CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

Audit Report,
Consolidated Annual Accounts for the financial year ending 31 March 2019
and the Consolidated Management Report for the 2019 financial year

Independent auditor´s report on the consolidated annual accounts

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

Opinion

We have audited the consolidated annual accounts of Castellana Properties SOCIMI, S.A., (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at March 31, 2019, and the income statement, statement of Comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at March 31, 2019, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) adopted by the European Union (jointly, IFRS-EU) (as identified in Note 2 of the notes to the consolidated annual accounts), and in particular, with the accounting principles and criteria included therein in Spain.

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 consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated 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 consolidated annual accounts of the current period. These risks were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

Most relevant aspects of the audit	How our audit addressed the most relevant aspects of the audit
Valuation of Investment Property	
Investment properties make up 96% of the Group's assets. As described in Note 3.2, the Group applies the fair value model in accordance with IAS 40 and has recognised a change in fair value of investment property amounting to €25,816 thousand in the consolidated income statement for 2018, as described in Note 6. Total Investment property recognised in non-current assets on the consolidated balance sheet totals €916,470 thousand at 31 March 2019. The Group recognises the market value of investment property based independent expert valuations. Valuations are performed in accordance with the Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Standards Valuation Committee, whose methodology is described in notes 2.3 and 6 to the accompanying consolidated annual accounts. In calculating the values, the Group considers specific factors such as the lease contracts signed. Similarly, they apply certain assumptions with respect to variables such as discount rates, estimated market rent and comparable transactions in order to arrive at a final valuation. The significance of the estimates and judgements involved in these valuations, coupled with the fact that a minor difference in percentage terms in the valuation of a property could result in a material figure, means that the valuation of investment properties is considered a most relevant aspect of the audit.	For the acquisition of Investment Properties, we verified the key supporting documentation, such as contracts or sale-purchase deeds or other documents affecting the price. Additionally, we have obtained the valuation of investment properties carried out by independent experts on which we performed the following procedures, among others: - Verification of the expert's competence, capacity and independence by obtaining confirmation and corroborating its professional standing in the market. - Verifying that the valuations were performed according to accepted methodology. - Discussion of the principal key assumptions of the valuation through sundry meetings with the expert valuer and management. - Performing selective tests to verify the accuracy of the most relevant data provided by Management to the valuer and used by it in the valuations. - Evaluation of consistency of the main assumptions used factoring in existing market conditions. Additionally, we assessed the sufficiency of the information disclosed in the consolidated annual accounts. As a result, we consider that Management's approach is reasonable and supported by the available evidence.
Business Combination	
As indicated in Note 1.b) of the accompanying notes to the consolidated annual accounts, on 27 November 2018 the Annual and Extraordinary General Shareholders' Meeting resolved to increase share capital through the issuance of 39 million ordinary shares as a non-cash contribution for 100% of the shares in the company Morzal Property Iberia, S.L.U. with a	We have gained an understanding of the nature of the transaction and the accounting treatment in accordance with the applicable International Financial Reporting Standards adopted by the European Union. We have had to analyse the identification and measurement of the assets acquired and liabilities

net value of €246 million. This transaction has been considered a business combination in accordance with IFRS 3. The Group accounts for business combinations by recognising the target's assets, liabilities and contingent liabilities at fair value, provided the applicable requirements of IFRS 3 are met. In view of the significance of the value estimates and judgements required in transactions of this kind, we have treated the business combination as a most relevant aspect of the audit.	assumed in the business combination. We have obtained the capital increase deeds from the parent company, expert reports and other relevant documents, and we have analysed them in meetings with management to assess whether the non-cash contribution meets the definition of a business combination as contained in IFRS 3. In addition, we have gained comprehensive knowledge of the terms and conditions of the transaction, including the consideration transferred, and of the account statements related to the acquisition, and we have reviewed the values allocated and the measurements made of the assets acquired and obligations recognised. Finally, we have also checked the sufficiency of the information disclosed in the condensed annual accounts. We have identified no incidents as a result of the above-mentioned testing.

Other matters

The Consolidated Annual Accounts of Castellana Properties SOCIMI, S.A. corresponding to the period of 3 months ended at 31 March 2018 were audited by another auditor, which issued an unmodified opinion over those Consolidated Annual Accounts as on 5 July 2018.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2019 financial year, the formulation of which is the responsibility of the Parent company´s directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to evaluate and report on the consistency between the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group 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 consolidated 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 consolidated management report is consistent with that contained in the consolidated annual accounts for the 2019 financial year, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the Parent company´s directors for the consolidated annual accounts

The Parent company´s directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company´s directors are responsible for assessing the Group´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 aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group´s internal control.

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

- Conclude on the appropriateness of the Parent company´s directors´ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group´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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers Auditores, S.L. (S0242)

Rafael Pérez Guerra (20738)

May 14, 2019

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts for the financial year ending 31 March 2019 and the Consolidated Management Report for the 2019 financial year.

CONTENTS TO THE NOTES OF THE CONSOLIDATED ANNUAL ACCOUNTS

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(Thousands of euros)

ASSETS	Note	31 March 2019	31 March 2018
		Thousands of euros	
Assets			
Non-current assets			
Property, plant and equipment		83	58
Investment property	6	916,470	308,050
Other non-current financial assets	7	5,982	2,277
Deferred tax assets	14	52	52
		922,587	**310,437**
Current assets			
Trade receivables for sales and services	7	2,714	546
Trade receivables from related companies	7	44	617
Other amounts receivable from Public Administrations	14	1,714	920
Short-term accruals		168	-
Cash and cash equivalents	9	29,722	16,026
		34,362	**18,109**
Total assets		**956,949**	**328,546**

The accompanying notes 1 to 22 to the annual accounts form an integral part of the consolidated annual accounts at 31 March 2019.

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(Thousands of euros)

EQUITY AND LIABILITIES	Note	Thousands of euros 31 March 2019	 31 March 2018
Equity and liabilities			
Equity			
Equity attributable to the owners of the Parent Company			
Share capital	10	74,894	26,298
Share premium	10	360,436	118,832
Legal Reserve	11	148	15
Other reserves	11	(4,742)	8,548
Treasury shares	10	(273)	-
Retained earnings	11	40,359	22,711
Interim dividend	11	(17,916)	-
Profit/(loss) for the year	11	46,489	6,651
Adjustments due to changes in value	11	(2,346)	(210)
		497,049	**182,845**
Liabilities			
Non-current liabilities			
Bank borrowings	7	437,115	138,936
Derivative financial instruments	7	2,346	210
Deferred tax liabilities	14	437	437
Other non-current financial liabilities	7	11,686	4,142
		451,584	**143,725**
Current liabilities			
Bank borrowings	7	144	144
Trade and other payables	7	6,365	1,369
Other liabilities	7	308	-
Other amounts payable to Public Administrations	14	1,499	463
		8,316	**1,976**
Total liabilities		**459,900**	**145,701**
Total equity and liabilities		**956,949**	**328,546**

The accompanying notes 1 to 22 to the annual accounts form an integral part of the consolidated annual accounts at 31 March 2019.

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT

(Thousands of euros)

	Note	Thousands of euros	
		Financial year ended on 31 March 2019	**3 month period ended on 31 March 2018**
Continued operations			
Revenue	15	42,403	5,154
Changes in fair value of investment properties	6	25,816	3,910
Personnel costs	15	(2,695)	(216)
Other operating expenses	15	(11,683)	(1,068)
Other results		36	-
OPERATING PROFIT/(LOSS)		**53,877**	**7,780**
Financial expenses	16	(7,388)	(1,129)
FINANCIAL PROFIT/(LOSS)		**(7,388)**	**(1,129)**
PROFIT/(LOSS) BEFORE TAX		**46,489**	**6,651**
Income tax	14	-	-
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY'S OWNERS		**46,489**	**6,651**
EARNINGS PER SHARE ATTRIBUTABLE TO THE PARENT COMPANY'S OWNERS			
Basic and diluted profit per share	10	**1,00**	**0.26**

The accompanying notes 1 to 22 to the annual accounts form an integral part of the consolidated annual accounts at 31 March 2019.

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousands of euros)

		Thousands of euros	
	Note	**Financial year ended on 31 March 2019**	**3 month period ended on 31 March 2018**
Profit/(Loss) for the year	**15**	**46,489**	**6,651**
Other comprehensive income			
Items that will not be reclassified to profit/(loss)			
Other profit/(loss)		-	-
Items that may subsequently be reclassified to profit/(loss)			
Cash flow hedges	**13**	(2,136)	91
Other comprehensive income for the financial year, after tax			
Total comprehensive income for the financial year		**44,353**	**6,742**

The accompanying notes 1 to 22 to the annual accounts form an integral part of the consolidated annual accounts at 31 March 2019

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Thousands of euros)

	Capital (Note 10)	Share premium (Note 10)	Legal Reserve (Note 11)	Other Reserves (Note 11)	Treasury shares (Note 10)	Retained Earnings (Note 11)	Profit/(loss) for the year (Note 11)	Interim dividend (Note 11)	Adjustments due to changes in value (Note 11)	TOTAL
BALANCE AT 31 DECEMBER 2017	**25,546**	**115,068**	**15**	**-**	**-**	**11,041**	**18,615**	**-**	**(301)**	**169,984**
Profit/(loss) for the period	-	-	-	-	-	-	6,651	-	-	**6,651**
Other comprehensive income for the period	-	-	-	-	-	-	-	-	91	**91**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**6,651**	**-**	**91**	**6,742**
Distribution of prior year profit/(loss)	-	-	-	8,548	-	10,067	(18,615)	-	-	-
Share capital increase	752	3,764	-	-	-	(5)	-	-	-	4,511
Adoption of IFRS 9	-	-	-	-	-	1,608	-	-	-	1,608
Total transactions with owners, recognised directly in equity	**752**	**3,764**	**-**	**8,548**	**-**	**11,670**	**(18,615)**	**-**	**-**	**6,119**
BALANCE AT 31 MARCH 2018	**26,298**	**118,832**	**15**	**8,548**	**-**	**22,711**	**6,651**	**-**	**(210)**	**182,845**
Profit/(loss) for the period	-	-	-	-	-	-	46,489	-	-	**46,489**
Other comprehensive income for the year	-	-	-	-	-	-	-	-	(2,136)	**(2,136)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**46,489**	**-**	**(2,136)**	**44,353**
Distribution of prior year profit/(loss)	-	-	133	-	-	5,316	(6,651)	-	-	**(1,202)**
Share capital increase (Note 10)	48,596	242,338	-	(13,293)	-	12,295	-	-	-	**289,936**
Distribution of dividends (Note 11)	-	(734)	-	-	-	-	-	(17,916)	-	**(18,650)**
Treasury share transactions (Note 10)	-	-	-	3	(273)	-	-	-	-	**(270)**
Other changes	-	-	-	-	-	37	-	-	-	**37**
Total transactions with owners, recognised directly in equity	**48,596**	**241,604**	**133**	**(13,290)**	**(273)**	**17,648**	**(6,651)**	**(17,916)**	**-**	**269,851**
BALANCE AT 31 MARCH 2019	**74,894**	**360,436**	**148**	**(4,742)**	**(273)**	**40,359**	**46,489**	**(17,916)**	**(2,346)**	**497,049**

The accompanying notes 1 to 22 to the annual accounts form an integral part of the consolidated annual accounts at 31 March 2019.

