Financial Statements
as at December 31, 2014

Index

Board of Directors

Colin Kingsnorth

Gualtiero Tamburini

Rob Turner

Michael Andrew Haxby

Antonella Fusta	Director since 30 December 2013 till 19 June 2015
Nicholas Paul James	Director since 09 December 2008 till 13 January 2015

Company and shareholder's registration

Spazio Investment N.V. is a Public Limited Liability Company (*"Naamloze Vennootschap"*) organised 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
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 2014 of Euro 357.8 m (Euro 359.5 m as at 31 December 2013) including a 0.46% devaluation (net of sales of the period, incl. capex) compared with last OMV by Patrigest S.p.A (as at 31 December 2013);

- NAV per share of Euro 6.3 (Euro 7.0 as at 31 December 2013);

- Rental income for the year of Euro 17.9 m (2013 Euro 19 m);

- Net loss for the year of Euro 17.6 m (2013 loss of Euro 4.6 m);

- Total portfolio Loan to Value of 60.4% (60.8% as at 31 December 2013);

RESULTS FOR THE YEAR ENDED 31 DECEMBER, 2014

Net loss for the year was Euro 17.6 m compared with net loss of Euro 4.6 m in 2013. The net loss in 2014 reflected a slight fall in asset values of approx Euro 3.5 m (of which Euro 1.8 m devaluation for investment properties combined with the fall of Euro 1.7 m for inventories), but mostly a tax settlement of Euro 14.1 m with the Italian tax authorities related to the years 2006 to 2008.
Rental income in 2014 decreased to Euro 17.9 m (from Euro 19.0 m) mainly due to the renegotiations on existing assets.

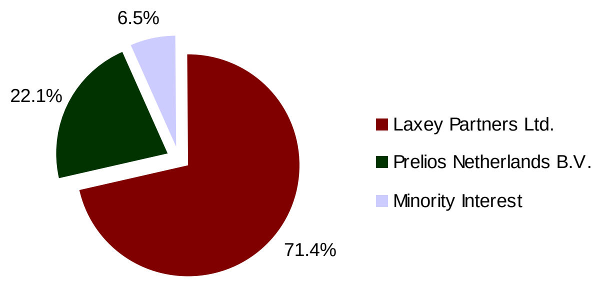
Spazio Investment N.V.’s Net Asset Value per share of Euro 6.3 dropped by 10% (equal to Euro 0.7 per share) compared to Net Asset Value at 31 December 2013. This primarily results from the net loss of Euro 17.6 m (Euro per share 0.8).

No share premium distributions have been approved during the year 2014.

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 2014 AND FUTURE OUTLOOK

Ordinary Fund management for financial year 2014 was mainly marked by the following types of activities: (i) update and approval of the 2014 Fund business plan, (ii) management of relations with the main stakeholders in the Fund (lending banks, outsourcers, etc.), (iii) management of the necessary ordinary and extraordinary maintenance works on the properties, in line with the provisions of the business plan and (iv) coordination of marketing activities aimed at selling and leasing the Fund's properties. The main activities that characterised the period of reference are described below.

Leasing contracts

With reference to the Fund's rental situation, during financial year 2014 the tenant Partner S.r.l. notified its early withdrawal from the rental contract for the portion of approximately 14,500 sq m of the logistic property of Portogruaro (VE) declaring serious reasons. Following the necessary legal procedures in order to verify their effective existence, the Fund and the tenant agreed on the opportunity of proceeding to negotiate a new rental contract with duration 6+6 years, as of today still in progress, which provides for consolidation of the tenant's business in a portion of the property with a reduced area (approximately 8,500 sq m) compared to that currently rented.

