Castellana Properties Socimi, S.A.
and its subsidiaries

Auditor´s report
Consolidated Annual accounts at March 31, 2021
Management report

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

Independent auditor's report on the 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 31 March 2021, and the income statement, statement of other 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 31 March 2021, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable 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 95% of the Group's assets. As described in Note 3.3, the Group applies the fair value model in accordance with IAS 40 and has recognised a negative change in fair value of investment property amounting to €45,464 thousand in the consolidated income statement for 2021, as described in Note 6. Total Investment property recognised in non-current assets on the consolidated balance sheet totals €987,160 thousand at 31 March 2021. The Group recognises the fair value of investment properties based on 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 and estimated market rent, in order to arrive at a final valuation. In notes 4.1.e and 6.e of the consolidated annual accounts, it is mentioned that the Group's external valuers have included a "material valuation uncertainty" regarding shopping centers and a medium-sized store as a consequence of the COVID-19 pandemic. Consequently, they consider that less degree of certainty and a greater degree of care should be attributed to the valuation of these assets. This represents a significant estimation uncertainty in relation to the valuation of these investment properties. 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.	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 meetings with the expert valuer and management, evaluating the coherence of estimations and taking into account market conditions. • 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. We considered the adequacy of the disclosures made in note 6 in the consolidated annual accounts. This note explains that there is a significant estimation uncertainty, as a consequence of the COVID-19 pandemic, in relation to the valuation of shopping centers and a medium-sized store. 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.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2021 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, as well as 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 2021 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 IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the aforementioned determine 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 has 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 and 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 directors of the Parent company, we determine those risks 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)

Original in Spanish signed by
Rafael Pérez Guerra (20738)

May 28, 2021

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts for the financial year ended 31 March 2021 and Consolidated Management Report for the 2021 financial year

CONTENTS TO THE NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(Thousands of euros)

ASSETS	Note	Thousands of euros 31 March 2021	31 March 2020
Assets			
Non-current assets			
Intangible assets		21	21
Property, plant and equipment		117	119
Investment property	6	987,160	1,003,490
Other non-current financial assets	7	6,750	6,970
		994,048	**1,010,600**
Current assets			
Trade receivables for sales and services	7 and 8	3,927	1,943
Trade receivables, related companies	7 and 19	659	44
Other accounts receivable from Public Administrations	14	2,420	177
Other current financial assets	7	702	-
Short-term prepayments and accrued income		1,364	912
Cash and cash equivalents	9	34,916	49,058
		43,988	**52,134**
Total assets		**1,038,036**	**1,062,734**

The accompanying Notes 1 to 22 form an integral part of the Consolidated Annual Accounts at 31 March 2021.

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(Thousands of euros)

EQUITY AND LIABILITIES	Note	Thousands of euros 31 March 2021	 31 March 2020
Equity and liabilities			
Equity			
Equity attributable to the owners of the parent company			
Share capital	10	86,271	86,271
Share premium	10 and 11	376,952	400,568
Legal reserve	11	5,376	3,044
Other reserves	11	10,107	10,042
Treasury shares	10	(355)	(228)
Retained earnings	11	51,728	57,886
Interim dividend	11	-	(17,025)
Other equity instruments	10	2,000	1,000
Profit/(loss) for the year	10	(31,856)	17,162
Measurement adjustments	11 and 13	(2,056)	(2,620)
		498,167	**556,100**
Liabilities			
Non-current liabilities			
Bank borrowings	7 and 12	443,666	477,386
Derivative financial instruments	7 and 13	1,992	2,620
Deferred tax liabilities	14	437	437
Other non-current financial liabilities	7	11,289	13,161
		457,384	**493,604**
Current liabilities			
Bank borrowings	7 and 12	49,483	3,469
Derivative financial instruments	7 and 13	64	-
Short-term payables to group companies	7 and 19	17,645	332
Trade and other payables	7	10,790	6,530
Trade payables, related companies	7 and 19	-	11
Other financial liabilities	7	2,249	-
Other liabilities	7	1,287	1,308
Other accounts payable to Public Administrations	14	967	1,380
		82,485	**13,030**
Total liabilities		**539,869**	**506,634**
Total equity and liabilities		**1,038,036**	**1,062,734**

The accompanying Notes 1 to 22 form an integral part of the Consolidated Annual Accounts at 31 March 2021.

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT

(Thousands of euros)

	Note	Thousands of euros	
		Financial year ended on 31 March 2021	**Financial year ended on 31 March 2020**
Continuing operations			
Provision of services	15	55,379	79,753
Staff costs	15	(4,719)	(4,684)
Other operating expenses	15	(24,299)	(22,149)
Other profit/(loss)		111	70
OPERATING PROFIT/(LOSS) BEFORE CHANGES IN FAIR VALUE OF INVESTMENT PROPERTY		**26,472**	**52,990**
Changes in fair value of investment property	6	(45,464)	(23,355)
OPERATING PROFIT/(LOSS)		**(18,992)**	**29,635**
Financial expenses	16	(12,864)	(12,473)
NET FINANCIAL INCOME/(EXPENSE)		**(12,864)**	**(12,473)**
PROFIT/(LOSS) BEFORE TAX		**(31,856)**	**17,162**
Income tax	14	-	-
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY		**(31,856)**	**17,162**
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY			
Basic and diluted earnings per share	10	**(0.37)**	**0.21**

The accompanying Notes 1 to 22 form an integral part of the Consolidated Annual Accounts at 31 March 2021.

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousands of euros)

	Note	Thousands of euros Financial year ended on 31 March 2021	Financial year ended on 31 March 2020
Profit for the year	**15**	**(31,856)**	**17,162**
Other comprehensive income			
Items that may be reclassified to profit/(loss)			
Other profit/(loss)		-	-
Items that will not be reclassified to profit/(loss)			
Cash flow hedges	**13**	564	(274)
Other comprehensive income for the year, after tax			
Total comprehensive income for the year		**(31,292)**	**16,888**

The accompanying Notes 1 to 22 form an integral part of the Consolidated Annual Accounts at 31 March 2021.

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Thousands of euros)

	Share capital (Note 10)	Share premium (Note 10)	Legal reserve (Note 10)	Other reserves (Note 10)	Treasury shares (Note 10)	Retained earnings (Note 10)	Profit/(loss) for the year (Note 10)	Interim dividend (Note 10)	Other equity instruments (Note 10)	Measurement adjustments (Note 11 and 13)	TOTAL
BALANCE AT 31 MARCH 2019	**74,894**	**360,436**	**148**	**(4,742)**	**(273)**	**40,359**	**46,489**	**(17,916)**	**-**	**(2,346)**	**497,049**
Profit/(loss) for the period	-	-	-	-	-	-	17,162	-	-	-	17,162
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	(274)	(274)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**17,162**	**-**	**-**	**(274)**	**16,888**
Distribution of prior year profit/(loss)	-	-	2,896	-	-	17,527	(46,489)	26,066	-	-	-
Share capital increase	11,377	64,623	-	(157)	-	-	-	-	-	-	75,843
Dividend distribution	-	(9,557)	-	-	-	-	-	(25,175)	-	-	(34,732)
Treasury share transactions	-	-	-	7	45	-	-	-	-	-	52
Other changes	-	(14,934)	-	14,934	-		-	-	1,000	-	1,000
Total transactions with owners, recognised directly in equity	**11,377**	**40,132**	**2,896**	**14,784**	**45**	**17,527**	**(46,489)**	**891**	**1,000**	**-**	**42,163**
BALANCE AT 31 MARCH 2020	**86,271**	**400,568**	**3,044**	**10,042**	**(228)**	**57,886**	**17,162**	**(17,025)**	**1,000**	**(2,620)**	**556,100**
Profit/(loss) for the period	-	-	-	-	-	-	(31,856)	-	-	-	**(31,856)**
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	564	**564**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(31,856)**	**-**	**-**	**564**	**(31,292)**
Distribution of prior year profit/(loss)	-	-	2,332	65	-	(6,158)	(17,162)	20,923	-	-	-
Dividend distribution	-	(23,616)	-	-	-	-	-	(3,898)	-	-	**(27,514)**
Treasury share transactions	-	-	-	-	(127)	-	-	-	-	-	**(127)**
Other changes	-	-	-	-	-	-	-	-	1,000	-	**1,000**
Total transactions with owners, recognised directly in equity	**-**	**(23,616)**	**2,332**	**65**	**(127)**	**(6,158)**	**(17,162)**	**17,025**	**1,000**	**-**	**(26,641)**
BALANCE AT 31 MARCH 2021	**86,271**	**376,952**	**5,376**	**10,107**	**(355)**	**51,728**	**(31,856)**	**-**	**2,000**	**(2,056)**	**498,167**

The accompanying Notes 1 to 22 form an integral part of the Consolidated Annual Accounts at 31 March 2021.

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT

(Thousands of euros)

	Note	Financial year ended on 31 March 2021	Financial year ended on 31 March 2020
		Thousands of euros	
A) CASH FLOWS FROM OPERATING ACTIVITIES			
Pre-tax profit/(loss) for the year	**15**	**(31,856)**	**17,162**
Adjustments to profit/(loss)		**64,635**	**36,761**
Fixed asset depreciation		40	12
Changes in fair value of investment property	6	45,464	23,355
Change in provisions		6,267	869
Financial expenses		12,864	12,473
Other income and expenses		-	52
Changes in working capital		**(8,291)**	**3,224**
Trade and other receivables	7 and 8	(5,767)	3,480
Other current assets	7 and 8	(453)	(744)
Trade and other payables	7 and 12	(741)	731
Other current liabilities		(1,225)	(730)
Other non-current assets and liabilities		(105)	487
Cash flows from operating activities		**24,488**	**57,147**
B) CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		**(28,313)**	**(110,443)**
Intangible assets		-	(23)
Property, plant and equipment		(38)	(45)
Investment property	6	(28,275)	(110,375)
Cash flows from investing activities		**(28,313)**	**(110,443)**
C) CASH FLOWS FROM FINANCING ACTIVITIES			
Collections and payments on equity instruments		**(128)**	**75,894**
Issuance of equity instruments	10	(1)	75,849
Acquisition of own equity instruments	10	(143)	(5)
Disposal of equity instruments	10	16	50
Receipts/(payments) on financial liability instruments	**12**	**15,886**	**31,470**
Receipts on financial borrowings		8,854	40,843
Receipts of payables to related companies		17,500	-
Interest payments		(10,468)	(9,373)
Dividend payments and return on other equity instruments:		**(27,515)**	**(34,732)**
Dividends	11	(27,515)	(34,732)
Cash flows from financing activities		**(11,757)**	**72,632**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(15,582)**	**19,336**
Cash and cash equivalents at the start of the year		**49,058**	**29,722**
Cash and cash equivalents at the year end		**33,476**	**49,058**

The accompanying Notes 1 to 22 form an integral part of the Consolidated Annual Accounts at 31 March 2021

1. ACTIVITIES AND GENERAL INFORMATION

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

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

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

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

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

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

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

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

On 15 September 2020, the Castellana Properties Socimi, S.A. General Shareholders' Meeting approved the Individual and Consolidated Annual Accounts for the financial year ended on 31 March 2020.

