Consolidated Financial Statements
as at December 31, 2013

Index

Board of Directors

Colin Kingsnorth	
Nicholas Paul James	
Gualtiero Tamburini	
Rob Turner	
Antonella Fusta	Director since 30 December 2013
Michael Andrew Haxby	
Claudio Ricci	Director since 25 February 2013 till 10 October 2013
Luca Saporiti	Director since 22 October 2010 till 29 January 2013

Company and shareholder's registration

Spazio Investment N.V. is a Public Limited Liability Company (*"Naamloze Vennootschap"*) organized under the laws of the Netherlands, having its corporate seat in Amsterdam, The Netherlands: The Company's Head Office is at the following address:

Herikerbergweg 238
1101 CM Amsterdam Zuidoost
The Netherlands
Tel. (+31) 020.575.56.00
Trade Register no 34237136

FINANCIAL HIGHLIGHTS

- Total portfolio open market value ("OMV") provided by Patrigest S.p.A. as at 31 December 2013 of Euro 359.5 m (Euro 372 m as at 31 December 2012) including a 2.67% devaluation (net of sales of the period, incl. capex) compared with last OMV by Patrigest S.p.A (as at 31 December 2012);

- NAV per share of Euro 7.0 (Euro 7.2 as at 31 December 2012);

- Rental income for the year of Euro 19.0 m (2012 Euro 20.9 m);

- Net loss for the year of Euro 4.6 m (2012 loss of Euro 19.5 m);

- Total portfolio Loan to Value of 60.8% (60.9% as at 31 December 2012);

- Completed asset sales of Euro 2.4 m (variance on OMV -12.5%) of which Investment property disposals totalling Euro 2.1 m and Development Projects disposals totalling Euro 0.3 m

RESULTS FOR THE YEAR ENDED 31 DECEMBER, 2013

Net loss for the year was Euro 4.6 m compared with net loss of Euro 19.5 m in 2012. The net loss in 2013 primarily reflected a fall in asset values of approx Euro 9.7 m (of which Euro 3.5 m devaluation for investment properties combined with the fall of Euro 6.2 m for inventories) and a net loss on sales of Euro 0.3 m during the year. Rental income in 2013 decreased to Euro 19.0 m (from Euro 20.9 m) mainly due to sales of yielding assets.

Spazio Investment N.V.'s Net Asset Value per share of Euro 7.0 dropped by 2.8% (equal to Euro 0.2 per share) compared to Net Asset Value at 31 December 2012. This primarily results from the net loss of Euro 4.6 m (Euro per share 0.2).

No share premium distributions have been approved during the year 2013.

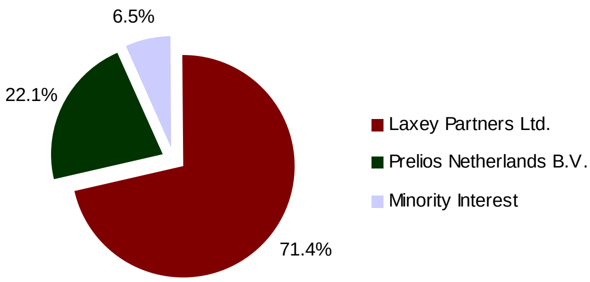
On 19 September 2012 the Company resolved to replace the Spazio Industriale Fund Manager (Prelios SGR) in favour of Idea Fimit SGR, subject to discussion with Bank of Italy and Fund bank for seeking subsequent approval to this decision.

On 2 October 2012 the Company communicated the termination of the existing Corporate Management Agreement and Office Facilities Services Agreement with Prelios Netherlands B.V., providing six month as termination period. The termination of these mandates is linked to the previous acceptance of an offer from Idea Fimit SGR to become the new Spazio Industriale Fund Manager from 2013, which effectively occurred in 20 May 2013.

COMPANY OVERVIEW

SPAZIO INVESTMENT N.V. SHAREHOLDERS

Spazio Investment N.V. is held as follows: TEI (71.40%), Prelios Netherlands B.V. (22.07%), whilst the remaining 6.53% is held by minority shareholders.



DEVELOPMENTS 2013 AND FUTURE OUTLOOK

The ordinary management of the Fund in relation to financial year 2013 was affected by the recent entry of the SGR as the new manager of the same and was mainly characterised by the following types of activity: (i) completion of all the formal aspects necessary to create the basis for excellent property management (approving the 2013 business plan, extending the duration of the Fund, etc.); (ii) formalisation and management of relations with the Fund's main stakeholders (lending banks, outsourcers, etc.); (iii) renegotiation of the loan contracts; (iv) finalisation of ordinary and extraordinary maintenance work on properties; and (v) marketing activities aimed at selling and leasing vacant properties, as well as renegotiating existing contracts which have expired or are close to expiry. The main activities that characterised the year of reference are described below.

Leasing contracts

With reference to the Fund's leasing situation, during financial year 2013 no termination communications were received from tenants and two new leasing contracts were formalised, on terms in line with the current business plan, with the following tenants:

- Riso Scotti S.p.A.: leasing contract of duration 6 + 6 years related to a warehouse of approximately 4,000 sq m, part of the larger logistical complex of Pavia, Via Veneroni, for an annual rent of 120,000 Euro (starting 60 days after the fitness for use certificate is obtained – about to be issued);
- Seven One S.r.l.: leasing contract of duration 6 + 6 years related to a portion of approximately 6,000 sq m (including 500 sq m of offices) of the logistics property in Bagni di Tivoli (RM), via Martellona, for an annual rent of 312,000 Euro (starting 2 January 2014).

In the year of reference the Fund completed the renegotiation of leasing contracts with the two main tenants of the property for industrial and office use in Sesto San Giovanni (MI), Alstom Power Italia S.p.A. (henceforth “Alstom”) and ABB S.p.A. (henceforth “ABB”) at the following terms, in line with the terms of the current business plan:

- Alstom: duration 6 + 6 years starting 1 April 2014 for an annual rent of 2.68 million Euro;
- ABB: duration 6 + 6 years starting 1 July 2013 for an annual rent of 135,000 Euro.

With reference to the industrial property in Ancona, via Albertini, we can note that at 31 October 2013, the date envisaged for redelivery of the spaces by the tenant Prada S.p.A. (henceforth "Prada"), the latter asked the Fund if it was willing to rent for a further 12 months a portion of approximately 45% of the property at a rent of 544,000 Euro. The SGR, which was willing to grant a transitory lease on the Ancona property and to waive the penalty provided for contractually for failure to vacate (of 4,000 Euro per day), is negotiating with Prada to extend for a year the leasing contract relating to the property in Castiglion Fibocchi (AR), the annual rent of which is 400,000 E. At the reference date of the present Statement of accounts, a property for office use which is part of the complex in Pavia, via Veneroni is leased with compensation for occupation (annual rent of 85,000 Euro) by the Customs Agency (Agenzia delle Dogane) with which a new leasing contract is being defined.

Following the structural default of the company Centro Edilmarelli S.r.l. (Pasini Group), the tenant of a portion of the property for office use in Sesto San Giovanni (MI), during the third quarter of 2013 the Fund signed an agreement for termination by mutual consent (with effect from 1 July 2013) with the same in order to be able to regain possession of the areas and proceed to market them.

During fourth quarter 2013 the Fund communicated to the company Wind Telecomunicazioni S.p.A. the termination, with effect from 1 March 2014, of the leasing contract (annual rent of approximately 8,400 Euro) relating to an antenna standing on part of the area in Novara, Corso Milano for which a binding offer has been received from the company Imeca S.r.l..

As of 31 December 2013, the total leased area of the properties in the portfolio amounted to approximately 367,000 sqm, for total annualised rent of approximately 17.5 million Euro.

Receivables from tenants

As of 31 December 2013 there were the following main receivables from the Fund's tenants:

- ACC Compressor S.p.A. – the company, the only tenant of the property in Mel (BL), via Salvatelli, should pay an annual rent of 1.028 million Euro but at 31 December 2013 owed the Fund an amount of approximately 2.3 million Euro. On 27 June 2013 the company was declared insolvent by the Court of Pordenone which entrusted the management to an Official Receiver. The SGR is considering keeping the 850,000 Euro deposit paid to guarantee payment of the rents and has initiated the opportune legal actions against the tenant.
- In relation to the property for office use in Sesto San Giovanni (MI), at 31 December 2013 the former tenant Centro Edilmarelli Srl (annual rent of approximately 600,000 Euro) owed the Fund approximately 2.8 million Euro. Following termination of the contract by mutual consent the SGR has initiated the opportune legal actions against the former tenant.
- With reference to the property in Turate (CO), via Salvo D'Acquisto, released by Prima Comunicazione S.p.A. (henceforth "Prima Comunicazione") on 30 August 2012, we can note that, against a total receivable of 3.832 million Euro, Prelios SGR signed a settlement agreement which provided for an all-in payment of 2.1 million Euro to be paid by the end of 2013 on the basis of a preset repayment schedule. As of 31 December 2013 the repayment times have not been observed punctually and Prima Comunicazione has asked the Fund to postpone for a further seven months (July 2014) the deadline within which to repay the remaining debt, of approximately 860,000 Euro.

<u>Extraordinary Maintenance (Capex)</u>

With reference to the extraordinary maintenance works begun in the year of reference on the Fund's properties, we can note the following:

- Bagni di Tivoli (RM), Strada Martellona – the renovation work on the logistical complex was completed in September. The total cost of the work is in line with the amount initially estimated, of approximately 3.2 million Euro. We can also note that, with reference to the leasing contract signed with Seven One S.r.l., the Fund carried out work to personalise the space and fit out the portion for office use for an amount of approximately 290,000 Euro (of which approximately 70,000 Euro chargeable to the tenant).

- Sesto San Giovanni (MI), viale Edison – during the first half of 2013 a certain amount of work was done on the areas owned by the Municipality of Sesto San Giovanni granted in use to the Fund; the amount of the work, completed in June, was approximately 90,000 Euro. During the second half of 2013 the work on landscaping the areas outside the buildings was contractualised and completed, for an amount of approximately 200,000 Euro.

<u>Investment and disinvestment policies</u>

As of 31 December 2013 no new investments had been made and the sales had been completed of four properties leased to Telecom, for telephone exchange use, situated in the municipalities of Pont Saint Martin (AO), Assemini (CA), Barzio (LC) and Montereale (AQ) (recognized in 2012 as investment property) as well as a portion of land with planning permission located in Fossalta di Portogruaro (VE), which is part of Eastgate Park, and two garages located in the property at Viale Sarca 336 in the City of Milan (MI) (recognized in 2012 as inventory).

The table below shows the main data relating to the sales made in the year of reference:

Comune	Provincia	Valore di apporto / acquisto	Costi capitalizzati	Costo storico	OMV	Prezzo di vendita	Plusvalenza lorda [2]	Margine [3]
Pont Saint Martin	AO	803.254	3.097	806.350	990.000	960.000	153.650	19%
Milano Edificio 16 - Box auto	MI	43.004	-	43.004	40.000	55.000	11.996	28%
Assemini	CA	270.326	153	270.478	510.000	340.000	69.522	26%
Barzio	LC	571.546	323	571.869	716.000	548.000	- 23.869	-4%
Montereale	AQ	247.155	713	247.868	240.000	280.000	32.132	13%
Fossalta Portogruaro - Lotto 3	VE	450.989	1.420	452.409	273.000	240.000	- 212.409	-47%
Totale 2013		**2.386.273**	**5.705**	**2.391.978**	**2.769.000**	**2.423.000**	**31.022**	1%

(1) Market value in the previous quarter.
(2) Determined as the difference between the selling price and the historical cost of the properties sold.
(3) The % Margin is calculated as the ratio between the Gross Capital Gain from Sale and the historical cost (contribution+capex) at the date of sale.

The summary data at 31 December 2013 of the binding proposals received and accepted are presented below:

Immobile	Tipologia	Superficie (mq)	Costo storico Euro	Prezzo di vendita Euro	Ultima valutazione [1] Euro	Plusvalenza lorda [2] Euro	Controparte	Caparra Euro
Bari, Via Santa Caterina	Cantrale Telecom	2.422	927.354	1.100.000	968.000	172.646	Ital SGR Fondimmobiliari S.r.l.	-
Aprilia, Via Meucci	Cantrale Telecom	992	775.337	850.000	855.000	74.663	G.C.G. S.r.l.	170.000
Novara, Corso Milano	Small Reconversion	5.353	2.273.857	2.050.000	1.786.000	- 223.857	IMECA S.r.l.	100.000

(*) Appraisal value of the Independent Expert Patrigest S.p.A. at 31 December 2013.