Please note that, during financial year 2014, four new rental contracts were signed, at conditions in line with the current business plan, with the following tenants:

- Italtrans S.p.A.: rental contract of duration 6 + 6 years related to a portion of approximately 3,600 sq m of the logistical complex of Bagni di Tivoli (Rome), Via Martellona, for an annual rent of 180,000 euro (starting once the fitness for use certificate about to be issued is obtained);
- MTN S.p.A.: rental contract of duration 6 + 6 years related to a portion of approximately 5,500 sq m of the logistical complex of Bagni di Tivoli (Rome), Via Martellona, for an annual rent of 300,000 euro (starting from February 2015);
- Fincantieri S.p.A.: rental contract of duration 6 + 6 years related to a portion of approximately 4,700 sq m of the logistical complex of Portogruaro (Eastgate Park), for

rent when fully operative, as from the fourth year of rental, of 165,550 euro (starting from July 2014);

- Autoservizi Migliavacca S.r.l.: rental contract of duration 6 + 6 years related to a portion of external area, measuring approximately 2,500 sq m, of the property complex of Pavia, Via Veneroni (to be used for vehicle depot), for an annual rent of 25,000 euro (running from 1 July 2014).

With reference to the industrial property in Ancona, Via Albertini, the tenant Prada S.p.A. (henceforth, "Prada") vacated all the spaces rented on 31 July 2014.
At the reference date of the present Statement of Accounts, the property for office use which is part of the complex in Pavia, via Veneroni is rented with compensation for occupation by the Customs Agency (Agenzia delle Dogane) (annual rent of 72.2 thousand euro, net of the 15% reduction provided for in Italian Law No. 89 of 23.6.2014 "Measure on the subject of rentals and maintenance of properties on the part of the P.A.", to be applied also to properties used without title) with which a new rental contract is being defined.

In 2013, with effect from 1 March 2014, the Fund notified withdrawal to the company Wind Telecomunicazioni S.p.A. (henceforth "Wind"), which rents an antenna installed on part of the area in Novara, Corso Milano, which as of today uses the spaces with compensation for occupation.

As of 31 December 2014, the total leased area of the properties in the portfolio amounted to approximately 384,000 sqm, for total annualised rent of approximately 18.1 million Euro.

Receivables from tenants

As of 31 December 2014 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 (Belluno), via Salvatelli, should pay an annual rent of 1 million euro but at 31 December 2014 owed the Fund approximately 2.4 million euro (between unpaid invoices and payment notices – of which EUR 1.9 M is provisioned). After having been declared insolvent on 27 June 2013 by the Court of Pordenone, following the decree for the award of an international tender issued by the Ministry of Economic Development, the company was sold to the Chinese Wanbao Group Compressor with effect from 9 December 2014. During the first half of 2014 the Fund received the guarantee deposit issued to guarantee payment of the rents of 850,000 euro and, after initiating the opportune legal actions against the tenant, is as of today waiting to find out the percentage of receivables in pre-deduction (of approximately 1.5 million euro) which will be granted following the sale of the company to the Wanbao group.
- In relation to the property for office use in Sesto San Giovanni (MI), the former tenant Centro Edilmarelli S.r.l. (annual rent of approximately 600,000 euro), owed the Fund approximately 2.8 million euro at 31 December 2014 (of which EUR 2.5 M is provisioned). Following termination of the contract by mutual consent the Fund 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 approximately 5 million euro, Prelios 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 pre-set repayment schedule. The repayment times were not observed punctually, but during financial year 2014 the tenant paid all the amounts due as the balance of the settlement agreement (last payment of 160 thousand euro paid last September). During the hearing on 22 October 2014, the Judge of the Court of Como ordered the case to be cancelled from the list declaring the action extinguished.

