Castellana Properties Socimi, S.A. and subsidiaries

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

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

Independent auditor's report on the 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 2023, and the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at 31 March 2023, 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 Properties Investment properties make up 86% 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 variation in the fair value of investment property amounting to €1,050 thousand in the consolidated income statement, as indicated in note 6. Total investment properties recognised in non-current assets on the consolidated balance sheet amount to €1,012,275 thousand on 31 March 2023. The Group recognises the value of investment property 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) and in accordance with the International Valuation Standards (IVS) published by the International Standards Valuation Committee (ISVC), whose methodology is described in notes 2.3 and 6 to the consolidated financial statements. Valuers consider specific variables such as the lease contracts signed and specifically its rents. Similarly, they apply certain key assumptions such as exit yields, estimated market rent and comparable transactions in order to arrive at a final valuation. The significance of the estimates and judgements involved in these valuations, coupled with a minor difference in percentage terms in the valuation of a property, could result in a material figure, meaning that the valuation of investment property is considered a key audit matter.	For a sample of additions of investment properties registered during the year, we have checked the supporting documentation. Additionally, we obtained the valuation of property investments carried out by Management's independent expert, 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. • Verification that the valuations were performed according to accepted methodology. • Discussion of the principal key assumptions of the valuation through sundry meetings with the expert valuer and management, assessing the consistency of the main assumptions used taking existing market conditions into account. • Performance of selective tests to corroborate the accuracy of the most relevant data provided by Management to the valuer and used by it in the valuations. Additionally, we assessed the sufficiency of the information disclosed in the consolidated annual accounts. The results of the procedures performed allowed us to reasonably obtain the audit objectives for which these procedures were designed.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2023 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 2023 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 directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

- Obtain sufficient 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 signed by Rafael Pérez Guerra

24 May 2023

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

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

CONTENTS TO THE NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 MARCH 2023

(Thousand euro)

ASSETS	Note	Thousand euro 31 March 2023	 31 March 2022
Assets			
Non-current assets			
Intangible assets		148	150
Property, plant and equipment		380	120
Investment property	6	1,012,275	1,000,840
Long-term financial investments	7	105,949	89,879
Other non-current financial assets	7 and 8	6,702	6,395
		1,125,454	**1,097,384**
Current assets			
Trade receivables for sales and services	7 and 8	2,198	2,730
Trade receivables, related companies	7 and 19	-	148
Other accounts receivable from Public Administrations	14	459	351
Other current financial assets	7	13,682	920
Short-term prepayments and accrued income		973	1,590
Cash and cash equivalents	9	31,308	28,929
		48,620	**34,668**
Total assets		**1,174,074**	**1,132,052**

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

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 MARCH 2023

(Thousand euro)

EQUITY AND LIABILITIES	Note	Thousand euro 31 March 2023	 31 March 2022
Equity			
Equity attributable to the owners of the parent company			
Share capital	10	101,152	98,771
Share premium	10	442,960	434,641
Legal reserve	11	8,030	5,376
Other reserves	11	10,943	10,008
Treasury shares	10	(343)	(357)
Retained earnings	11	43,759	24,683
Interim dividend	11	(7,000)	(6,000)
Other equity instruments		-	3,000
Profit/(loss) for the year	10	46,548	45,665
Measurement adjustments	11 and 13	(2,273)	(9,061)
		643,776	**606,726**
Liabilities			
Non-current liabilities			
Bank borrowings	7 and 12	485,402	487,160
Deferred tax liabilities	14	437	437
Other non-current financial liabilities	7 and 12	13,484	11,468
		499,323	**499,065**
Current liabilities			
Bank borrowings	7 and 12	4,052	1,719
Short-term payables to Group companies	7 and 19	13,182	10,035
Trade and other payables	7 and 12	6,270	9,531
Other financial liabilities	7 and 12	2,031	1,807
Other liabilities	7 and 12	3,903	1,405
Other accounts payable to Public Administrations	14	1,537	1,764
		30,975	**26,261**
Total liabilities		**530,298**	**525,326**
Total equity and liabilities		**1,174,074**	**1,132,052**

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

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED ON 31 MARCH 2023

(Thousand euro)

		Thousand euro	
	Note	**Financial year comprising the period from 1 April 2022 to 31 March 2023**	**Financial year comprising the period from 1 April 2021 to 31 March 2022**
Provision of services	15	82,807	72,595
Staff costs	15	(5,817)	(5,000)
Other operating expenses	15	(27,652)	(24,124)
Other profit/(loss)	6	(11)	(2,960)
OPERATING PROFIT/(LOSS) BEFORE VALUATION OF INVESTMENT PROPERTY		**49,327**	**40,511**
Changes in fair value of investment property	6	(1,050)	21,937
OPERATING PROFIT/(LOSS)		**48,277**	**62,448**
Financial income from ownership interests in other companies	16	12,907	-
Financial expenses	16	(14,636)	(16,163)
Change in fair value of financial instruments	16	-	(620)
NET FINANCIAL INCOME/(EXPENSE)		**(1,729)**	**(16,783)**
PROFIT/(LOSS) BEFORE TAX		**46,548**	**45,665**
Income tax	14	-	-
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY		**46,548**	**45,665**
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY			
Basic and diluted earnings per share	10	**0.47**	**0.53**

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

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED ON 31 MARCH 2023

(Thousand euro)

	Note	Thousand euro Financial year comprising the period from 1 April 2022 to 31 March 2023	Financial year comprising the period from 1 April 2021 to 31 March 2022
Consolidated profit/(loss) for the year	**15**	**46,548**	**45,665**
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**	-	2,056
Changes in fair value of equity investments	**7**	6,788	(9,061)
Other comprehensive income for the year, after tax			
Total comprehensive income for the year		**53,336**	**38,660**

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

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

(Thousand euro)