With reference to the property leased to Telecom located in Ravanusa (AG) for which a binding offer of 215,000 Euro was received, we can note that, as the Fund did not obtain the land registry regularisation of the property within the maximum term envisaged for the final deed (set at 20 November 2013), the contract was terminated by right by the potential purchaser with a promise to return the deposit (of 21,500 Euro).

With reference to the property leased to Telecom located in Aprilia (RM) for which a binding offer of 850,000 Euro was received, on 15 October 2013, as the deadline granted to the potential purchaser to sign the final deed of sale had passed, the contract was terminated for non-fulfilment by the promissory purchaser and the deposit (170,000 Euro) was consequently definitively kept by the Fund.

We can note finally that, as of 31 December 2013, a preliminary sale contract is being defined with the company Eurospin Tirrenica S.p.A. in relation to the property in Portoferraio (LI), Corso Italia, for a price of 2.650 million Euro.

Key events during the financial year

On 30 July 2013 the Board of Directors of the SGR approved the Interim Report at 30 June 2013.

On 3 July 2013 the Board of Directors of the SGR approved:

- an extension of the duration of the Fund of a further five years with respect to its natural maturity, initially envisaged in 2015, under the terms of Art. 2.2 of the Fund's Management Regulations;
- the Fund's new business plan which provides for liquidation of the assets by the end of June 2018;

On 15 July 2013 the Fund's governance bodies, convened for the purpose by the SGR, resolved positively on the matters in the above list. On the same date the Fund's Consulting Committee approved the conferment, starting from 1 July 2013, of the appointment in outsourcing for the property and facility management services on Innovation Real Estate S.p.A. The company will coordinate with the sub-contractor Aicom S.p.A. to manage the facility management activities.

In the year of reference the SGR also formalised, starting from 20 May 2013, the agency and advisory contract with the company Celtic Italy S.r.l.

On 2 August 2013 the SGR, in accordance with the provisions of the termsheet signed on 14 May 2013 with the Fund's lending banks, formalised with the same a number of changes to the loan contracts (expiring in October 2013) for the purpose of extending the duration for a further 2-3 years depending on the credit line (for details see paragraph 8.A).

Update new business plan/strategy

The SGR intends to pursue the following strategic objectives:

- to renegotiate the existing leasing contracts with Telecom Italia S.p.A. and RAI S.p.A., in order to extend their duration and increase the marketability of the properties with a view to their future disposal;
- to complete the disposal of the properties for which the Fund is in negotiations with potential purchasers and of those for which it has received binding offers;
- to make income on the industrial property in Ancona, which will be released completely by Prada S.p.A. by the end of April 2014 and on the properties for logistical use in Bagni di Tivoli and Portogruaro for which disposal is planned at cap rate;
- to put on the market the vacant industrial and small business properties for which direct sale to potential final users is envisaged;
- to activate the necessary town planning and administrative procedures with reference to properties that can be improved by functional reconversion and/or change of planning use.

GOING CONCERN ASSUMPTION

The current economic crisis has resulted in, among other things, a low level of transactions and capital market funding in the Italian Real Estate Market. Management has reviewed the effects of this difficult situation in the real estate market on its financial position and results.

The review included mainly its impact on the valuation of assets, liquidity and financing. All the outstanding loans at December 31 2012 were, at that stage, uncertain in terms of extension, which was being renegotiated. The renegotiation was successfully operated during Q3 of 2013. The loan facilities amounting to Euro 218.5 million per 31 December 2013 are now composed by 2 sets of loans which have an initial maturity in Dec 2015 and October 2016 respectively. Therefore, the extension of the financing in 2013 is no longer a material uncertainty for the company's ability to continue as a going concern.

As a result, management continues to adopt the assumption of going concern of accounting in preparing the Company’s statutory accounts for the year ended December 31, 2013.

Based upon the review of the budgets and associated cash flow forecasts for the next twelve months, management note that the cash flow for this year is sufficient to cover the interest payments and the other commitments for that year.

RISK ASSESSMENT

During 2013 Spazio Investment N.V.’s portfolio experienced an overall fall in asset values of 2.67% as explained before. This fall in asset values in 2013 did not cause any breach of our renegotiated loan-to-value covenants and the Board will continue to monitor the existing banking arrangements and financial position of the Company in the prospect of any possible further decline in asset values going forward.
In addition to the alert on asset valuation and its potential impact on banking arrangements, there could be a risk related to the ISCR covenant deriving from the accelerated sale of the high yielding assets of the portfolio and the remaining in place of the collar derivatives with a high outstanding and slow decreasing notional amount.

CONTINGENCIES AND GUARANTEES

By letter dated 21 December 2009, the Guardia di Finanza – Nucleo di Polizia Tributario di Milano (Italian Tax Police) started a fiscal audit to the Company.
On 30 October 2012 the Italian tax Authority served at Company's premises tax assessments on fiscal years 2006 and 2007 (two fiscal years with respect to the four years, including 2008 and 2009, reported in the initial tax police report), as follow:

- Euro 437,882 for Corporate Income Tax (IRES) and Euro 69,663 for Regional Business Tax (IRAP) due for FY 2006, increased by penalties for omitted tax return amounting to 120% of additional IRES and IRAP (Euro 611,118), plus accrued interest until Oct 31st, 2012;
- Euro 7,667,686 for Corporate Income Tax (IRES) and Euro 1,219,859 for Regional Business Tax (IRAP) due for FY 2007, increased by penalties for omitted tax return amounting to 120% of additional IRES and IRAP (Euro 10,667,118), plus accrued interest.

The Company and its executives, with the external tax advisors' support, started an intensive analysis on these two deeds of assessment in order to investigate the possible actions and alternatives.
In case of acceptance of the deeds of assessment by the Company, the amount to pay should have been Euro 12,649,276, considering a reduction of the penalties to 1/6, with the risk of the extension of the dispute for the subsequent years. Considering the advice received by external tax advisor, the management of the Company filed a request of settlement in December 2012 in order to explore a possible reduction of the taxable base and therefore reach a final settlement with a further reduction of the assessed taxes.
On 15 January 2013 the external tax advisor, on behalf of the Company, filed with the Italian Tax Authority a defence paper aimed at counteracting the allegations contained in the Tax Police Report concerning the fiscal years 2008 and 2009.
The Company, with its tax consultants, has initiated an out-of-court settlement proceeding, which ended in tax authorities admitting a material tax miscalculation for FY 2007, namely the inclusion of Euro 10,633,154 of taxable income (an erroneously deemed realization gain on Spazio fund units), the rest remaining unchanged. Despite the admission, the tax assessment notice for FY 2007 has not been amended.
On March 21st 2013, separate appeals have been notified to the tax authorities against the 2006 and 2007 assessment notices. On April 12th 2013, the appeals together with documentary evidence of its place of effective management situated in The Netherlands have been filed with the Milan lower tax court (Commissione Tributaria Provinciale).
On July 8th 2013, the Milan lower tax court has accepted the tax collection suspension request, and scheduled a hearing to October 2013, which has meanwhile been postponed to May 19th 2014.
Since the out-of-court-settlement has meanwhile not been successful, the Company initiated a court process to challenge the tax authorities process (and considers trying to settle with a in-court-settlement). The court hearing was scheduled to October 2013. Before this hearing, the Company filed a petition to postpone the hearing, in order to initiate an in-court settlement, which resulted in a postponing of the hearing to May 19 2014.

The risk that the claim can lead to future tax liabilities for the Company at present is considered possible but not probable based on the opinion of the company's external tax lawyer and the assessment of the Board of Directors, therefore no provision has been recognized in this Report.

According the Decree no. 70 approved on 5 May 2011, published on the Official Gazette on 13 May 2011 (Decree) and converted into Law no. 106/2011 published on the Official Gazette on 12 July 2011 (Act) envisaged relevant changes in the taxation of real estate investment funds initially already included in art. 32 of Legislative Decree 78/2010. The Decree introduced a 5% substitutive tax to be calculated on the average value of the units held

resulting from the periodical reports drafted in 2010. Such tax shall be paid in June 2012 by those unit holders who at 31 December 2010 had a Fund holding over 5% and who are not defined as “Qualified or Eligible Investors”.
The Company, together with its major shareholder and external tax advisors, investigated whether this might have an impact on the Company. The Company, supported with the analysis provided by its major shareholder and external tax advisors, considers itself as an Eligible Participant and so excluded from the payment of the 5% tax on NAV. Full disclosure on the tax issues is set out in the note 25 to the accounts.

SUBSEQUENT EVENTS

No other relevant events have happened from 1 January 2014 up to date.

The board proposes to carry forward the loss of Euro 4,620,264 for the year 1st January 2013 to 31st December 2013.

Amsterdam, 7 May 2014

<u>The Board of Directors:</u>

Colin Kingsnorth

Nicholas Paul James

Gualtiero Tamburini

Rob Turner

Michael Andrew Haxby

Antonella Fusta

(since Antonella Fusta was appointed on December 30, 2013, she was not managing director during the year 2013 thus she has no responsibility for the carried out policy during the year 2013)

Consolidated Balance sheet

(in Euro)

Note	ASSETS	31.12.2013	31.12.2012
	NON-CURRENT ASSETS		
	Other intangible assets	22,668	-
1	Investment in participating interest	9,360	9,410
2	Investment property	280,129,000	284,315,000
	Property, plant and equipment	38,354	-
	Deferred tax assets	1,101	-
	TOTAL NON-CURRENT ASSETS	**280,200,483**	**284,324,410**
	CURRENT ASSETS		
3	Inventories	77,758,390	84,252,475
4	Trade receivables	2,809,124	2,223,559
5	Other receivables	381,054	299,864
	Tax receivables	35,499	80,490
6	Derivative financial instruments	-	-
	Financial assets held for trading	-	-
7	Cash and cash equivalents	25,336,840	31,339,478
	TOTAL CURRENT ASSETS	**106,320,907**	**118,195,866**
	TOTAL ASSETS	**386,521,390**	**402,520,276**
	EQUITY		
8	Share capital	4,589,189	4,589,189
9	Share premium	172,888,179	172,888,179
10	Retained earnings	(15,991,299)	(11,371,034)
	TOTAL EQUITY	**161,486,070**	**166,106,334**
	LIABILITIES		
	NON-CURRENT LIABILITIES		
11	Bank borrowings and payables to other financial institutions	**218,488,183**	**182,881,771**
	CURRENT LIABILITIES		
11	Bank borrowings and payables to other financial institutions	-	43,759,681
12	Trade payables	2,982,070	3,171,774
13	Other payables	2,577,484	2,117,773
14	Tax payables	31,704	48,712
6	Derivative financial instruments	955,879	4,434,231
	TOTAL CURRENT LIABILITIES	**6,547,137**	**53,532,171**
	TOTAL LIABILITIES AND EQUITY	**386,521,390**	**402,520,276**

The notes on page 18 to page 56 are an integral part of these consolidated financial statements.

Consolidated Income statement

(in Euro)

Note		01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
15	Rental income	19,023,985	20,860,573
16	Net (loss) from fair value adjustment on investment property	(3,516,718)	(20,831,324)
17	Net (loss) on disposal properties	(129,000)	(803,000)
18	Net (loss) on disposal inventories	(155,002)	(53,204)
19	Other operating income	1,941,184	447,259
20	Realised and unrealised gain from fair value adjustment on financial assets	3,478,353	2,726,332
21	Management fees	(1,380,221)	(1,802,930)
22	Other costs	(15,154,042)	(9,930,053)
	OPERATING RESULT BEFORE FINANCING COSTS	**4,108,540**	**(9,386,347)**
23	Financial income	106,695	325,808
24	Financial expenses	(8,826,398)	(10,389,884)
	RESULT BEFORE TAX	**(4,611,163)**	**(19,450,423)**
25	Tax expense	(9,102)	-
	RESULT FOR THE YEAR	**(4,620,264)**	**(19,450,423)**
	Basic and diluted earnings per share (Euro)	**(0.20)**	**(0.85)**

The notes on page 18 to page 56 are an integral part of these consolidated financial statements.