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT

(Thousands of euros)

	Note	Thousands of euros Financial year ended on 31 March 2019	3 month period ended on 31 March 2018
A) CASH FLOW FROM OPERATING ACTIVITIES			
Pre-tax result for the year	**15**	**46.489**	**6.651**
Adjustments to profit/(loss)		**(19.272)**	**(2.779)**
Fixed asset depreciation		8	2
Changes in fair value of investment properties	6	(25.816)	(3.910)
Change in provisions		(852)	-
Financial expenses		7.388	1.129
Changes in working capital		**7.919**	**(181)**
Debtors and other receivables	7	(1.408)	151
Other current assets	7	(168)	-
Trade and other payables	12	5.317	(332)
Other current liabilities		339	-
Other non-current assets and liabilities		3.839	-
Other cash flows from business operations		**-**	**42**
Collections (payments) on income tax		-	42
Cash flows from operating activities		**35.136**	**3.733**
B) CASH FLOW FROM INVESTMENT ACTIVITIES			
Payments on investments		**(91.754)**	**(32)**
Property, plant and equipment		(32)	(13)
Investment property	6	(91.722)	-
Other financial assets		-	(19)
Collections from divestments		**-**	**-**
Investment property		-	-
Cash flow from investment activities		**(91.754)**	**(32)**
C) CASH FLOW FROM FINANCING ACTIVITIES			
Collections and payments relating to equity instruments		**43.370**	**(5)**
Issue of equity instruments	10	43.643	(5)
Acquisition of own equity instruments	10	(273)	-
Disposal of equity instruments		-	-
Other receivables		-	-
Collections and payments, financial liability instruments	**12**	**46.221**	**(721)**
Receivables on financial borrowings		51.475	-
Repayment of financial borrowings		-	-
Interest received		-	-
Interest paid		(5.176)	(653)
Other payables		(78)	(68)
Dividends paid and payment with other equity instruments:		**(19.277)**	**-**
Dividends	11	(19.277)	-
Payment with other equity instruments		-	-
Cash flow from financing activities		**70.314**	**(726)**
NET INCREASE/REDUCTION IN CASH AND CASH EQUIVALENTS		**13.696**	**2.975**
Cash and cash equivalents at the beginning of the year		**16.026**	**13.051**
Cash and cash equivalents at the end of the year		**29.722**	**16.026**

The accompanying notes 1 to 22 to the annual accounts form an integral part of the consolidated annual accounts at 31 March 2019.

1. ACTIVITES AND GENERAL INFORMATION

Castellana Properties Socimi, S.A. (hereinafter, the Company) was incorporated on 19 May 2015 under the Spanish Capital Companies Act. Originally called Vinemont Investment, S.A., its name was changed to the current one on 30 May 2016. Its registered office is at Glorieta de Rubén Darío, 28010 – No. 3, 1º dcha, 28010 Madrid.

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

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

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

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

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

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

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

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

These Consolidated Annual Accounts have been prepared by the Board of Directors of the Parent Company on May 14, 2019. The Parent Company's Administrators will present these Consolidated Annual Accounts to the General Shareholders' Meeting, and it is expected that they will be approved without changes.

a) Regulatory regime

The Company is regulated under the Spanish Capital Companies Act.

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

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

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

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

The First Transitional Provision of the SOCIMI Act allows for application of the SOCIMI tax rules under the terms set out in Article 8 of the SOCIMI Act, even when the requirements it contains are not met on the date of incorporation, on the condition that these requirements are met during the two years following the date on which it is decided to opt for application of the said tax rules.

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.

(Thousand euros)

b) Subsidiary companies

The Parent Company is the parent of a Group of subsidiary companies, of which the main details at 31 March 2019 are the following:

Company	Registered Address	Corporate Purpose	Shareholding %	Date of takeover
Junction Parque Castellón S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017
Junction Parque Principado, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017
Randolph Spain, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017
Roxbury Spain, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017
Junction Parque Huelva, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017
Junction Parque Motril, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017
Junction Parque Granada, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017
Junction Parque Cáceres, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017
Junction Parque Mérida, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017
Junction Parque Villanueva 1, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017
Junction Parque Villanueva fase 2, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	30 June 2017
Junction Parque Alameda, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	5 December 2017
Junction Parque Habaneras, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	9 May 2018
Morzal Property Iberia, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Shopping Centre Leasing	100%	27 November 2018

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

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

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

Business combination

On November 27, 2018, the Company acquired through a capital increase on the way of a non-monetary contribution, 100% of the company Morzal Property Iberia, S.L.U, whose shareholders were Vukile Properties Limited (50,85%), Morze European Real Estate Ventures (34,19%) and Westbrooke Yield Plus, S.à r.l. (14,96%).

This capital increase was carried out for a value of 39,000 thousand euros, with a nominal value of one euro per share and an issue premium of 195,000 thousand euros, that means, five euros per share. It owns four shopping centers, the Faro (Badajoz), Vallsur (Valladolid), Bahia Sur (San Fernando, Cádiz) and Los Arcos (Seville).

Details of the acquisition consideration, the net assets acquired and the negative consolidation difference are as follows:

	Thousands of euros
Aquisition compensation	
Shares issued	39.000
Share premium associated with the issuance of shares	195.000
Consolidated reserves	12.295
	246.295
Assets and liabilities recognized as a result of the acquisition:	
Investment Property	491.700
Treasury	12.235
Other long-term assets	3.141
Trade accounts receivable	1.529
Other short-term assets	122
Financial debt	-249.921
Other long-term liabilities	-6.635
Commercial accounts to pay	-5.233
Other accounts to pay	-340
Balances with the Public Treasury	-303
	246.295

2. BASES FOR THE PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS

The main accounting policies adopted in the preparation of these Consolidated Annual Accounts are described below. These policies have been applied consistently to all the periods shown, unless otherwise stated.

2.1. Bases for presentation

For the periods shown in these Consolidated Annual Accounts, the Group has prepared the accounts for the individual companies, 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, the financial position and the profit/(loss) of each of the companies that form part of the Group.

These adjoining Consolidated Annual Accounts have been prepared by the administrators of the parent company, in accordance with the International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) adopted by the European Union (jointly, IFRS-EU), pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council and its successive amendments.

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

The Consolidated Annual Accounts have been prepared in accordance with the historical cost approach, although modified by the revaluation of real estate investments, financial assets and financial liabilities at fair value (including derivative financial instruments), with changes in profit and loss or in equity.

The figures in these Annual Accounts are presented in thousands of euros, the euro being the currency that the Company uses for both accounting and operational purposes.

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

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

- IFRS 4 (Amendment) "Applying IFRS 9 “Financial instruments” with IFRS 4 “Insurance contracts” – Amendments to IFRS 4”
- Annual Improvements to IFRSs. 2014 – 2016 Cycle: The amendments affect IFRS 1 and IAS 28, and they apply to annual periods beginning from 1 January 2018 onwards. The main amendments relate to the following:
    - IFRS 1, “First-time Adoption of International Financial Reporting Standards”
    - IAS 28, “Investments in Associates and Joint Ventures”
- IFRS 2 (Amendment) “Classification and measurement of share-based payment transactions”
- IAS 40 (Amendment) “Transfers of investment property”
- IFRIC 22 “Foreign currency transactions and advance considerations”
- IFRS 9 - Financial instruments: IFRS 9 supersedes IAS 39 as from financial years starting on or after 1 January 2018 and affects both asset and liability financial instruments. The new asset classification approach is based on the contractual features of the asset cash flows and the entity's business model,

which has entailed a name change but has had no impact on the measurement of the Group's financial assets and liabilities.

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

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

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

The analysis of accounting standards and interpretations applicable as from 1 January 2018 has revealed no material impact that must be included in these Consolidated Annual Accounts.

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

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

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

- IFRS 9 (Amendment) “Prepayment features with negative compensation”
- IFRIC 23, "Uncertainty about the treatment of income tax"
- IAS 28 (Amendment) "Long-term interests in associates and joint ventures"
- IAS 19 (Modification) "Modification, reduction or liquidation of the plan"
- Annual Improvements to IFRS. Cycle 2015 - 2017: The amendments affect IFRS 3, IFRS 11, IAS 12 and IAS 23 apply to annual periods beginning on January 1, 2019, all subject to adoption by the EU. The main modifications refer to:
    - IFRS 3 "Business combinations"

- IFRS 11 "Joint agreements"
- IAS 12 "Income Tax"
- IAS 23 "Interest costs"

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

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

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

- IFRS 10 (Amendment) and IAS 28 (Amendment) “Sales or contributions of assets between an investor and its associates/joint ventures”.
- IFRS 17 “Insurance contracts”
- IFRS 3 (Modification) "Business definition"
- AS 1 (Amendment) and IAS 8 (Amendment) "Definition of material"

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

2.3. Critical aspects relating to the measurement and assessment of uncertainty

Estimates and judgements are continually reassessed and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances. The Group makes estimates and judgements concerning the future. The resulting accounting estimates, by definition, will rarely match actual results.