These Consolidated Annual Accounts were prepared by the parent company's board of directors on 27 May 2021. The directors of the parent company will present these Consolidated Annual Accounts at the General Shareholders' Meeting, where they are expected to be approved without any changes.

a) Regulatory regime

The Company is regulated under the Spanish Companies Act.

In addition, on 15 September 2016 the Company informed the tax authorities that it wished to avail itself of the rules governing Spanish Real Estate Investment Trusts (SOCIMIs) and is therefore subject to Law 11 of 26 October 2009, as amended by Law 16 of 27 December 2012 on SOCIMIs. Article 3 of Law 11 of 26 October 2009 sets out certain requirements that must be met by this type of company, namely:

i) They must have invested at least 80% of the value of their assets in urban properties intended for lease, or in land for the development of properties that are to be used for the same purpose, provided that development begins within three years following its acquisition, or in equity investments in other companies, as set out in Article 2.1 of the aforementioned Law.

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

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

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

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

(Thousands of euros)

b) Subsidiaries

The parent company is the parent of a Group of subsidiaries, of which the main details at 31 March 2021 are the following:

Company	Registered address	Corporate purpose	Shareholding %	Date control was acquired
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

2. BASIS OF 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. Basis of 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, financial position and profit/(loss) of each of the companies that form part of the Group.

The accompanying Consolidated Annual Accounts have been prepared by the directors of the parent company in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) adopted by the European Union (collectively, IFRS-EU), pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council and 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 on a historical cost basis and adjusted as the result of the restatement of investment properties, financial assets and financial liabilities (including financial derivatives) at fair value through profit/(loss) or through equity.

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

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

a) Standards, amendments and mandatory interpretations for financial years commencing on or after 1 January 2020:

- IAS 1 (Amendment) and IAS 8 (Amendment) "Definition of material".
- IFRS 9 (Amendment), IFRS 7 (Amendment) and IAS 39 (Amendment) "Interest rate benchmark reform".
- IFRS 3 (Amendment) "Definition of a business".
- Amendments to References to the Conceptual Framework in IFRS.
- IFRS 16 (Amendment) "COVID-19-related rent concessions".

For IFRS-EU purposes, the amendments must be applied retrospectively and are applicable as from 1 June 2020 for financial years beginning on or after 1 January 2020.

These new standards, amendments and interpretations are not expected to have a significant impact on these condensed consolidated financial statements.

b) Standards, amendments and interpretations that are not yet in force, but which may be adopted in advance [IAS 8.29]:

- IFRS 4 (Amendment) "Extension of the temporary exemption from applying IFRS 9".
- IFRS 9 (Amendment), IAS 39 (Amendment), IFRS 7 (Amendment), IFRS 4 (Amendment) and IFRS 16 (Amendment) "Interest rate benchmark reform: Phase 2".

The amendments will apply to annual periods beginning on or after 1 January 2021, although early adoption is permitted.

The Group has not adopted in advance any of the previous modifications.

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 were authorised for issue, 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 associate/joint venture"
- IFRS 17 "Insurance contracts"
- IFRS 17 (Amendment) "Amendments to IFRS 17"
- IAS 1 (Amendments) "Classifying liabilities as current or non-current"
- IAS 16 (Amendment) "Property, plant and equipment — proceeds before intended use"
- IAS 37 (Amendment) "Onerous contracts – cost of fulfilling a contract"
- IFRS 3 (Amendment) "Reference to the Conceptual Framework"
- Annual IFRS improvements. 2018 – 2020 Cycle:
  - ✓ IFRS 1 "First-time adoption of IFRS"
  - ✓ IFRS 9 "Financial instruments"
  - ✓ IFRS 16 "Leases"
  - ✓ IAS 41 "Agriculture"
- IAS 1 (Amendment) "Disclosure of accounting policies"
- IAS 8 (Amendment) "Definition of accounting estimates"

These new standards, amendments and interpretations are not expected to have a significant impact on these condensed consolidated financial statements.

2.3. Critical measurement issues and estimates of uncertainty

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

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

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

Fair value of investment property

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

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

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

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded on an active market (for example, off-exchange derivatives) is determined using valuation techniques. The Group uses judgement to select a variety of methods and makes assumptions 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 by Law 11 of 26 October 2009 on Spanish Real Estate Investment Trusts (SOCIMIs) which, in practice, means that the parent company is subject to a Corporate Income Tax rate of 0%, provided certain requirements are met (Note 1).

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

In this regard, the directors consider that the necessary requirements will be met within the established terms and periods and they have therefore not recognised any income or expense in respect of corporate income tax.

Notwithstanding the fact that the estimation criteria are based on reasonable assessments and objective methods of analysis, it is possible that future events may make it necessary to adjust such estimates (upwards or downwards) in future periods; where necessary and pursuant to IAS 8, the change of estimate will be recognised 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 or institutions when it obtains, or has the right to obtain, variable returns as the result of its involvement in the subsidiary and also has the ability to use its power over the company in question in order to influence these returns. Subsidiaries are consolidated from the date on which control is transferred to the Group and deconsolidated on the date on which such control ceases.

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

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

Transactions involving non-controlling shareholdings that do not result in a loss of control are carried 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 taken to equity. Any gains or losses resulting from the disposal of non-controlling shareholdings are taken to 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 in the carrying amount is taken to the income statement. Fair value is the initial carrying amount for the purposes of the subsequent recognition of the remaining shareholding as an associate, joint venture or financial asset. In addition, any amount previously recognised in other comprehensive income in relation to that company is accounted for as if the Group had directly sold the related assets and liabilities. This could mean that the amounts previously carried under other comprehensive income are reclassified to the income statement.

2.5.Segment reporting

Information on business segments is reported on the basis of the internal information supplied to the ultimate decision-making authority. The investments committee has been identified as the ultimate decision-making authority, 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 by the Board of Directors (Note 5).

2.6. Dividend distribution

The payment of dividends to the Company's shareholders is recognised 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 laid down in Law 11 of 26 October 2009, as amended by Law 16 of 27 December 2012 on SOCIMIs.

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

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

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

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

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

2.7. Comparability

As required under the International Financial Reporting Standards adopted by the European Union, the information contained in these Consolidated Annual Accounts for the financial year ended 31 March 2021 is presented, for comparative purposes, together with the information relating to the financial year ended on 31 March 2020.

The consolidated income statement has changed its structure with respect to the previous year to reflect the operating result before and after the variation in the fair value of investment property for a better understanding of the reader.

2.8. Going concern

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

The Parent Company's working capital as of March 31, 2021 is negative at 38,497 thousand euros (Positive working capital of 39,104 thousand euros at March 31, 2020). This negative working capital is mainly due to the short-term reclassification of debts with banking entities for an amount of 49,345 thousand euros and a loan with its main shareholder Vukile Property Fund Limited of 17,500 thousand euros.

As of the date of preparation of these Consolidated Annual Accounts, the Group has agreed to modify the schedule of its syndicated financing, placing the maturity of its amortization in the short term amounting to 43,800 thousand euros in June 2022 (see note 22) and has signed an agreement with its shareholder placing the maturity of this loan in July 2022 (see note 19 and 22), therefore, taking this circumstance into account, the working capital would stand at positive at 22,803 thousand euros.

At 31 March 2021, the Group has a buoyant cash position of €34,916 thousand. The leverage ratio (Note 4.2) stands at 48.86%, in line with the market. Despite the situation caused by COVID-19, the Group's cash flows amounted to €24,488 thousand during the financial year ended 31 March 2021. The Company also continues to have the support of its main shareholder.

2.9. Materiality

In determining the information to be disclosed in these notes to the Consolidated Annual Accounts and other matters, the Group, has taken into account their materiality in relation to the Consolidated Annual Accounts for the financial year ended on 31 March 2021.

3. ACCOUNTING POLICIES

3.1. Intangible assets

Computer software

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

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

3.2. Property, plant and equipment

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

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

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

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

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

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

3.3. Investment property

Property that is held in order to obtain long-term income 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 buildings 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 initial recognition, investment property is accounted for at fair value.

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

The fair value of investment property reflects, inter alia, future lease income and other assumptions that market players would take into account when valuing the property under current market conditions. The 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 economic benefits associated with the expenditure will flow to the Group and the asset's cost may be reliably measured. Other repair and maintenance expenses are taken to the income statement when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is written off.

Any fair value changes are taken to 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 or loss from the fair value adjustment to investment property.

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 taken to the income statement insofar as it reverses a previous loss due to impairment. Any remaining increase is recognised in other comprehensive income, directly increasing equity in the revaluation reserve. Any resulting fall in the carrying amount of the property is initially recognised in other comprehensive income against any previously recorded revaluation reserve, and any remaining fall in value is taken to the income statement.

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

3.4.Impairment losses on non-financial assets

Assets subject to depreciation are reviewed for impairment whenever an event or change in circumstances indicates that the carrying amount may not be recoverable. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable value. Recoverable value is the higher of the asset's fair value less costs to sell and value in use. In order to assess impairment losses, assets are grouped at the lowest level for which there are generally independent identifiable cash flows (cash-generating units). Previous impairment losses on non-financial assets are reviewed for possible reversal on each financial reporting date.

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

3.5.Financial assets

Loans and receivables

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

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

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

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

3.6. Financial liabilities

Creditors and payables

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

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

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

Borrowings

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

3.7.Financial derivatives and hedge accounting

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

Hedging instruments are measured and recognised by nature where they are not or are no longer effective hedges.

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

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

At inception, the Group documents the relationship between the hedging instruments and hedged items, as well as its risk management objectives and hedging strategy. The Group also documents its evaluation, both at inception and continuously thereafter, of 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 included in 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 carried 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. Any gain or loss on the ineffective portion is taken immediately to 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 portion of interest rate swaps used to hedge loans at variable rates are taken to the income statement under “financial income/expenses”. However, when the hedged forecast transaction results in the recognition 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 value of the asset's cost. The deferred amounts are definitively included in the cost of the assets sold, in the case of inventories, or in 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 recognised when the forecast transaction is finally taken to the income statement. When it is expected that the scheduled transaction is not going to take place after all, the profit or loss accumulated in the equity is immediately transferred to the income statement under the heading “other net (losses)/profits”.

3.8. 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.

3.9. Cash and cash equivalents

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

3.10. Share capital

Share capital is made up of ordinary shares.

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

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

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, by the weighted average number of ordinary shares outstanding during the year, adjusted for incentives settled 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 expenses associated with potential ordinary shares with dilutive effects and the weighted average number of additional ordinary shares that would have been outstanding had all the potentially dilutive ordinary shares been converted.

3.11. 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 Law 11 of 26 October 2009, as amended by Law 16 of 27 December 2012, the Company will be subject to a special rate of 19% on the overall sum of the dividends or shares of profits received by shareholders whose shareholding in the Company's share capital is equal to or greater than 5%, when those dividends, in the possession of its shareholders, are exempt or have a tax rate of less than 10% (to this effect, the tax due will be taken into consideration under the Non-Resident Income Tax Law).

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

For each Group company that does not come under the aforementioned tax rules, income tax expense (income) is the amount of tax that accrues during the financial year and comprises both current tax and deferred tax.

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

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

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

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

3.12. Leases

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

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

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

Properties let out under operating leases are included in investment property on the balance sheet. Income earned from the leasing of property is recognised on a straight-line basis over the lease term (Note 3.15).