Condensed consolidated statement of comprehensive income

(in Euro)

	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Net (loss) for the year recognized in the income statement	(4,620,264)	(19,450,423)
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR	**(4,620,264)**	**(19,450,423)**

The notes on page 18 to page 56 are an integral part of these consolidated financial statements.

Consolidated Cash flow statement

(in Euro)

Cash Flow Statement

(in euro)

	Note	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Result for the year		**(4,620,264)**	**(19,450,423)**
Adjustments for non-cash items:			
- Financial expenses	24	8,826,398	10,389,884
- Financial income	23	(106,695)	(325,808)
- Change in fair value of investment property	16	3,516,718	20,831,324
- Unrealised gain on assets held for trading / derivatives	20	(3,478,353)	(2,726,332)
- Inventory write-downs	3	6,238,756	(1,262,962)
Changes in working capital:			
- Change in trade receivables/payables		(775,269)	(115,021)
- Change in other and tax receivables/payables		361,563	(3,335,489)
- Change in other and tax receivables/payables (VAT)		44,991	86,510
Investment in inventories	3	(194,673)	(773,596)
Disposal in inventories	3	450,002	1,593,104
Net cash flow generated from operating activities (A)		**10,263,174**	**4,911,191**
Acquisition and capital expenditure of investment property	2	(1,587,718)	(2,988,474)
Acquisition cost plus additions to properties disposed	2	2,257,000	33,235,876
Interest received		126,271	172,485
Acquisition of derivatives	6	(34,164)	-
Acquisition of other tangible / intangibile assets		(7,959)	-
Acquisition of subsidiaries		(20,000)	-
Net cash flow generated from investing activities (B)		**733,430**	**30,419,887**
Interest paid	11	(3,488,710)	(4,468,940)
Distribution of share premium reserve	9	-	(142,183)
Proceeds of borrowings and payables to banks and other financial institutions	11	(13,510,532)	(32,945,887)
Net cash flow generated from financing activities (C)		**(16,999,243)**	**(37,557,010)**
Total net cash flow generated in the year (D=A+B+C)		**(6,002,638)**	**(2,225,932)**
Cash and cash equivalents at the beginning of the year (E)		**31,339,478**	**33,565,410**
Cash and cash equivalents at the end of the year (D+E)		**25,336,840**	**31,339,478**

The notes on page 18 to page 56 are an integral part of these consolidated financial statements.

Consolidated Statement of changes in equity

(in Euro)

	note	Share capital	Share premium	Retained earnings	Equity
Equity at 31 December 2012		**4,589,189**	**172,888,179**	**(11,371,034)**	**166,106,334**
Result of the year	10	-	-	(4,620,264)	(4,620,264)
Equity at 31 December 2013		**4,589,189**	**172,888,179**	**(15,991,298)**	**161,486,070**

	note	Share capital	Share premium	Retained earnings	Equity
Equity at 31 December 2011		**4,589,189**	**173,030,362**	**8,079,389**	**185,698,940**
Share premium distribution	9	-	(142,183)	-	(142,183)
Result of the year	10	-	-	(19,450,423)	(19,450,423)
Equity at 31 December 2012		**4,589,189**	**172,888,179**	**(11,371,034)**	**166,106,334**

The notes on page 18 to page 56 are an integral part of these consolidated financial statements.

Introduction

Spazio Investment N.V. (the “Company”, formerly Spazio Industriale Investments I B.V.), incorporated on 22 November 2005, is a Public Limited Company with limited liability (naamloze venootschap) domiciled in Amsterdam, the Netherlands. The address of the registered office is Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, The Netherlands.

The Company is held as follows: TEI (71.40%), Prelios Netherlands B.V. (22.07%), whilst the remaining 6.53% is held by minority shareholders.

The principal activity of the Company is holding of investments in subsidiaries and associates.

The Company totally owns the units of the close-ended real estate investment fund “Spazio Industriale – Fondo Comune di Investimento Immobiliare di Tipo Chiuso” (the “Fund”). The Fund invests in real estate and operates in the development of land and buildings under renovation. The Fund hold a participation in the Consorzio Eastgate Park oriented to manage the area named “Eastgate Park”.

The Company also totally owns (since 2013) the shares in Celtic (Italy) Srl., whose main activity is to provide property management and advisory services to investment fund clients (including the fund also owned by the Company).

The consolidated financial statements were authorised for issue by the board of directors on 7 May 2014.

Going concern assumption

The current economic crisis has resulted in, among other things, a low level of transactions and capital market funding in the Italian Real Estate Market. Management has reviewed the effects of this difficult situation in the real estate market on its financial position and results.

The review included mainly its impact on the valuation of assets, liquidity and financing. All the outstanding loans at December 31 2012 were, at that stage, uncertain in terms of extension, which was being renegotiated. The renegotiation was successfully operated during Q3 of 2013. The loan facilities amounting to Euro 218.5 million per 31 December 2013 are now composed by 2 sets of loans which have an initial maturity in Dec 2015 and October 2016 respectively. Therefore, the extension of the financing in 2013 is no longer a material uncertainty for the company's ability to continue as a going concern.

As a result, management continues to adopt the assumption of going concern of accounting in preparing the Company’s statutory accounts for the year ended December 31, 2013.

Based upon the review of the budgets and associated cash flow forecasts for the next twelve months, management note that the cash flow for this period is sufficient to cover the interest payments and the other commitments for that period.

Significant Accounting Policies

The principal accounting policies used in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

Basis of preparation

Pursuant to Regulation 1606 issued by the European Parliament and the European Commission in July 2002, the consolidated financial statements at 31 December 2012 of Spazio Investment N.V. have been prepared on the basis of the current International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("IFRS"). The IFRS also include all the revised international accounting standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously named the Standing Interpretations Committee ("SIC"). The consolidated financial statements have been prepared under the historical cost convention unless stated otherwise.

The comparative figures in the consolidated income statement and the consolidated cash flow statement for the year from 1 January 2013 up to 31 December 2013 refer to the year 2012.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates described in the paragraph "Accounting estimates and assumptions". It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The profit and loss account included in the Company financial statements is presented in abbreviated form in accordance with article 2:402 of the Dutch Civil Code.

The functional currency is the Euro. All values indicated in the Notes to these consolidated financial statements are expressed in Euro unless specified otherwise. All transactions and balance sheet positions are in Euro.

The following standards became effective for the first time for the year ended 31 December 2013 and have been adopted by the Company:

- <u>IFRS 13 (Fair value measurement)</u>

On 12 May 2011, the IASB published the accounting standard IFRS 13 (Fair value measurement), which provides a single definition of the concept of fair value and a framework for how it should be applied when another IFRS permits or requires its use. More specifically, IFRS 13 sets out a clear definition of fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (or exit price). This definition highlights that fair value is a measure that must be based on the market and not the valuing entity. In other terms, the measurement process must take into account the assumptions that market participants would use when pricing the asset or liability in current conditions, including assumptions on risk. As a consequence, the intention to hold an asset or cancel or fail to meet a liability is of no relevance in measuring fair value.

The application of this IFRS has not materially impacted the fair value measurement of the Company. Additional disclosures were required and are provided on the individual notes of assets or liabilities whose fair values were determined.

Other new or revised standards or interpretations that became effective from 1 January 2013, had no material impact to the Company.

International accounting standards and/or interpretations issued but not yet in force and/or not yet endorsed

The following new standards and amendments to the standards which are relevant to the Company and have been adopted by the European Union are effective in the European Union for the annual periods beginning on or after 1 January 2014, and have not been early adopted by the Company:

- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated financial statements (amended);
- IFRS 11 Joint arrangements;
- IFRS 12 Disclosure of interests in other entities (amended);
- IAS 27 Separate financial statements (amended);
- IAS 28 Investments in associates;
- IAS 32 Financial instruments: presentation;
- IAS 36 Impairment of assets

The Company is currently assessing the possible impact of adoption of the above standards. It is expected that these standards have no significant impact for the Company.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Financial statement formats

In accordance with the provisions of the revision of IAS 1 “Presentation of Financial Statements”, the financial statements at December 31, 2013 consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income and Loss, the Statement of Changes in Net Equity, the Cash Flow Statement and the Notes to the Statements, and are accompanied by the Directors’ Report on Operations.

The Group opted for a separate income statement instead of a single comprehensive income statement.

The “Statement of Comprehensive Income and Loss” includes the result for the year and, for homogeneous categories, the revenues and costs which, on the basis of the IFRS, are accounted for directly in equity.

Consolidation area

The Consolidation is based on the financial statements of the companies in the consolidation area, which were prepared as of the reporting date on the basis of IFRS as adopted by the European Union.

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In Assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidation area covers two subsidiaries – Spazio Industriale – Fondo Comune di Investimento Immobiliare di Tipo Chiuso (“Fondo Spazio Industriale” or the “Fund”) and Celtic (Italy) S.r.l., both totally owned by Spazio Investment N.V.

The Fund started its activity on 28 December 2005, the date of authorisation of the Fund by Bank of Italy. All the financial statements used are expressed in Euro.

Consolidation criteria

The consolidation criteria can be summarized as follows:

- ➢ subsidiaries are consolidated on a line-by-line basis, according to which:
- \- the assets, liabilities, costs and revenues shown in the subsidiaries' financial statements are carried in full, regardless of the interest held;
- \- the book value of equity investments is eliminated against the corresponding shares of net equity;
- \- intercompany receivables and payables, as well as intercompany expenses and revenues among the consolidated companies are eliminated, including dividends distributed within the Group;
- \- minority holdings are shown under a specific net equity item, and minority interests in the profit or loss are stated separately in the income statement;
- ➢ profits and losses resulting from transactions between consolidated companies, not involving third parties, are eliminated in proportion to the percentage held unless the transaction provides evidence of an impairment of the asset transferred;
- ➢ subsidiaries are recorded upon acquisition using the "purchase method", which entails:
- \- determination of the purchase cost in compliance with IFRS 3;
- \- determination of the fair value of the assets and liabilities acquired (both actual and contingent);
- \- recognition of the difference in profit or loss, if the cost of acquisition is less than the fair value of Group's share of the identifiable net assets of the subsidiary acquired.

Accounting standards and policies

Below is a summary of the significant accounting standards and policies applied.

Investment property

Investment properties are properties which are held to earn rental income for capital appreciation, or both.

Investment property comprises freehold land, freehold buildings, land held under operating lease and buildings held under finance lease.

Land held under operating lease is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at cost, including related transaction costs. After initial recognition, investment property is carried at fair value.

Valuations are carried for each building, using different criteria for each (consistent with the prediction of the 'IFRS 13):

• Method comparative market values (synthetic comparative)

This valuation methodology has the objective to determine the amount of money at which the property could be transacted at the time the valuation between a buyer and a seller both interested in the transaction, after proper marketing and promotion, assuming that both parties act freely, prudently and in an informed manner. The comparative method comes to the estimate of the asset by comparing with property recently purchased and sold or currently for sale, comparable in terms of typology, construction and positional. The value of the property is then to be determined taking into account sale prices or rents, the result of a thorough investigation of the market, in which corrections are applied are considered adequate in relation to the intrinsic and extrinsic characteristics of the asset subject to valuation and any other factors deemed appropriate.

• Method of transformation

This method, also called the "value transformation" is used in the case of property subject to processing or currently in transformation. The value is given by the difference between the most probable market value of the property and transformed the sum of all the possible costs of the factors which affect the transformation of the asset. The cost basis of transformation is often used to express judgments of economic convenience related to work recovery of existing assets, but it lends itself to used as a trial targeted to provide an estimate of the value estimate applies to the generality of market participants.

• Financial income dual-rate method (DCF + Transformation vertical)

The assessment has been prepared with the financial method - income (DCF) (double discount rate) because it was considered the most suitable for the type of contract, for its location and for its intended use.