Extraordinary Maintenance (Capex)

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 (Rome), Strada Martellona - signing the rental contract with MTN S.p.A., the Fund undertook to carry out some customisation works on the property portion rented, for an amount of 503,975 euro, for which work is expected to be completed in the first quarter of 2015;
- Via Mecenate (Milan) – during the summer period the Fund carried out some extraordinary works shared with the tenant of the property RAI S.p.A., aimed at renovating the access tunnel to the television studios, for a total value of 144,541 euro;
- Sesto San Giovanni (MI), viale Edison – the second stage in the works on the external areas of the buildings is currently in progress, for an amount that will total 489,362 euro (the first stage was completed in 2013). The work is expected to be completed by the end of June 2015;
- Portoferraio (Livorno), via Tesei - in line with the commitments made in the conditional preliminary contract of sale signed with Eurospin Tirrenica S.p.A., the Fund has completed the site reclamation works, for an amount of approximately 74,000 euro;
- Fossalta di Portogruaro (VE) – during December the fund completed a deed of removal from the public domain of a number of parcels of land and canals located in the property complex for an amount of 616,135 euro.

Investment and disinvestment policies

During financial year 2014, no new investments had been made and no sales made of Fund properties.
The summary data at 31 December 2014 of the binding proposals received and accepted are presented below:

Property	Type	Area (sq.m)	Historical cost	Sale price	Last valuation(1)	Gross capital gain(2)	Counterparty	Deposit
Milan, Building 16 (unit P30A + garage)	Laboratories	189	405,312	260,000	377,000	- 145,312	Alexander Coppolecchia-Reinartz & C. Srl	10,000

1) Appraisal value at 30.06.2014

2) Capital gain determined as the difference between the selling price and the historical cost of properties.

In addition, on 4 February 2014 the Fund signed a conditional preliminary contract of sale with the company Eurospin Tirrenica S.p.A. in relation to the property in Portoferraio (LI), Corso Italia, for an amount of 2,650,000 euro; the conditions precedent provided for in the contract must be fulfilled, in order for the final deed to be signed no later than 31 December 2016.

Key events during the financial year

On 30 January 2014, the Fund's Board of Directors approved the Fund's Management Report as of 31 December 2013.

On 28 March 2014, the Fund's Board of Directors approved the 2014 Fund Business Plan, which was thereafter approved by the Fund's Advisory Committee on 08 April 2014.

On 29 July 2014 the Board of Directors of the Fund approved the Interim Statement of the Fund at 30 June 2014.

Update business plan / strategy

The Fund 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 and/or stipulated preliminary contracts of sale;
- to rent out the industrial property in Ancona, which was vacated completely by Prada S.p.A. on 31 July 2014 and 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;
- activation of the necessary town planning and administrative procedures with reference to properties that can be improved by functional reconversion and/or change of planning use;
- In reference to loan on the Portogruaro area due on 31 December 2015, the SGR has already initiated contacts with the lending bank for an extension of the same.

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. The loan facilities, amounting to Euro 216.1 million per 31 December 2014, consist of 2 sets of loans which have an initial maturity in December 2015 and October 2016 respectively. The extension of the financing is a material uncertainty for the company’s ability to continue as a going concern. The uncertainty mainly relates to the ability of management to come to an agreement with the banks on the condition to extend the loans.
Whilst management intend to negotiate an extension to the existing financing agreements or to seek replacement financing facilities before maturity of the loans, at the date of approving these financial statements there is no certainty regarding the extension of the loans. Although an extension of the financing has not been realized yet, management expects that an agreement can be reached based on the following considerations:

- 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 (excluding the possible loan repayment obligation).
- The Fund has always respected all the covenants (ISCR, DSCR) and therefore its debt position has never been problematic for the lending banks, nor this is expected in the future according to the actual figures.
- The credit rating of the passing rent has been improved in the last 2 years.
- The overall Italian bank situation and liquidity available on the market has substantially improved in the last 12 months and the access to credit facilities is expected to be easier compared to the last debt renegotiation closed in 2013.

Management considered the relevant issues and reasonable expectations that the financing arrangements can be resolved prior to the maturity of the loans.
Management concludes that there is a material uncertainty regarding the Company’s ability to continue as a going concern but based on above considerations they have a reasonable expectation that the Company will continue in operational existence for at least the next twelve months after signing of these financial statements. 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, 2014.