The adjustments that arise after estimates are regularised will be prospective. The 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 next financial year are discussed below.

<u>Fair value of real estate investments</u>

The Group obtains independent valuations of its investment properties every six months. In their end-of-year reports for each financial year, the Directors make a valuation of each property at its 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 real estate investments in an active market is the price of similar assets. In the absence of such information and in light of the current market situation, the Company determines fair value using a range of reasonable values. When making such judgements, the Company uses a series of sources, including:

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

Fair value of derivatives and other financial instruments

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

Income tax

The Parent Company applies the system provided for in Act 11 of 26 October 2009, which governs Spanish Real Estate Investment Trusts (SOCIMIs), which in practice means that, provided that it meets certain requirements, the Parent Company is subject to a Corporate Income Tax rate of 0% (Note 1).

The Directors monitor compliance with the requirements set out in the relevant legislation in order to secure the tax advantages offered.

In this regard, the Directors consider that the necessary requirements will be met within the established terms and periods, and they have therefore not entered any income or expense in respect of Corporate Income Tax.

Notwithstanding the fact that the criteria for making estimates are based on reasonable assessments and objective methods of analysis, it is possible that events may arise in the future that make it necessary to modify such estimates (upwards or downwards) during future periods; the method applied, when necessary and pursuant to IAS 8, is to enter the amended estimate prospectively in the income statement.

2.4. Consolidation

(a) Subsidiaries

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

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

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

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

(c) Disposal of subsidiaries

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

2.5. Financial information by segment

Information on business segments is reported on the basis of the internal information supplied to the body with ultimate authority to make decisions. The investments committee has been identified as the body with ultimate authority to make decisions, since it is responsible for allocating resources and assessing the performance of operating segments, as well as being in charge of strategic decision-making, with final approval from the Board of Directors (Note 5).

2.6. Dividend distribution

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

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

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

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

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

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

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

2.7. Comparison of information

As required under the international financial reporting rules adopted by the European Union, the information contained in these consolidated annual accounts for the financial year ending on 31 March 2019 is presented, for comparison purposes, together with the information relating to the three-month period ending on 31 March 2018.

The Company has reclassified the amount of other financial liabilities, presented as short-term in the Consolidated Annual Accounts at 31 March 2018, to long-term to compare the information with this financial year and to adjust their maturity to current situation.

2.8. Going concern principle

These consolidated Annual Accounts have been prepared following the principle of "going concern", which contemplates that the group will realize its assets and attend to its commitments in the normal course of its obligations.

3. REGISTRY AND VALUATION RULES

3.1. Property, plant and equipment

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

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

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

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

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

When the carrying amount of a fixed asset is higher than its estimated recoverable value, its carrying amount is immediately reduced to its recoverable value (Note 3.3).

3.2. Investment property

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

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

The fair value of investment property reflects, inter alia, income from leasing and other assumptions that market players would take into account when valuing the property under current market conditions. Calculation of the fair value of these items is described in Note 6.

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

Any changes to fair value are entered in the income statement. When the Group disposes of a property at fair value in an arm's-length transaction, the carrying amount immediately prior to the sale is adjusted to the transaction price and the adjustment is entered in the income statement as part of the net gain from the adjustment to the fair value of investment properties.

If an investment property becomes an owner-occupied property, it is reclassified as property, plant and equipment. Its fair value on the date on which it is reclassified becomes its cost for subsequent accounting purposes.

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

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

3.3. Losses due to the impairment of non-financial assets

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

The value of non-financial assets subject to depreciation is not significant.

3.4. Financial assets

Loans and receivables

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

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

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

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

3.5. 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 entered at their fair value, adjusted for directly attributable transaction costs, including any related financing fees, and subsequently entered at amortised cost using the effective interest rate method. The effective interest rate is the updated rate which brings the instrument's carrying amount into line with expected future payment flows until 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 valued at their par value, both when initially entered and on subsequent valuation, provided that the effect of not updating cash flows is not significant.

Financial borrowings

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

3.6. Financial derivatives and hedge accounting

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

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

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

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

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

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

Cash flow hedges

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

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

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

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 Group intends to settle them for the net amount or realise the asset or cancel the liability simultaneously. The legally enforceable right should not be contingent on future events and should be enforceable in the normal course of business and in the event of a breach or the insolvency or bankruptcy of the company or counterparty.

3.8. Cash and cash equivalents

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

3.9. Share Capital

The share capital is made up of ordinary shares.

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

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

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

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

3.10. Current and deferred income tax

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

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

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

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

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

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

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

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

3.11. Leases

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

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

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

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

3.12. Long-term incentive plans

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

Company management is currently analysing these long-term remuneration options and plans to implement the option chosen over the course of the 2020 financial year.

3.13. Provisions and contingent liabilities

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

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

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

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

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 during the ordinary course of the Group’s activities, minus returns, discounts, rebates and VAT.

Provision of services

The Group provides leasing services. The income received from the leasing of properties is entered as it accrues, and profits are distributed on a linear basis with regard to the incentives offered and the initial cost of the lease agreements. When the Group offers incentives to its tenants, the cost of the incentive is entered during the lease period on a linear basis, as a reduction in rental income. The costs associated with each rental payment are entered as an expense.

Interest income

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

3.15. Transactions between related parties

Generally speaking, transactions performed between related parties are initially entered in the accounts at their fair value. Where applicable, if the agreed price differs from the fair value, this difference will be entered, taking account of the real financial conditions of the transaction. It will subsequently be valued in accordance with the provisions set out in the relevant standards.

4. RISK MANAGEMENT

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

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

4.1. Financial risk management

a) Market risk

The Group's interest rate risk originates from its financial borrowings. Borrowings issued at floating rates expose the Group to interest rate risk on cash flow. At 31 March 2019 circa 33.76% (100% at 31 March 2018) of its financing was linked to a variable rate. The Group's borrowings at variable interest rates are denominated in euros.

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

These analyses take the following into account:

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

Based on the simulations carried out, the maximum recalculated impact that a 1% interest-rate variation would have on profit after tax would be a respective €1,480 thousand increase, or a €1,480 thousand reduction in financial expenses. Simulations are performed regularly to ensure that the potential maximum loss remains within the limits established by Management.

On the basis of these different scenarios, the Group manages the cash flow interest rate risk through variable to fixed interest rate swaps. These interest rate swaps have the economic effect of converting variable interest borrowings to fixed interest borrowings. In general, the Group obtains long-term borrowings at variable interest rates and swaps them for borrowings at fixed interest rates lower than those which would be available if the Group obtained borrowings directly at fixed interest rates. Under interest rate swaps, the Group undertakes with third parties to exchange on a regular basis the difference between fixed and variable interest, calculated on the basis of the notional principal amount contracted. Fixed interest rates vary between 1.8% and 1.9% and variable interest rates vary between 1.5% and 2%.

b) Credit risk

Credit risk is managed at Group level. The Group defines its policy for managing and analysing the credit risk of its new customers before offering them normal terms and conditions. Credit risk mainly arises from deposits made with the relevant organisations, financial derivatives and receivables for sales and services rendered, as well as various debtors.

The Group's credit risk controls set out the credit quality that must be displayed by customers, taking account of their financial situation, past experience and other factors. Individual credit limits are established on the basis of internal and external ratings, in accordance with the limits established by the Board of Directors. The use of credit limits is regularly reviewed.

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

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

Description	Thousands of euros	
	31.03.2019	**31.03.2018**
Current assets net of impairment provisions		
Trade and other receivables (Note 8)	2,758	1,163
Cash and cash equivalents (Note 9)	29,722	16,026
	32,480	**17,189**

The fair value of "Cash and cash equivalents" is close to the carrying amount shown in the above table.

c) Liquidity risk

Cash flow predictions are carried out by the Group's Finance Department. This Department monitors the Group's liquidity requirements in order to ensure that it has sufficient cash to meet its operational needs while maintaining sufficient available liquidity at all times to ensure that the Group does not breach its financial obligations. These forecasts take account of the Group's financing plans, ratio compliance, compliance with internal objectives and, where applicable, any regulatory or legal requirements.

The periods over which Company bank borrowing matures in nominal terms are shown in the following table:

Description	Thousands of euros			
	31.03.2019		**31.03.2018**	
	Non-Current	**Current**	**Non-Current**	**Current**
2020	2,508	144	-	144
2021	45,204	-	43,800	-
2022	39,000	-	37,595	-
2023	65,307	-	64,605	
>2024	298,330	-	-	-
	450,349	**144**	**146,000**	**144**

The cash surplus maintained by the Group is usually deposited in current accounts that attract interest at a specific rate or in term deposits, with maturity dates or levels of liquidity that are sufficient to offer the appropriate flexibility in light of the forecasts mentioned above. On the date of this balance sheet, the Group has cash assets totalling €29,722 thousand (€16,026 thousand at 31 March 2018) which are expected to generate cash inflows.

At 31 March 2019, the Company's working capital amounted to €26,046 thousand (€16,133 thousand at 31 March 2018).

d) Tax risk

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

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

4.2. Capital management

The Group's main capital management objectives are to ensure long- and short-term financial stability, the positive performance of the Parent Company's shares, the appropriate financing of investments and a reduction in debt levels. Financial leveraging ratios, calculated as: (Net financial borrowings at amortised cost / (Net financial borrowings at amortised cost + Equity)) at 31 March 2019 and 31 March 2018 were as follows:

Description	Thousands of euros	
	31.03.2019	**31.03.2018**
Net borrowings (Notes 9 and 12)	407,537	123,054
Equity (Notes 10 and 11)	497,049	182,845
Leveraging	**45.05%**	**40.23%**

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

Leveraging ratios on real estate investments, calculated as financial debt at amortised cost between the Fair value of investment property at 31 March 2019 and 31 March 2018 was 45% and 40% respectively, and the Group's aim is to keep these ratios at between 50% and 60%.