	Share capital (Note 10)	Share premium (Note 10)	Legal reserve (Note 11)	Other reserves (Note 11)	Treasury shares (Note 10)	Retained earnings (Note 10)	Profit/(loss) for the year (Note 11)	Interim dividend (Note 11)	Other equity instruments (Note 10)	Measurement adjustments (Notes 11 and 13)	TOTAL
BALANCE AT 1 APRIL 2021	**86,271**	**376,952**	**5,376**	**10,107**	**(355)**	**51,728**	**(31,856)**	**-**	**2,000**	**(2,056)**	**498,167**
Profit/(loss) for the period	-	-	-	-	-	-	45,665	-	-	-	**45,665**
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	(7,005)	**(7,005)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**45,665**	**-**	**-**	**(7,005)**	**38,660**
Distribution of prior year profit/(loss)	-	(4,811)	-	-	-	(27,045)	31,856	-	-	-	**-**
Share capital increase	12,500	62,500	-	(100)	-	-	-	-	-	-	**74,900**
Dividend distribution	-	-	-	-	-	-	-	(6,000)	-	-	**(6,000)**
Treasury share transactions	-	-	-	1	(2)	-	-	-	-	-	**(1)**
Other movements	-	-	-	-	-	-	-	-	1,000	-	**1,000**
Total transactions with owners, recognised directly in equity	**12,500**	**57,689**	**-**	**(99)**	**(2)**	**(27,045)**	**31,856**	**(6,000)**	**1,000**	**-**	**69,899**
BALANCE AT 31 MARCH 2022	**98,771**	**434,641**	**5,376**	**10,008**	**(357)**	**24,683**	**45,665**	**(6,000)**	**3,000**	**(9,061)**	**606,726**
Profit/(loss) for the year	-	-	-	-	-	-	46,548	-	-	-	**46,548**
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	6,788	**6,788**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**46,548**	**-**	**-**	**6,788**	**53,336**
Distribution of prior year profit/(loss)	-	-	2,654	886	-	19,125	(45,665)	23,000	-	-	**-**
Share capital increase	2,381	12,619	-	-	-	-	-	-	-	-	**15,000**
Dividend distribution	-	(4,300)	-	-	-	-	-	(24,000)	-	-	**(28,300)**
Treasury share transactions	-	-	-	3	14	-	-	-	-	-	**17**
Other movements	-	-	-	46	-	(49)	-	-	(3,000)	-	**(3,003)**
Total transactions with owners, recognised directly in equity	**2,381**	**8,319**	**2,654**	**935**	**14**	**19,076**	**(45,665)**	**(1,000)**	**(3,000)**	**-**	**(16,286)**
BALANCE AT 31 MARCH 2023	**101,152**	**442,960**	**8,030**	**10,943**	**(343)**	**43,759**	**46,548**	**(7,000)**	**-**	**(2,273)**	**643,776**

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

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

(Thousand euro)

	Note	Thousand euro Financial year ended on 31 March 2023	Financial year ended on 31 March 2022
A) CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year before tax	**15**	**46.548**	**45.665**
Adjustments to profit/(loss)		**3.783**	**1.259**
Fixed asset depreciation		23	20
Changes in fair value of investment property	6	1.050	(21.937)
Profit/(loss) on write-offs and disposals of fixed assets		-	159
Change in provisions		981	6.234
Financial incomes		(12.907)	-
Financial expenses		14.636	16.783
Changes in working capital		**(1.615)**	**355**
Trade and other receivables	7 and 8	573	3.379
Other current assets	7 and 8	617	(226)
Trade and other payables	7 and 12	38	(1.385)
Other current liabilities		(3.621)	(1.286)
Other non-current assets and liabilities		778	(127)
Cash flows from operating activities		**48.716**	**47.279**
B) CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		**(22.136)**	**(119.842)**
Intangible assets		(3)	(134)
Property, plant and equipment		(277)	(19)
Investment property	6	(12.485)	(20.749)
Other financial assets		(9.371)	(98.940)
Collections from divestments		**-**	**26.241**
Investment property		-	26.241
Cash flows from investing activities		**(22.136)**	**(93.601)**
C) CASH FLOWS FROM FINANCING ACTIVITIES			
Collections and payments on equity instruments		**15.014**	**75.000**
Issuance of equity instruments	10	15.000	75.002
Acquisition of own equity instruments	10	(35)	(104)
Disposal of equity instruments	10	49	102
Changes in fair value of investment property		-	-
Collections and payments, financial liability instruments	**12**	**(10.915)**	**(28.665)**
Receipts on financial borrowings		310	186.868
Receipts of payables to related companies		18.000	10.000
Interest payments		(12.517)	(10.665)
Receipts on financial borrowings		(1.690)	(196.675)
Receipts of payables to related companies		(15.000)	(17.500)
Other borrowings		(18)	(73)
Measurement adjustments		-	(620)
Dividend payments and return on other equity instruments:		**(28.300)**	**(6.000)**
Dividends	11	(28.300)	(6.000)
Cash flows from financing activities		**(24.201)**	**40.335**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**2.379**	**(5.987)**
Cash and cash equivalents at the start of the year		**28.929**	**34.916**
Cash and cash equivalents at the year end		**31.308**	**28.929**

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

1. ACTIVITIES AND GENERAL INFORMATION

Castellana Properties Socimi, S.A. (hereinafter, the parent 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 of 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 parent 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 parent company through the ownership of interests in another company or companies with a similar corporate purpose.

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

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

On 6 July 2022, the Castellana Properties Socimi, S.A. General Shareholders' Meeting approved the Individual and Consolidated Annual Accounts for the financial year ended 31 March 2022. These Consolidated Annual Accounts were prepared by the parent company's board of directors on 24 May 2023. 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.

In October 2019, EPRA modified the calculation of its EPRA NAV and EPRA NNNAV ratios, replacing them with new more precise ratios in line with the sector's casuistry, the market and investors. On 31 March 2023, Castellana Group's new EPRA NTA stood at €646 thousand (€6.39 per share), and on 31 March 2022 it stood at €615,637 thousand (€6.24 per share).

Regulatory regime

The parent company is regulated under the Spanish Companies Act.

In addition, on 15 September 2016 the parent 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 and subsequent laws on SOCIMIs. Law 11 of 9 July 2021 on measures to prevent and combat tax fraud requires SOCIMIs to pay 15% tax on retained earnings as from financial years beginning on or after 1 January 2021.

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.

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.

(Thousand euro)

a) Subsidiaries

The parent company is the parent of a Group of subsidiaries, of which the main details at 31 March 2023 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
Castellana Parque Alcorcón, 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
Castellana Parque Villanueva, 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
Castellana Innovación, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Project development	100%	22 July 2021
Castellana Green, S.L.U.	Glorieta Rubén Darío, no. 3 (Madrid)	Energy production	100%	25 January 2022

On 17 September 2021, the parent company Castellana Properties Socimi, S.A. made a non-cash contribution of €3,736 thousand to the subsidiary Junction Parque Alameda, S.L.U. The contribution was considered and defined as an asset contribution as it does not meet the definition of a business under IFRS 3. The property contributed is Pinatar Park Phase 2, Phase 1 already forming part of the Junction Parque Alameda, S.L.U. asset.

On 1 April 2021, the companies Randolph, S.L.U. and Roxbury, S.L.U. were merged into the acquiring company Randolph, S.L.U., whose business name was changed to Castellana Parque Alcorcón, S.L.U. on 30 July 2021.