This criterion is based on the net cash flows to be generated within a period of time, has proven to be the most appropriate in order to adequately represent the real value of the property in question, which can be acquired either as a property for direct use (instrumental use) as well as for investment purposesas a source of persistent income from rents.The assumption underlying the income is that a rational buyer is not prepared to pay for the purchase of a property costing more than the present value of the benefits that good will be able to produce in the future.

The value of the asset, therefore, is a function of the economic benefits that will be generated from this. For the elaboration of the assessment has been used in the annual rent to be (Annualized Rent) provided by the client for each property.

The rent currently received by each property has been indexed to the contractual maturity date, at which time, conservatively, it is assumed that the current conductor (Telecom Italy SpA) free properties.

In consideration of the characteristics of the lease existing, the cash flows relating to the lease period were discounted at a rate that reflects the risk of default of the lessee and warranties contained herein, which allow, after the first expiration contract, to withdraw from contracts anytime with a notice period of 12 months.

The disposal value of the asset, planned for period following the release of the property by the tenant, was determined through a model of vertical transformation (revenues - cost - benefit of the promoter), assuming a change of use and its renovation / reconstruction of the building. Considering the wide horizon of analysis, the intended end use has been suggested as a function of the context of the area in which the asset is included, regardless of any checks on the concrete and actual possibility to change the intended use of the property being evaluated.

The disposal value thus obtained has been discounted at a discount rate that takes into consideration the typological characteristics of the property such as location, physical characteristics and dimensions, fungibility and the state of maintenance, to which is added an additional risk factor linked to the operation of transformation and calculated risk urban context and the potential for absorption of units produced.

From the above, you can imagine the need for use two separate discount rates: the first, which is useful to the discounting of cash flows relating to the contract period and the second, necessary to discount the disposal value of the asset.

• Financial income method (DCF - single rate of discount)

For a few assets, the valuation has been prepared with the financial method - income (DCF), (a single rate of discount) because it was considered the most appropriate for the type of properties taken into consideration, because of their location and their destination of use.

This criterion estimate, based on the net cash flows to be generated within a period of time, has proven to be the most appropriate in order to adequately represent the real value of the assets in question, which may be acquired for use as either direct (instrumental use) as well as for investment purposes as a source of persistent income from rents.

The assumption underlying the income is that a rational buyer is not prepared to pay for the purchase of asset costing more than the present value of the benefits that asset will be able to produce in the future.

The asset value, therefore, depends of the economic benefits that will be generated from this.

For the elaboration of the evaluation has been used the currently annual rent (Annualized Rent), relating to individual leases for each asset, while for the vacant portions was considered a rental unit market (ERV).

For the the Market Value elaboration is indexed rents currently charged and those portions of the market for vacant considering a scenario last between 12 and 15 years depending on the various contractual deadlines and the time required to ensure that any new leases come up to speed.

In this model it was assumed the sale of the asset to last year with a value obtained by capitalization of operating income for that period at a capitalization rate (Cap Rate) output appropriate for each asset.

The disposal value is combined to income in the same period, only to be discounted at the initial moment with an appropriate discount rate (Discount Rate) suitable for each asset.

In cases where the property, calculated using the method-financial income, it appears vacant and it

Is expected that go to market, we consider the following factors:

- STEP UP: incentives for renting space to a single conductor (monotenant);
- TAKE UP: uptake of the various units to several conductors (pluritenant).

These methods are applied one by one to each asset or combined with one another, depending on the specificity of the same. The evaluations are based on the assumption of the maximum and best use of property evaluated, considering that, among all uses technically possible, legally permitted and financially feasible only those potentially able to give them the most value to the property. The highest and best use is determined on the basis of specific considerations on the basis of the characteristics / location / planning of the property assessed and the real estate market of reference.

We present a table (separately for each accounting category of properties) classifies the values resulting from appraisals carried out by independent experts at December 31, 2013 depending on the technique of evaluation used, below:

	METHOD OF VALUTATION			
Category of assets	METHOD COMPARATIVE MARKET VALURE	METHOD FINANCIAL INCOME (DCF - DCF+Trasformation)	METHOD OF TRASFORMATION	TOTAL
Assets property use	139.000	53.403.000	7.742.000	61.284.000
Assets for office use		26.972.000		26.972.000
Assets logistics use		28.170.000		28.170.000
Assets other destination		161.260.000	2.443.000	163.703.000
Total Fair Value	**139.000**	**269.805.000**	**10.185.000**	**280.129.000**

The following table, however, presents the classification of real estate valuations to 31 December 2013 (separately for each accounting category of property), according to the three levels of the fair value hierarchy established under IFRS 13 "Fair value rating":

	LEVELS OF FAIR VALUE			
Category of assets	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
			61.284.000	61.284.000
Assets property use			26.972.000	26.972.000
Assets for office use			28.170.000	28.170.000
Assets logistics use			163.703.000	163.703.000
Assets other destination				
Total Fair Value	**-**	**-**	**280.129.000**	**280.129.000**

The properties fall within Level 3 of the fair value hierarchy, because have been applied to the input of financial variables, such as inflation, discount rate and cap rate that are not directly observable by the market.

The main unobservable data input relates to the discount factor, which is on average 9.52% with a range of 6.68% to 10.91%. If the discount factor increases with 0,25% the impact on the valuation is EUR 5.64 million negative.

There have been no transfers between the levels during the year.

There have been no changes in the valuation techniques compared to last year.

Inventories

Inventories consist of land for development and buildings under renovation in the normal course of the Company's activities, or during the construction process or development related to said activities.

Land for development and buildings under renovation are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price, less the estimated costs of completion and selling expenses. Cost includes incremental expenses and capitalisable financial charges, as described below in the "Financial expenses" note.

IAS 11 will be applied if a sales contract in relation to these projects has been signed.

Receivables and payables

Receivables are recognised initially at fair value and subsequently measured at amortized cost, using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

Payables are recognised initially at fair value and subsequently measured at amortized cost, using the effective interest method.

Leases

When a group company is the lessee:

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(ii) Finance lease

Leases of assets where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

When a group company is the lessor:

(i) Operating lease

Properties leased out under operating leases are included in investment property in the balance sheet. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

(ii) Finance lease

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Impairment of assets

Assets including goodwill that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Financial instruments

Derivative financial instruments

The Company uses financial instruments solely for hedging under IFRS.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives not classified as hedges

In the case of fair value changes in derivatives not designated and qualified as hedges, these are immediately recognised to the income statement. The Group does not use the possibility of hedge accounting and all changes in the fair value of the derivative financial instruments are accounted in the profit and loss.

They are measured at fair value even if they are contracts entered into to manage interest rate fluctuations and, more in general, to manage the Group's operating risks, since the Group policy does not allow the contracting of derivatives for speculative purposes.

For 2013 the Company does not apply hedge accounting.

Determination of fair value

The fair value of financial instruments listed on an active market is based on market prices as of the reporting date. The market price used for derivatives is the bid price, while for financial liabilities the ask price is employed. The fair value of instruments not listed on an active market is determined according to valuation techniques, i.e. discounted cash flow analysis and option pricing models, based on a series of methods and assumptions relating to market conditions as of the reporting date.

Derivative financial instruments are valued by reference to the discounted cash flow method (DCF), which is the market standard for the valuation of financial instruments.

According to this model, the fair value of an interest rate swap is equal to the present value of the cash flows that the instrument is expected to generate over time.

The quantification of factors and discounting of cash flows has been made by reference to the Euribor curve at the valuation date constructed using the prices of deposits, futures and swaps market observable.

The method of valuation is in accordance with IFRS 13 "Assessment of fair value." For the assessment of fair value is used, in fact, the input data directly or indirectly observable in the market (other than quoted prices - unadjusted -), adjusted as necessary, according to factors specific to the instrument valued ".

Derivative financial instruments have been classified as level 2 (please see also page 32 on fair value estimation).

Financial assets at fair value through profit and loss

Financial assets held for trading are classified as current assets and stated at fair value, with any resultant gain or loss being recognised in the income statement.

Transaction costs are directly recorded into profit and loss at trade date.

The fair value of financial assets classified as held for trading is their bid price at the balance sheet date.

Financial assets are derecognised when the rights to receive the cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Fair values of financial instruments

The carrying values of cash and cash equivalents, trade receivables and payables are assumed to approximate their fair values. As at 31 December 2013, the fair value of bank borrowings and payables to other financial institutions is approximately equal to their carrying value.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and cash deposits.

Cash and cash equivalents are booked at face value.

The maturity date is less than three months.

Bank borrowings and payables to other financial institutions

Loans are initially recognised at their fair value, net of transaction costs directly attributable to the issuing of the financial liability.

They are subsequently measured at amortized cost using the effective interest rate.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the company estimates cash flows considering a debt repayment schedule drawn up in line with the relevant business plan but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

Incremental costs directly attributable to equity transactions are recognised as a deduction from the proceeds.

Dividend distribution

Dividend distribution 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.

Sale of assets

Revenues from the sale of assets are recorded only when all of the following conditions are satisfied:

- most of the risks and benefits linked to ownership of the assets have been transferred to the buyer;

- the effective control over the assets sold and the normal level of activities associated with the asset have ended;
- the amount of revenue can be reliably determined;
- it is probable that the economic benefits deriving from the sale will be enjoyed by the company;
- the costs sustained or to be sustained can be reliably determined.

Rental income

Gross rental income is determined based on contractual lease term entitlements and is recognized as lease services are rendered. Gross rental income does not include service charges, such as heating, electricity and security, which are directly charged to tenants. Rental income is recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income. Lease incentives are recognised on a straight-line basis over the shorter of the life of the lease or the year to the first break option. Differences that arise between the contractual lease payments and the periodic net lease income are capitalized in the balance sheet. Turnover based rents are recorded as income in the years in which they are earned.

Interest

Interest is recognised on an accrual basis considering the effective yield of the asset.

Financial expenses

Financial expenses are charged to the income statement in the period in which they are incurred unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset. The amount of financial expenses capitalised is the actual borrowing costs incurred on the loan specifically borrowed for the purpose of obtaining the qualifying asset.

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of financial expenses ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

Tax expense

In the Netherlands, Dutch corporate tax is based on the fiscal results, taking into account the fact that certain income and expense items as reported in the profit and loss account are tax-exempt. The applicable tax rates are 20% over the first Euro 200,000 and 25% over the remainder for the year 2013. The Dutch Tax Authorities have issued a "determination agreement ATR" stating that the Italian real estate property investment Fund is to be qualified as a transparent entity. In practical terms, this means that the Fund will be transparent from a Dutch corporate income tax point of view and the Company is treated as the direct owner of the underlying assets. Consequently, all income of the Fund should be treated as income of the Company and treated accordingly. Due to the operation of the Convention for the Avoidance of Double Taxation signed on the 8 May 1990 by the Government of Italy and the Government of The Netherlands (and specifically article 24, paragraphs 1 and 2 of the Treaty) income and capital gains arising from immovable property situated in Italy is effectively exempt from corporate taxation in The Netherlands. Accordingly no deferred tax is calculated.

Segment reporting

The Group has only one line of business ("investments in light industrial properties") and operates through the Fund exclusively in Italy. Segment reporting is therefore not required.

Financial risk management policies

The Company has no employees or executive management of its own. It relies solely on its service providers under contract to undertake all executive and operational activities relating to the property portfolio in accordance with the Board's direction. In addition to their attendance at Board meetings, the Directors, maintain a regular dialogue with the providers.

Highlights of the Group's risk management policies are discussed below.

All risk management procedures relating to the management of the Fund and risk management policies are performed by IDeA FIMIT SGR SpA on the basis of the service level agreement.

During 2013 the SGR launched numerous projects in the risk-management field to strengthen the internal controls system, namely:

- the activity of risk & control self assessment on the processes of the Funds and the SGR;
- the formalisation and approval of new risk mapping, which:

  - identified and classified the risk factors related to the operations of the SGR and of the Funds managed;
  - assessed the related risks with respect to the single activities carried out, also on the basis of the existing controls;

- the definition of a framework for attributing the risk-return profile to the Funds managed;

- the definition of a risk policy to govern the risk-management policies, assessment methodologies and organisational methods.

As well as the activities carried out by the Risk Manager it is worth pointing out the following additional elements.

