property completed | 26,310 | 887,100 | 913,410 |
| Estimated real estate asset transaction costs | 526 | 17,742 | 18,268 |
| Total property portfolio value (B) | 26,836 | 904,842 | 931,678 |
| Annual return on real estate investments | 1,919 | 53,526 | 55,445 |
| Operating costs associated with non-recoverable assets | - | (1,962) | (1,962) |
| Annualised net rent (A) | 1,919 | 51,564 | 53,483 |
| Temporary rental discounts or rent-free periods | - | 2,859 | 2,859 |
| Maximum net return on real estate investments (c) | 1,919 | 54,423 | 56,342 |
| EPRA NIY (A/B) | 7.15% | 5.70% | 5.74% |

VACANCY RATE

| | 31/03/2020 | 31/03/2019 |
|-------------------------|---------------|---------------|
| ERV of available spaces | 745 | 1,160 |
| Total ERV | 61,909 | 56,183 |

| COST RATIO | 31/03/2020 (Thousands of euros) |
|---|------------------------------------|
| Include: | |
| Administrative and corporate costs | 7,151 |
| Non-recoverable operating costs | 3,033 |
| EPRA Costs (including direct vacancy costs) | 10,184 |
| Vacancy cost | (1,214) |
| EPRA Costs (excluding direct vacancy costs) | 8,970 |
| Gross Rent | 55,947 |
| EPRA Cost Ratio (including direct vacancy costs) | 18.20% |
| EPRA Cost Ratio (excluding direct vacancy costs) | 16.03% |

CASTELLANA PROPERTIES SOCIMI, S.A.
**MANAGEMENT REPORT FOR
 THE FINANCIAL YEAR ENDED ON 31 MARCH 2020**

In October 2019, EPRA modified the calculation of its EPRA NAV and EPRA NNAV ratios, replacing them with 3 new ratios specific to the industry and to market and investor needs. These new ratios apply to periods commencing on or after 1 January 2020. The ratios are, however, shown below at 31 March 2020 for information purposes:

New EPRA indicators

| | Net Reinstatement Value (NRV) | Net Tangible Assets (NTA) | Net Disposal Value (NDV) |
|--|-------------------------------------|------------------------------|-----------------------------|
| Equity attributable to shareholders | 556,100 | 556,100 | 556,100 |
| Include/Exclude: | - | - | - |
| (i) Hybrid instruments | - | - | - |
| Diluted NAV | 556,100 | 556,100 | 556,100 |
| Include: | - | - | - |
| ii.a) Restatement of investment property (when recognised at acquisition cost) | - | - | - |
| ii.b) Restatement of investment property being refurbished (when recognised at acquisition cost) | - | - | - |
| 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 | 556,100 | 556,100 | 556,100 |
| Exclude: | 2,620 | 2,599 | - |
| v) Deferred taxes related to the restatement of real estate assets | - | - | - |
| (vi) Fair value of financial instruments | 2,620 | 2,620 | - |
| (vi) Goodwill resulting from deferred taxes | - | - | - |
| (vii.a) Goodwill carried in the balance sheet | - | - | - |
| (vii.a) Intangibles carried in the balance sheet | - | (21) | - |
| Include: | - | - | (13,111) |
| viii) Market value of fixed-interest debt | - | - | (13,111) |
| ix) Restatement of intangibles to market value | - | - | - |
| x) Transfer tax | - | - | - |
| EPRA NAV | 558,720 | 558,699 | 542,989 |
| EPRA NAV per share (in euros) | 6.48 | 6.48 | 6.30 |

CASTELLANA PROPERTIES SOCIMI, S.A.
MANAGEMENT REPORT FOR
THE FINANCIAL YEAR ENDED ON 31 MARCH 2020

4. PERFORMANCE OF THE COMPANY'S SHARES

The parent company listed its shares on the Spanish Alternative Stock Exchange (MAB) on 25 July 2018. The shares were listed at €6.00 per share, closing at €7.10 per share on 31 March 2020 (€6.55 per share on 31 March 2019).

5. TREASURY SHARES

Movements in 2020 and 2019 were as follows:

| Description | 2020 | | 2019 | |
|------------------------|---------------------------|--------------------|---------------------------|--------------------|
| | Number of treasury shares | Thousands of euros | Number of treasury shares | Thousands of euros |
| Opening balance | 45,470 | 273 | - | - |
| Additions/purchases | 800 | 5 | 50,790 | 305 |
| Decreases | (8,338) | (50) | (5,320) | (32) |
| Closing balance | 37,882 | 228 | 45,470 | 273 |

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.

Treasury shares held by the Company at 31 March 2020 represented 0.04% of the Company's share capital and totalled 37,882 shares. The average cost of the Company's treasury shares was €6 per share.