On 1 April 2021, the companies Junction Parque Villanueva 1, S.L.U. and Junction Parque Villanueva Fase 2, S.L.U. were merged into the acquiring company Junction Parque Villanueva Fase 2, S.L.U., whose name was changed to Castellana Parque Villanueva, S.L.U. on 30 July 2021.

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

On 25 January 2022, the company "Datipa Servicios Empresariales, S.L" was acquired. This company was incorporated on 7 March 2018 with the corporate purpose of business consultancy and administration. On the purchase date, its corporate purpose was changed to energy production, and its name was changed to "Castellana Green, S.L.U.".

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

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 Group'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 2022:**

- 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"
    - IAS 41 "Agriculture"

For IFRS-EU purposes, companies must apply these changes, at the latest, as from 1 April 2022 for financial years beginning on or after 1 January 2022.

The application of these amendments and interpretations has not had a material effect on these Consolidated Annual Accounts.

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

- IFRS 17 "Insurance contracts".
- IFRS 17 (Amendment) "Initial application of IFRS 17 and IFRS 9 — Comparative information".
- IAS 1 (Amendment) "Disclosure of accounting policies".
- IAS 8 (Amendment) "Definition of accounting estimates".
- IAS 12 (Amendment) "Deferred tax related to assets and liabilities arising from a single transaction".

The Group has not early adopted any of the above-mentioned changes, which would not have a material effect on these consolidated annual accounts.

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

On the date on which these Consolidated Annual Accounts 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 16 (Amendment) "Lease liability in a sale and leaseback".
- IAS 1 (Amendment) "Classifying liabilities as current or non-current".
- IAS 1 (Amendment) "Non-current liabilities with covenants".

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

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 amendment to Law 11/2021 brings in a 15% tax on profits not distributed through dividends.

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.

Fair value of shareholdings in other listed entities

The Group holds long-term equity investments in companies listed in liquid markets, carried as financial assets through other comprehensive income, so as to obtain financial returns.

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

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

2.4. 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. Law 11 of 9 July 2021 on measures to prevent and combat tax fraud requires SOCIMIs to pay 15% tax on retained earnings as from financial years beginning on or after 1 January 2021, unless they have already been taxed at the general rate or the income is in the reinvestment period explained in letter "b" below.

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

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

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

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 2023 is presented, for comparative purposes, together with the information relating to the financial year ended on 31 March 2022.

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.

At 31 March 2023, the Group's working capital is positive in the amount of €17,646 thousand (working capital was positive in the amount of €8,407 thousand at 31 March 2022).

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 2023.

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

a) Financial assets at amortised cost

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

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

This category includes trade and non-trade receivables:

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

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

Initial measurement

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

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

Subsequent measurement

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

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

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

Value impairment

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

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

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

b) Financial assets at fair value through equity

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

Initial measurement

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

Subsequent measurement

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

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

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

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

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

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

Value impairment

At the year-end at least, the necessary impairment adjustments are made whenever there is objective evidence that a financial asset or group of financial assets included in this category with similar risk characteristics measured collectively has become impaired as a result of one or more events that occurred after initial recognition, giving rise to a reduction or delay in estimated future cash flows due to debtor insolvency, in the case of debt instruments acquired.

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

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

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

3.6. Financial liabilities

Financial liabilities at amortised cost

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

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

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

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

Initial measurement

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

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

Subsequent measurement

Financial liabilities included in this category are measured at amortised cost. Accrued interest is recorded in the income statement using the effective interest method.

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

3.7.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 consolidated 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 Group 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 and Law 11 of 9 July 2021, the Group 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 parent 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%.

With effect in tax periods beginning on or after 1 January 2021, the Company will be subject to a special 15% tax on the portion of retained earnings deriving from income not already taxed at the general corporate income tax rate or in the reinvestment period regulated by Article 6.1.b) of this Law.

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 consolidated income statement. However, the tax effect of to entries that are taken directly to equity is carried in consolidated 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

When the Group is the lessee - Operating lease

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

When the Group is the lessor

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

3.13. Long-term incentive plans

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

The General Shareholders' Meeting held on 15 September 2020 approved a share-based long-term incentive plan. This plan will be in effect for nine years and the right to receive shares as an incentive will accrue when the conditions set out in the plan are met for each calculation period. The first cycle comprised the period from 1 April 2019 to 31 March 2022 and the second cycle comprises the period from 1 April 2022 to 31 March 2025 (Note 18). Both incentive plans are estimated to be settled in cash.

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.

Provision of services

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 (price 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 parent company’s Finance Department, which identifies, evaluates and hedges financial risks in accordance with the policies approved by the parent company’s 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.

(Thousand euro)

4.1. Financial risk management

a) Market risk

i) Price risk

The Group is exposed to equity instrument price risk due to the investments held by the parent company and carried in the consolidated balance sheet at fair value through other comprehensive income.

The Group invests in mature markets and companies showing low volatility and risk when managing price risk affecting equity investments.

The parent company's equity investments are quoted on the Spanish continuous market (Spanish Stock Market Commission).

Sensitivity analysis

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

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

ii) Cash flow and fair value interest rate risk

The 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 2023, circa 4.36% (11.50% at 31 March 2022) of its financing was linked to a variable rate. The Group's borrowings at variable interest rates are denominated in euros. Fixed interest rates vary between 1.78% and 3.71% and variable interest rates stand at around 3.47% (between 2.05% and 2.21% at 31 March 2022).

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).

(Thousand euro)

These analyses take the following into account:

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

At 31 March 2023, had interest rates on euro borrowings been 1% higher/lower, the other variables remaining constant, financial expenses for the period would have been €385 thousand higher or €141 thousand lower (2022: €1,796 thousand higher or €1,286 thousand lower), due primarily to higher/lower interest expense on variable-rate loans. Simulations are performed regularly to ensure that the potential maximum loss remains within the limits established by management.

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.

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 parent company's 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	Thousand euro	
	31/03/2023	31/03/2022
Current assets net of impairment provisions		
Trade and other receivables (Note 8)	2,198	2,878
Cash and cash equivalents (Note 9)	31,308	28,929
	33,506	**31,807**

The Group only works with banks and financial institutions that are known to be reputable and solvent. All of the Group's liquid financial assets are held with investment-grade financial institutions (100% as at 31 March 2022).

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 (Note 12).

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 and Law 11 of 9 July 2021, 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

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

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

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 2023 and 31 March 2022 were as follows:

(Thousand euro)

Description	Thousand euro	
	31/03/2023	31/03/2022
Net borrowings at amortised cost (Note 12)	471,328	469,985
Equity (Note 10)	643,776	606,726
Leveraging	**42.27%**	**43.65%**

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

Leverage ratios on real estate investments, calculated as borrowings at amortised cost over the fair value of investment property at 31 March 2023 and 31 March 2022 were 42% and 44% 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).