As regards monitoring the performance and activities of the Fund, the business plans of the Funds, approved annually by the Board of Directors, provide an entire framework complete with management activities and allow for systematic control over achieving short-term objectives as well as the possibility of more detailed and far-reaching planning. Each time they are prepared or revised during the year, these documents are reviewed by the Risk Manager, who produces a specific report specifying:

- the main risk factors to which the Fund could be exposed;
- the main changes made with respect to the previous version;
- a check on the consistency of the document with respect to the management regulations;
- a check on the consistency of the risk/return profile.

Risks associated with buildings are hedged by signing insurance policies with leading companies.

The leasing "risk" is measured according to vacancy indexes constantly monitored through preparation of specific reports, while potential tenants are evaluated according to their financial stability and solvency.

Credit risk is controlled through preparing detailed reports which illustrate judicial and extra-judicial recovery actions. At the same time, a credit ageing report is prepared, which indicates the receivables according to the date of generation and which allows for controlling and managing default situations. The positions which present default risk are covered by a suitable bad debt provision in order to avoid any financial repercussions in subsequent financial years.

The SGR manages investment processes for the funds managed in compliance with internal procedures aimed at preventing situations of potential conflict of interest. In particular, the SGR has, among other things, specific internal procedures dedicated to real-estate investment strategies, disinvestment strategies, and the allocation and implementation of investments.

It should be remembered finally that the SGR has Compliance and Internal Audit units, both internal to the company, which carry out the audits for which they are responsible on all the activities of the SGR and of the Funds managed following periodic checks performed as part of the Annual Activity Plans approved by the Board of Directors.

Types of financial risk

Credit risk

Credit risk represents the Group's exposure to potential losses due to default by its counterparties on their commercial and financial obligations.

Credit evaluations are performed on all tenants as a part of the due diligence on properties to be acquired; in particular only properties rented to prime tenants are considered. In addition, the exposure to credit risk is monitored on an ongoing basis by management using aging analysis.

To limit that risk, with regard to commercial counterparties, the Group has procedures in place to assess the financial solidity of its tenants, to monitor incoming payments, and to take credit recovery action should this become necessary. The aim of these procedures is to set credit limits for tenants and take appropriate actions when those limits are exceeded.

In some cases tenants are asked for guarantees, generally sureties from banks in excellent standing or personal guarantees. Collateral is requested more rarely.

As for financial counterparties, for the management of temporary excess funds or for the trading of derivative instruments, the Group does business only with intermediaries of high credit standing.

Receivables are recognised net of impairment calculated for the risk of counterparty default, which is determined in light of the available information on solvency and historical trends.

Where a debt passes its due date it is kept under constant review to determine whether a provision is necessary. In addition the provision is reviewed on a regular basis to determine whether a full write off is appropriate.

Exchange rate risk

The Group mainly operates at the Italian market level; as a consequence it has no exposure to exchange rate risk.

Positions subject to exchange rate risk are essentially comprised of a very limited number of invoices payable and do not make up a sizeable proportion of that balance. Therefore, exchange rate fluctuation has no significant effect on the income statement.

Fair value estimation

Regarding financial instruments measured at *fair value*, recent amendments to IFRS 7 requires that these instruments are classified on the basis of a hierarchy of levels that reflect the significance of the inputs used in determining fair value. The following are the levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – Use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data;
- Level 3 – Use of a model with inputs that are not based on observable market data.

The following table shows an analysis of the fair values of financial instruments recognised in the balance sheet by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Investment Property	-	-	280,129,000	**280,129,000**
Derivative financial instruments	-	(955,879)	-	**(955,879)**

Interest rate risk

Interest rate risk to which the Fund is exposed mostly originates from long-term financing. Since these are variable-interest bearing loans, the Fund is exposed to cash flow risk.

The Group manages the cash flow risk on interest rates through the use of derivative contracts. The derivatives considered are exclusively those defined as hedging instruments by IAS/IFRS: typically interest rate collars, which mitigate the cost of the cap by setting a minimum limit (floor) on interest payable.

The purchase and designation of such derivatives as hedging instruments for the purposes of IAS 39 is decided on a case-by-case basis.

Asset devaluation risk

In 2013 the overall devaluation has decreased of 2.67%. This is due to the worsening of the macro-economic context that led an increase of interest rate also used in the independent appraisal. The market value trend of the portfolio will be carefully monitored in relation to the LTV banking covenants. The Board is committed to closely monitor Spazio Investment N.V's financial position and the compliance with all banking covenants. Cash flow from rental income, excess available cash from operations and the proceeds from sales in the pipeline could be used by Spazio Investment N.V. to repay back debt and to maintain adequate headroom against banking covenants.

Liquidity risk

The main liquidity risk refers to the Fund's ability to fulfill commitments to repay bank borrowings. In particular, principal reimbursements are linked to the property sale process, while interest payable is timed to match rental income collection and fully covered.

The main instruments the Fund uses to manage liquidity risk are financial plans and treasury plans, to allow the thorough and accurate measurement of incoming and outgoing funds.

Discrepancies between these plans and the actual data are constantly analysed.

The cash flow is monitored on a monthly basis.

Financial liabilities outstanding at 31 December 2013 had the following maturities:

	within 1 year	between 1 and 2 years	between 2 and 5 years	beyond 5 years	Total
Bank borrowings and payables to other financial institutions	-	-	218,488,183	-	218,488,183
Trade payables	2,982,070	-	-	-	2,982,070
Other payables	2,577,484	-	-	-	2,577,484
Tax payables	31,704	-	-	-	31,704

The maturities of financial liabilities outstanding at 31 December 2012 were as follows:

	within 1 year	between 1 and 2 years	between 2 and 5 years	beyond 5 years	Total
Bank borrowings and payables to other financial institutions	226.641.452	-	-	-	226.641.452
Trade payables	3.171.774	-	-	-	3.171.774
Other payables	2.117.773	-	-	-	2.117.773
Tax payables	48.712	-	-	-	48.712

Capital risk management

The Group's objectives when managing capital are to maintain its ability to continue as a going concern in order to provide returns for unitholders and benefits for other unitholders and to maintain an optimal financial structure so as to reduce the cost of capital.

Risk of vacancy

The Income Producing Portfolio generates about Euro 18 m of yearly rent (rent roll at 31st December 2013, not including new rent and renegotiation starting in 2014) mostly deriving from major tenants, which are principally telecommunications and utilities service suppliers (Telecom Italia S.p.A. and RAI – Radiotelevisione Italiana S.p.A.) and providers of industrial components (ABB S.p.A. and Alstom Power Italia).

Telecom Italia S.p.A. is the largest tenant, representing approximately 62.8% of the total annual passing rent of the portfolio as of 31 December 2013.

The total current vacancy for the leasable portfolio is about 17% (% vacant Sqm on total leasable surfaces, excluding asset for which is expected a vacant trading exit strategy).

The large majority of assets, especially those in the Telecom Italia S.p.A. portfolio, are located in central or semi-urban areas and, due to their location and nature, have considerable potential for alternative and more profitable uses (for most of the Telecom Italia S.p.A. assets, vacant possession could exceed the open market value based on current lease terms).

Accounting estimates and assumptions

The preparation of the financial report requires management to make estimates and assumptions that could influence the book values of certain assets, liabilities, costs and revenues, as well as the information provided on contingent assets/liabilities as of the reporting date.

The following accounting estimates are critical to this report:

(a) IAS 2 – Valuation of inventory

Inventories, which are wholly held by the Company, are booked at the lower of cost and net realisable value.

Inventories consist of land for development in the normal course of the Company's activities or during the construction process, or development related to said activities. Net realisable value is the estimated selling price, less the estimated costs of completion and selling expenses. Cost includes incremental expenses and capitalisable financial charges.

The valuation of Portogruaro depends to a large extent on the approval from the authorities for an infrastructural project in that area. This uncertainty, together with low sales, is taken into account by management in determining the cost or lower net realisable value per year end.

(b) IAS 40 – Valuation of investment property

Investment properties, all of which are held by the Fund, are kept to earn rental income or for capital appreciation or both. Investment properties are stated at fair values which are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties have acted knowledgeably, prudently and without compulsion.

An external, independent expert (Patrigest S.p.A.) with appropriate recognised professional qualification and large experience in the category of property being appraised, values the portfolio every three months. Management reviews these valuations and adjusts them where considered applicable.

The valuations are prepared by considering the aggregate of the net annual rents received from the properties and where relevant, associated costs. A discount factor which reflects the specific risks inherent to the net cash flows is then applied to the net annual rents to arrive at the property valuation.

Valuations reflect, where applicable, the type of tenants currently occupying the property or responsible for meeting lease commitments, the allocation of maintenance and insurance responsibilities between lessor and lessee, and the remaining economic life of the properties. Any gain or loss arising from a change in fair value is recognised in the income statement.

Gains or losses arising from the disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account in the period of disposal.

(c) IAS 39 – Valuation of derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risk. In accordance with its treasury policy, the Group does not hold derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost and subsequent to initial recognition are measured at fair value.

The fair value of derivative financial instruments that are not traded in an active market is determined by using valuation techniques, i.e. discounted cash flow analysis and option pricing models.

Since the Group does not use the possibility of hedge accounting all changes in the fair value of the derivative financial instruments are accounted in the profit and loss.

Note 1 Investment in participating interest

This item totals Euro 9,360 (Euro 9,410 at 31 December 2012) and is relative to the participation that the Fund held in the Consorzio Eastgate Park equal to 93.6% (94,1% in 2012).

On 21 January 2013, the Fund sold n. 50 millesimal quotas at nominal Euro 50 to AR.CO Immobiliare S.a.s., a company which entered the Consorzio Eastgate Park following to the purchase contract of December 2012 of a property unit for logistics owned by the Fund.

Note 2 Investment property

This item totals Euro 280,129,000 (Euro 284,315,000 at 31 December 2012) and is comprised of:

	01.01.2013-31.12.2013	**01.01.2012-31.12.2012**
Balance as at the beginning of the year	284,315,000	335,393,726
Additions:		
- Acquisitions	-	-
- Capital expenditure	1,587,718	2,988,474
Net (loss) from fair value adjustments on investment property	(3,516,718)	(20,831,324)
- Acquisition cost plus additions to properties disposed	(2,257,000)	(33,235,876)
Balance as at the end of the year	**280,129,000**	**284,315,000**

The net loss on disposed property of Euro 129,000 (note 17), as listed in the income statement, refers to the properties sold in 2013. The balance is the difference between the sales proceeds (Euro 2,128,000) and the carrying amount (Euro 2,257,000).

The main unobservable data input relates to the discount factor, which is on average 9.52% with a range of 6.68% to 10.91%. If the discount factor increases with 0,25% the impact on the valuation is EUR 5.64 million negative.

The future minimum lease payments under non-cancellable operating leases in total and for the following three periods after balance sheet date:

	within 1 year	**between 1 and 5 years**	**beyond 5 years**	**Total**
Future lease income under non-cancelallable contracts	17,594,074	18,477,462	4,649,143	40,720,679

Note 3 Inventories

At 31 December 2013 all properties are valued at the lower of cost, including incremental expenses and capitalisable financial charges, and net realisable value.

The movement in inventories over the year is shown in the table below:

	01.01.2013-31.12.2013	01.01.2012-31.12.2012
Balance as at the beginning of the year	84,252,475	83,809,021
Capitalized costs:		
- Acquisition	-	-
- Capital expenditures	39,758	83,091
- Financial expenses	154,915	690,505
- Write-downs	(6,238,756)	1,262,962
Total incremental costs in the year	*(6,044,083)*	*2,036,558*
- Costs of inventory sold	(450,002)	(1,593,104)
Balance as at the end of the year	**77,758,390**	**84,252,475**

Inventories consist of land for development and buildings under renovation in the normal course of the Fund's activities or during the construction process, or development related to said activities. These buildings and land are not intended for the Fund's investment property portfolio.

The lower value assigned by the independent expert to Eastgate Park at 31 December 2013 versus the previous year takes into account the following factor:

1) a general reduction in in market value attributable in general to an increase of the risk connected to the property development projects with a direct impact on the rates used to discount future cash flows assumed.

The net loss on disposal of inventories of Euro 155,002 (note 18), as listed in the income statement, refers to the properties sold in 2013. The balance is the difference between the sale proceeds (Euro 295,000) and the carrying amount (Euro 450,002).