These shares are recognised as a reduction of €228 thousand in the value of the Company's shareholders' funds at 31 March 2020 (€273 thousand at 31 March 2019).

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. The subsidiaries do not hold either treasury shares or 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). 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.

CASTELLANA PROPERTIES SOCIMI, S.A.

**MANAGEMENT REPORT FOR
THE FINANCIAL YEAR ENDED ON 31 MARCH 2020**

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 used to pursue the 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 taxed under 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.

Interim dividend

On 13 November 2019, Castellana's Board of Directors agreed to pay out an interim dividend for the financial year ended 31 March 2019 in the amount of €17,025 thousand, i.e. €0.197 per share and a share premium of €2,106 thousand, i.e. €0.024 per share, which was made effective on 28 November 2019. The forecast cash flow statement prepared by the Board of Directors is as follows:

| | |
|------------------------------------|---------------|
| Profit/(loss) | 19,893 |
| Legal reserve | (1,989) |
| Voluntary reserve | (879) |
| Dividend charged to profits | 17,025 |
| Share premium distribution | 2,107 |
| Total dividend payable | 19,132 |
| Available cash | 20,745 |

CASTELLANA PROPERTIES SOCIMI, S.A.
MANAGEMENT REPORT FOR
THE FINANCIAL YEAR ENDED ON 31 MARCH 2020

Distribution of previous year profit/(loss)

The distribution of the profit/(loss) at 31 March 2019, which was approved at the General Shareholders' Meeting on 18 June 2019, was:

| Description | Thousands of euros |
|--------------------------------------|--------------------|
| Available for distribution | |
| Profit for the year | 28,962 |
| | 28,962 |
| Distribution of profit/(loss) | |
| Legal reserve | 2,896 |
| Dividend distribution | 26,066 |
| | 28,962 |

Distribution of profit/(loss)

The proposed distribution of the Company's results and reserves to be submitted to the General Shareholders' Meeting is as follows:

| Description | Thousands of euros |
|--|--------------------|
| Available for distribution | |
| Profit for the year | 23,321 |
| Issue premium | 19,527 |
| | 42,848 |
| Application | |
| Legal reserve | 2,332 |
| Interim dividend 13 November 2019 | 17,025 |
| Interim dividend 18 June 2020 (Note 22) | 3,846 |
| Premium distributed 13 November 2019 | 2,107 |
| Dividend charged to issue premium 18 June 2020 (Note 22) | 17,420 |
| Voluntary reserves | 118 |
| | 42,848 |

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.

CASTELLANA PROPERTIES SOCIMI, S.A.
MANAGEMENT REPORT FOR
THE FINANCIAL YEAR ENDED ON 31 MARCH 2020

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 | |
|---------------------------------------|------|------|
| | 2020 | 2019 |
| Average supplier payment period | 33 | 26 |
| Ratio of transactions settled | 32 | 13 |
| Ratio of transactions not yet settled | 41 | 52 |

| Description | Thousands of euros | |
|----------------------------|--------------------|--------|
| | 2020 | 2019 |
| Total payments settled | 5,541 | 10,789 |
| Total outstanding payments | 362 | 15,789 |

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.

CASTELLANA PROPERTIES SOCIMI, S.A.
MANAGEMENT REPORT FOR
THE FINANCIAL YEAR ENDED ON 31 MARCH 2020

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 Consolidated Annual Accounts.

11. THE COMPANY'S PROSPECTS

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

The Group will also continue to actively manage its properties, focusing on improving leases expiring in 2021, as well as maintain the good occupancy levels.

As regards the state of emergency brought in by Royal Decree 463/2020 of 14 March to manage the health crisis caused by COVID-19, the Company is taking a number of steps to keep the assets operating at the highest possible occupancy rates. This entails fostering communication between the owner and the tenants so as to ascertain their situation as quickly as possible and be in a position to make the best decisions in each specific case.



CASTELLANA PROPERTIES SOCIMI, S.A.

**PREPARATION OF THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR
ENDED ON 31 MARCH 2020**

Pursuant to the requirements set out in Article 253 of the Spanish Companies Act and Article 37 of the Spanish Commercial Code, on 18 June 2020 the members of the Board of Directors of Sociedad Castellana Properties Socimi, S.A. prepared the following Annual Accounts and the Management Report for the financial year ending on 31 March 2020, which comprise the attached documents that precede this written submission.

Laurence Gary Rapp
Chairman

Alfonso Brunet
Board Member

Jorge Morán
Board Member

Michael John Potts
Board Member

Nigel George Payne
Board Member

Adam Lee Morze
Board Member

Guillermo Massó
Board Member

Debora Santamaría
Board Member

Laurence Cohen
Board Member