3.13. Long-term incentive plans

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

The General Shareholders' Meeting held on 15 September 2020 approved a share-based long-term incentive plan. This plan will be in effect for nine years and the right to receive shares as an incentive will accrue when the conditions set out in the plan are met for each calculation period. The first cycle comprises the period from 1 April 2019 to 31 March 2022 (see Note 18).

3.14. Provisions and contingent liabilities

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

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

Provisions that mature in one year or less and have no material financial effects are not discounted. When it is expected that a portion of the payment necessary to cancel the provision will be reimbursed by a third party, this reimbursement is recorded as an independent asset, provided that its receipt is practically certain.

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

3.15. Revenue recognition

Revenue is stated at the fair value of the consideration received or receivable and represents amounts receivable for services rendered in the ordinary course of business, less discounts, value added tax and other sales-related taxes, that is in accordance with the lease agreements signed and on a straight-line basis over the lease term. Any incentives will be allocated on a straight-line basis to the lease expiration date."

<u>Provision of services</u>

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

Interest income

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

3.16. Related-party transactions

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

4. RISK MANAGEMENT

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

Risk management is overseen by the 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 cash surpluses.

4.1. Financial risk management

a) Market risk

The Group's interest rate risk relates to borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. At 31 March 2021, circa 40.65% (39.59% at 31 March 2020) 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 subject to interest rates).

These analyses take the following into account:

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

Based on the simulations carried out, the maximum recalculated impact that a 1% interest rate fluctuation would have on profit after tax would be a €2,043 thousand increase or a €1,694 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 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 1.4% and 2.2%.

b) Credit risk

Credit risk is managed at Group level. The Group defines its policy for managing and analysing credit risk relating to new customers before offering them the ordinary 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 sundry 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 set on the basis of internal and external ratings, in accordance with the limits stipulated 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	
	31/03/2021	**31/03/2020**
Current assets net of impairment provisions		
Trade and other receivables (Note 8)	4,586	1,987
Cash and cash equivalents (Note 9)	34,916	49,058
	39,502	**51,045**

The fair value of “Cash and cash equivalents” approximates the carrying amount shown in the above table.

c) Liquidity risk

Cash flow forecasts are made 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, fulfilment of internal objectives and, where applicable, any regulatory or legal requirements.

The periods over which the Group's bank borrowings mature in nominal terms are shown in the following table:

Description	Thousands of euros 31/03/2021 Non-current	Current
March 2022	-	49,483
March 2023	40,439	-
March 2024	66,688	-
March 2025	1,150	-
> March 2026	345,062	-
	453,339	**49,483**

Description	Thousands of euros 31/03/2020 Non-current	Current
March 2021	-	3,469
March 2022	46,012	-
March 2023	40,439	-
March 2024	66,688	-
> March 2025	337,358	-
	490,497	**3,469**

On the balance sheet date, the Group records cash totalling €34,916 thousand (€49,058 thousand at 31 March 2020).

The Group's working capital as of March 31, 2021 is negative at 38,497 thousand euros (Positive working capital of 39,104 thousand euros at March 31, 2020). This negative working capital is mainly due to the short-term reclassification of debts with banking entities for an amount of 49,345 thousand euros and a loan with its main shareholder Vukile Property Fund Limited of 17,500 thousand euros.

As of the date of preparation of these Consolidated Annual Accounts, the Group has agreed to modify the schedule of its syndicated financing, placing the maturity of its amortization in the short term amounting to 43,800 thousand euros in June 2022 (see note 22) and has signed an agreement with its shareholder placing the maturity of this loan in July 2022 (see note 19 and 22), therefore, taking this circumstance into account, the working capital would stand at positive at 22,803 thousand euros.

At 31 March 2021, the Group has a buoyant cash position of €34,916 thousand. The leverage ratio (Note 4.2) stands at 48.86%, in line with the market. Despite the situation caused by COVID-19, the Group’s cash flows amounted to €24,488 thousand during the financial year ended 31 March 2021. The Company also continues to have the support of its main shareholder.

d) Tax risk

As mentioned in Note 1, the parent company has applied the special tax scheme for Spanish Listed Real Estate Investment Trusts (SOCIMIs). Pursuant to the contents of Article 6 of Law 11 of 26 October 2009, as amended by the SOCIMI Law 16 of 27 December 2012, companies that have applied this scheme are required to distribute the profits they obtain over the course of the year to their shareholders in the form of dividends, after fulfilling 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 resolution (see Note 11).

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

e) Other risks

The appearance of the COVID-19 coronavirus in China in January 2020 and its global spread to a large number of countries led the World Health Organization to classify the viral outbreak as a pandemic on 11 March 2020.

This pandemic has impacted economic and financial markets and virtually all sectors of the economy are facing huge challenges in the current economic circumstances.

Using the information available, the Group’s directors and management have assessed the main impacts of the pandemic on these Consolidated Annual Accounts, as described below:

- Operating risk:

  The Group has fostered communication between the owner and operators so as to ascertain their situation as quickly as possible and be in a position to make the best decisions in each specific case. These actions include the Group's decision to discount the guaranteed minimum rent for April and May for tenants that were unable to do business due to the “State of Emergency”.

  Since the start of the pandemic, the Castellana Group has offered support to all our tenants so as to arrive at the best solution for both parties. At the date these consolidated annual accounts are authorised for issue, the Castellana Group has closed agreements with 94.5% of tenants, while agreements with the remaining 5.5% are in a very advanced stage, with rental discounts in the tax year ended 31 March 2021 amounting to €18,796 thousand.

  However, the Company has a high-quality tenant base, so rent collection periods were not affected. The Group’s directors and management continue to monitor potential effects of the pandemic on works in progress for certain investment properties and the leases of current and future tenants.

- Liquidity risk:

  Group management monitors liquidity needs to ensure that sufficient financial resources are available to meet requirements. The Group’s position is very robust due to having €34,916 thousand in cash and cash equivalents and a leverage ratio of 48.86%, in line with the market (Note 4.2).

- Consolidated asset and liability measurement risk:

  Risks of default or deterioration of tenants' financial position did not increase significantly, with the bad debt ratio standing at around 4.77%.

  COVID-19 has lead to us facing a number of unprecedented circumstances. In this regard, at 30 September 2020 the Group's valuers issued a valuation for all of the properties in the portfolio based on a "material valuation uncertainty" under the RICS VPS3 and VPGA10 Red Book Global Standards. A lower degree of certainty and greater attention must therefore be attributed to the valuations. At 31 March 2021, this material valuation uncertainty only affects the shopping centres and a retail warehouse park, all other assets having been removed from the portfolio. The Group recognises investment properties at fair value based on valuations carried out by independent experts whose assumptions reflect the potential impact of COVID-19.

  As regards other assets and liabilities in the consolidated balance sheet, no material changes in value have been detected in relation to the possible effects of the pandemic.

Before issuing these consolidated annual accounts, the Group's management and directors assessed the situation and concluded that the Group still has sufficient financial resources to apply the going concern principle.

The significant estimates and judgements made by the Group's directors and management could be affected by rapidly changing events and the potential evolution of the pandemic in the coming months (potential impacts and mitigating actions).

Finally, the Group's directors and management are constantly overseeing the situation so as to successfully overcome any financial or non-financial impacts.

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 leverage ratios, calculated as: (Net borrowings at amortised cost / (Net borrowings at amortised cost + equity)) at 31 March 2021 and 31 March 2020 were as follows:

Description	Thousands of euros	
	31/03/2021	**31/03/2020**
Net borrowings (Note 12)	475,878	432,129
Equity (Note 10)	498,167	556,100
Leveraging	**48.86%**	**43.73%**

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

Leverage ratios on real estate investments, calculated as borrowings at amortised cost over the fair value of investment property at 31 March 2021 and 31 March 2020 were 48% and 43% respectively, and the Group aims is to keep these ratios at between 40% and 50%.

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 and 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 not based on observable market input (i.e. unobservable inputs) (Level 3).

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

31 March 2021	**Thousands of euros**			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Long-term financial investments				
Interest rate hedging derivatives	-	-	-	-
Total assets	**-**	**-**	**-**	**-**
Liabilities				
Long-term and short-term payables				
Interest rate hedging derivatives	-	(2,056)	-	**(2,056)**
Total liabilities	**-**	**(2,056)**	**-**	**(2,056)**

31 March 2020	**Thousands of euros**			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Long-term financial investments				
Interest rate hedging derivatives	-	-	-	-
Total assets	**-**	**-**	**-**	**-**
Liabilities				
Long-term payables				
Interest rate hedging derivatives	-	(2,620)	-	**(2,620)**
Total liabilities	**-**	**(2,620)**	**-**	**(2,620)**

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. Offset of financial assets and liabilities

The Group's only financial assets and liabilities are, respectively, security deposits with official bodies and security 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, so they have not been offset.

5. SEGMENT REPORTING

The Investments Committee, 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.

Segment information for these activities at 31 March 2021 and 31 March 2020 is as follows:

2021	**Thousands of euros**			
Description	**Retail**	**Offices**	**Corporate**	**Total**
Provision of services	53,044	2,335	-	**55,379**
Changes in fair value of investment property	(45,344)	(120)	-	**(45,464)**
Staff costs	-	-	(4,719)	**(4,719)**
Other operating expenses	(21,898)	(272)	(2,129)	**(24,299)**
Other profit/(loss)	128	-	(17)	**111**
Operating profit/(loss)	**(14,070)**	**1,943**	**(6,865)**	**(18,992)**
Financial expenses	(12,103)	(317)	(444)	**(12,864)**
Net financial income/(expense)	**(12,103)**	**(317)**	**(444)**	**(12,864)**
Profit/(loss) before tax	**(26,173)**	**1,626**	**(7,309)**	**(31,856)**
Income tax	-	-	-	**-**
Profit/(loss) for the period	**(26,173)**	**1,626**	**(7,309)**	**(31,856)**

2020	Thousands of euros			
Description	**Retail**	**Offices**	**Corporate**	**Total**
Provision of services	77,561	2,190	2	**79,753**
Changes in fair value of investment property	(23,425)	70	-	**(23,355)**
Staff costs	-	-	(4,684)	**(4,684)**
Other operating expenses	(19,369)	(284)	(2,496)	**(22,149)**
Other profit/(loss)	-	-	70	**70**
Operating profit/(loss)	**34,767**	**1,976**	**(7,108)**	**29,635**
Financial expenses	(11,789)	(337)	(347)	**(12,473)**
Net financial income/(expense)	**(11,789)**	**(337)**	**(347)**	**(12,473)**
Profit/(loss) before tax	**22,978**	**1,639**	**(7,455)**	**17,162**
Income tax	-	-	-	-
Profit/(loss) for the period	**22,978**	**1,639**	**(7,455)**	**17,162**

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.