4.3. Estimation of fair value of financial instruments

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

• Quoted prices (non-adjusted) in active markets for identical assets and liabilities (Level 1).

• Inputs that differ from the quoted price included in Level 1, that are observable for the asset or liability, either directly (the prices themselves) or indirectly (derived from prices) (Level 2).

• Data for the asset or liability, which is not based on observable market input (i.e., unobservable inputs) (Level 3).

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

31 March 2019	**Thousands of euros**			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Long-term financial investments				
Interest rate hedging derivatives	-	-	-	-
Total assets	**-**	**-**	**-**	**-**
Liabilities				
Long-term debts				
Interest rate hedging derivatives	-	(2,346)	-	**(2,346)**
Total liabilities	**-**	**(2,346)**	**-**	**(2,346)**

31 March 2018	**Thousands of euros**			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Long-term financial investments				
Interest rate hedging derivatives	-	-	-	-
Total assets	**-**	**-**	**-**	**-**
Liabilities				
Long-term debts				
Interest rate hedging derivatives	-	(210)	-	**(210)**
Total liabilities	**-**	**(210)**	**-**	**(210)**

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

During the year, no transfers between levels occurred.

4.4. Offsetting financial assets and liabilities

The Group's only financial assets and liabilities are, respectively, deposits made with official bodies and deposits to be returned to tenants. It is the Group's intention that if these amounts are repaid, they will be settled on a gross basis, meaning they have not, therefore, been offset.

5. FINANCIAL INFORMATION BY SEGMENT

The Investments Committee acting together with the Board of Directors represent the Group's highest decision-making authority. Management has defined operating segments, based on information which is reviewed by these bodies for the purposes of allocating resources and evaluating the Group's performance. Management identifies three reporting segments: Retail, Offices and Corporate.

The information by segment for these activities at 31 March 2019 and 31 March 2018 is as follows:

2019	Thousands of euros			
Description	**Retail**	**Offices**	**Corporate**	**Total**
Revenue	39,555	2,848	-	**42,403**
Changes in fair value of investment property	25,266	550	-	**25,816**
Personnel costs	-	-	(2,695)	**(2,695)**
Other operating expenses	(9,482)	(411)	(1,790)	**(11,683)**
Other results	-	-	36	**36**
Operating profit/(loss)	**55,339**	**2,987**	**(4,449)**	**53,877**
Financial expenses	(7,388)	-	-	**(7,388)**
Financial profit/(loss)	**(7,388)**	**-**	**-**	**(7,388)**
Profit/(loss) before tax	**47,951**	**2.987**	**(4.449)**	**46,489**
Income tax	-	-	-	**-**
Profit/(loss) for the period	**47,951**	**2.987**	**(4.449)**	**46,489**

2018	Thousands of euros			
Description	**Retail**	**Offices**	**Corporate**	**Total**
Revenue	4,635	519	-	**5,154**
Changes in fair value of investment property	3,720	190	-	**3,910**
Personnel costs	-	-	(216)	**(216)**
Other operating expenses	(719)	(122)	(227)	**(1,068)**
Other profit/(loss)	-	-	-	**-**
Operating profit/(loss)	**7,636**	**587**	**(443)**	**7,780**
Financial incomes	-	-	-	**-**
Financial expenses	(1,034)	-	(95)	**(1,129)**
Financial profit/(loss)	**(1,034)**	**-**	**(95)**	**(1,129)**
Profit/(loss) before tax	**6,602**	**587**	**(538)**	**6,651**
Income tax	-	-	-	**-**
Profit/(loss) for the period	**6,602**	**587**	**(538)**	**6,651**

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

2019	**Thousands of euros**			
Description	**Retail**	**Offices**	**Corporate**	**Total**
Investment property	890,170	26,300	-	916,470
Other non-current assets	5,676	299	142	6,117
Non-current assets	**895,846**	**26,599**	**142**	**922,587**
Trade and other receivables	2,584	101	1,787	4,472
Other current assets	29,238	652	-	29,890
Current assets	**31,822**	**753**	**1,787**	**34,362**
Total assets	**927,668**	**27,352**	**1,929**	**956,949**
Bank borrowings	437,115	-	-	437,115
Other non-current liabilities	14,175	294	-	14,469
Non-current liabilities	**451,290**	**294**	**-**	**451,584**
Current liabilities	**3,215**	**95**	**5,006**	**8,316**
Total liabilities	**454,505**	**389**	**5,006**	**459,900**

2018	**Thousands of euros**			
Description	**Retail**	**Offices**	**Corporate**	**Total**
Investment property	282,300	25,750	-	308,050
Other non-current assets	1,974	355	58	2,387
Non-current assets	**284,274**	**26,105**	**58**	**310,437**
Trade and other receivables	576	1,507	-	2,083
Other current assets	10,657	2,685	2,684	16,026
Current assets	**11,233**	**4,192**	**2,684**	**18,109**
Total assets	**295,507**	**30,297**	**2,742**	**328,546**
Bank borrowings	138,936	-	-	138,936
Other non-current liabilities	4,495	294	-	4,789
Non-current liabilities	**143,431**	**294**	**-**	**143,725**
Current liabilities	**1,976**	**-**	**-**	**1,976**
Total liabilities	**145,407**	**294**	**-**	**145,701**

6. INVESTMENT PROPERTY

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

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

	Thousands of euros
Balance at 31.12.2017	**304,140**
Acquisitions	-
Subsequent capitalised disbursements	-
Profit/(loss) net of adjustments at fair value	3,910
Balance at 31.03.2018	**308,050**
Acquisitions	576,545
Subsequent capitalised disbursements	6,059
Profit/(loss) net of adjustments at fair value	25,816
Balance at 31.03.2019	**916,470**

On 09 May 2018, the Group acquired Habaneras Shopping Centre (Torrevieja, Alicante) via its subsidiary Junction Parque Habaneras, S.L.U. for €83,807 thousand (including acquisition costs).

On 27 November 2018, some of the shareholders of the Parent Company of the Group carried out a share capital increase via a non-monetary contribution, providing their shares in the subsidiary Morzal Properties Iberia, S.L.U. This subsidiary owns four shopping centres, el Faro (Badajoz), Vallsur (Valladolid), Bahía Sur (San Fernando, Cadiz) and Los Arcos (Seville), which at the integration date had a value of €491,700 thousand (including acquisition costs).

Note 20 contains detailed information on the properties included in this item.

Several mortgage guarantees have been put in place for certain properties, the market values of which stand at €916,470 thousand (€308,050 thousand at 31 March 2018), by way of guaranteeing the Company will meet the terms and conditions upon which it has obtained financing. At 31 March 2019, the nominal value of this financing amounted to €450,349 thousand (€146,000 thousand at 31 March 2018) (see Note 12).

a) Income and expenses on investment property

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

Description	Thousands of euros	
	2019	**2018**
Rental income	**42,403**	**5,154**
Expenses for the operations resulting from investment property that generate rental income	(9,893)	(841)
Expenses for the operations resulting from investment property that does not generate rental income	-	-
	32,510	**4,313**

b) Operating leases

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

Description	Thousands of euros	
	2019	**2018**
Less than one year	46,735	17,102
Between one and five years	85,318	37,561
More than five years	30,557	22,607
	162,610	**77,270**

c) Insurances

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

d) Obligations

At year-end the Group had paid up €2,000 thousand by way of a purchase option for a plot of land next to the property "Los Arcos" (Seville).
As at 31 March 2018, no other additional obligation has been contracted aside from those detailed in the note.

e) Valuation process

The cost and fair value of the investment property at 31 March 2019 and 31 March 2018 are detailed below:

Description	Thousands of euros			
	31.03.2019		31.03.2018	
	Costs	Fair Value	Costs	Fair Value
Investment property	865,185	916,470	289,657	308,050
	865,185	**916,470**	**289,657**	**308,050**

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

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

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

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

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

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

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

(Thousand euros)

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

31 March 2019

YIELD Variance	**(0.250%)**	**0.250%**
Retail	15,880	(15,530)
Offices	430	(430)
Land & Purchase Option	640	(565)
Theoretical result	**16,950**	**(16,525)**

YIELDS		
Retail	5.00%	6.50%
Offices	7.15%	9.20%

Discount rates		
Retail	7.00%	8.75%
Offices	8.00%	9.00%

31 March 2018

YIELD Variance	**(0.25%)**	**0.25%**
Retail	5,500	(5,210)
Offices	460	(440)
Theoretical result	**5,960**	**(5,650)**

YIELDS		
Retail	5.00%	6.75%
Offices	7.10%	9.15%

Discount rates		
Retail	7.50%	10.00%
Offices	9.25%	10.25%

The effect of a 10% variation in the rental increases considered will have a significant impact on consolidated assets and on the consolidated income statement as regards investment properties:

	31/03/2019		31/03/2018	
	Asset	Net consolidated result	Asset	Net consolidated result
Increase of 10% in market rents	64,940	64,940	22,730	22,730
Decrease of 10% in market rents	(65,415)	(65,415)	(22,130)	(22,130)

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

During the years ending on 31 March 2019 and 31 March 2018, no transfers between levels occurred.

On 31 March 2019, Castellana Group's EPRA NAV stood at €499,781 thousand (€6.68 per share).

The total fees, including the fee for this assignment, earned by Colliers International Spain (or other companies forming part of the same group of companies in Spain) from the Addressee (or other companies forming part of the same group of companies) are less than 5.0% of the total revenues of the company.

7. ANALYSIS OF FINANCIAL INSTRUMENTS

a) Analysis by category

The carrying amount of each of the categories of financial instruments established in the regulations on the recording and valuation of "financial instruments" is as follows:

	Thousands of euros	
	Long-term financial assets	
	Credits, derivatives and other	
	31.03.2019	**31.03.2018**
Loans and receivables (Note 8)	5,982	2,277
	5,982	**2,277**
	Short-term financial assets	
	Credits, derivatives and other	
	31.03.2019	**31.03.2018**
Loans and receivables (Note 8)	2,758	1,163
	2,758	**1,163**
Total financial assets	**8,740**	**3,440**

Under "Other financial investments" the Group enters the guarantee amounts deposited with the different public bodies in connection with leases.