(Thousand euro)

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 2023	Thousand euro			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Long-term financial investments				
Financial assets at fair value through other consolidated comprehensive income	105,949	-	-	**105,949**
Investment property	-	-	1,012,275	**1,012,275**
Total assets	**105,949**	**-**	**1,012,275**	**1,118,224**
Liabilities				
Long-term and short-term payables	-	-	-	-
Total liabilities	-	-	-	-

31 March 2022	Thousand euro			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Long-term financial investments				
Financial assets at fair value through other consolidated comprehensive income	89,879	-	-	**89,879**
Investment property	-	-	1,000,840	**1,000,840**
Total assets	89,879	-	**1,000,840**	**1,090,719**
Liabilities				
Long-term payables	-	-	-	-
Total liabilities	-	-	-	-

(Thousand euro)

The fair value of financial instruments traded in active markets (such as exchange-traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

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 parent company's 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 2023 and 31 March 2022 is as follows:

2023	**Thousand euro**		
Description	**Retail**	**Corporate**	**Total**
Provision of services	82,663	144	**82,807**
Changes in fair value of investment property	(1,050)	-	**(1,050)**
Staff costs	-	(5,817)	**(5,817)**
Other operating expenses	(23,975)	(3,677)	**(27,652)**
Other profit/(loss)	12	(23)	**(11)**
Operating profit/(loss)	**57,650**	**(9,373)**	**48,277**
Financial income from ownership interests in other companies	12,907	-	12,907
Financial expenses	(14,264)	(372)	(14,636)
Net financial income/(expense)	**(1,357)**	**(372)**	**(1,729)**
Profit/(loss) before tax	**56,293**	**(9,745)**	**46,548**
Income tax	-	-	-
Profit/(loss) for the year	**56,293**	**(9,745)**	**46,548**

(Thousand euro)

2022	Thousand euro			
Description	**Retail**	**Offices**	**Corporate**	**Total**
Provision of services	71,692	601	302	**72,595**
Changes in fair value of investment property	19,181	-	-	**19,181**
Profit/(loss) on fixed asset disposals	-	(159)	-	**(159)**
Staff costs	-	-	(5,000)	**(5,000)**
Other operating expenses	(21,039)	(150)	(2,935)	**(24,124)**
Other profit/(loss)	(8)	-	(37)	**(45)**
Operating profit/(loss)	**69,826**	**292**	**(7,670)**	**62,448**
Financial expenses	(15,633)	(316)	(834)	**(16,783)**
Net financial income/(expense)	**(15,633)**	**(316)**	**(834)**	**(16,783)**
Profit/(loss) before tax	**54,193**	**(24)**	**(8,504)**	**45,665**
Income tax	-	-	-	**-**
Profit/(loss) for the year	**54,193**	**(24)**	**(8,504)**	**45,665**

The amounts provided to the Investments Committee and the parent company's 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.

31 March 2023	Thousand euro		
Description	**Retail**	**Corporate**	**Total**
Investment property	1,012,275	-	1,012,275
Investments in equity instruments	105,949	-	105,949
Other non-current assets	6,702	528	7,230
Non-current assets	**1,124,926**	**528**	**1,125,454**
Trade and other receivables	2,197	1	2,198
Other current assets	32,945	13,477	46,422
Current assets	**35,142**	**13,478**	**48,620**
Total assets	**1,160,068**	**14,006**	**1,174,074**
Bank borrowings	485,402	-	485,402
Other non-current liabilities	12,621	1,300	13,921
Non-current liabilities	**498,023**	**1,300**	**499,323**
Bank borrowings	4,052	-	4,052
Other current liabilities	6,138	20,785	26,923
Current liabilities	**10,190**	**20,785**	**30,975**
Total liabilities	**508,213**	**22,085**	**530,298**

(Thousand euro)

31 March 2022	Thousand euro		
Description	**Retail**	**Corporate**	**Total**
Investment property	1,000,840	-	1,000,840
Investments in equity instruments	89,879	-	89,879
Other non-current assets	6,395	270	6,665
Non-current assets	**1,097,114**	**270**	**1,097,384**
Trade and other receivables	2,730	148	2,878
Other current assets	31,345	445	31,790
Current assets	**34,075**	**593**	**34,668**
Total assets	**1,131,189**	**863**	**1,132,052**
Bank borrowings	487,160	-	487,160
Other non-current liabilities	11,905	-	11,905
Non-current liabilities	**499,065**	**-**	**499,065**
Bank borrowings	1,719	-	1,719
Other current liabilities	7,160	17,382	24,542
Current liabilities	**8,879**	**17,382**	**26,261**
Total liabilities	**507,944**	**17,382**	**525,326**

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:

	Thousand euro
Balance at 31.03.2021	**987,160**
Acquisitions	2,640
Disposals	(26,250)
Capitalised subsequent disbursements	18,109
Purchase option impairment	(2,756)
Profit/(loss) net of adjustments at fair value	21,937
Balance at 31/03/2022	**1,000,840**
Acquisitions	3,589
Capitalised subsequent disbursements	8,896
Profit/(loss) net of adjustments at fair value	(1,050)
Balance at 31/03/2023	**1,012,275**

(Thousand euro)

On 18 June 2021, the Group sold two office buildings owned by the parent company, in the amount of €26,500 thousand. These assets were valued at €26,250 thousand at 31 March 2021.

Additions during the financial year ended 31 March 2023 relate primarily to the Group's acquisition of three units in the Vallsur shopping centre (owned by Morzal Property Iberia, S.L.U.) from an external third party. During the financial year ended 31 March 2022, the Group acquired an office building attached to Los Arcos shopping centre for €1,440 thousand (owned by Morzal Property Iberia, S.L.U.), and two additional units within the Alameda Park complex for €1,200 thousand (owned by Junction Parque Alameda, S.L.U.).

At 31 March 2022, the Group's purchase option on the Los Arcos office building was fully impaired in the amount of €2,756 thousand. The impairment loss was recognised under "Other operating expenses" in the consolidated income statement.

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 €1,012,275 thousand at 31 March 2023 (€1,000,840 thousand at 31 March 2022), securing the Group's fulfilment of the terms and conditions of the financing obtained. At 31 March 2023, the nominal value of this financing amounted to €497,713 thousand (€498,121 thousand at 31 March 2022) (Note 12).

a) Income and expenses on investment property

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

Description	Thousand euro	
	31/03/2023	**31/03/2022**
Rental income	**82,663**	**72,293**
Operating expenses related to investment properties that generate rental income	(23,975)	(21,189)
	58,688	**51,104**

At 31 March 2023, lease income was reduced by temporary rent concessions granted to tenants as a result of the Covid-19 pandemic in the amount of €0 thousand (€3,338 thousand at 31 March 2022). These temporary rent concessions will be taken to the Group's income statement for the year, as the effect of straight-line recognition is immaterial.