2021	Thousands of euros			
Description	Retail	Offices	Corporate	Total
Investment property	960,910	26,250	-	987,160
Other non-current assets	6,392	294	202	6,888
Non-current assets	**967,302**	**26,544**	**202**	**994,048**
Trade and other receivables	3,927	-	659	4,586
Other current assets	35,542	-	3,860	39,402
Current assets	**39,469**	**-**	**4,519**	**43,988**
Total assets	**1,006,771**	**26,544**	**4,721**	**1,038,036**
Bank borrowings	435,997	7,669	-	443,666
Other non-current liabilities	13,424	294	-	13,718
Non-current liabilities	**449,421**	**7,963**	**-**	**457,387**
Bank borrowings	46,124	3,360	-	49,484
Other current liabilities	11,740	-	21,262	33,001
Current liabilities	**57,863**	**3,363**	**21,262**	**82,485**
Total liabilities	**507,284**	**11,323**	**21,262**	**539,869**

2020	Thousands of euros			
Description	Retail	Offices	Corporate	Total
Investment property	977,120	26,370	-	1,003,490
Other non-current assets	6,642	294	174	7,110
Non-current assets	**983,762**	**26,664**	**174**	**1,010,600**
Trade and other receivables	1,943	-	44	1,987
Other current assets	49,590	-	557	50,147
Current assets	**51,533**	**-**	**601**	**52,134**
Total assets	**1,035,295**	**26,664**	**775**	**1,062,734**
Bank borrowings	466,420	10,966	-	477,386
Other non-current liabilities	15,924	294	-	16,218
Non-current liabilities	**482,344**	**11,260**	**-**	**493,604**
Bank borrowings	3,469	-	-	3,469
Other current liabilities	5,186	409	3,966	9,561
Current liabilities	**8,655**	**409**	**3,966**	**13,030**
Total liabilities	**490,999**	**11,669**	**3,966**	**506,634**

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 investment property and related movements:

	Thousands of euros
Balance at 31.03.2019	**916,470**
Acquisitions	99,589
Capitalised subsequent disbursements	10,786
Profit/(loss) net of adjustments at fair value	(23,355)
Balance at 31.03.2020	**1,003,490**
Acquisitions	-
Capitalised subsequent disbursements	29,134
Profit/(loss) net of adjustments at fair value	(45,464)
Balance at 31.03.2021	**987,160**

During the financial year ended on 31 March 2021, the Group has not acquired any buildings.

During the previous period, the Group acquired two properties through the parent company and two units through its subsidiary Morzal Property Iberia, S.L.U. Of the first two, one was phase II of the Pinatar Park Retail Park (phase I is owned by the subsidiary of the Grupo Junction Parque Alameda, S.L.U), located in San Pedro del Pinatar (Murcia) and acquired for €3,796 thousand (including acquisition costs), while the other was the Puerta Europa Shopping Centre (Algeciras, Cádiz), acquired for €57,887 thousand (including acquisition costs). The third and fourth were two ancillary units belonging to the Bahía Sur and Los Arcos buildings that are already owned by the Group Company Morzal Property Iberia, S.L.U., acquired for €20,081 and €17,825 thousand respectively (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 €987,160 thousand (€1,003,490 thousand at 31 March 2020), securing the Group's fulfilment of the terms and conditions of the financing obtained. At 31 March 2021, the nominal value of this financing amounted to €502,822 thousand (€493,966 thousand at 31 March 2020) (Note 12).

a) Income and expenses on investment property

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

Description	Thousands of euros	
	31/03/2021	31/03/2020
Rental income	**55,379**	**79,753**
Operating expenses related to investment properties that generate rental income	(22,170)	(19,653)
Operating expenses related to investment properties that do not generate rental income	-	-
	33,209	**60,100**

Income of €8,600 thousand was recognised at 31 March 2020 under "rental income" due to the early termination of a lease in the El Faro property owned by the subsidiary Morzal Property Iberia, S.L.U.

At the date these consolidated annual accounts are authorised for issue, the Castellana Group has closed agreements with 94.5% of tenants, while agreements with the remaining 5.5% are in a very advanced stage and are expected to be concluded on a similar basis in the short term. These agreements include rent concessions and discounts that have been taken to the Group's income statement at 31 March 2021 since the related effect of the straight-line method is immaterial.

b) Operating leases

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

Description	31/03/2021	31/03/2020
Less than one year	53,086	48,024
Between one and two years	38,708	35,257
Between two and three years	29,126	23,909
Between three and four years	22,988	16,708
Between four and five years	15,759	10,738
More than five years	42,083	34,890
	201,750	**169,526**

c) Insurance

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

d) Obligations

At the year end, the Group had paid up €2,787 thousand by way of a purchase option for a plot of land next to the property "Los Arcos (Seville)" (€2,578 thousand at 31 March 2020).

e) Valuation process

The cost and fair value of investment property at 31 March 2021 and 31 March 2020 are detailed below:

	Thousands of euros			
Description	31/03/2021		31/03/2020	
	Cost	Fair value	Cost	Fair value
Investment property	965,659	987,160	936,525	1,003,490
	965,659	**987,160**	**936,525**	**1,003,490**

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).

"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 10-year discounted cash flow method.

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 net present value. This internal rate of return is adjusted to reflect the risk associated with the investment and assumptions used. Key variables are therefore net income and internal rate of return.

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.

(Thousands of 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:

31/03/2021		
YIELD variance	**(0.250%)**	**0.250%**
Retail	17,360	(16,960)
Offices	410	(410)
Land & Purchase Option	330	(320)
Theoretical profit/(loss)	**18,100**	**(17,690)**

31/03/2020		
YIELD variance	**(0.250%)**	**0.250%**
Retail	18,420	(17,900)
Offices	430	(410)
Land & Purchase Option	350	(325)
Theoretical profit/(loss)	**19,200**	**(18,635)**

The yield and discount rate range applied is as follows:

31 March 2021	Minimum	Maximum
YIELDS		
Retail	5.00%	7.00%
Offices	7.00%	9.25%
Discount rates		
Retail	7.25%	9.25%
Offices	7.50%	8.75%

31 March 2020	Minimum	Maximum
YIELDS		
Retail	5.00%	7.00%
Offices	7.00%	9.25%
Discount rates		
Retail	7.25%	9.00%
Offices	7.75%	8.75%

(Thousands of euros)

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

	31/03/2021		31/03/2020	
	Assets	Net consolidated profit/(loss)	Assets	Net consolidated profit/(loss)
10% increase in market rents	68,740	68,740	76,250	76,250
10% decrease in market rents	(68,650)	(68,650)	(76,165)	(76,165)

The valuation of investment property is classified under level 3, 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 2021 and 31 March 2020, no transfers between levels occurred.

On 31 March 2021, Castellana Group's EPRA NAV stood at €500,659 thousand (€5.81 per share), and on 31 March 2020 it stood at €559,158 thousand (€6.48 per share).

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

COVID-19 has lead to us facing a number of unprecedented circumstances. In this regard, at 30 September 2020 the Group's valuers issued a valuation for all of the properties in the portfolio based on a "material valuation uncertainty" under the RICS VPS3 and VPGA10 Red Book Global Standards. A lower degree of certainty and greater attention must therefore be attributed to the valuations. At 31 March 2021, this material valuation uncertainty only affects the shopping centres and a retail warehouse park, all other assets having been removed from the portfolio.

However, the valuation of the Group's assets at 31 March 2021 includes an estimate of the potential impact of this situation on net income, expected growth and discounts, among others, from each property. This has led to a 1.6% reduction in the Castellana Group's portfolio value compared to 31 March 2020.

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 recipient of the services (or other companies forming part of the same group of companies) are less than 5% of the company's total revenue.

7. ANALYSIS OF FINANCIAL INSTRUMENTS

a) Analysis by category

The carrying amount of each category of financial instruments laid down in the standards on the recognition and measurement of financial instruments is as follows:

	Thousands of euros	
	Long-term financial assets	
	Loans, derivatives and other	
	31/03/2021	**31/03/2020**
Loans and receivables (Note 8)	6,750	6,970
	6,750	**6,970**
	Short-term financial assets	
	Loans, derivatives and other	
	31/03/2021	**31/03/2020**
Loans and receivables (Note 8)	5,288	1,987
	5,288	**1,987**
Total financial assets	**12,038**	**8,957**

The Group records in "Other financial assets" the security deposits given to public bodies in connection with leases.

	Thousands of euros			
	Long-term financial liabilities			
	Bank borrowings		Loans, derivatives and other	
	31/03/2021	**31/03/2020**	**31/03/2021**	**31/03/2020**
Creditors and payables (Note 12)	443,666	477,386	11,289	13,161
Derivative financial instruments (Note 13)	-	-	1,992	2,620
	443,666	**477,386**	**13,281**	**15,781**

	Thousands of euros			
	Short-term financial liabilities			
	Bank borrowings		Loans, derivatives and other	
	31/03/2021	**31/03/2020**	**31/03/2021**	**31/03/2020**
Creditors and payables (Note 12)	49,483	3,469	31,971	8,181
Derivative financial instruments (Note 13)	-	-	64	-
	49,483	**3,469**	**32,035**	**8,181**
Total financial liabilities	**493,149**	**480,855**	**45,316**	**23,962**

b) Analysis by maturity date

Financial instruments with specific or determinable maturities are set out below by year of maturity at 31 March 2021:

31 March 2021	Thousands of euros					
	Financial assets					
	March 2022	March 2023	March 2024	March 2025	Subsequent years	Total
Other financial assets:						
- Security deposits furnished	702	627	684	724	4,715	**7,452**
Trade receivables:						
- Trade receivables for sales and services	3,927	-	-	-	-	**3,927**
- Trade receivables, Group companies and associates	659	-	-	-	-	**659**
	5,288	**627**	**684**	**724**	**4,715**	**12,038**

	Financial liabilities					
	March 2022	March 2023	March 2024	March 2025	Subsequent years	Total
Payables:						
- Derivatives	64	336	1,656	-	-	**2,056**
- Security deposits received	2,249	1,075	1,175	1,207	7,832	**13,538**
- Bank borrowings	49,483	38,553	65,556	1,129	338,428	**493,149**
Payables to Group companies and associates:	17,645	-	-	-	-	**17,645**
Trade and other payables:	10,790	-	-	-	-	**10,790**
Other liabilities:	1,287					**1,287**
	37,718	**83,764**	**68,387**	**2,336**	**346,260**	**538,465**

8. LOANS AND RECEIVABLES

As of 31 March 2021 and 31 March 2020, the breakdown of this heading is as follows:

	Thousands of euros	
	31/03/2021	**31/03/2020**
Long-term loans and receivables (Note 7):		
- Other financial assets	6,750	6,970
	6,750	**6,970**
Short-term loans and receivables (Note 7):		
- Trade receivables for sales and services	3,927	1,943
- Trade receivables, related companies (Note 19)	659	44
- Other financial assets	702	-
	5,288	**1,987**
	12,038	**8,957**

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 and short-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 2021 trade and other receivables had matured to the value of €3,698 thousand (€937 thousand at 31 March 2020), of which €1,506 thousand had been provisioned (€345 thousand at 31 March 2020) in accordance with the trade receivable ageing policy provided by IFRS 9 and the Group’s own analysis.

At the end of the period, the trade receivables include an amount of €1,735 thousand pending invoicing, primarily for variable rent relating to 2020 from the Group companies Morzal Properties Iberia, S.L., and Junction Parque Principado S.L.U. (€1,351 thousand at 31 March 2020) and a provision for common area mall income pending invoicing.