	Thousands of euros			
	Long-term financial liabilities			
	Bank borrowings		Credits, derivatives and other	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
Creditors and payables (Note 12)	437,115	138,936	11,686	4,142
Derivative financial instruments (Note 13)	-	-	2,346	210
	437,115	**138,936**	**14,032**	**4,352**

	Thousands of euros			
	Short-term financial liabilities			
	Bank borrowings		Credits, derivatives and other	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
Creditors and payables (Note 12)	144	144	6,673	1,369
	144	**144**	**6,673**	**1,369**
Total financial liabilities	**437,259**	**139,080**	**20,705**	**5,721**

b) Analysis by maturity date

At 31 March 2019, the value of financial instruments with a specific maturity date or with a maturity date falling within a specific year was as follows:

31 March 2019	Thousands of euros					
	Financial assets					
	2020	**2021**	**2022**	**2023**	**Subsequent years**	**Total**
Other financial investments:						
- Long-term guarantees put in place	1,611	222	277	670	3,202	**5,982**
Trade receivables:						
- Trade receivables	2,758	-	-	-	-	**2,758**
	4,369	**222**	**277**	**670**	**3,202**	**8,740**

	Financial liabilities					
	2020	**2021**	**2022**	**2023**	**Subsequent years**	**Total**
Debts:						
- Derivatives	-	306	453	1,587	-	**2,346**
- Long-term guarantees received	3,972	399	516	1,269	5,530	**11,686**
- Bank borrowings	2,411	43,542	37,567	63,148	290,591	**437,259**
Trade payables:						
- Trade and other payables	6,673	-	-	-	-	**6,673**
	13,056	**44,247**	**38,536**	**66,004**	**296,121**	**457,964**

8. LOANS AND RECEIVABLES

As of 31 March 2019 and 31 March 2018, the breakdown of this heading is as follows:

		Thousands of euros
	31.03.2019	**31.03.2018**
Long-term loans and receivables (Note 7):		
- Other financial assets	5,982	2,277
	5,982	**2,277**
Short-term loans and receivables (Note 7):		
- Trade receivables for sales and services	2,714	546
- Trade receivables from related companies (Note 19)	44	617
	2,758	**1,163**
	8,740	**3,440**

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

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

Of the total short-term loans and receivables, at 31 March 2019, trade and other receivables had matured to the value of €1,197,000 (€621 thousand at 31 March 2018), of which €166 thousand had been provisioned (€75 thousand at 31 March 2018) according to the established policy relating to pending customer balances, based on IFRS 9, and the Group's own analysis.

At the end of the period, the customer entry includes an amount of €1,683 thousand pending invoicing, primarily for variable rent relating to 2018 from the group companies Morzal Properties Iberia, S.L., Junction Parque Habaneras S.L.U. and Junction Parque Principado S.L.U. (€0 at 31 March 2018) and outstanding balances to settle from the sales purchase with the vendor of the assets owned by the company Morzal Property Iberia, S.L..

All the amounts reported in this section refer to amounts that are due and payable and for which no allowance provision has been made. The Group expects to recover these amounts.

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

Description	Thousands of euros	
	31.03.2019	**31.03.2018**
Up to 3 months	474	621
Between 3 and 6 months	638	-
More than 6 months	85	-
	1,197	**621**

The balance due between 3 and 6 months primarily includes billings to the Seller of the Company Morzal related to payments for the sales purchase. The company does not envisage any receivables risk related to this.

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

The entry "Trade receivables" is shown net of corrections for impairment. The corresponding allowance provisions are set aside on the basis of the risk attached to potential insolvencies relating to collecting payment on the assets.

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

Description	Thousands of euros	
	31.03.2019	31.03.2018
Opening balance	**(75)**	**(44)**
Allocation	(161)	(31)
Reversion	70	-
Application	-	-
Closing balance	**(166)**	**(75)**

9. CASH AND OTHER CASH EQUIVALENTS

As of 31 March 2019 and 31 March 2018, the breakdown of this heading is as follows:

Description	Thousands of euros	
	31.03.2019	31.03.2018
Cash and cash equivalents		
Current accounts	29,722	16,026
	29,722	**16,026**

The current accounts accrue a market interest rate.

At 31 March 2019, there were restrictions on the availability of a total of €3,197 thousand (€748 thousand at 31 March 2018).

10. SHAREHOLDERS' FUNDS

a) Share capital and share premium

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

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

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

On 28 June 2017, 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, via the issue of 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, via the issue of 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 amounted to €25,546 thousand, represented by 25,545,505 shares with a par value of €1 each, all of which were in the same class, fully subscribed and paid up, with the same rights transferred to shareholders.

On 8 March 2018, the General 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, via the issue of 752,790 new registered shares, with a par value of €1 each. This increase was carried out with a total share premium of €3,764 thousand.

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

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

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

The Ordinary and Extraordinary General Shareholders' Meeting held on 27 November 2018 agreed to increase the share capital by €39,000 thousand through the issue of 39,000,000 ordinary shares as a non-monetary contribution. The new shares were issued at their par value of €1 plus a share premium of 5 euros per share, resulting in an issue price of €6 per share. The cost of the share capital increase amounted to a total of €234,000 thousand, of which €39,000 thousand corresponds to share capital and €195,000 thousand corresponds to a share premium (see note 1). Castellana's share capital prior to the share capital increase amounted to €33,967,703, represented by 33,967,703 shares, each with a par value of €1, all of a single category and series, with equal voting rights and entered in a share register.

On 14 March 2019, the Universal Extraordinary Shareholders' Meeting agreed a share capital increase by capitalising accounts payable /(or loans) of €1,926 thousand, via the issue 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 rose to €74,894 thousand, represented by 74,893,802 shares.

As at 31 March 2019, the 3 shareholders with more than a 3% stake in the Share Capital of the Parent Company are Vukile Properties Limited, Morze European Real Estate Ventures and Westbrooke Yield Plus, S.à r.l. At 31 March 2018, the only shareholder with more than 3% was Vukile Properties Limited. The breakdown is as follows:

	31.03.2019		31.03.2018	
	Number of shares	**Participation %**	**Number of shares**	**Participation %**
Vukile Properties Limited	52.916.295	73%	25.966.295	99%
Morze European Real Estate Ventures	13.333.333	18%	-	-
Westbrooke Yield Plus	5.833.333	8%	-	-

As of 31 March 2019 and 31 March 2018, the breakdown of share capital is as follows:

Description	**Thousands of euros**	
	31.03.2019	**31.03.2018**
Subscribed share capital	74,894	26,298
Non-paid-up capital	-	-
	74,894	**26,298**

b) Share premium.

This reserve is freely available so long as its distribution would not result in the Parent Company's shareholders' funds amounting to less than the value of its share capital.

c) Treasury shares

The changes in 2019 and 2018 were as follows:

Description	2019		2018	
	Number of treasury shares	Thousands of euros	Number of treasury shares	Thousands of euros
Opening balance	-	-	-	-
Additions/purchases	**50,790**	**305**	-	-
Reductions	**(5,320)**	**(32)**	-	-
Closing balance	**45,470**	**273**	-	-

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

Shares owned by the Parent Company itself at 31 March 2019 represented 0.06% of the Company's share capital and totalled 45,470 shares. The average cost of the Company's treasury shares was €6 per share.

These shares are registered, thus reducing the value of the Company's shareholders' funds on 31 March 2019 by €273 thousand. (€0 at 31 March 2018).

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

d) Earnings per share

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

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

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

Calculation of basic and diluted earnings

Description	2019	2018
Net profit (thousand euros)	46,489	6,651
Weighted average number of shares issued (shares)	46,383,159	25,737,885
Average number of treasury shares held in the company's own portfolio (shares)	38,993	-
Basic and diluted profit per share (euros)	1.00	0.26

With regard to the calculation of earnings per share, there were no transactions involving ordinary shares or potential ordinary shares between the closing date for the consolidated annual accounts and the preparation of the accounts statements that were not taken into account when calculating such earnings for the annual period ended 31 March 2019.

11. RESERVES AND RETAINED EARNINGS

At 31 March 2019, €148 thousand (€15 thousand at 31 March 2018) corresponded to the Legal Reserve. This reserve has been set aside under the terms of Article 274 of the Spanish Capital Companies Act, which establishes that companies must in all cases allocate an amount equal to 10% of their profits for the year to this reserve, until the total reaches at least 20% of the share capital figure. It cannot be distributed, and if it is used to offset losses when the other available reserves are not sufficient for this purpose, it must be replenished with future profits.

Description	Thousands of euros	
	31.03.2019	31.03.2018
Legal Reserve	148	15
Other Reserves	(4,742)	8,548
Hedging reserve	(2,346)	(210)
Treasury shares	(273)	-
Total Reserves	**(7,213)**	**8,353**
Retained earnings	41,695	22,845
Distribution of dividends	(1,336)	(134)
Total retained earnings	**40,359**	**22,711**

The Other Reserves entry at 31 March 2019 mainly registers the expenses associated with issuing shares and with the share capital increases completed in the financial year in the amount of €14,634 thousand.

This entry also registers 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 if this is approved by the General Shareholders' Meeting and that it is published, in order to comply with the creditors right of opposition timeframe given said share capital reduction.