Note 4 Trade receivables

	31.12.2013	31.12.2012
Trade receivables from third parties	2,809,124	2,223,559
Total	**2,809,124**	**2,223,559**

Trade receivables are broken down below:

	31.12.2013		31.12.2012	
	Non-current	**Current**	**Non-current**	**Current**
Trade receivables from third parties	-	10,908,132	-	10,071,933
Total gross trade receivables	**-**	**10,908,132**	**-**	**10,071,933**
Provision for doubtful accounts	-	(8,099,008)	-	(7,848,374)
Total trade receivables	**-**	**2,809,124**	**-**	**2,223,559**

Receivables have been written down according to the Group policies described under "Credit risk" in the section "Financial risk management policies".

Movements in the provision for doubtful accounts are shown below:

	01.01.2013-31.12.2013	01.01.2012-31.12.2012
Balance at the beginning of the year	7,848,374	5,564,464
Movement during the year	250,634	2,283,910
Balance as at the end of the year	**8,099,008**	**7,848,374**

The impairment charge for the year is recognised in the income statement under "Other costs" (note 22).

Trade receivables are secured by collateral in the amount of Euro 460,750 and by bank/personal guarantees totalling Euro 2,102,827.

The bad debt provision was calculated in detail also in relation to the status of the litigation followed by the law firms appointed, on the basis of the effective risk of non-recoverability of the receivables recognised at 31 December 2013. The provision amounts to 74.2% of the nominal value of the receivables. The Directors consider that the carrying amount of trade receivables approximates their fair value.

Note 5 Other receivables

This item totals Euro 381,054 (Euro 299,864 at 31 December 2012).

	31.12.2013	31.12.2012
Other receivables from Prelios Group	-	8,635
Other receivables from third parties	381,054	291,229
Total	**381,054**	**299,864**

Other receivables are broken down below:

	31.12.2013	31.12.2012
Other receivables	381,054	351,723
Total gross other receivables	**381,054**	**351,723**
Provision for doubtful accounts	-	(51,859)
Total other receivables	**381,054**	**299,864**

Movements in the provision for doubtful accounts are shown below:

	01.01.2012-31.12.2012	01.01.2012-31.12.2012
Balance at the beginning of the year	51,859	-
Provision	(51,859)	51,859
Balance as at the end of the year	-	**51,859**

The impairment charge for the year is recognised in the income statement under "Other costs" (note 22).

The Directors consider that the carrying amount of other receivables approximates their fair value.

Note 6 Derivative financial instruments

	31.12.2012	Acquisitions	Fair Value Adjustment	31.12.2013
Portogruaro derivative	-	(130,381)	-	(130,381)
Jumbo derivative	(4,434,231)	(825,498)	4,434,231	(825,498)
Total	**(4,434,231)**	**(955,879)**	**4,434,231**	**(955,879)**

At 31 December 2013 this item totals Euro (955,879) (Euro (4,434,231) at 31 December 2012), corresponding to the fair value of the six interest rate collar contracts signed.

Three of these interest rate swaps signed in 30 September 2013 have been taken out with Intesa Sanpaolo S.p.A., UniCredit S.p.A. and Natixis to hedge the “Jumbo Loan” as described in note 11.

The significant terms and conditions of the above-mentioned derivatives are as follows:

Counterparty	Intesa Sanpaolo S.p.A.	Unicredit S.p.A.	Natixis
Notional amount from 31/12/2013 to 31/03/2014	€ 58,122,034	€ 43,591,526	€ 43,591,526
Start date	30 September 2013	30 September 2013	30 September 2013
Expiry date	31 October 2016	31 October 2016	31 October 2016
Swap Rate	0.7675%	0.7675%	0.7675%
Fair value as at 31/12/2013	(330,199)	(247,649)	(247,649)

The other three interest rate swaps, also signed in 30 September 2013 have been taken out with Intesa Sanpaolo S.p.A., UniCredit S.p.A. and Natixis to hedge the “Portuagro Loan” as described in note 11.

The significant terms and conditions of the above-mentioned new derivatives are as follows:

Counterparty	Intesa Sanpaolo S.p.A.	Unicredit S.p.A.	Natixis
Notional amount from 31/12/2013 to 31/03/2014	€ 13,363,327	€ 10,022,495	€ 10,022,495
Start date	30 September 2013	30 September 2013	30 September 2013
Expiry date	31 December 2015	31 December 2015	31 December 2015
Swap Rate	0.601%	0.601%	0.601%
Fair value as at 31/12/2013	(52,152)	(39,114)	(39,114)

The fair value has been appraised by an independent professional on the basis of market information provided by a commonly used financial information provider, such as Bloomberg or Reuters.

Note 7 Cash and cash equivalents

At 31 December 2013 this item totals Euro 25,336,840 (with respect to Euro 31,339,478 in 2012) of which Euro 10,309,314 in restricted accounts (Euro 17,895,533 in 2012), subject to the repayment of borrowings and interest due.

Note 8 Share capital

Share capital is related to the Spazio Investment N.V. shares and amounts to Euro 4,589,189.

The total authorised number of ordinary shares is 50,000,000 with a par value Euro 0.20 each and 100 preferred shares of par value Euro 0.20 each.

At the Balance Sheet date, a total of 22,945,846 ordinary shares of par value Euro 0.20 each and 100 preferred shares of par value Euro 0.20 each and 1 priority share of the nominal value of Euro 0,20 are issued and fully paid.

Note 9 Share premium

As at 31 December 2013 the item, amounting to Euro 172,888,179, is related to share premium reserve, totally distributable. No movements occurring during the year.

Note 10 Retained earnings

The balance of Euro (15,991,299) reflects:

- the initial amount at 1 January 2013, equal Euro 11,371,034;
- the movement that took place during the year from 1 January 2013 to 31 December 2013 were as follows:
- decrease equal to Euro 4,620,264 related to the result of year 2013.

Note 11 Bank borrowings and payables to other financial institutions

This item refers to bank borrowings. The main loan terms, summarised in the following table, are explained in detail below:

	31.12.2013		31.12.2012	
	Non-current	Current	Non-current	Current
Jumbo Properties loan	180,428,443	-	182,367,676	5,782
Area of Portogruaro loan	38,059,740	-	-	43,753,885
Edificio 16 loan	-	-	514,095	14
Bank overdraft	-	-	-	-
Total	**218,488,183**	**0**	**182,881,771**	**43,759,681**

The loan movements are presented in this table:

	31.12.2012	Increases	Decreases	Loan arrangement costs	Interest due	Interest paid	31.12.2013
Jumbo loan	182,373,458	-	(1,592,826)	(346,410)	2,737,874	(2,743,653)	180,428,443
Portogruaro loan	43,753,885	-	(5,557,766)	(134,598)	737,962	(739,743)	38,059,740
Edificio 16 loan	514,109	-	(514,107)	-	3,925	(3,927)	-
Total	**226,641,452**	**-**	**(7,664,699)**	**(481,008)**	**3,479,761**	**(3,487,323)**	**218,488,183**

At 31 December 2013 the Company has two loan contracts arranged with the pool of banks made up of: Natixis Banques Populaires (now Natixis S.A.) – Milan branch, Banco di Sicilia S.p.A. (now Unicredit S.p.A), MCC S.p.A. (now Unicredit S.p.A.), Banca di Roma S.p.A. (now Unicredit S.p.A.) and Banca Intesa S.p.A. (now Banca IMI S.p.A.):

- a loan on the portfolio of properties (henceforth “Jumbo Loan") of 180,428,443 Euro (182,373,458 Euro at 31 December 2012); during the period repayments of 1,592,825 Euro were made in relation to the sales completed during the year.

- a loan on the Portogruaro area (henceforth “Portogruaro Loan") of 38,059,740 Euro (43,753,885 Euro at 31 December 2012), made up for 5,386,679 Euro of the drawdown of tranche 5 (“guarantee” line), for 12,503,860 Euro of the drawdown of tranche 1 (line relating to the loan for purchasing the Area), for 5,504,908 Euro of the drawdown of tranche 2 (line relating to the loan for urbanisation costs) and for 14,806,174 Euro of the drawdown of tranche 3 (line relating to the loan for construction of the “Speculative Buildings”) stated net of Euro 141,880 in loan arrangement costs and accrued interests. During the period voluntary repayments of 5,557,766 euro were made in relation to: repayment following the reduction of the sureties for urbanisation works carried out, which were guaranteed by cash collateral for an amount of 2,640,906 Euro; obligatory repayment following the sale of a portion of the area with planning permission for 232,800 Euro and voluntary repayments for a total of 2,684,060 Euro.

We can note also that the loan on the property called “Edificio 16” (of 514,107 Euro at 31 December 2012) was repaid in advance on 27 September 2013.

The Fund confirms that all the financial covenants are in compliance with the financing contracts as at 31 December 2013.

	Bank Borrowings a)	Loan arrangement costs b)	Accrued Interests c)	Outstanding Loan a+b-c	Cash Collaterals	Outstanding Loan net of Cash Coll.
Jumbo Loan	180,428,443	991,102	-	181,419,545	-	181,419,545
Portogruaro Loan	38,059,740	141,880	-	38,201,620	5,386,679	32,814,941
Total	**218,488,183**	**1,132,982**	**-**	**219,621,165**	**5,386,679**	**214,234,486**

The covenants of the Fund at 31 December 2013 are in the tables here below:

- LTV covenant: Loan to Value of Jumbo Properties, Area of Portogruaro and Edificio loans should not exceed 65%

	OMV	Outstanding Loan net of Cash Coll.	LTV	LTV Covenant
Jumbo Loan	278,380,000	181,419,545	65%	65%
Portogruaro Loan	75,397,000	32,814,941	44%	65%

- Global LTV covenant: the aggregate amount of financial indebtedness incurred by the Fund should not exceed 60% of the OMV of the real estate assets and 20% of the value of the other assets

	OMV	Outstanding Loan	Global LTV	Global LTV Covenant
Jumbo Loan	278,380,000	181,419,545		
Unlevered Assets	1,749,000 (1)	-		
Portogruaro Loan	75,397,000	38,201,620		
Total Real Estate Assets	**359,515,000** (2)	**219,621,165**	**61%**	**60%**
Cash & Other Assets	**14,671,950** (3)	**-**	**0%**	**20%**
Fund total assets	**374,186,950** (4)	**219,621,165**		
Global LTV Covenant figures	**364,405,650** (5)	**219,621,165**	**60%**	**60%**

1. The unlevered assets are the Agrileasing portfolio.
2. “Total Real Estate Assets” of Euro 359,515,000 is the total portfolio open market value as at 31 December 2013.
3. “Cash & Other Assets” includes Euro 14,671,950 of cash and cash equivalents.
4. “Fund total assets” of Euro 374,186,950 is the amount of the total assets as per Bank of Italy financial statements.
5. The OMV of “Global LTV Covenant” is calculated as the sum of the OMV of the total Real Estate Assets (Euro 359,515,000) plus one third of the “Cash & Other Assets” (Euro 14,671,950).

- Perspective LTV covenant: in acquiring new assets, the aggregate amount of the Jumbo Properties loan (Facility line and Revolving line) should not exceed 80% of the OMV of the properties purchased and owned by the Fund;

	OMV	Outstanding Loan net of Cash Coll.	Perspective LTV	Perspective LTV Covenant
Jumbo Loan	278,380,000	181,419,545		
Total	**278,380,000**	**181,419,545**	**65%**	**80%**

- ISCR covenant: the Interest Service Cover Ratio (calculated as the Projected NOI divided by interest expense and fees) for the entire duration of the Facilities should not fall below 1.25x.

	01.01.2014-31-12-2014 prospective	ISCR of the Period a/(b+c)	min ISCR
a) Projected NOI	7.5		
b) Interests and financing fees	5.7		
ISCR Covenant		**1,31x**	**1,25x**

The Company is at year-end in full compliance with all of its banking covenants and the Board is carefully monitoring the existing banking arrangements.