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

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

Description	**Thousands of euros**	
	31/03/2021	**31/03/2020**
Up to 3 months	1,073	564
Between 3 and 6 months	1,154	118
More than 6 months	1,471	255
	3,698	**937**

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

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

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

Description	**Thousands of euros**	
	31/03/2021	**31/03/2020**
Opening balance	**(345)**	**(166)**
Appropriation	(2,071)	(195)
Reversal	884	14
Application	26	2
Closing balance	**(1,506)**	**(345)**

9. CASH AND CASH EQUIVALENTS

As of 31 March 2021 and 31 March 2020, the breakdown of this heading is as follows:

Description	**Thousands of euros**	
	31/03/2021	**31/03/2020**
Cash and cash equivalents		
Current accounts	34,916	49,058
	34,916	**49,058**

At 31 March 2021, there were restrictions on the availability of a total of €3,772 thousand (€3,574 thousand at 31 March 2020).

10. SHAREHOLDERS' FUNDS

a) Share capital and share premium

At 31 March 2021 and 2020, share capital stood at €86,271 thousand, consisting of 86,271,047 shares with a par value of €1 each, all in the same class, fully subscribed and paid up.

As at 31 March 2021 and 2020, the shareholders with more than a 3% shareholding in the Parent Company are Vukile Properties Limited and Morze European Real Estate Ventures.

The breakdown is as follows:

	31/03/2021		31/03/2020	
	No. of shares	% Shareholding	No. of shares	% Shareholding
Vukile Properties Limited	71,209,613	83%	71,204,716	83%
Morze European Real Estate Ventures	13,333,333	15%	13,333,333	15%

As of 31 March 2021 and 31 March 2020, the breakdown of share capital is as follows:

Description	Thousands of euros	
	31/03/2021	31/03/2020
Authorised capital	86,271	86,271
Unpaid share capital	-	-
	86,271	**86,271**

b) Share premium

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

As of 31 March 2021 and 31 March 2020, the breakdown of share premium is as follows:

Description	Thousands of euros	
	31/03/2021	31/03/2020
Share Premium	376,952	400,568
	376,952	**400,568**

On June 18 and November 11, 2020, the Board of Directors approved the distribution of a dividend amounting to 17,420 thousand euros and 6,196 thousand euros, respectively, charged to the share premium.

c) Treasury shares

Movements in 2021 and 2020 were as follows:

Description	2021		2020	
	Number of treasury shares	Thousands of euros	Number of treasury shares	Thousands of euros
Opening balance	**37,882**	**228**	**45,470**	**273**
Additions/purchases	22,901	142	800	5
Decreases	(2,610)	(15)	(8,388)	(50)
Closing balance	**58,173**	**355**	**37,882**	**228**

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

The parent company's treasury shares held at 31 March 2021 represented 0.07% of the Company's share capital (0.04% at 31 March 2020) and totalled 58,173 shares (37,882 at 31 March 2020). The average cost of the Company's treasury shares at 31 March 2021 and 31 March 2020 was €6 per share.

These shares are recognised as a reduction of €355 thousand in the value of the Company's shareholders' funds on 31 March 2021 (€228 thousand at 31 March 2020).

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

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	31/03/2021	31/03/2020
Net profit (thousands of euros)	(31,856)	17,162
Weighted average number of shares issued (shares)	86,221,047	81,071,610
Average number of treasury shares held (shares)	49,358	42,092
Basic and diluted earnings per share (euros)	(0.37)	0.21

With regard to the calculation of earnings per share, there were no transactions involving ordinary shares or potential ordinary shares between the closing date of the Consolidated Annual Accounts and the date they were authorised for issue that were not taken into account when calculating such earnings for the annual period ended 31 March 2021.

11. RESERVES AND RETAINED EARNINGS

At 31 March 2021, €5,376 thousand (€3,044 thousand at 31 March 2020) corresponded to the legal reserve. This reserve has been set aside under the terms of Article 274 of the Spanish Companies Act, which establishes that companies must in all cases allocate an amount equal to 10% of their profits for the year to this reserve, until the total reaches at least 20% of the share capital figure. It cannot be distributed, and if it is used to offset losses when the other available reserves are not sufficient for this purpose, it must be replenished with future profits.

Description	Thousands of euros	
	31/03/2021	31/03/2020
Legal reserve	5,376	3,044
Other reserves	10,107	10,042
Hedging reserve	(2,056)	(2,620)
Treasury shares	(355)	(228)
Total reserves	**13,072**	**10,238**
Retained earnings	100,053	85,288
Dividend distribution	(48,325)	(27,402)
Total retained earnings	**51,728**	**57,886**

Other reserves at 31 March 2021 also include a restricted reserve in the amount of €10,128 thousand due to a share capital reduction carried out by the Parent Company in 2017. This reserve will only be made available if this is approved by the General Shareholders' Meeting and published in order to allow the creditors the stipulated period of time to object to the capital reduction. The variance on the previous period relates to the distribution of results for the financial year ended 31 March 2020 to voluntary reserves in the amount of €65 thousand.

Distribution of profit/(loss)

At the 31 March 2021 close, the parent company reports a loss of €4,811 thousand, so the Board of Directors will propose the following distribution of results to the General Shareholders' Meeting:

Description	Thousands of euros
Available for distribution	
Profit/(loss) for the year	(4,811)
	(4,811)
Application	
Prior-year losses	(4,811)
	(4,811)

Share premium distribution

On 11 November 2020, the Castellana Board of Directors agreed to pay out a share premium distribution in the amount of €6,196 thousand, equating to €0.07186 per share, effective as at 27 November 2020.

Prior-year profit/(loss) distribution

The proposed distribution of the profit/(loss) and reserves of the parent company Castellana Properties Socimi, S.A.'s for the financial year ended on 31 March 2020, which was approved by the General Shareholders' Meeting on 15 September 2020, was as follows:

Description	Thousands of euros
Available for distribution	
Profit for the year	23,320
	23,320
Application	
Legal reserve	2,332
Dividend	20,923
Voluntary reserves	65
	23,320

The Parent Company also distributed €19,527 thousand to shareholders out of the share premium account.

12. CREDITORS AND PAYABLES

Description	Thousands of euros	
	31/03/2021	31/03/2020
Long-term creditors and payables (Note 7):		
Bank borrowings	443,666	477,386
Other financial liabilities	11,289	13,161
Derivative financial instruments (Note 13)	1,992	2,620
	456,947	**493,167**
Short-term creditors and payables (Note 7):		
Bank borrowings	49,483	3,469
Derivative financial instruments (Note 13)	64	-
Short-term payables, group companies (Note 19)	17,645	332
Trade and other payables	10,790	6,530
Trade payables, related companies (Note 19)	-	11
Other financial liabilities	2,249	-
Other liabilities	1,287	1,308
	81,518	**11,650**
	538,465	**504,817**

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

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

Trade and other payables primarily include balances payable in respect of investments in assets in the course of construction, provisions relating to property management and the accrual for bills pending payment to tenants as a result of the rent concessions granted in the year.

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

Bank borrowings includes the balance of five loans granted to the Group.

The maturities of these bank borrowings are set out below at face value:

Description	Thousands of euros 31/03/2021 Non-current	Current
March 2022	-	49,483
March 2023	40,439	-
March 2024	66,688	-
March 2025	1,150	-
> March 2026	345,062	-
	453,339	**49,483**

Description	Thousands of euros 31/03/2020 Non-current	Current
March 2021	-	3,469
March 2022	46,012	-
March 2023	40,439	-
March 2024	66,688	-
> March 2025	337,358	-
	490,497	**3,469**

The Group has included an amortised cost of €9,673 thousand (€13,111 thousand at 31 March 2020) on the balance sheet in respect of loan arrangement costs. At 31 March 2021, accrued unmatured interest amounted to €138 thousand (€136 thousand at 31 March 2020). Interest expenses accrued during the period totalled €8,759 thousand (€8,468 thousand at 31 March 2020). 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 drew €8,854 thousand of the mortgage loan extension arranged with the financial institution Aareal Bank, AG to purchase two assets annexed to two shopping centres already owned, “Bahía Sur” and “Los Arcos”, for a maximum amount of €47,490 thousand, falling due in 2025 (€43,481 thousand during the financial year ended 31 March 2020).

On 24 September 2019, the subsidiary Morzal Property Iberia, S.L. arranged an extension of the mortgage loan from the financial institution Aareal Bank, AG for the purchase of two assets annexed to two shopping centres already owned, “Bahía Sur” and “Los Arcos”, for a maximum of €47,490 thousand, maturing in 2025, €27,354 thousand of which had been drawn down at 31 March 2021.

The loans are secured by a mortgage on certain properties whose market value at 31 March 2021 totalled €987,160 thousand (Note 6), €1,003,490 thousand at 31 March 2020. The loan from the Group company Morzal Property Iberia, S.L.U. is also secured by a pledge on 100% of the borrower's shares.

On 5 December 2017, the parent company, acting not as a borrower but as a guarantor, together with the subsidiaries 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 by the assets shown below:

(Thousands of euros)

Company	Property	31/03/2021	31/03/2020
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 Junction Parque Habaneras, S.L.U. took out a mortgage with the financial institution Aareal Bank, AG in the amount of €42,330 thousand, secured by the Habaneras Shopping Centre and maturing in 2025.

On 27 September 2018, the subsidiary Morzal Property Iberia, S.L. (contributed in the share capital increase through the non-monetary contribution described in Note 10) signed a mortgage loan with the financial institution Aareal Bank, AG in the amount of €256 million, 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 subsidiaries 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. The entire amount of the financing had been drawn down at 31 March 2020 and 31 March 2021. Amount drawn down per company is as follows:

(Thousands of euros)

Company	Property	31/03/2021	31/03/2020
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	264
Roxbury Spain, S.L.U.		-	-
Junction Parque Huelva, S.L.U.	Marismas del Polvorín Retail Park	203	203
Junction Parque Motril, S.L.U.	Motril Retail Park	387	387
Junction Parque Granada, S.L.U.	Kinepolis Retail Park & Leisure Centre	6,190	6,190
Junction Parque Cáceres, S.L.U.	Mejostilla Retail Park	-	-
Junction Parque Mérida, S.L.U.	La Heredad Retail Park	12	12
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	410	410
Junction Parque Alameda, S.L.U.	Alameda Shopping Centre	534	534
	San Pedro Del Pinatar Retail Park	-	-
		8,000	**8,000**

On 31 July 2019, the parent company arranged a loan of €23,000 thousand, maturing in 2031, from the banks Liberbank and Banco Pichincha to finance the purchase of the Puerta Europa shopping centre.

On 24 September 2019, the subsidiary Morzal Property Iberia, S.L. arranged an extension of the mortgage loan from the financial institution Aareal Bank, AG for the purchase of two assets annexed to two shopping centres already owned, “Bahía Sur” and “Los Arcos”, for a maximum of €47,490 thousand, maturing in 2025, €27,354 thousand of which had been drawn down at 31 March 2021 (€18,500 thousand at 31 March 2020).

The Group signed various waivers with its main financial institutions exonerating the Group from fulfilling the covenants included in financing agreements until 31 March 2021 (inclusive). For the syndicated financing, the short-term maturities (€3,333 thousand) payment date has been extended to June 2021.