Distribution of profit/(loss)

The proposed distribution for the result and reserves obtained by the Parent Company, to be submitted to the General Shareholders' Meeting, is as follows:

Description	Thousands of euros
Base for distribution	
Profits for the financial year	28.962
Share premium	7.450
	36.412
Application	
Legal reserve	2.896
Interim dividend 21 May 2018	10.948
Interim dividend 15 November 2018	6.968
Interim dividend 14 May 2019 (Note 22)	8.150
Share premium distribution	7.450
	36.412

Interim dividend

On 21 May 2018, the Castellana Board of Directors agreed to pay out an interim dividend for the financial year ended 31 March 2019, in the amount of €10,948 thousand, i.e. €0.328 per share, which was effective on the same day, 21 May 2018. The following table details the provisional cashflow forecast that the Board of Directors prepared:

Profit/(loss)	12,165
Legal Reserve	(1,217)
Dividend	**10,948**
Cash Resources	**12,831**

On 15 November 2018, the Castellana Board of Directors agreed to pay out an interim dividend for the financial year ended 31 March 2019, in the amount of €6,968 thousand, i.e. €0.205 per share and a share premium distribution of €733 thousand, i.e. €0.022 per share, which was effective on 22 November 2018. The following table details the provisional cashflow forecast that the Board of Directors prepared:

Profit/(loss)	19,907
Legal Reserve	(1,991)
Interim dividend previously paid out	(10,948)
Dividend	**6,968**
Cash Resources	**8,671**

Prior-year profit/(loss) distribution

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

Description	Thousands of euros
Base for distribution	
Profits for the financial year	1,335
	1,335
Distribution of profit/(loss)	
Legal reserve	133
Distribution of dividends	1,202
	1,335

12. CREDITORS AND PAYABLES

Description	Thousands of euros	
	31.03.2019	31.03.2018
Long-term creditors and payables (Note 7):		
Bank borrowings	437,115	138,936
Other financial liabilities	11,686	4,142
Derivative financial instruments (Note 13)	2,346	210
	451,147	**143,288**
Short-term creditors and payables (Note 7):		
Bank borrowings	144	144
Trade and other payables	4,615	1,369
Trade payables, related companies (Note 19)	1,750	-
Other liabilities	308	-
	6,817	**1,513**
	457,964	**144,801**

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

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

Trade and other payables primarily includes provisioned amounts relating to the Group's property acquisitions, financing obtained during the current financial year, as well as balances payable relating to investments currently under construction.

The carrying amount of creditors and payables to be paid by the Company is denominated in euros.

Bank borrowings includes the balance of 4 loans granted to the Company. The maturities of these bank borrowings is detailed below by par value:

Description	Thousands of euros			
	31.03.2019		31.03.2018	
	Non-Current	Current	Non-Current	Current
2020	2,508	144	-	144
2021	45,204	-	43,800	-
2022	39,000	-	37,595	-
2023	65,307	-	64,605	
>2024	298,330	-	-	-
	450,349	**144**	**146,000**	**144**

The Company has included €13,234 thousand (€7,064 thousand at 31 March 2018) in the amortised cost on the balance sheet for the formalisation of the debt costs. As of 31 March 2019, accrued financial interest not paid stood at €144 thousand (€144 thousand at 31 March 2018). The financial expenses for accrued interest during the period stand at €4,444 thousand (€881 thousand at 31 March 2018). The other financial expenses recognised in the income statement relate to interest on hedging derivatives and financial expenses at amortised cost.

During the period the Group has signed financing agreements to the value of €304,349 thousand (€146,000 thousand as at 31 March 2018), including Morzal Property business combination.

The loans detailed are secured via a mortgage commitment on certain properties whose market value at 31 March 2019 totalled €916,470 thousand (Note 6), €308,050 thousand at 31 March 2018.

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

(Thousand euros)

Company	Property	31.03.2019	31.03.2018
Junction Parque Castellón S.L.U.	Ciudad del Transporte	2,924	2,924
Junction Parque Principado, S.L.U.	Parque Principados Retail Park	13,593	13,593
Randolph Spain, S.L.U.	Parque Oeste Retail Park	12,436	12,436
Roxbury Spain, S.L.U.		8,941	8,941
Junction Parque Huelva, S.L.U.	Marismas del Polvorín Retail Park	12,466	12,466
Junction Parque Motril, S.L.U.	Motril Retail Park	3,594	3,594
Junction Parque Granada, S.L.U.	Kinepolis Retail Park & Leisure Centre	23,359	23,359
Junction Parque Cáceres, S.L.U.	Mejostilla Retail Park	3,856	3,856
Junction Parque Mérida, S.L.U.	La Heredad Retail Park	6,176	6,176
Junction Parque Villanueva 1, S.L.U.	La Serena Retail Park	2,523	2,523
Junction Parque Villanueva fase 2, S.L.U.	Villanueva de la Serrena II Retail Park	4,368	4,368
Junction Parque Alameda, S.L.U.	Alameda Shopping Centre San Pedro del Pinatar Retail Park	51,764	51,764
		146,000	**146,000**

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

On 27 September 2018, the subsidiary company Morzal Property Iberia, S.L. (provided in the share capital increase by a non-monetary contribution described in Note 10) signed a mortgage loan with the financial institution Aareal Bank, AG in the amount of €256,000,000, secured by 4 assets, namely the "El Faro", "Bahía Sur", "Los Arcos" and “Vallsur” shopping centres.

On 27 March 2019, the Parent Company, acting not as a borrower but as a guarantor, together with the subsidiary companies listed below, arranged an extension of the syndicated loan, in the form of a CAPEX line, for a total amount of €8,000 thousand, maturing in 2023, with the banks CaixaBank and Banco Santander, of which, at 31 March 2019, €6,019 thousand has been drawn down. Amount drawn down per company is as follows:

Company	Property	31.03.2019	31.03.2018
Junction Parque Castellón S.L.U.	Ciudad del Transporte	-	-
Junction Parque Principado, S.L.U.	Parque Principados Retail Park	-	-
Randolph Spain, S.L.U.	Parque Oeste Retail Park	264	-
Roxbury Spain, S.L.U.		-	-
Junction Parque Huelva, S.L.U.	Marismas del Polvorín Retail Park	177	-
Junction Parque Motril, S.L.U.	Motril Retail Park	365	-
Junction Parque Granada, S.L.U.	Kinepolis Retail Park & Leisure Centre	4,356	-
Junction Parque Cáceres, S.L.U.	Mejostilla Retail Park	-	-
Junction Parque Mérida, S.L.U.	La Heredad Retail Park	2	-
Junction Parque Villanueva 1, S.L.U.	La Serena Retail Park	-	-
Junction Parque Villanueva fase 2, S.L.U.	Villanueva de la Serrena II Retail Park	403	-
Junction Parque Alameda, S.L.U.	Alameda Shopping Centre	452	-
	San Pedro del Pinatar Retail Park	-	-
		6,019	**-**

These loans are granted subject to compliance with certain financial ratios, which is standard practice in the sector in which the Company operates, with the ratio being calculated every six months. As of 31 March 2019, the Group had complied with all of these ratios.

Information on average supplier payment term

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 deadlines provided for under Act 15/2010 and subsequently modified under Act 31/2014:

Description	Days	
	2019	2018
Average supplier payment term	41	27
Ratio of transactions settled	41	27
Ratio of transactions not yet settled	42	23

Description	Thousands of euros	
	2019	2018
Total payments made	26,247	3,192
Total payments pending	1,725	225

13. FINANCIAL DERIVATIVES

Item	Classifications	Bank	Notional rate	Maturity	Thousands of euros 31.03.2019 Liability Non-Current	Thousands of euros 31.03.2018 Liability Non-Current
IRS	Cash Flow Hedges	Banco Santander	17,619	30/06/2021	(124)	(23)
IRS	Cash Flow Hedges	CaixaBank	22,800	30/06/2021	(158)	(30)
IRS	Cash Flow Hedges	Banco Popular	3,381	30/06/2021	(24)	(4)
IRS	Cash Flow Hedges	Banco Santander	15,123	30/06/2022	(182)	3
IRS	Cash Flow Hedges	CaixaBank	19,570	30/06/2022	(235)	5
IRS	Cash Flow Hedges	Banco Popular	2,902	30/06/2022	(36)	1
IRS	Cash Flow Hedges	Banco Santander	25,988	05/12/2023	(664)	(94)
IRS	Cash Flow Hedges	CaixaBank	33,630	05/12/2023	(817)	(78)
IRS	Cash Flow Hedges	Banco Popular	4,987	05/12/2023	(106)	10
			146,000		**(2,346)**	**(210)**

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

Using interest rate swaps (financial swaps) to provide cash flow hedges allows one to change variable rate debt to fixed rate debt, where the future cash flows being hedged are the future interest payments on the loans taken out (Note 12). The changes to the fair value of derivatives are shown in the entry “Adjustments due to changes in value”, under equity.

14. INCOME TAX AND TAX SITUATION

As of 31 March 2019 and 31 March 2018, the breakdown of balances held with Public Authorities is as follows:

		Thousands of euros
	31.03.2019	**31.03.2018**
Accounts receivable		
Deferred tax assets	52	52
Receivables from Spanish Tax Authorities (VAT)	1,520	431
Receivables from Spanish Tax Authorities (withholdings and payments on account)	194	489
	1,766	**972**
Accounts payable		
Deferred tax liabilities	437	437
Payables to Spanish Tax Authorities (VAT collected)	1,292	463
Payables to Spanish Tax Authorities (IRPF collected)	175	-
Payables to Social Security Bodies	32	-
	1,936	**900**

Reconciliation of the net income and expenses figure for the year with the taxable income for Income Tax being as follows:

						Thousands of euros
	Income statement			**Income and expenses directly attributed to equity**		
	Increases	**Decreases**	**Total**	**Increases**	**Decreases**	**Total**
Income and expenses balance for the year	46,489	-	**46,489**	-	(2,136)	**(2,136)**
Corporate Income Tax	-	-	**-**	-	-	**-**
Permanent differences	-	-	**-**	-	-	**-**
Temporary differences:						
- Originating during the year	-	-	**-**	-	-	**-**
Taxable income (tax result)			**46,489**			**(2,136)**

Pursuant to Act 11 of 26 October 2009, with the amendments introduced by Act 16 of 27 December 2012, under which SOCIMIs are governed, the current Corporate Income Tax amount is calculated by applying a tax rate of 0% to the taxable income.

Assets and liabilities for deferred taxes

At 31 March 2019 and 31 March 2018, liabilities for deferred tax amounts were entered in the amount of €437 thousand. These relate to time period differences and are payable by the subsidiary company Junction Parque Mérida, S.L.U., due to the difference between tax and accounting depreciation and €52 thousand for deferred tax assets, which also primarily relate to the subsidiary company Junction Parque Mérida, S.L.U.