(Thousand euro)

b) Operating leases:

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

Description	31/03/2023	31/03/2022
Less than one year	70,006	55,038
Between one and two years	41,407	36,084
Between two and three years	25,660	26,672
Between three and four years	15,595	16,240
Between four and five years	8,124	10,620
More than five years	14,088	20,025
	174,880	**164,679**

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 by the parent company's directors.

d) Obligations

At the end of 2021, 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). The purchase option was written off in 2022.

At 31 March 2023, the Group did not have any contractual obligations to acquire, build or develop investment properties, or to repair, maintain or insure them, besides those already reported in this Note.

e) Valuation process

The cost and fair value of investment property at 31 March 2023 and 31 March 2022 are detailed below:

Description	Thousand euro			
	31/03/2023		31/03/2022	
	Cost	Fair value	Cost	Fair value
Investment property	972,643	1,012,275	960,158	1,000,840
	972,643	**1,012,275**	**960,158**	**1,000,840**

(Thousand euro)

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

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

31/03/2023

Discount rate variance	**(0.250%)**	**0.250%**
Retail	17,430	(17,020)
Land & Purchase Option	260	(240)
Theoretical profit/(loss)	**17,690**	**(17,260)**

31/03/2022

Discount rate variance	**(0.250%)**	**0.250%**
Retail	17,560	(17,200)
Land & Purchase Option	180	(170)
Theoretical profit/(loss)	**17,740**	**(17,370)**

(Thousand euro)

The Exit yields and discount rate range applied is as follows:

31 March 2023	**Minimum**	**Maximum**
EXIT YIELDS		
Retail	5.25%	7.00%
Discount rates		
Retail	8.00%	10.50%

31 March 2022	**Minimum**	**Maximum**
EXIT YIELDS		
Retail	5.00%	6.90%
Discount rates		
Retail	7.25%	9.50%

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:

	31/03/2023		**31/03/2022**	
	Assets	**Net consolidated profit/(loss)**	**Assets**	**Net consolidated profit/(loss)**
10% increase in market rents	68,300	68,300	67,630	67,630
10% decrease in market rents	(68,260)	(68,260)	(67,640)	(67,640)

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. These values were reviewed and approved by the parent company's Board of Directors.

During the years ending on 31 March 2023 and 31 March 2022, no transfers between levels occurred.

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.

(Thousand euro)

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:

	Thousand euro					
	Long-term financial assets					
	Fair value through other comprehensive income		Amortised cost		Total	
	31/03/2023	**31/03/2022**	**31/03/2023**	**31/03/2022**	**31/03/2023**	**31/03/2022**
Financial assets at fair value through other comprehensive income	105,949	89,879	-	-	**105,949**	**89,879**
Other long-term financial assets (Note 8)	-	-	6,702	6,395	**6,702**	**6,395**
	105,949	**89,879**	**6,702**	**6,395**	**112,651**	**96,274**

	Short-term financial assets					
	Fair value through other comprehensive income		Amortised cost		Total	
	31/03/2023	**31/03/2022**	**31/03/2023**	**31/03/2022**	**31/03/2023**	**31/03/2022**
Loans and receivables (Note 8)	-	-	15,880	3,798	**15,880**	**3,798**
	-	**-**	**15,880**	**3,798**	**15,880**	**3,798**
Total financial assets	**105,949**	**89,879**	**22,582**	**10,193**	**128,531**	**100,072**

The heading "Financial assets at fair value through other comprehensive income" reflects the Group's investment in Lar Real Estate SOCIMI, S.A. (€4.93 per share at 31 March 2023).

The Group increased its ownership interest up to 25.70% at a cost of €15,930 thousand (31 March 2022: 21.70%). In addition, the Group received dividends from Lar Real Estate SOCIMI, S.A. totalling €6,557 thousand during the period, reducing the investment, since they relate to profits obtained before the ownership interest was acquired by the Group. The investment's fair value rose by €6,788 during the period (reduction of €9,061 thousand at 31 March 2022).

(Thousand euro)

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

	Thousand euro					
	Long-term financial liabilities					
	Bank borrowings		Loans, derivatives and other		Total	
	31/03/2023	**31/03/2022**	**31/03/2023**	**31/03/2022**	**31/03/2023**	**31/03/2022**
Creditors and payables (Note 12)	485,402	487,160	13,484	11,468	**498,886**	**498,628**
	485,402	**487,160**	**13,484**	**11,468**	**498,886**	**498,628**
	Thousand euro					
	Short-term financial liabilities					
	Bank borrowings		Loans, derivatives and other		Total	
	31/03/2023	**31/03/2022**	**31/03/2023**	**31/03/2022**	**31/03/2023**	**31/03/2022**
Creditors and payables (Note 12)	4,052	1,719	25,386	22,778	**29,438**	**24,497**
	4,052	**1,719**	**25,386**	**22,778**	**29,438**	**24,497**
Total financial liabilities	**489,454**	**488,879**	**38,870**	**34,246**	**528,324**	**523,125**

b) Analysis by maturity date

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

31 March 2023	Thousand euro						
	Financial assets						
	March 2024	**March 2025**	**March 2026**	**March 2027**	**March 2028**	**Subsequent years**	**Total**
Other financial assets:							
- Financial assets at fair value through other comprehensive income	-	-	-	-	-	105,949	**105,949**
- Dividends receivable	12,907	-	-	-	-	-	**12,907**
- Guarantees and deposits given	775	905	558	472	822	3,945	**7,477**
Trade receivables:							
- Trade receivables for sales and services	2,198	-	-	-	-	-	**2,198**
	15,880	**905**	**558**	**472**	**822**	**109,894**	**128,531**

	Financial liabilities						
	March 2024	**March 2025**	**March 2026**	**March 2027**	**March 2028**	**Subsequent years**	**Total**
Payables:							
- Security deposits received	2,031	1,585	1,265	1,143	1,531	6,660	**14,215**
- Bank borrowings	4,052	3,830	292,261	3,915	4,766	180,630	**489,454**
Payables to Group companies and associates	13,182	-	-	-	-	-	**13,182**
Trade and other payables	6,270	-	-	-	-	-	**6,270**
Other liabilities	3,903	-	1,300	-	-	-	**5,203**
	29,438	**5,415**	**294,826**	**5,058**	**6,297**	**187,290**	**528,324**

(Thousand euro)

8. LOANS AND RECEIVABLES

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

	Thousand euro	
	31/03/2023	**31/03/2022**
Long-term loans and receivables (Note 7):		
- Other financial assets	6,702	6,395
	6,702	**6,395**
Short-term loans and receivables (Note 7):		
- Trade receivables for sales and services	2,198	2,730
- Trade receivables, related companies (Note 19)	-	148
- Other financial assets	13,682	920
	15,880	**3,798**
	22,582	**10,193**

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. The short-term amount under this heading reflects the dividend of €12,907 thousand pending collection from investments in other companies (€0 thousand at 31 December 2022).