At the date these consolidated annual accounts are authorised for issue, the Group has agreed to modify the syndicated loan repayment schedule, the short-term amount of €43,800 thousand falling due in June 2022 (Note 22).

These loans are subject to compliance with certain covenants, which is standard practice in the sector in which the Group operates, the ratio being calculated every six months. As of 31 March 2021, the Group had complied with all of these covenants.

Information on the average supplier payment period

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

Description	Days	
	31/03/2021	31/03/2020
Average supplier payment period	48	35
Ratio of transactions settled	47	34
Ratio of transactions not yet settled	94	46

Description	Thousands of euros	
	31/03/2021	31/03/2020
Total payments settled	73,755	43,553
Total outstanding payments	1,279	2,333

13. DERIVATIVE FINANCIAL INSTRUMENTS

					Thousands of euros			
					31/03/2021		31/03/2020	
Item	Classification	Bank	Notional rate	Maturity	Non-current Liabilities	Current Liabilities	Non-current Liabilities	Current Liabilities
IRS	Cash Flow Hedges	Banco Santander	17,619	30/06/2021	-	(26)	(96)	-
IRS	Cash Flow Hedges	CaixaBank	22,800	30/06/2021	-	(33)	(125)	-
IRS	Cash Flow Hedges	Banco Popular	3,381	30/06/2021	-	(5)	(18)	-
IRS	Cash Flow Hedges	Banco Santander	15,123	30/06/2022	(135)	-	(191)	-
IRS	Cash Flow Hedges	CaixaBank	19,570	30/06/2022	(175)	-	(249)	-
IRS	Cash Flow Hedges	Banco Popular	2,902	30/06/2022	(26)	-	(37)	-
IRS	Cash Flow Hedges	Banco Santander	25,988	05/12/2023	(680)	-	(777)	-
IRS	Cash Flow Hedges	CaixaBank	33,630	05/12/2023	(859)	-	(996)	-
IRS	Cash Flow Hedges	Banco Popular	4,987	05/12/2023	(117)	-	(131)	-
			146,000		**(1,992)**	**(64)**	**(2,620)**	**-**

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 variable rate debt to be converted into fixed rate debt, where the future cash flows being hedged are the future interest payments on the loans taken out (Note 12). Fair value changes to derivatives are recognised in "Measurement adjustments" in equity, since the Company's derivatives are deemed to be effective at the consolidated level.

14. INCOME TAX AND TAX SITUATION

As of 31 March 2021 and 31 March 2020, the breakdown of taxes refundable and payable is as follows:

		Thousands of euros
	31/03/2021	31/03/2020
Receivables		
VAT refundable	2,088	-
Withholdings and payments on account	332	177
	2,420	**177**
Payables		
Deferred tax liabilities	437	437
VAT payable	822	1,170
PIT payable	103	173
Social security contributions	42	37
	1,404	**1,817**

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

						Thousands of euros
	Income statement			Income and expenses attributed directly to equity		
	Increases	Decreases	Total	Increases	Decreases	Total
Net income/(expense) for the year	**(31,856)**	**-**	**(31,856)**	**564**	**-**	**564**
Corporate income tax	-	-	-	-	-	-
Permanent differences	706	-	706	-	-	-
Temporary differences	24,679	-	24,679	-	-	-
Consolidation adjustments	20,659	-	20,659	-	-	-
Tax base (taxable income)	**14,188**	**-**	**14,188**	**-**	**-**	**564**

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

<u>Deferred tax assets and liabilities</u>

At 31 March 2021 and 31 March 2020, deferred tax liabilities were recognised in the amount of €437 thousand as a result of taxable temporary differences of the subsidiary Junction Parque Mérida, S.L.U., arising from the difference between tax and accounting depreciation and amortisation charges.

Tax-loss carryforwards

Set out below is a breakdown of tax-loss carryforwards before the special tax scheme for SOCIMIs was applied:

Financial year	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	-	-	0
2017	-	-	0
	6,665	**4,087**	**10,752**

The Group has not capitalised these tax losses.

Financial years pending verification and inspection processes

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

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

15. INCOME AND EXPENSES

a) Revenue

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

Description	Thousands of euros	
	31/03/2021	**31/03/2020**
Rental income	40,660	64,740
Reinvoicing of costs to tenants	14,719	15,013
	55,379	**79,753**

b) Staff costs

This consolidated income statement heading breaks down as follows:

Description	Thousands of euros	
	2021	2020
Wages, salaries and similar remuneration	(4,336)	(4,318)
Social security	(383)	(366)
	(4,719)	**(4,684)**

Staff costs include the amount of €1,000 thousand relating to the long-term incentive plan (Note 18) (€1,000 thousand as of 31 of March 2020).

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

Description	Number of employees	
	2021	2020
Directors	6	7
University graduates or diploma holders	19	17
Administrative personnel and other	3	3
	28	**27**

In addition, at 31 March 2021 and 31 March 2020, the gender breakdown of the headcount was as follows:

2021

Description	Number of employees		
	Men	Women	Total
Directors	4	2	6
University graduates or diploma holders	7	13	20
Administrative personnel and other	-	2	2
	11	**17**	**28**

2020

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

The Group had no employees with a disability rating of 33% or more (or the local equivalent) at 31 March 2021 or 31 March 2020.

c) Other operating expenses

This consolidated income statement heading breaks down as follows:

Description	Thousands of euros	
	2021	2020
External services attributable directly to real estate assets	(22,170)	(19,653)
Other external services	(2,129)	(2,496)
	(24,299)	**(22,149)**

16. NET FINANCIAL INCOME/(EXPENSE)

As of 31 March 2021 and 31 March 2020, the breakdown of this heading by category is as follows:

Description	Thousands of euros	
	2021	2020
Financial expenses		
Interest on bank borrowings	(11,406)	(11,227)
Interest on payables to related companies (Note 18)	(444)	(349)
Derivative expenses	(1,014)	(897)
	(12,864)	**(12,473)**

17. PROVISIONS AND CONTINGENCIES

At 31 March 2021, the Group had three third-party technical bank guarantees in place in the amount of €148 thousand (€148 thousand at 31 March 2020), the maturity of which is linked to construction work completions.

18. PARENT COMPANY DIRECTORS' REMUNERATION, SHAREHOLDINGS AND BALANCES

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

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

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

Directors' remuneration

During 2021, remuneration accrued to the directors totalled €1,465 thousand (€1,206 thousand at 31 March 2020), of which executive directors received a total of €1,043 thousand (€834 thousand at 31 March 2020).

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

There is a share-based remuneration plan for the Parent Company's executive team (Note 3.13). The first calculation period comprises the period from 1 April 2019 to 31 March 2022. At 31 March 2021, the Parent Company has estimated a cost of €2,000 thousand recognised in the item "Other equity instruments".

19. GROUP AND RELATED-PARTY TRANSACTIONS AND BALANCES

As of 31 March 2021 and 31 March 2020, the breakdown of group and related-party transactions is as follows:

Description	Thousands of euros	
	2021	**2020**
Income		
Reinvoicing of costs	697	299
	697	**299**
Expenses		
Other costs	-	(41)
Interest	(444)	(349)
	(444)	**(390)**

The Group recognises income relating to the special tax stipulated in Article 9.2 of Law 11/2009 of 26 October on SOCIMIS (listed property investment companies) (Note 2.16), which was recharged to the main shareholders by companies that hold a shareholding of over 5% and pay tax at a rate below 10%.

Interest expense relates to a loan of €17,500 thousand arranged with Vukile Property Fund Limited on 14 July 2020, which matures on 13 July 2021. At 31 March 2020, interest expense related to a loan of €50,000 thousand arranged with Vukile Property Fund Limited on 20 May 2019. This loan was capitalised on 17 September 2019.

As of 31 March 2021 and 31 March 2020, the breakdown of balances with group and related parties is as follows:

Description	Thousands of euros	
	31/03/2021	**31/03/2020**
Receivables (Note 8)		
Adam Lee Morze	42	42
Diversified Real Estate Assets Management, S.L. (DREAM)	2	2
Morze European Real Estate Ventures (MEREV)	615	-
	659	**44**
Payables (Note 12)		
Vukile Property Fund Limited	17,645	343
	17,645	**343**

On 14 July 2020, the parent company Castellana Properties SOCIMI, S.A. entered into a loan agreement with its principal shareholder Vukile Property Fund Limited for €17,500 thousand, maturing on 23 July 2020. On 16 September, the Group signed an addendum to this agreement, which extended the maturity date to July 2021 and at the date of formulation of these Consolidated Annual Accounts, the Group has signed an addendum to this contract by which it extends its expiration to July 2022. The loan bears an annual interest rate of 3.5%.

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

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

Not applicable.

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

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

c) Dividends distributed against profits each year in which the tax rules contained in Law 11/2009, as amended by Law 16 of 27 December 2012, applied, distinguishing the portion arising from income subject to 0% or 19% tax from the portion relating to income subject to tax at the general rate.

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

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

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

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

- Dividend of €134 thousand for the 2016 financial year, approved by the General Shareholders' Meeting on 29 June 2017.
- Dividend of €1,202 thousand for the three-month period ended 31 March 2018, approved by the General Shareholders' Meeting on 13 July 2018.
- Interim dividend of €10,948 thousand for the financial year ended 31 March 2019, approved by the Board of Directors on 21 May 2018.
- Interim dividend of €6,967 thousand for the financial year ended 31 March 2019, approved by the Board of Directors on 15 November 2018.
- Dividend charged to the share premium account in the amount of €733 thousand, approved by the Board of Directors on 15 November 2018.
- Interim dividend of €8,150 thousand for the financial year ended 31 March 2019, approved by the Board of Directors on 14 May 2019.
- Interim dividend of €17,025 thousand for the financial year ended 31 March 2020, approved by the Board of Directors on 13 November 2019.
- Interim dividend of €3,898 thousand for the financial year ended 31 March 2020, approved by the Board of Directors on 13 June 2020.
- Dividend charged to the share premium account in the amount of €17,420 thousand, approved by the Board of Directors on 13 June 2020.
- Interim dividend of €53 thousand for the financial year ended 31 March 2020, approved at the General Shareholders' Meeting on 15 September 2020.
- Dividend charged to the share premium account in the amount of €6,196 thousand, approved by the Board of Directors on 11 November 2020.