Tax-loss carryforwards

The following table shows a breakdown of the tax-loss carryforwards prior to application of the special tax rules for SOCIMIs:

	Thousands of euros			
Financial Year	**CASTELLANA PROPERTIES SOCIMI, S.A.**	**ROXBURY SPAIN, S.L.U.**	**RANDOLPH SPAIN, S.L.U.**	**Total**
2008	-	2,243	-	**2,243**
2009	-	2,011	704	**2,715**
2010	-	-	665	**665**
2012	-	1,191	1,323	**2,514**
2013	-	187	937	**1,124**
2014	-	1,033	458	**1,491**
2015	2	-	-	**2**
2017	1,586	-	-	**1,586**
	1,588	**6,665**	**4,087**	**12,340**

The Company has not activated these tax-loss carryforwards.

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 submitted or until the time-bar period of four years has elapsed.

The tax rate payable by SOCIMIs in respect of Corporate Income Tax 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 shall be subject to a special tax of 19% on the amount of the dividend paid to the shareholders in question, which shall be classified as a Corporate Income Tax charge. Where it applies, this special tax must be paid by the SOCIMI within two months following the date on which the dividend is paid out.

15. INCOME AND EXPENSES

a) Net turnover figure

The net turnover figure corresponding to the Company's ordinary business activities is as follows:

Description	Thousands of euros	
	2019	2018 (3 months)
Rental income	34,280	4,726
Reinvoicing of expenses to tenants	8,123	428
	42,403	**5,154**

b) Personnel costs

This entry in the Consolidated Income Statement breaks down as follows:

Description	Thousands of euros	
	2019	2018 (3 months)
Wages and salaries	(2,394)	(171)
Compensation	(4)	-
Social security	(217)	(15)
Other welfare charges	(80)	(30)
	(2,695)	**(216)**

The average number of employees during the period, shown by professional grade, was as follows:

Description	Number of employees	
	2019	2018
Directors	5	4
Employees with degrees or advanced diplomas	11	3
Administrative personnel and others	2	1
	17	**8**

In addition, at 31 March 2019 and 31 March 2018, Company personnel details broken down by gender were as follows:

2019

Description	Number of employees		
	Men	Women	Total
Directors	4	1	5
Employees with degrees or advanced diplomas	7	9	16
Administrative personnel and others	-	3	3
	11	**13**	**24**

2018

Description	Number of employees		
	Men	Women	Total
Directors	4	-	4
Employees with degrees or advanced diplomas	1	2	3
Administrative personnel and others	-	1	1
	5	**3**	**8**

The Group did not have any employees classified as 33% disabled or more (or the local equivalent) at 31 March 2019 or 31 March 2018.

c) Other operating expenses

This entry in the Consolidated Income Statement breaks down as follows:

Description	Thousands of euros	
	2019	2018 (3 months)
External services attributable directly to real estate assets	(9,893)	(841)
Other external services	(1,790)	(227)
	(11,683)	**(1,068)**

16. FINANCIAL INCOME

As of 31 March 2019 and the three month period ending 31 March 2018, the breakdown of this heading by category is as follows:

Description	Thousands of euros	
	2019	**2018 (3 months)**
Financial expenses		
Interest on bank borrowings	(6,560)	(881)
Interest on debts with group companies	-	(10)
Expenses from derivatives	(828)	(238)
	(7,388)	**(1,129)**

17. PROVISIONS AND CONTINGENCIES

At 31 March 2019 the Group has three third-party technical guarantees in place in the amount of €107 thousand, the maturity of which is linked to construction work completions. At 31 March 2018 the Group had no provisions or contingent liabilities.

18. PAYMENTS, OWNERSHIP INTERESTS AND BALANCES HELD WITH THE PARENT COMPANY'S BOARD OF DIRECTORS

Ownership interests, positions and activities of the members of the Board of Directors

Article 229 of the Spanish Capital 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's interests.

Likewise, Directors must disclose any direct or indirect interest 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. Relating with this, the Directors have informed that they are not in any situation that involves a conflict of interest with the interests of the Castellana group.

Remuneration of members of the Board of Directors

During 2019, payments to members of the Board of Directors totalled €522 thousand (€80 thousand at 31 March 2018), of which executive members received a total of €405 thousand (€74 thousand at 31 March 2018).

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

19. OPERATIONS AND BALANCES WITH RELATED PARTIES

As of 31 March 2019 and the three month period ending 31 March 2018, the breakdown of transactions with related parties is as follows:

Description	Thousands of euros	
	2019	2018 (3 months)
Income		
Revenue	1,103	-
	1,103	**-**
Expenses		
Billings for services	(23,655)	-
Financial interest	-	(10)
	(23,655)	**(10)**

The amount billed for services from related companies includes €16,438 thousand invoiced by Company shareholders for brokering fund allocations to the Company and €7,128 thousand for brokering real estate transactions.

As of 31 March 2019 and 31 March 2018, the breakdown of balances held with related parties is as follows:

Description	Thousands of euros	
	2019	2018 (3 months)
Balances owed (Note 8)		
Adam Lee Morze	42	78
Diversified Real Estate Assets Management, S.L. (DREAM)	2	3
Vukile Property Fund Limited	-	536
	44	**617**
Balances payable (Note 12)		
Diversified Real Estate Assets Management, S.L. (DREAM)	(1,750)	-
	(1,750)	**-**

The balance payable is entered in the entry Trade and other payables and the Company will make payment in April 2019.

20. Information requirements resulting from SOCIMI status, Act 11/2009, as amended by Act 16/2012

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

   Not applicable.

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

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

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

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

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

   No dividends were distributed against reserves, only against share premium (Note 11).

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

   - The dividend of €134 thousand for the 2016 financial year, approved by the General Shareholders' Meeting on 29 June 2017.
   - The 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 against Share Premium of €733 thousand, approved by the Board of Directors on 15 November 2018.

(Thousand euros)

- On 14 May 2019, the Company Board of Directors agreed to pay out an interim dividend in the amount of €15,000 thousand, i.e. €0.20 per share. The following table details the provisional cashflow forecast that the Board of Directors prepared:

Profit/(loss)	28,962
Legal Reserve	(2,896)
Interim dividend previously paid out	(17,916)
Dividend charged against results (Note 11)	**8,150**
Dividend charged against share premium	**7,450**
Total dividend to pay	**15,600**
Cash Resources	**16,630**

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

The parent company owns the following rental properties:

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

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

(Thousand euros)

Company	Date acquired	Property	Location
Junction Parque Castellón S.L.U.	30 June 2017	Ciudad del Transporte	Avenida Europa 231, Castellon De La Plana
Junction Parque Principado, S.L.U.	30 June 2017	Parque Principados Retail Park	LG Paredes 201, Siero (Asturias)
Randolph Spain, S.L.U.	30 June 2017	Parque Oeste Retail Park	Avenida de Europa 4, Alcorcon - Madrid
Roxbury Spain, S.L.U.	30 June 2017		
Junction Parque Huelva, S.L.U.	30 June 2017	Marismas del Polvorín Retail Park	Calle Molino Mareal 1, Huelva
Junction Parque Motril, S.L.U.	30 June 2017	Motril Retail Park	Rambla de las Brujas, Motril, Granada
Junction Parque Granada, S.L.U.	30 June 2017	Kinepolis Retail Park & Leisure Centre	Calle Samuel Billy Wilder 1, Pulianas - Granada
Junction Parque Cáceres, S.L.U.	30 June 2017	Mejostilla Retail Park	Calle Jose Espronceda 52, Plot M-19.1ª, Caceres
Junction Parque Mérida, S.L.U.	30 June 2017	La Heredad Retail Park	Avenida José Saramago de Sousa, Merida
Junction Parque Villanueva 1, S.L.U.	30 June 2017	La Serena Retail Park	Carretera Don Benito, S/N, Villanueva de la Serena, Badajoz
Junction parque Villanueva fase 2, S.L.U.	30 June 2017	Villanueva de la Serrena II Retail Park	Carretera Don Benito, S/N, Villanueva de la Serena, Badajoz
Junction Parque Alameda, S.L.U.	5 December 2017	Alameda Shopping Centre	Calle Luis Buñuel 6, 18197, Pulianas - Granada
		San Pedro Del Pinatar Retail Park	UA-1 Local Level Plan (*Plan Parcial*) “Area 3e”, Manzana P-9, San Pedro del Pinatar (Murcia)
Junction Parque Habaneras, S.L.U.	9 May 2018	Habaneras Shopping Centre	Avenida Rosa Mazón Valero 7, Torrevieja, Alicante
Morzal Property Iberia S.L.U.	27 November 2018	Vallsur Shopping Centre	Paseo de Zorilla, Valladolid
		Los Arcos Shopping Centre	Avenida de Andalucia S/N, Seville
		Bahía Sur Shopping Centre	Avenida Caño Herrera S/N, San Fernando, Cádiz
		El Faro Shopping Centre	Avenida de Elvas S/N, Badajoz

(Thousand euros)

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

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

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

Not applicable.

21. Audit fees

The fees accrued by PricewaterhouseCoopers Auditores, S.L. for auditing the Group' Consolidated Annual Accounts and other verification services during the financial year ending on 31 March 2019 totalled €146 thousand (€85 thousand at 31 March 2018 lent by Grant Thornton, S.L.P.), and €7 thousand (€30 thousand at 31 March 2018 lent by Grant Thornton, S.L.P.), respectively.

The fees accrued during the year by other companies of the PwC Group as tax advisory services, other assurance services and other services provided to Castellana Group amounted to 14 thousand euros (at 31 March 2018 0 thousand euros lent by Grant Thornton, SLP).

22. Subsequent events

On 14 May 2019, the Company Board of Directors agreed to pay out an interim dividend in the amount of €15,000 thousand, i.e. €0.20 per share.