At 31 March 2023, the total amount of short-term loans and receivables includes €1,227 thousand in trade receivables (€1,502 thousand at 31 March 2022). At the end of the period, trade receivables include the amount of €2,429 thousand pending invoicing (€2,393 thousand at 31 March 2022), primarily for variable rent accrued and not invoiced by the parent company, the companies of the Morzal Properties Iberia, S.L. Group and Junction Parque Principado S.L.U. This heading includes a provision of €1,458 thousand (€1,165 thousand at 31 March 2022) reflecting the policy for recognising the age of trade receivables under IFRS 9 and the Group’s assessment of the balances in question.

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

(Thousand euro)

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

Description	Thousand euro	
	31/03/2023	31/03/2022
Up to 3 months	224	299
Between 3 and 6 months	138	120
More than 6 months	865	1,083
	1,227	**1,502**

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	Thousand euro	
	31/03/2023	31/03/2022
Opening balance	**(1,165)**	**(1,506)**
Appropriation	(805)	(596)
Reversal	75	614
Application	437	323
Closing balance	**(1,458)**	**(1,165)**

9. CASH AND CASH EQUIVALENTS

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

Description	Thousand euro	
	31/03/2023	31/03/2022
Cash and cash equivalents		
Current accounts	31,308	28,929
	31,308	**28,929**

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

(Thousand euro)

10. SHAREHOLDERS' FUNDS

a) Share capital and share premium

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

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

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

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

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

The breakdown is as follows:

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

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

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

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

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

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

(Thousand euro)

The parent company has listed all of its shares on the BME Growth (Former Spanish Alternative Stock Exchange (MAB)).

b) Treasury shares

Movements in 2023 and 2022 were as follows:

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

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

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

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

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

c) 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	31/03/2023	31/03/2022
Net profit (thousand euro)	46,548	45,665
Weighted average number of shares issued (shares)	99,253,761	86,814,010
Average number of treasury shares held (shares)	56,866	49,757
Basic and diluted earnings per share (euros)	0.47	0.53

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 2023.

11. RESERVES AND RETAINED EARNINGS

At 31 March 2023, €8,030 thousand (€5,376 thousand at 31 March 2022) corresponded to the legal reserve. This reserve has been set aside under the terms of Article 274 of the Spanish Companies Act, which establishes that companies must in all cases allocate an amount equal to 10% of their profits for the year to this reserve, until the total reaches at least 20% of the share capital figure. It cannot be distributed, and if it is used to offset losses when the other available reserves are not sufficient for this purpose, it must be replenished with future profits.

Description	Thousand euro	
	31/03/2023	31/03/2022
Legal reserve	8,030	5,376
Other reserves	10,943	10,008
Measurement adjustments	(2,273)	(9,061)
Treasury shares	(343)	(357)
Total reserves	**16,357**	**5,966**
Retained earnings	115,085	73,008
Dividend distribution	(71,326)	(48,325)
Total retained earnings	**43,759**	**24,683**

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

(Thousand euro)

The change in the legal and voluntary reserves in relation to the previous year mainly reflects the distribution of results.

The variation in the hedging reserve at 31 March 2023 is due to the reversal of impairment losses of €6,788 thousand (€9,061 thousand in 2022) relating to the investment in shares in a listed company.

Distribution of profit/(loss)

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

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

(Thousand euro)

Interim dividend distribution

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

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

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

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 2022, which was approved by the General Shareholders' Meeting on 6 July 2022, was as follows:

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

(Thousand euro)

12. CREDITORS AND PAYABLES

Description	Thousand euro	
	31/03/2023	31/03/2022
Non-current creditors and payables (Note 7):		
Bank borrowings	485,402	487,160
Other financial liabilities	13,484	11,468
	498,886	**498,628**
Current creditors and payables (Note 7):		
Bank borrowings	4,052	1,719
Short-term payables to Group companies (Note 19)	13,182	10,035
Trade and other payables	6,270	9,531
Other financial liabilities	2,031	1,807
Other liabilities	3,903	1,405
	29,438	**24,497**
	528,324	**523,125**

The carrying amounts of creditors and payables, both non-current and current, 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 non-current and current financial liabilities.

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

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

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

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

Description	Thousand euro	
	31/03/2023	
	Non-current	Current
March 2024	-	4,052
March 2025	4,000	-
March 2026	295,904	-
March 2027	4,000	-
March 2028	4,863	-
Subsequent years	184,894	-
	493,661	**4,052**

(Thousand euro)

Description	Thousand euro 31/03/2022 Non-current	Thousand euro 31/03/2022 Current
March 2023	-	1,719
March 2023	4,317	-
March 2024	4,423	-
March 2025	295,069	-
March 2026	4,423	
Subsequent years	188,170	-
	496,402	**1,719**

The Group has included an amortised cost of €8,259 thousand (€9,242 thousand at 31 March 2022) on the balance sheet in respect of loan arrangement costs. At 31 March 2023, accrued unmatured interest amounted to €52 thousand (€29 thousand at 31 March 2022).

The loans are secured by a mortgage on certain properties whose market value at 31 March 2023 totalled €1,012,275 thousand (Note 6), €1,000,840 thousand at 31 March 2022. 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.

Interest expenses accrued during the period totalled €12,342 thousand (€9,685 thousand at 31 March 2022). The other financial expenses recognised in the income statement relate to interest of €362 thousand on the loan with its main shareholder (€834 thousand in 2022) and with financial expenses at amortised cost amounting to €1,932 thousand (€2,507 thousand in 2022). At 31 March 2022, due to the refinancing of the Group’s previous borrowings from Santander and CaixaBank, the income statement reflected an extraordinary expense of €3,137 thousand at amortised cost and an expense of €620 thousand for derivatives associated with the repaid financing.

- RETAIL PARK PORTFOLIO AND HABANERAS SHOPPING CENTRE FINANCING

On 15 February 2022, the Group entered into a financing agreement with Aareal Bank to refinance the syndicated loan granted by Banco Santander and Caixabank for the purposes of funding the retail park portfolio. The new financing of €184,793 thousand included the Habaneras shopping centre borrowings previously obtained from Aareal Bank and the borrowings of the Pinatar Fase II retail park. This loan matures in 2029.