(Thousands of euros)

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

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
Pinatar Fase II Retail Park	UA-1 Local Level Plan (*Plan Parcial*) "Área 3e" Manzana P-9, San Pedro de Pintar, Murcia	17 June 2019
Puerta Europa Shopping Centre	A7, km 106, in Algeciras, Cádiz	31 July 2019

(Thousands of euros)

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

Company	Date acquired	Property	Location
Junction Parque Castellón S.L.U.	30 June 2017	Ciudad del Transporte	Avenida Europa 231, 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. Roxbury Spain, S.L.U.	30 June 2017 30 June 2017	Parque Oeste Retail Park	Avenida de Europa 4, Alcorcon - Madrid
Junction Parque Huelva, S.L.U.	30 June 2017	Marismas del Polvorín Retail Park	Calle Molino Mareal 1, Huelva
Junction Parque Motril, S.L.U.	30 June 2017	Motril Retail Park	Rambla de las Brujas, Motril, Granada
Junction Parque Granada, S.L.U.	30 June 2017	Kinepolis Retail Park & Leisure Centre	Calle Samuel Billy Wilder 1, Pulianas - Granada
Junction Parque Cáceres, S.L.U.	30 June 2017	Mejostilla Retail Park	Calle Jose Espronceda 52, Plot M-19.1ª, Caceres
Junction Parque Mérida, S.L.U.	30 June 2017	La Heredad Retail Park	Avenida José Saramago de Sousa, Merida
Junction Parque Villanueva 1, S.L.U.	30 June 2017	La Serena Retail Park	Carretera Don Benito, S/N, Villanueva de la Serena, Badajoz
Junction Parque Villanueva fase 2, S.L.U.	30 June 2017	Villanueva de la Serrena II Retail Park	Carretera Don Benito, S/N, Villanueva de la Serena, Badajoz
Junction Parque Alameda, S.L.U.	5 December 2017	Alameda Shopping Centre San Pedro Del Pinatar Retail Park	Calle Luis Buñuel 6, 18197, Pulianas - Granada UA-1 Local Level Plan (*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 Los Arcos Shopping Centre Bahía Sur Shopping Centre El Faro Shopping Centre	Paseo de Zorilla, Valladolid Avenida de Andalucia S/N, Seville Avenida Caño Herrera S/N, San Fernando, Cádiz Avenida de Elvas S/N, Badajoz

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

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

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

- Voluntary reserves amounting to €65 thousand recognised during the financial year ended 31 March 2020 and not distributed or used to offset losses.

21. AUDIT FEES

The fees accrued to PricewaterhouseCoopers Auditores, S.L. for auditing services and fees for other assurance services during the year amounted to €166 thousand (€161 thousand at 31 March 2020) and €10 thousand (€9 thousand at 31 March 2020), respectively.

The fees accrued to other companies of the PwC network as a result of consultancy services, other assurance services or other services rendered to the Group amounted to €6 thousand (€49 thousand at 31 March 2020).

22. EVENTS AFTER THE REPORTING PERIOD

On 13 April 2021 the Group company, Morzal Property Iberia S.L.U. acquired an office building adjacent to the "Los Arcos (Seville)" property.

On May 14, 2021, the main shareholder of the company has agreed to modify the amortization date of its short-term financing for the amount of 17,500 thousand euros, placing its maturity in July 2022.

On 18 May 2021, the Group agreed to modify the syndicated loan repayment schedule, the short-term amount of €43,800 thousand falling due in June 2022.

CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR ENDED ON 31 MARCH 2021

1. ORGANISATIONAL STRUCTURE AND FUNCTIONING

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

On 15 September 2016 the Company informed the tax authorities that it wished to avail itself of the rules governing Spanish Real Estate Investment Trusts (SOCIMIs).

On 25 July 2018, Castellana Properties listed 100% of its shares on the BME Growth (former Spanish Alternative Stock Exchange (MAB). At 31 March 2021 and 2020, share capital stood at €86,271 thousand, consisting of 86,271,047 shares with a par value of €1 each, all in the same class, fully subscribed and paid up.

As at 31 March 2021 and 2020, the shareholders with more than a 3% shareholding in the Parent Company are Vukile Properties Limited and Morze European Real Estate Ventures.

Castellana Properties focuses its business strategy on investment in high-quality rental assets with strong growth potential. In just three years, the market value of this investment has risen from €308 million at 31 March 2018 to €987 million at 31 March 2021.

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

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

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

2. BUSINESS PERFORMANCE AND PROFIT/(LOSS)

Since its first acquisition in 2016, the Group has completed several transactions for the acquisition of real estate assets which have led to retained earnings that, on 31 March 2021, stood at €52 million on a consolidated basis.

"Revenue" from letting the acquired properties reached €55,379 thousand at 31 March 2021 (€79,753 thousand at 31 March 2020). This decline in revenue was due to the Covid-19 pandemic.

The appearance of the COVID-19 coronavirus in China in January 2020 and its global spread to a large number of countries led the World Health Organization to classify the viral outbreak as a pandemic on 11 March 2020.

This pandemic has impacted economic and financial markets and virtually all sectors of the economy are facing huge challenges in the current economic circumstances.

The Group has fostered communication between the owner and operators so as to ascertain their situation as quickly as possible and be in a position to make the best decisions in each specific case. These actions include the Group's decision to discount the guaranteed minimum rent for April and May for tenants that were unable to do business due to the "State of Emergency".

Since the start of the pandemic, the Castellana Group has offered support to all of its tenants so as to arrive at the best solution for both parties. At the date these consolidated annual accounts are authorised for issue, the Castellana Group has closed agreements with 94.5% of tenants, while agreements with the remaining 5.5% are in a very advanced stage, with rental discounts in the tax year ended 31 March 2021 amounting to €18,796 thousand.

However, the Company has a high-quality tenant base, so rent collection periods were not affected. The Group's directors and management continue to monitor potential effects of the pandemic on works in progress for certain investment properties and the leases of current and future tenants.

During the financial year ended 31 March 2021, operating profit/(loss) stood at (€18,992) thousand versus the operating profit/(loss) for the period ended 31 March 2020 (€29,635 thousand).

The market value of the Company's assets at 31 March 2021 stood at €987,160 thousand, equating to a 7.12% increase on the purchase price and a y-o-y decrease of 1.63%.

3. EPRA INFORMATION

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

EPRA indicators

	31/03/2021	31/03/2020
EPRA earnings	13,608	31,917
EPRA earnings per share	0.16	0.39
Adjusted EPRA earnings	32,404	31,917
Adjusted EPRA earnings per share	0.38	0.39
EPRA NAV	500,660	559,157
EPRA NAV per share	5.81	6.48
EPRA NNNAV	488,494	542,990
EPRA NNNAV per share	5.67	6.30
EPRA NRV	528,196	558,720
EPRA NRV per share	6.13	6.48
EPRA NTA	500,202	558,699
EPRA NTA per share	5.80	6.48
EPRA NDV	488,494	542,989
EPRA NDV per share	5.66	6.30
EPRA Net Initial Yield (NIY)	3.92%	5.74%
EPRA "Topped-up" NIY	6.01%	6.05%
EPRA Vacancy Ratio	2.87%	1.20%
EPRA Cost Ratio (Including vacancy cost)	29.16%	18.20%
EPRA Cost Ratio (Excluding vacancy cost)	28.01%	16.03%
EPRA Cost Ratio adjusted by the Company (including vacancy cost)	19.91%	18.20%
EPRA Cost Ratio adjusted by the Company (excluding vacancy cost)	19.13%	16.03%

3.1 EPRA earnings and EPRA earnings per share

	31/03/2021	31/03/2020
Earnings per IFRS	**(31,856)**	**17,162**
Adjustments to calculate EPRA, exclude:		
(i) Changes in value of investment property	45,464	23,355
(ii) Negative differences on consolidation	-	-
EPRA earnings	**13,608**	**40,517**
EPRA earnings per share	**0.16**	**0.50**
Company-specific adjustments	18,796	(8,600)
Adjusted EPRA earnings	**32,404**	**31,917**
Adjusted EPRA earnings per share	**0.38**	**0.39**

The specific adjustment relates to the temporary rental discounts given during the year in the amount of €18,796 thousand due to the Covid-19 pandemic.

3.2 EPRA NAV indicators

In October 2019, EPRA modified the calculation of its EPRA NAV and EPRA NNNAV ratios, replacing them with three new ratios in order to adapt to the circumstances in the industry and to requests by the market and investors. These new ratios are applicable to financial years beginning on or after 1 January 2020.

3.2.1 Previous methodology: EPRA NAV and EPRA NNNAV

EPRA NAV and EPRA NAV per share

	31/03/2021	31/03/2020
NAV per the financial statements (*)	**498,167**	**556,100**
Effect of exercise of options, convertibles and other interests	-	-
Diluted NAV	**498,167**	**556,100**
Exclude:		
(iv) Fair value of financial instruments	2,056	2,620
(v.a) Deferred taxes	437	437
EPRA NAV	**500,660**	**559,157**
EPRA NAV per share (in euros)	**5.81**	**6.48**

EPRA NNNAV and EPRA NNNAV per share

	31/03/2021	31/03/2020
EPRA NAV	**500,660**	**559,158**
Include:		
(i) Fair value of financial instruments	(2,056)	(2,620)
(ii) Fair value of debt	(9,673)	(13,111)
(iii) Deferred tax	(437)	(437)
EPRA NNNAV	**488,494**	**542,990**
EPRA NNNAV per share (in euros)	**5.67**	**6.30**

3.2.2 New methodology: EPRA NRV, EPRA NTA and EPRA NDV

	31/03/2021 Net Reinstatement Value (NRV)	31/03/2021 Net Tangible Assets (NTA)	31/03/2021 Net Disposal Assets (NDV)
Equity attributable to shareholders	**498,167**	**498,167**	**498,167**
Include/Exclude:	**-**	**-**	**-**
(i) Hybrid instruments	-	-	-
Diluted NAV	**498,167**	**498,167**	**498,167**
Include:	**-**	**-**	**-**
ii.a) Restatement of investment property (when recognised using the cost method of accounting)	-	-	-
ii.b) Restatement of investment property being refurbished (when recognised using the cost method)	-	-	-
ii.c) Restatement of other non-recurring investments	-	-	-
iii) Restatement of leases when recognised as finance leases	-	-	-
iv) Restatement of available-for-sale assets	-	-	-
Diluted NAV at market value	**498,167**	**498,167**	**498,167**
Exclude:	**2,056**	**2,035**	**-**
v) Deferred taxes related to the restatement of real estate assets	-	-	
(i) Fair value of financial instruments	2,056	2,056	
(vi) Goodwill resulting from deferred taxes	-	-	-
(vii.a) Goodwill carried in the balance sheet		-	-
(vii.a) Intangibles carried in the balance sheet		(21)	
Include:	**27,973**	**-**	**(9,673)**
viii) Market value of fixed-interest debt			(9,673)
ix) Restatement of intangibles to market value	-		
x) Transfer tax	27,973	-	
EPRA NAV	**528,196**	**500,202**	**488,494**
EPRA NAV per share (in euros)	**6.13**	**5.80**	**5.67**

3.3 EPRA NIY and EPRA "Topped-up" NIY

			31/03/2021
	Offices	Retail	Total
Investment property	26,250	960,910	987,160
Fewer projects under construction	-	(103,415)	(103,415)
Investment property completed	**26,250**	**857,495**	**883,745**
Estimated real estate asset transaction costs	525	17,150	17,675
Total property portfolio value (A)	**26,775**	**874,645**	**901,420**
Annual return on real estate investments	1,977	36,240	38,217
Operating costs associated with non-recoverable assets	**2**	**(2,852)**	**(2,850)**
Annualised net rent (B)	1,979	33,388	35,367
Temporary rental discounts or rent-free periods	**-**	**18,796**	**18,796**
Maximum net return on real estate investments (C)	**1,979**	**52,184**	**54,163**
EPRA NIY (B/A)	**7.39%**	**3.82%**	**3.92%**
EPRA "Topped-up" NIY (C/A)	**7.39%**	**5.97%**	**6.01%**

			31/03/2020
	Offices	Retail	Total
Investment property	26,310	977,180	1,003,490
Fewer projects under construction	-	(90,080)	(90,080)
Investment property completed	**26,310**	**887,100**	**913,410**
Estimated real estate asset transaction costs	526	17,742	18,268
Total property portfolio value (A)	**26,836**	**904,842**	**931,678**
Annual return on real estate investments	1,919	53,526	55,445
Operating costs associated with non-recoverable assets	**-**	**(1,962)**	**(1,962)**
Annualised net rent (B)	1,919	51,564	53,483
Temporary rental discounts or rent-free periods	**-**	**2,859**	**2,859**
Maximum net return on real estate investments (C)	**1,979**	**54,423**	**56,342**
EPRA NIY (B/A)	**7.15%**	**5.70%**	**5.74%**
EPRA "Topped-up" NIY (C/A)	**7.15%**	**6.01%**	**6.05%**

3.4 EPRA Vacancy rate

	31/03/2021	31/03/2020
ERV of available spaces	1,555	745
Total ERV	55,259	61,909
EPRA Vacancy Rate (*)	**2.81%**	**1.20%**

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

The EPRA Vacancy reflects the percentage of rent for vacant floor space at market value in relation to rent for the entire portfolio at market value.