Note 12 Trade payables

These include the following amounts due to related parties:

	31.12.2013	31.12.2012
Trade payables to Prelios Group	107,483	169,280
Trade payables to Management Company	80,492	522,472
Trade payables to Celtic Group	-	97,170
Trade payables to third parties	2,794,096	2,382,852
Total	**2,982,070**	**3,171,774**

At 31 December 2013, trade payables to Prelios Group, amounting to Euro 107,483 are detailed as follows:

- Euro 92,509 to Prelios Netherlands B.V. in relation to the management fees outstanding at the reporting date;
- Euro 14,974 to Prelios Agency S.p.A. (a fellow subsidiary wholly-owned by Prelios S.p.A.) for sales agency services.

At 31 December 2013 trade payables to third parties of Euro 2,682,573 mainly relate to costs for the administration and building management of the Fund's properties and Euro 299,497 costs for legal and professional services..

Note 13 Other payables

At 31 December 2013, this item totals Euro 2,577,484 and mainly consists of:

- Euro 291,500 in down payments received against preliminary sale agreements;

- Euro 1,310,750 in security deposits received on leases with Elettromeccanica S.p.A., Rai S.p.A. and Doris Diner S.r.l.;
- Euro 325,957 relating to the management fee to the IDeA FIMIT sgr S.p.A. (related to IV quarter 2013).

Note 14 Tax payables

The balance of Euro 31,704 refers mostly to Euro 7,324 of withholding taxes due to the authorities on services rendered by the CoFund’s consultants and Euro 9,102 of income tax from year 2013.

Note 15 Rental income

Rental income amounts to Euro 19,023,985 (with respect to Euro 20,860,573 in 2012), including Euro 10,945,940 from Telecom Italia S.p.A..

Note 16 Net (loss) from fair value adjustment on investment property

The balance of Euro (3,516,718) is the difference between the fair value of investment property at 31 December 2013 and 31 December 2012.

The fair values are based on open market values, i.e. the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction wherein the parties have acted knowledgeably, prudently and without compulsion.

The fair value gains arise from the determination of market value on 31 December 2013 by an independent, professionally qualified appraiser.

Fair values have been appraised by an external, independent expert (Patrigest S.p.A.) with appropriate recognised professional qualifications. The fair value valuations are prepared by considering the aggregate of the net annual rents received from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent to the net cash flows is then applied to the net annual rents to arrive at the property valuation. Valuations reflect, where applicable, the type of tenants currently occupying the property or responsible for meeting lease commitments, the allocation of maintenance and insurance responsibilities between lessor and lessee, and the remaining economic life of the property.

Note 17 Net (loss) on disposals properties

This item amounts to Euro (129,000) and refers to the net losses on properties sold during the year.

The balance is the difference between the proceeds of sales (Euro 2,128,000) and the carrying amount (Euro 2,257,000).

Note 18 Net (loss) on disposals inventories

This item amounts to Euro (155,002) and refers to the net losses on inventories sold during the year.

The balance is the difference between the proceeds of sales (Euro 295,000) costs (Euro 450,002).

Note 19 Other operating incomes

This item, amounting to Euro 1,941,184, mainly relates to reimbursements and recoveries and to the adjustment of higher provisions set aside in the previous year..

Note 20 Realised and unrealised gain from fair value adjustment on financial assets

The item amounts to Euro 3,478,353 and reflects the gain on fair value of the four interest rate collar contracts at 31 December 2013 (for additional details refer to note 6 above).

Note 21 Management fees

Management fees, amounting to Euro (1,380,221), relate to the Management Company's commission (Euro 1,056,673) and to Prelios Netherlands B.V. commission (Euro 323,548).

Note 22 Other costs

In detail:

	01.01.2013 - 31.12.2013	**01.01.2012 - 31.12.2012**
Other real estate expenses	2,297,380	4,848,141
General and administrative expenses	3,785,863	3,675,681
Local property tax	2,832,042	2,669,193
Inventory write-downs/write-backs	6,238,756	(1,262,962)
Total costs for services	**15,154,042**	**9,930,053**

"General and administrative expenses" include Euro 795,491 of a provision for doubtful accounts to adjust the nominal value of trade receivables to estimated realisable value.

The other real estate expenses are detailed as follow:

	01.01.2013 - 31.12.2013	**01.01.2012 - 31.12.2012**
Prelios agency fees	-	660,332
Celtic agency fees	-	414,678
Other costs	-	728,463
Maintenance	1,240,391	501,720
Legal expenses	-	431,907
Property fees	81,270	308,026
Facilities fees	27,000	299,958
Cleaning and surveillance costs	158,656	241,947
Celtic co-asset fees	-	236,375
Tax on rental contracts	182,104	212,382
Consumption costs	197,412	158,212
Marketing expenses	123,041	154,823
Local and other taxes	119,392	154,344
Appraisal fees	-	149,195
Insurance costs	168,114	111,865
Common changes	-	83,914
Total costs for services	**2,297,380**	**4,848,141**

Note 23 Financial income

Financial income amounts to Euro 106,695 and mainly relates to:

- interest on bank accounts of the Company of Euro 106,695.

Note 24 Financial expenses

These amount to Euro (8,826,398) and can be broken down as follows:

	01.01.2013 - 31.12.2013	**01.01.2012 - 31.12.2012**
Interest owed on bank loans	3,487,323	4,440,799
Loan arrangement costs	648,559	965,595
Bank commission on unutilised credit facilities	325,660	190,664
Interest of financial instruments	4,498,862	5,193,851
Bank fees	3,841	256,618
Other financial charges	17,067	32,862
Total	**8,981,313**	**11,080,389**
Capitalized financial expenses	(154,915)	(690,505)
Total	**8,826,398**	**10,389,884**

Note 25 Tax expense

(a) <u>Taxation of real estate funds (Law no. 106/2011)</u>

The Legislative Decree no. 70 approved on 5 May 2011 (the "Decree"), published on the Official Gazette on 13 May 2011 and converted into Law no. 106/2011 published on the Official Gazette on 12 July 2011 envisaged relevant changes in the taxation of real estate investment funds initially already included in art. 32 of Legislative Decree 78/2010.

The Decree envisages a "transparent" taxation for residents, starting from 2011, whereby the annual income "generated" by the real estate fund contributes to form the total income of each unitholder, proportionally to the corresponding holding, regardless of the actual distribution of dividend. Such taxation is applicable to all fund's unitholders who have a holding over 5%, except for subjects defined as "Qualified Investors" and listed below (as better specified in the subsequent Order of 16 December 2011 and in the Circular Letter 2/E of 15 February 2012):

a) Government or public entity;
b) UCITs;
c) Complementary pension schemes and compulsory pension schemes;
d) Insurance companies, limitedly to investments allocated to technical reserves;
e) Banking and financial intermediaries subject to prudential supervision;
f) Entities and assets, as above referred to, that have been incorporated in foreign countries or territories allowing an exchange of information ("white list");
g) Private entities resident in Italy that pursue exclusively social objectives;
h) Special purpose vehicles (corporate or contractual) controlled over 50% by the entities indicated hereinabove.

The tax shall be paid by the unit holder according to the terms and conditions provided for the payment of the final balance of taxes resulting from the income-tax return relating to 2011 tax period.
The Company, together with its major shareholder and external tax advisors, investigated whether this might have an impact on the Company. The Company, supported with the analysis provided by its major shareholder and external tax advisors, considers itself as an Eligible Participant and so excluded from the payment of the 5% tax on NAV.

(b) Property and mortgage tax claim

The Italian Internal Revenue Office notified Prelios SGR S.p.A. in its capacity as fund manager of Fondo Spazio Industriale:

- an amendment and liquidation notice on 28 December 2010 for property and cadastral taxes relative to the contribution made by Olivetti Multiservices S.r.l. (Telecom Group) to the Fund in December 2005. The assessment is expected to result in taxes due estimated in an amount of Euro 7 million (plus sanctions equal to Euro 7 million plus interest);
- a second amendment and liquidation notice on 25 March 2011 for property and cadastral taxes relative to the second contribution made by Olivetti Multiservice S.p.A. (Telecom Group) to the Fund in March 2006. The assessment is expected to result in taxes due estimated in an amount of Euro 2.7 million (plus sanctions equal to Euro 0.3 million and interest).

The assessors verified, based on the assumption of abuse of right, all the operations completed in that period of time by the contributing company, resulting in one single transaction, subject, therefore, to unitary taxation. The Italian Internal Revenue Office claims that the operations carried out “were intended to dodge property and cadastral taxes”.

On 15 February 2011, the Prelios SGR S.p.A. applied to the Italian Internal Revenue Office for the cancellation of the procedures in self-defense (with regard to the first contribution), subject to prior suspension of the same. On 18 February 2011, the Chairman of the Provincial Tax Committee of Milan suspended the procedures and also scheduled a hearing on 10 May 2011 for the possible confirmation of the suspension and discussions in merit. It should be noted that the Italian Internal Revenue Office requested a postponement of the hearing. The two cases were scheduled to be jointly discussed on 4 October 2011.

On 4 October 2011 the Provincial Tax Committee postponed the discussion of all the controversies to a new date. The hearing was again postponed to 20 March 2012.

Prelios SGR S.p.A., in its capacity as fund manager of Fondo Spazio Industriale, believes that it has proceeded in full compliance with the applicable tax law and has therefore availed itself of the services of a leading professional to protect the Fund’s interests.

In this respect it should also be noted that the consultants in charge issued an opinion whose conclusion is that a victory of the Italian Internal Revenue Office over the Fund is unlikely in this litigation.

Based on the final considerations submitted in the afore mentioned opinion, the Prelios SGR S.p.A. resolved not to proceed with allocations to the charge of the Fund and, in the latter’s interest, to appeal to the Provincial Tax Committee according to the afore mentioned terms. Therefore no provision has been recognized in this Report.

On 26 March 2012 Spazio Industriale Fund terminated and released towards the Company and the ultimate shareholder the commitment above mentioned after the receiving of the Provincial Tax Committee judgement that has declared the end of the litigation procedures in favor of the Fund.

(c) Guardia di finanza fiscal audit

By letter dated 21 December 2009, the Guardia di Finanza – Nucleo di Polizia Tributario di Milano (Italian Tax Police) started a fiscal audit to the Company. On 22 March 2010 a Tax Police Report has been issued to the Company. The Italian Tax Police charges that the Company should be considered as a resident of Italy for income tax purposes. On 21 May 2010 the Company has filed with the Italian Tax Authority a defense paper aimed at counteracting the allegations contained in the Tax Police Report. On 22 April 2011 the Italian Tax Police served to the Company a questionnaire, asking to produce a list of documents for each year. On 20 May 2011 the Company answered to the above mentioned questionnaire filing the documentation requested.

On 30 October 2012 the Italian tax Authority served at Company's premises tax assessments on fiscal years 2006 and 2007 (two fiscal years with respect to the four years, including 2008 and 2009, reported in the initial tax police report), as follow:

- Euro 437,882 for Corporate Income Tax (IRES) and Euro 69,663 for Regional Business Tax (IRAP) due for FY 2006, increased by penalties for omitted tax return amounting to 120% of additional IRES and IRAP (Euro 611,118), plus accrued interest until Oct 31st, 2012;
- Euro 7,667,686 for Corporate Income Tax (IRES) and Euro 1,219,859 for Regional Business Tax (IRAP) due for FY 2007, increased by penalties for omitted tax return amounting to 120% of additional IRES and IRAP (Euro 10,667,118), plus accrued interest.

The Company and its executives, with the external tax advisors' support, started an intensive analysis on these two deeds of assessment in order to investigate the possible actions and alternatives.

In case of acceptance of the deeds of assessment by the Company, the amount to pay should have been Euro 12,649,276, considering a reduction of the penalties to 1/6, with the risk of the extension of the dispute for the subsequent years. Considering the advice received by external tax advisor, the management of the Company filed a request of settlement in December 2012 in order to explore a possible reduction of the taxable base and therefore reach a final settlement with a further reduction of the assessed taxes. On 15 January 2013 the external tax advisor, on behalf of the Company, filed with the Italian Tax Authority a defense letter aimed at counteracting the allegations contained in the Tax Police Report concerning the fiscal years 2008 and 2009.

The Company, with its tax consultants, has initiated an out-of-court settlement proceeding, which ended in tax authorities admitting a material tax miscalculation for FY 2007, namely the inclusion of Euro 10,633,154 of taxable income (an erroneously deemed realization gain on Spazio fund units), the rest remaining unchanged. Despite the admission, the tax assessment notice for FY 2007 has not been amended.