(Thousand euro)

The loan is distributed among the Group companies as follows:

Company	Property	31/03/2023	31/03/2022
Junction Parque Castellón S.L.U.	Ciudad del Transporte	3,429	3,442
Junction Parque Principado, S.L.U.	Parque Principados Retail Park	17,290	17,356
Castellana Parque Alcorcón, S.L.U.	Parque Oeste Retail Park	24,490	24,585
Junction Parque Huelva, S.L.U.	Marismas del Polvorín Retail Park	13,309	13,361
Junction Parque Motril, S.L.U.	Motril Retail Park	4,144	4,160
Junction Parque Granada, S.L.U.	Kinepolis Retail Park & Leisure Centre	23,066	23,155
Junction Parque Cáceres, S.L.U.	Mejostilla Retail Park	4,139	4,155
Junction Parque Mérida, S.L.U.	La Heredad Retail Park	9,617	9,655
Junction Parque Villanueva 1, S.L.U.	La Serena Retail Park	7,687	7,717
Junction Parque Alameda, S.L.U.	Alameda Shopping Centre San Pedro Del Pinatar Retail Park	34,743	34,877
Junction Parque Habaneras, S.L.U.	Habaneras Shopping Centre	42,167	42,330
		184,081	**184,793**

The following loans were refinanced:

Syndicated loan (Banco Santander and CaixaBank)

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.

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, with the banks CaixaBank and Banco Santander.

On 18 June 2021, the Group sold two office buildings owned by the parent company, in the amount of €26,500 thousand. As part of this operation, the Group repaid a part of the first syndicated financing tranche in the amount of €5,438 thousand and all of the associated CAPEX line in the amount of €8,000 thousand.

(Thousand euro)

Following repayment, the face value of the loans is as follows:

Company	Property	Balance prior to refinancing
Junction Parque Castellón S.L.U.	Ciudad del Transporte	2,924
Junction Parque Principado, S.L.U.	Parque Principados Retail Park	13,593
Castellana Parque Oeste, S.L.U.	Parque Oeste Retail Park	21,377
Junction Parque Huelva, S.L.U.	Marismas del Polvorín Retail Park	12,466
Junction Parque Motril, S.L.U.	Motril Retail Park	3,594
Junction Parque Granada, S.L.U.	Kinepolis Retail Park & Leisure Centre	21,120
Junction Parque Cáceres, S.L.U.	Mejostilla Retail Park	3,856
Junction Parque Mérida, S.L.U.	La Heredad Retail Park	6,176
Castellana Parque Villanueva, S.L.U.	Villanueva de la Serrena Retail Park (Phases I and II)	6,891
Junction Parque Alameda, S.L.U.	Alameda Shopping Centre San Pedro Del Pinatar Retail Park	48,565
		140,562

Habaneras Shopping Centre Financing (Aareal Bank)

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.

- SHOPPING CENTRE PORTFOLIO FINANCING

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 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” and their value-add projects, for a maximum of €47,490 thousand, maturing in 2025, €35,904 thousand of which had been drawn down at 31 March 2023 (€34,646 thousand at 31 March 2022).

- PUERTA EUROPA SHOPPING CENTRE FINANCING

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.

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

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

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

Number (units)	**31/03/2023**
Invoices settled before the end of the legal maximum supplier payment period	3,009
Percentage of total supplier invoices	73%

Volume (thousand euro)	**31/03/2023**
Invoices settled before the end of the legal maximum supplier payment period	34,706
Percentage of total supplier invoices	80%

(Thousand euro)

13. DERIVATIVE FINANCIAL INSTRUMENTS

On 15 February 2022, hedging derivatives were cancelled, recognising a loss of €620 thousand and a gain of €2,056 thousand in other comprehensive income due to the change in the fair value of interest rate swaps caused by cancellation.

At 31 March 2022 and 2023, the Group had no derivative financial instruments due to the financing of the retail parks portfolio and the Habaneras shopping centre arranged on 15 February 2022.

14. INCOME TAX AND TAX SITUATION

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

	Thousand euro	
	31/03/2023	**31/03/2022**
Receivables		
VAT refundable	11	30
Withholdings and payments on account	448	321
	459	**351**
Payables		
Deferred tax liabilities	437	437
VAT payable	1,383	1,584
PIT payable	104	127
Social security contributions	50	53
	1,974	**2,201**

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

	Thousand euro					
	Consolidated income statement			**Income and expenses attributed directly to consolidated equity**		
	Increases	**Decreases**	**Total**	**Increases**	**Decreases**	**Total**
Net income/(expense) for the year	**24,997**	**-**	**24,997**	**16,517**	**-**	**16,517**
Corporate income tax	-	-	**-**	-	-	**-**
Permanent differences	833	-	**833**	-	-	**-**
Temporary differences	11,806	-	**11,806**	-	-	**-**
Consolidation adjustments	21,551	-	**21,551**	-	-	**-**
Tax base (taxable income)	**59,187**	**-**	**59,187**	**16,517**	**-**	**16,517**

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

(Thousand euro)

Deferred tax assets and liabilities

At 31 March 2023 and 31 March 2022, 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	**CASTELLANA PARQUE ALCORCÓN, S.L.U.**
2008	2,243
2009	2,715
2010	665
2012	2,514
2013	1,124
2014	1,491
	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.

(Thousand euro)

15. INCOME AND EXPENSES

a) Revenue

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

Description	Thousand euro	
	31/03/2023	31/03/2022
Rental income	67,001	57,039
Reinvoicing of costs to tenants	15,806	15,556
	82,807	**72,595**

b) Staff costs

This consolidated income statement heading breaks down as follows:

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

Staff costs include the amount of €1,300 thousand (€1,000 thousand at 31 March 2022) relating to the long-term incentive plan (Note 18).

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

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

(Thousand euro)

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

2023

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

2022

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

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

c) Other operating expenses

This consolidated income statement heading breaks down as follows:

Description	Thousand euro	
	2023	**2022**
External services attributable directly to real estate assets	(24,085)	(21,189)
Other external services	(3,567)	(2,935)
	(27,652)	**(24,124)**

(Thousand euro)

16. NET FINANCIAL INCOME/(EXPENSE)

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

Description	Thousand euro	
	2023	2022
Financial income		
Financial income from ownership interests in other companies	12,907	-
Financial expenses		
Interest on bank borrowings	(14,274)	(11,455)
Amortised cost of repaid borrowings	-	(3,137)
Interest on payables to related companies (Note 19)	(362)	(834)
Derivative expenses	-	(737)
Change in fair value of financial instruments	-	(620)
	(1,729)	**(16,783)**

17. PROVISIONS AND CONTINGENCIES

At 31 March 2023, the Group had three third-party technical bank guarantees in place in the amount of €107 thousand (€107 thousand at 31 March 2022), 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.