The vacancy rate at 31/03/2021 stood at 2.81%, having risen slightly on the previous year due essentially to the vacancy strategy we are implementing in two of our shopping centres (El Faro and Los Arcos) as a result of the repositioning projects.

3.5 EPRA Cost Ratio

	31/03/2021	31/03/2020
Administrative and corporate costs	6,931	7,151
Non-recoverable operating costs	4,872	3,033
EPRA Costs (including direct vacancy costs)	**11,803**	**10,184**
Vacancy cost	(464)	(1,214)
EPRA Costs (excluding direct vacancy costs)	**11,339**	**8,970**
Gross rental income (including temporary Covid-19 rental discounts)	**40,481**	**55,947**
EPRA Cost Ratio (including direct vacancy costs)	**29.16%**	**18.20%**
EPRA Cost Ratio (excluding direct vacancy costs)	**28.01%**	**16.03%**

Administrative and corporate costs

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

Non-recoverable operating costs

Operating expenses that cannot be passed on to the tenants in the amount of €3,662 thousand and bad debt provisions of €1,210 thousand have been included.

Vacancy cost

It relates to the cost directly attributable to vacant retail units in the portfolio. Costs directly attributable to units under development have not been included.

Gross rental income (including temporary Covid-19 rental discounts)

Recurring rental income and temporary rental discounts given to tenants in the current year due to Covid-19 have been included in the amount of €18,796 thousand.

The increase in the EPRA Cost Ratio at 31.03.21 compared with 31.03.20 is directly attributable to the impact of bad debt provisions totalling €1,210 thousand, increasing non-recoverable operating expenses, and to the impact of temporary rental discounts given due to Covid-19 in the amount of €18,796 thousand.

EPRA Cost Ratio adjusted by the Company

The following calculation takes into account gross rental income (excluding Covid-19 temporary rental discounts totalling €18,796 thousand). We observe that, following this adjustment, the EPRA Cost Ratio at 31.03.21 is in line with the EPRA Cost Ratio at 31.03.20.

	31/03/2021	31/03/2020
Administrative and corporate costs	6,931	7,151
Non-recoverable operating costs	4,872	3,033
EPRA Costs (including direct vacancy costs)	**11,803**	**10,184**
Vacancy cost	(464)	(1,214)
EPRA Costs (excluding direct vacancy costs)	**11,339**	**8,970**
Gross rental income (excluding temporary Covid-19 rental discounts)	**59,277**	**55,947**
EPRA Cost Ratio (including direct vacancy costs)	**19.91%**	**18.20%**
EPRA Cost Ratio (excluding direct vacancy costs)	**19.13%**	**16.03%**

3.6 EPRA Like-for-like rental growth

	Offices	Retail	Total
Net rental income 31.03.2020	**1,912**	**51,192**	**53,104**
Like for like increase in rents	58	347	405
Non-recoverable like-for-like property expenses	7	14	21
Annualised rent from acquisitions in FY20	-	2,279	2,279
Non-recoverable annualised property expenses on acquisitions in FY 20	-	(840)	(840)
Temporary Covid-19 related rental discounts	-	(18,796)	(18,796)
Other income	-	647	647
Net rental income 31.03.2021	**1,977**	**34,843**	**36,820**

	Offices	Retail	Total
Valuation 31.03.2020	26,370	881,980	908,350
Like for like	(120)	(29,255)	(29,375)
Valuation 31.03.2021	**26,250**	**852,725**	**878,975**

We have not taken into account the value of projects under construction (repositioning) nor of plots of land ready for development (*solares*) amounting to €108,185 thousand at market value.

3.7 EPRA Capital expenditure

The Capex invested in 2021 and 2020 by property type and concept is as follows:

			2021			2020
	Offices	Retail	Total	Offices	Retail	Total
Acquisitions	-	-	**-**	-	99,589	**99,589**
Projects under construction	-	20,526	**20,526**	-	3,404	**3,404**
Asset investment	-	8,608	**8,608**	-	7,382	**7,382**
Increase in lettable area	-	-	**-**	-	-	**-**
No increase in lettable area	-	5,452	**5,452**	-	4,878	**4,878**
Tenant incentives	-	3,156	**3,156**	-	2,504	**2,504**
Other capitalised expenses	-	-	**-**	-	-	**-**
Capitalised financial expenses	-	-	**-**	-	-	**-**
Total Capex	**-**	**29,134**	**29,134**	**-**	**110,375**	**110,375**
Conversion of provision into cash	-	-	**-**	-	-	**-**
Total cash outflow due to Capex	**-**	**29,134**	**29,134**	**-**	**110,375**	**110,375**

The Castellana Group has no joint venture arrangements and all portfolio assets are located in Spain.

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

Acquisitions

In 2020, the Group acquired two properties through the parent company and two units through its subsidiary Morzal Property Iberia, S.L.U. Of the first two, one was phase II of the Pinatar Park Retail Park (phase I is owned by the subsidiary of the Grupo Junction Parque Alameda, S.L.U), located in San Pedro del Pinatar (Murcia) and acquired for €3,796 thousand (including acquisition costs), while the other was the Puerta Europa Shopping Centre (Algeciras, Cádiz), acquired for €57,887 thousand (including acquisition costs). The third and fourth were two ancillary units belonging to the Bahía Sur and Los Arcos buildings that are already owned by the Group Company Morzal Property Iberia, S.L.U., acquired for €20,081 and €17,825 thousand respectively (including acquisition costs).

Projects under construction

The costs of units acquired from El Corte Inglés (ECI) under construction have been included. These construction projects are being carried out at our Bahía Sur, Los Arcos and El Faro centres.

Investment in assets – No increase in lettable area

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

Tenant incentives

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

4. PERFORMANCE OF THE COMPANY'S SHARES

The parent company has listed its shares on the BME Growth (Former Spanish Alternative Stock Exchange (MAB)) since 25 July 2018. The shares were listed at €6.00 per share, closing at €5.75 per share on 31 March 2021 (€7.10 per share on 31 March 2020).

5. TREASURY SHARES

Movements in 2021 and 2020 were as follows:

	2021		2020	
Description	**Number of treasury shares**	**Thousands of euros**	**Number of treasury shares**	**Thousands of euros**
Opening balance	**37,882**	**228**	**45,470**	**273**
Additions/purchases	22,901	142	**800**	**5**
Decreases	(2,610)	(15)	**(8,388)**	**(50)**
Closing balance	**58,173**	**355**	**37,882**	**228**

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

The parent company's treasury shares held at 31 March 2021 represented 0.07% of the Company's share capital (0.04% at 31 March 2020) and totalled 58,173 shares (37,882 at 31 March 2020). The average cost of the Company's treasury shares at 31 March 2021 and 31 March 2020 was €6 per share.

These shares are recognised as a reduction of €355 thousand in the value of the Parent Company's shareholders' funds on 31 March 2021 (€228 thousand at 31 March 2020).

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

6. DIVIDEND POLICY

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

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

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

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

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

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

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

Prior-year profit/(loss) distribution

The distribution of the profit/(loss) and reserves for the financial year ended on 31 March 2020, which was approved by the General Shareholders' Meeting on 15 September 2020, was as follows:

Description	Thousands of euros
Available for distribution	
Profit for the year	23,320
	23,320
Distribution of profit/(loss)	
Legal reserve	2,332
Dividend distribution	20,923
Voluntary reserves	65
	23,320

The Parent Company also distributed €19,527 thousand to shareholders out of the share premium account.

Distribution of profit/(loss)

The dividend to be distributed by the Castellana Group is determined on the basis of its profits for the year, calculated under Spanish GAAP. The following table outlines the difference between results under IFRS and under Spanish GAAP, 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 2021	**Financial year ended on 31 March 2020**
Profit/(loss) for the year under Spanish GAAP	**(4,811)**	**23,321**
Adjustments:		
(i) Consolidation	8,083	7,210
(ii) Depreciation of investment property	10,336	9,986
(iii) Investment property impairment	(45,464)	(23,355)
Earnings per IFRS	**(31,856)**	**17,162**

The proposed distribution of the parent company's results to be submitted to the General Shareholders' Meeting is as follows:

Description	Thousands of euros
Available for distribution	
Profit/(loss) for the year	(4,811)
	(4,811)
Application	
Prior-year losses	(4,811)
	(4,811)

Share premium distribution

On 11 November 2020, the Castellana Board of Directors agreed to pay out a share premium distribution in the amount of €6,196 thousand, equating to €0.07186 per share, effective as at 27 November 2020.

7. RISK MANAGEMENT

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

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

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

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

8. AVERAGE SUPPLIER PAYMENT PERIOD

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

Description	Days	
	2021	**2020**
Average supplier payment period	48	35
Ratio of transactions settled	47	34
Ratio of transactions not yet settled	94	46

Description	Thousands of euros	
	2021	**2020**
Total payments settled	73,755	43,553
Total outstanding payments	1,279	2,333

9. THE TEAM

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

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

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

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

10. MAJOR EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

11. THE GROUP'S PROSPECTS

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

The Group will also continue to actively manage its properties, focusing on improving leases expiring in 2021-2022, as well as maintaining the good occupancy levels.

As regards the health crisis caused by COVID-19, the Group will continue to take the necessary steps to keep the assets operating at the highest possible occupancy rates. This entails fostering communication between the owner and the operators so as to ascertain their situation as quickly as possible and be in a position to make the best decisions in each specific case.

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS
FOR THE FINANCIAL YEAR ENDED ON 31 MARCH 2021

Pursuant to the requirements of Article 253 of the Spanish Companies Act and Article 37 of the Spanish Commercial Code, on 27 May 2021 the members of the Board of Directors of the Company Castellana Properties Socimi, S.A. prepared the following Consolidated Annual Accounts and the Consolidated Management Report for the financial year ended 31 March 2021, set out in the accompanying documents that precede this written submission.

Laurence Gary Rapp Chairman	Alfonso Brunet Board Member
Jorge Morán Board Member	Michael John Potts Board Member
Nigel George Payne Board Member	Adam Lee Morze Board Member
Guillermo Massó Board Member	Debora Santamaría Board Member
Laurence Cohen Board Member	