On March 21st 2013, separate appeals have been notified to the tax authorities against the 2006 and 2007 assessment notices. On April 12th 2013, the appeals together with documentary evidence of its place of effective management situated in The Netherlands have been filed with the Milan lower tax court (Commissione Tributaria Provinciale).

On July 8th 2013, the Milan lower tax court has accepted the tax collection suspension request, and scheduled a hearing to October 2013, which has meanwhile been postponed to May 19th 2014.

Since the out-of-court-settlement has meanwhile not been successful, the Company initiated a court process to challenge the tax authorities process (and considers trying to settle with a in-court-settlement). The court hearing was scheduled to October 2013. Before this hearing, the Company filed a petition to postpone the hearing, in order to initiate an in-court settlement, which resulted in a postponing of the hearing to to May 19 2014.

The risk that the claim can lead to future tax liabilities for the Company at present is considered possible but not probable based on the opinion of the company's external tax lawyer and the assessment of management, therefore no provision has been recognized in this Report.

Note 26 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of ordinary shares in issue during the year.

Profit attributable to the Company's shareholders (thousands of Euro)	(4,620)
Weighted average number of ordinary shares in issue (thousands)	22,945,847
Basic and diluted EPS (Euro per share)	(0.20)

Note 27 Fund

In accordance with the Spazio Industriale Fund Regulations, the Fund resolved to reimburse in 30 July 2013 Euro 6,216.70 per unit, for a total amount of Euro 3,500,000.

Note 28 Contingencies and guarantees

The Company has contingent liabilities in respect of bank and other guarantees, and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

We recall that further to the contract dated 30 December 2005 for the purchase of the Area by the company Portolegno S.a.s. di Iniziative Immobiliari 3 S.r.l. ("Portolegno"), controlled by Prelios S.p.A., the Fund released the same from the obligations previously undertaken vis-à-vis third parties, as listed below:

- replacement, vis-à-vis the company Portolegno, in the commitments (like City-Planning Convention and Planning Agreement) undertaken with the Municipalities of Portogruaro (Ve) and Fossalta di Portogruaro (Ve) in relation to the city-planning and building activities for the Area development. Further to such replacement, the Fund issued to the aforesaid Municipalities guarantees to secure the construction of urbanisation works for a cap amount of Euro 15.1 million, which decreased to Euro 8.0 million over the years due to releases stemming from testing activities or monetizations envisaged under the Conventions;
- undertaking of urbanisation charges on behalf of the company Zaccheo Ambiente S.a.s. di Zaccheo Sandrino & C. ("Zaccheo Ambiente") in relation to some properties owned by the latter.

Note 29 Commitments

Spazio Investment N.V. had no commitments as of 31 December 2013.

Note 30 Events after the financial statements date

The Company is carefully monitoring the existing banking covenant; we draw your attention to the paragraph 'Going concern assumption' in this Director's report.

No other relevant events have happened from 1 January 2014 up to date.

Note 31 Related party transactions

Balances between the Companies Prelios Group are listed below:

	31.12.2013	31.12.2012
Other receivables from Prelios Group	-	-
Trade payables to Prelios Group	14,974	169,280
Trade payables to Management Company	92,509	522,472
Other payables to Management Company	-	-
Trade payables to Celtic Group	-	97,170

	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Management fees	248,188	1,802,930
Other costs	715,021	2,220,886

Please refer to note 12 for trade payables and to note 21 for the management fees.

All transactions are part of the Fund's ordinary management and are settled under market conditions; there are no unusual or atypical transactions or nay with potential conflicts of interest.

Company Balance sheet

After appropriation of result

(in Euro)

Note	ASSETS	31.12.2013	31.12.2012
	Investment		
1	Investments in Group Companies	146,903,002	154,352,184
	Receivables		
2	Other receivables	29,040	72,612
	Other assets		
3	Cash at banks	14,845,485	12,078,462
	TOTAL ASSETS	**161,777,527**	**166,503,258**
	Shareholders' equity		
4	Share capital	4,589,189	4,589,189
5	Share premium	172,888,179	172,888,179
6	Legal/Revaluation reserve	24,057,266	17,899,582
7	Retained earnings	(40,048,565)	(29,270,616)
		161,486,070	**166,106,334**
	Short-term liabilities		
8	Trade payables	291,405	341,804
9	Other payables	52	55,120
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**161,777,527**	**166,503,258**

Company Profit and Loss account for the year from 1 January 2013 to 31 December 2013

(in Euro)

Note		01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
	Corporate profit after tax	(411,678)	(698,026)
1	Result of subsidiaries after tax	(4,208,587)	(18,752,397)
	RESULT FOR THE YEAR	**(4,620,264)**	**(19,450,423)**

Notes to the Company Financial Statements as at 31 December 2013

Introduction

The description of Spazio Investment N.V.'s activities and structures, as included in the notes to the consolidated financial statements, also applied to the Company financial statements. The corporate accounts have been prepared in accordance with the financial reporting requirements of Part 9, Book 2 of the Netherlands Civil Code.

In accordance with article 2:402 of the Dutch Civil Code, the Company's profit and loss account only shows the result of subsidiaries after tax as separate item.

The consolidated financial statements of Companies publicly listed in the European Union must be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Commission. Consequently, the consolidated financial statements of the Group for the year ending on 31 December 2013 have been prepared accordingly.

In order to harmonize the accounting principles of the Corporate accounts with the consolidated accounts the Management Board has decided to adopt the provisions of section 2:362 subsection 8 of the Netherlands Civil Code, whereby the accounting principles applied in the consolidated accounts also apply to the Company financial statements of Spazio Investment N.V.

Accounting policies

Accounting principles as described in the notes to the consolidated financial statements also apply to the Company financial statements unless indicated otherwise.

Investment in Group companies

In accordance with section 2:362 subsection 8 of the Dutch Civil Code, subsidiaries are valued at net asset value. For determining the net asset value all assets, liabilities and profits and losses are subject to the accounting principles as applied to the consolidated financial statements.

Information on the balance sheet and income statement of the Company

The following explanatory notes refer to the Company financial statements.

Note 1 Investments in Group Companies

The movements in investments in Group Companies are as follows:

	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Opening balance	154,352,184	184,329,607
Subsidiary acquisition	20,000	-
Reimbursement of quotas	(3,500,000)	(11,225,026)
Result of subsidiaries	(3,969,182)	(18,752,397)
Dividends from subsidiaries	-	-
Total	**146,903,002**	**154,352,184**

The Company owns 100% of an Italian fund named "Spazio Industriale – Fondo Comune di Investimento Immobiliare di Tipo Chiuso" (the "Fund").

The Fund started its activity on 28 December 2005, date of authorization of the Fund by the Bank of Italy.

The Company received a partial reimbursement of quotas from Spazio Industriale Fund's for an amount of Euro 3.5 million.

During 2013 the Company acquired 100% of the shares in Celtic (Italy) S.r.l. for an amount of Euro 20,000, whose main activity is to provide property management and advisory services to investment fund clients (including the fund also owned by the Company).

Note 2 Other receivables

This item totals Euro 29,040 and mainly refers to prepaid insurance costs.

Note 3 Cash at banks

At 31 December 2013 this item totals Euro 14,845,485 and refers to the cash and cash equivalents in current accounts with ABN-AMRO Bank in Amsterdam.

Note 4 Shareholders' equity

The movements in Shareholders' equity are as follows:

	Share capital	Share premium	Legal/Revaluation reserve	Retained earnings	Equity
Equity at 31 December 2012	**4,589,189**	**172,888,179**	**17,899,582**	**(29,270,616)**	**166,106,334**
Share premium distribution	-	-	-	-	-
Result of the year	-	-	6,157,684	(10,777,949)	(4,620,264)
Equity at 31 December 2013	**4,589,189**	**172,888,179**	**24,057,266**	**(40,048,565)**	**161,486,070**

Note 5 Share capital

Share capital is related to the Spazio Investment N.V. shares amounts to Euro 4,589,189 (after the cancellation of n. 4,545,450 shares equal to Euro 909,090).

The total authorized number of ordinary shares is 50,000,000 with a par value Euro 0.20 each and 100 preferred shares of a par value Euro 0.20 each.

At the Balance Sheet date, a total of 22,945,846 ordinary shares of par value Euro 0.20 each and 100 preferred shares of par value Euro 0.20 each and 1 priority share of the nominal value of Euro 0,20 are issued and fully paid.

Note 6 Share premium

At 31 December 2013 the item, amounting to Euro 172,888,179, is related to share premium reserve totally distributable.

No movements occurred during the year.

Note 7 Legal / Revaluation reserve

Legal reserves in the Company balance sheet are reserves to be maintained by local legislation and comprise the revaluation reserve. The amount recognized by this reserve, totaling Euro 24,057,266, is not freely distributable.

- A revaluation reserve is a restricted reserve under Dutch Civil Code. A brief description of the legal reserve is as follows:

Revaluation reserve

The revaluation reserve relates to investment property and derivatives financial instruments and comprises cumulative unrealized increase/decrease in the fair value of the property (compared to initial cost price) and derivatives financial instruments, net of deferred tax. This is a legal requirement following Article 390 Book 2 of the Dutch Civil Code.

Note 8 Retained earnings

At 31 December 2013 this item is negative equal to Euro 40,048,565.

The movements that took place during the year from 1 January 2013 to 31 December 2013 were as follows:

- the decrease equal to Euro 10,777,949 related to the realized result of 2013 (that not includes fair value adjustments on derivatives, investment properties and inventories).

Note 9 Trade payables

At 31 December 2013 the item amounts to Euro 291,405 and includes an amount of Euro 92,509 due to related parties (mainly due to management fees outstanding at the reporting date) and Euro 198,896 legal and professional services to third parties.

Note 10 Other payables

At 31 December 2013 the item amounts to Euro 52 and mainly refers to wages and tax.

Note 11 Directors' remuneration

Starting from 3rd December 2009 and until December 2012 the members of the Board of Directors do not receive any remuneration except G. Tamburini who received Euro 60,000.

During 2013 all board members received remuneration, on the total amount of EUR 184,121.

Note 12 Events after the balance sheet date

Please refer to note 30 of the consolidated financial statements for details.

Note 13 Related party transactions

Balances between the Company and companies in the latter's Group at 31 December 2013 and transactions between the same during the year then ended are listed below:

	31.12.2013	31.12.2012
Other receivables from Prelios Group	-	8,470
Trade payables to Prelios Group	92,509	9,265

	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Management fees	248,188	340,688
Other costs	25,901	35,082

Trade payables are related to management fees earned at the reporting date but not yet paid.

Note 14 Number of employees

The Company has no employees.

Amsterdam, 7th May 2014

Board of Directors:

Colin Kingsnorth

Nicholas Paul James

Gualtiero Tamburini

Rob Turner

Michael Andrew Haxby

Antonella Fusta

(since Antonella Fusta has been appointed on December 30, 2013, she was not managing director during the year 2013 and he has got no responsibility for the carried out policy during that year 2013)

OTHER INFORMATION

Proposed appropriation of net result

According to Spazio Investment N.V. Articles of Association, the appropriation of the result for the year is decided upon at the Annual general meeting of Shareholders. The board proposes to appropriate the loss of Euro 4,620,264 for the year 1st January 2013 to 31st December 2013 as follows:

Legal / Revaluation Reserve	6,157,684
Retained Earnings	(10,777,949)
Total	**(4,620,264)**

Subsequent events

The Company is carefully monitoring the existing banking covenant; we draw your attention to the paragraph ‘Going concern assumption’ in this Director’s report.

No other relevant events have happened from 1 January 2014 up to date.

pwc

Independent auditor's report

To the general meeting of Spazio Investment N.V.

Report on the financial statements

We have audited the accompanying financial statements 2013 of Spazio Investment N.V., Amsterdam as set out on pages 13 to 54. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2013, the company income statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Board of directors' responsibility

The board of directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Spazio Investment N.V. as at 31 December 2013, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Spazio Investment N.V. as at 31 December 2013, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 7 May 2014
PricewaterhouseCoopers Accountants N.V.

Original has been signed by S. Herwig RA