The following table details the provisional cashflow forecast that the Board of Directors prepared:

Profit/(loss)	28,962
Legal Reserve	(2,896)
Interim dividend previously paid out	(17,916)
Dividend charged against results (Note 11)	**8,150**
Dividend charged against share premium	**6,850**
Total dividend to pay	**15,000**
Cash Resources	**16,030**

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR ENDED ON 31 MARCH 2019

1. ORGANISATIONAL STRUCTURE AND OPERATION

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

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

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

During the financial year share capital increases have been 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, the 3 shareholders with more than a 3% stake in the Share Capital of the Parent Company are Vukile Properties Limited, Morze European Real Estate Ventures and Westbrooke Yield Plus, S.à r.l. At 31 March 2018, the only shareholder with more than 3% was Vukile Properties Limited.

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

2. BUSINESS PERFORMANCE AND PROFIT/(LOSS)

Since its first acquisition in 2016, the Company has engaged in several transactions for the acquisition of real estate assets which have led to retained earnings that on 31 March 2019 stood at €88 million on a consolidated basis.

The "net business turnover" figure from letting the acquired properties reached €42,403 thousand at 31 March 2019 (€5,154 thousand in the three-month period ending on 31 March 2018).

During the financial year ended 31 March 2019, EBITDA stood at €53,877 thousand (€7,780 thousand in the three-month period ended on 31 March 2018). (EBITDA: Earnings before interest, taxes, depreciation and amortisation).

The market value of the Company's assets at 31 March 2019 stood at €916,470 thousand, equating to a 11% increase on the purchase price and 6.5% on the portfolio in like-for-like terms at 31 March 2018.

The main reasons for the increased valuation of the portfolio over the last year are as follows:

- Active management: the growth potential displayed by the portfolio results from the active management of assets, thanks to letting activity, coupled with rent reviews and lease agreement renewals.
- Assets being restructured: The valuation of assets being restructured increased by 18.4% in 2019.
- Growth in turnover: since the beginning of the financial year, turnover from the leasing of real estate assets has grown compared to the previous twelve months.

The following tables show a breakdown of the market valuation of our portfolio at 31 March 2019, as determined by Colliers International Spain (RICS):

Project Name	Acqu. Price	FV MAR 19	DELTA
London	193,000	228,190	18.23%
Alameda	65,311	73,420	12.42%
Konecta	22,500	26,300	16.89%
Habaneras	80,627	88,780	10.11%
West	459,585	494,760	7.65%
TOTAL	**821,023**	**911,450**	**11.01%**
Other assets (West)	3,336	5,020	50.48%
	824,359	**916,470**	**11.17%**

3. EPRA INFORMATION

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

EPRA indicators

	(12-months) 31/03/2019
EPRA earnings	20,673
EPRA earnings per share	0.45
EPRA NAV	499,780
EPRA NAV per share	6.68
EPRA NNNAV	510,283
EPRA NNNAV per share	6.82
EPRA Net Initial Yield (NIY)	5.53%
EPRA "Topped-up" NIY	5.69%
EPRA Vacancy Ratio	2.06%

EPRA Earnings and Earnings Per Share

	(12-months) 31/03/2019
Earnings per IFRS income statement	**46,489**
Adjustments to calculate EPRA, exclude:	
(i) Changes in value of investment properties	(25,816)
EPRA earnings	**20,673**
EPRA earnings per share	**0.45**

EPRA Net Asset Value (NAV)

	(12-months) 31/03/2019
NAV per the financial statements (*)	**497,049**
Effect of exercise of options, convertibles and other interests	-
Diluted NAV	**497,049**
Exclude:	
(iv) Fair value of financial instruments	2,346
(v.a) Deferred tax	385
EPRA NAV	**499,780**
EPRA NAV per share (in euros)	**6.68**

Triple NAV (NNNAV)

	(12-months) 31/03/2019
EPRA NAV	**499,780**
Include:	
(i) Fair value of financial instruments	(2,346)
(ii) Fair value of debt	(13,234)
(iii) Deferred tax	(385)
EPRA NNNAV	**483,815**
EPRA NNNAV per share	**6.46**

EPRA YIELDS	Offices	Retail	(Thousands of Euros) Total
Investment property	26,300	890,170	916,470
Minus assets under refurbishment	-	-	-
Investment property completed	**26,300**	**890,170**	**916,470**
Estimated real estate asset transaction costs	526	17,803	18,329
Total property portfolio valuation (B)	**26,826**	**907,973**	**934,799**
Annual return on real estate investments	1,872	51,282	53,154
Operating costs associated with non-recoverable assets	(11)	(1,467)	(1,478)
Annualised net rent (A)	**1,861**	**49,815**	**51,676**
Temporary rental discounts or rent-free periods	-	1,534	1,534
Maximum net return on real estate investments (c)	**1,861**	**51,349**	**53,210**
EPRA NIY (A/B)	**6.94%**	**5.49%**	**5.53%**
EPRA "Topped-up" NIY (C/B)	**6.94%**	**5.66%**	**5.69%**

VACANCY RATE	(Thousands of Euros) Total
ERV of available spaces	1,160
Total ERV	56,183
EPRA Vacancy rate	**2.06%**

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 €6.55 per share on 31 March 2019.

5. TREASURY SHARES

The changes in 2019 and 2018 were as follows:

Description	2019		2018	
	Number of treasury shares	Thousands of euros	Number of treasury shares	Thousands of euros
Opening balance	-	-	-	-
Additions/purchases	**50,790**	**305**	-	-
Reductions	**(5,320)**	**(32)**	-	-
Closing balance	**45,470**	**273**	-	-

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

Shares owned by the Parent Company itself at 31 March 2019 represented 0.06% of the Company's share capital and totalled 45,470 shares. The average cost of the Company's treasury shares was €6 per share.

These shares are registered, thus reducing the value of the Company's shareholders' funds on 31 March 2019 by €273 thousand (€0 at 31 March 2018).

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

6. DIVIDEND POLICY

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

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

b) At least 50% of the profits earned from the transfer of the property, shares or ownership interests referred to in Article 2.1. of the Act, where this occurs after the deadlines referred to in Article 3.3 of the Act have expired, when the property, shares or interests are used to comply with the Company's primary corporate purpose. The remainder of these profits must be reinvested in other property or investments related to the performance of this corporate purpose within three years of the transfer date.

Otherwise, these profits must be distributed in full together with any profit earned, where applicable, in the year in which the reinvestment period expires. If the items in which the reinvestment has been made are transferred prior to the end of the holding period, profits must be distributed in full, together, where applicable, with the part of the profits attributable to the years in which the Company was not taxed under the special tax scheme provided for in the aforementioned Act.

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

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

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

Interim dividend

On 21 May 2018, the Castellana Board of Directors agreed to pay out an interim dividend for the financial year ended 31 March 2019, in the amount of €10,948 thousand, i.e. €0.328 per share. The following table details the provisional cashflow forecast that the Company approved:

Profit/(loss)	12,165
Legal Reserve	(1,217)
Dividend	**10,948**
Cash Resources	**12,831**

On 15 November 2018, the Castellana Board of Directors agreed to pay out an interim dividend for the financial year ended 31 March 2019, in the amount of €6,968 thousand, i.e. €0.205 per share and a share premium distribution of €733 thousand, i.e. €0.022 per share. The following table details the provisional cashflow forecast that the Company approved:

Profit/(loss)	19,907
Legal Reserve	(1,991)
Previous interim dividend	(10,948)
Dividend	**6,968**
Cash Resources	**8,671**

Distribution of previous year profit/(loss)

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

Description	Thousands of euros
Base for distribution	
Profits for the financial year	1,335
	1,335
Distribution of the profit/(loss)	
Legal reserve	133
Distribution of dividends	1,202
	1,335

Distribution of the profit/(loss)

The dividend to be distributed by the Castellana Group is determined on the basis of its profits for the year, calculated under the Spanish GAAP. The following table outlines the difference between the IFRS result and the Spanish Gaap result, which was the basis for the calculation of the dividend distribution:

Reconciliation of Spanish GAAP to IFRS	Thousands of euros	
	Financial year ended on 31 March 2019	3-month period ended on 31 March 2018
Profit (loss) for the year under the Spanish GAAP	**28,962**	**1,335**
Adjustments:		
(i) Consolidation	(13,145)	1,595
(ii) Amortisation of investment property	4,856	531
(iii) Changes in value of investment property	25,816	3,190
Earnings per IFRS	**46,489**	**6,651**

The proposed distribution for the result and reserves obtained by the Parent Company, to be submitted to the General Shareholders' Meeting, is as follows:

Description	Thousands of euros
Base for distribution	
Profits for the financial year	28.962
Share premium	7.450
	36.412
Application	
Legal reserve	2.896
Interim dividend 21 May 2018	10.948
Interim dividend 15 November 2018	6.968
Interim dividend 14 May 2019	8.150
Share premium distribution	7.450
	36.412

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

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

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

8. AVERAGE SUPPLIER PAYMENT TERM

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 deadlines provided for under Act 15/2010 and subsequently modified under Act 31/2014:

Description	Days	
	2019	2018
Average supplier payment term	41	27
Ratio of transactions settled	41	27
Ratio of transactions not yet settled	42	23

Description	Thousands of euros	
	2019	2018
Total payments made	26,247,249	3,192,210
Total payments pending	1,725,341	225,389

9. THE TEAM

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

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

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

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

10. MAJOR EVENTS OCCURRING AFTER THE END OF THE PERIOD

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

11. COMPANY PERFORMANCE FORECAST

During 2019 the Group will continue to pursue its investment strategy, which focuses on commercial properties in Spain.

The Group will also continue to actively manage its properties, focusing on improving leases expiring in 2020, as well as maintain the good occupancy levels.

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS
FOR THE FINANCIAL YEAR ENDED ON 31 MARCH 2019

Pursuant to the requirements set out in Article 253 of the Spanish Capital Companies Act and Article 37 of the Spanish Commercial Code, on 14 May 2019 the members of the Board of Directors of Sociedad Castellana Properties Socimi, S.A. prepared the following Consolidated Annual Accounts and the Consolidated Management Report for the financial year ending on 31 March 2019, 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
Director