(Thousand euro)

Parent company directors' remuneration

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

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

There is a long-term incentives plan for the parent company's executive team (Note 3.13). The first calculation period ran from 1 April 2019 to 31 March 2022. The amount of €2,288 thousand pending payment is carried under "Other short-term liabilities". The second calculation period comprises the period from 1 April 2022 to 31 March 2025. At 31 March 2023, the parent company estimated a cost of €1,300 thousand (€3,000 thousand at 31 March 2022). It is estimated that 48% may be allocated to the executive directors and 28% to the rest of the executive team.

19. TRANSACTIONS AND BALANCES WITH GROUP COMPANIES AND RELATED PARTIES

As of 31 March 2023 and 31 March 2022, the breakdown of related-party transactions is as follows:

Description	Thousand euro	
	2023	**2022**
Income		
Reinvoicing of costs	640	280
	640	**280**
Expenses		
Other expenses	-	-
Interest (Note 16)	(362)	(834)
	(362)	**(834)**

During 2023 and 2022, the Group recognised income relating to the special tax stipulated in Article 9.2 of Law 11 of 26 October 2009 on SOCIMIs (listed property investment companies) (Note 2.6), which was recharged to the main shareholders by companies that hold a shareholding of over 5% and pay tax at a rate below 10%, amounting to €640 thousand and €280 thousand respectively.

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

(Thousand euro)

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

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

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

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

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

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

Description	Thousand euro	
	31/03/2023	**31/03/2022**
Receivables (Note 8)		
Adam Lee Morze	-	42
Diversified Real Estate Assets Management, S.L. (DREAM)	-	2
Vukile Property Fund Limited	-	104
	-	**148**
Payables (Note 12)		
Vukile Property Fund Limited	13,182	10,035
	13,182	**10,035**

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

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

   Not applicable.

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

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

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

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

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

   No dividends were distributed against reserves, 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.

(Thousand euro)

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

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

The parent company owns the following rental properties:

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

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

(Thousand euro)

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

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

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

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

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

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

(Thousand euro)

21. AUDIT FEES

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

	Thousand euro	
	2023	**2022**
Audit services	**153**	**147**
Other audit services (*)	**42**	**77**
Other assurance services provided by the auditor as required by other legislation	9	13
Other assurance services provided by the auditor and not required by other legislation	33	30
Other services provided by other firms of the auditor's network	-	34
	194	**224**

(*) There are no tax services

22. EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR
THE FINANCIAL YEAR ENDED ON 31 MARCH 2023

1. ORGANISATIONAL STRUCTURE AND FUNCTIONING

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

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

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

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

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

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

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

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

2. BUSINESS PERFORMANCE AND PROFIT/(LOSS)

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

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

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

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

During the financial year ended 31 March 2023, operating profit/(loss) excluding the value of investment property stood at €409,327 thousand as compared to €40,511 thousand for the financial year ended 31 March 2022.

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

3. EPRA INFORMATION

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

EPRA indicators

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

EPRA earnings and EPRA earnings per share

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

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

EPRA NRV, EPRA NTA and EPRA NDV

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

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

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

EPRA NIY and EPRA "Topped-up" NIY

	31/03/2023	31/03/2022
Investment property	1,012,275	1,000,840
Fewer projects under construction	(11,575)	(4,930)
Investment property completed	**1,000,700**	**995,910**
Estimated real estate asset transaction costs	28,669	19,918
Total property portfolio value (A)	**1,029,369**	**1,015,828**
Annual return on real estate investments	64,710	53,803
Operating costs associated with non-recoverable assets	(3,341)	(3,543)
Annualised net rent (B)	**61,369**	**50,260**
Temporary rent concessions or rent-free periods	3,993	7,106
Maximum net return on real estate investments (C)	**65,362**	**57,366**
EPRA NIY (B/A)	**5.96%**	**4.95%**
EPRA "Topped-up" NIY (C/A)	**6.35%**	**5.65%**

EPRA Vacancy Rate

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

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

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

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

EPRA Cost Ratio

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

Administrative and corporate costs

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

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

Non-recoverable operating costs

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

Vacancy cost

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

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

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

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

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

EPRA Cost Ratio variation

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

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

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

EPRA Loan To Value

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

In March 2022, EPRA introduced this new ratio.

Financial liabilities with credit institutions

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

Net accounts payable

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

Liabilities with group companies

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

Cash and equivalents

Corresponds to the Company's cash without availability restrictions.

Financial assets

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

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

EPRA Like-for-like rental growth

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

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

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

EPRA Capital expenditure breakdown

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

	31/03/2023	31/03/2022
	Total (Retail)	Total (Retail)
Acquisitions	3,589	2,640
Projects under construction	1,004	-
Asset investment	7,892	18,109
Increase in lettable area	-	-
No increase in lettable area	3,551	6,089
Tenant incentives	4,341	12,020
Other capitalised expenses	-	-
Capitalised financial expenses	-	-
Total Capex	**12,485**	**20,749**
Conversion of provision into cash	**-**	**-**
Total cash outflow due to Capex	**12,v485**	**20,749**

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

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

<u>Acquisitions</u>

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

<u>Projects under construction</u>

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

<u>Investment in assets – Increase in lettable area</u>

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

<u>Investment in assets – No increase in lettable area</u>

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.

<u>Tenant incentives</u>

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 €6.60 per share on 31 March 2023 (€6.60 per share on 31 March 2022).

5. TREASURY SHARES

Movements in 2023 and 2022 were as follows:

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

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

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

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

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

6. DIVIDEND POLICY

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

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

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

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

Otherwise, the profits must be distributed in full together with any profits, 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 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 2022, which was approved by the General Shareholders' Meeting on 6 July 2022, was as follows:

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

Distribution of profit/(loss)

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

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

Interim dividend distribution

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

7. RISK MANAGEMENT

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

The main risk to the 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	
	31/03/2023	31/03/2022
Average supplier payment period	43	47
Ratio of transactions settled	43	47
Ratio of transactions not yet settled	66	72

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

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

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

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

9. THE TEAM

The team of professionals who make up Castellana Properties is one of the 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. GROUP OUTLOOK

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

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

CASTELLANA PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

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

Pursuant to the requirements of Article 253 of the Spanish Companies Act and Article 37 of the Spanish Commercial Code, on 24 May 2023 the members of the Board of Directors of the Company Castellana Properties Socimi, S.A. prepared the following Consolidated Annual Accounts and the Consolidated Management Report for the financial year ended 31 March 2023, 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	Guillermo Massó Board Member
Debora Santamaría Board Member	Laurence Cohen Board Member