Risk assessment

During 2014 Spazio Investment N.V.'s portfolio experienced a slight overall fall in asset values of 0.46% as explained before (2.67% in 2013). This fall in asset values in 2014 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.

Additional information about the financial risk management policies and main risks is given on page 28 of this report.

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.

During 2014 the Company agreed with the Italian tax authorities an out-of-court-settlement of Euro 14,1 million, and already paid Euro 9.5 million during 2014 (the remaining payable in quarterly installments until 2017.)

Therefore no additional future tax liabilities for the Company at present are expected 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.

During 2015 the Company is considering initiating arbitration proceedings against Prelios Netherlands B.V. ("PREN"), a company which provided corporate services in the past, for breach of contract. In such proceedings the Company will seek indemnification from PREN for an amount of approximately Euro 14 million, being the amount the Company settled with the Italian tax authorities in 2014 to settle certain past tax disputes.

Subsequent events

No other relevant events have happened from 1 January 2015 up to date.

The board proposes to carry forward the loss of Euro 17,626,547 for the year 1st January 2014 to 31st December 2014.

Amsterdam, June 23rd 2015

The Board of Directors:

Colin Kingsnorth

Gualtiero Tamburini

Rob Turner

Michael Andrew Haxby

Consolidated Balance sheet

(in Euro)

Note	ASSETS	31.12.2014	31.12.2013
	NON-CURRENT ASSETS		
	Other intangible assets	-	22,668
1	Investment in participating interest	9,300	9,360
2	Investment property	279,583,000	280,129,000
	Property, plant and equipment	22,926	38,354
	Deferred tax assets	1,900	1,101
	TOTAL NON-CURRENT ASSETS	**279,617,126**	**280,200,483**
	CURRENT ASSETS		
3	Inventories	76,659,350	77,758,390
4	Trade receivables	1,205,047	2,809,124
5	Other receivables	155,127	381,054
	Tax receivables	38,359	35,499
7	Cash and cash equivalents	12,477,705	25,336,840
	TOTAL CURRENT ASSETS	**90,535,589**	**106,320,907**
	TOTAL ASSETS	**370,152,715**	**386,521,390**
	EQUITY		
8	Share capital	4,589,189	4,589,189
9	Share premium	172,888,179	172,888,179
10	Retained earnings	(33,617,846)	(15,991,299)
	TOTAL EQUITY	**143,859,523**	**161,486,070**
	LIABILITIES		
	NON-CURRENT LIABILITIES		
11	Bank borrowings and payables to other financial institutions	179,964,365	218,488,183
13	Other Payables	3,063,701	-
	TOTAL NON-CURRENT LIABILITIES	**183,028,066**	**218,488,183**
	CURRENT LIABILITIES		
11	Bank borrowings and payables to other financial institutions	36,136,659	-
12	Trade payables	1,695,678	2,982,070
13	Other payables	3,221,534	2,577,484
14	Tax payables	126,424	31,704
6	Derivative financial instruments	2,084,831	955,879
	TOTAL CURRENT LIABILITIES	**43,265,126**	**6,547,137**
	TOTAL LIABILITIES AND EQUITY	**370,152,715**	**386,521,390**

The notes on page 17 to page 52 are an integral part of these consolidated financial statements.

Consolidated Income statement

(in Euro)

Note		01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
15	Rental income	17,932,206	19,023,985
16	Net (loss) from fair value adjustment on investment property	(1,757,877)	(3,516,718)
17	Net (loss) on disposal properties	-	(129,000)
18	Net (loss) on disposal inventories	-	(155,002)
19	Other operating income	2,473,181	1,941,184
20	Realised and unrealised gain from fair value adjustment on financial assets	(1,128,952)	3,478,353
21	Management fees	(1,501,863)	(1,380,221)
22	Other costs	(11,959,900)	(15,154,042)
	OPERATING RESULT BEFORE FINANCING COSTS	**4,056,795**	**4,108,540**
23	Financial income	96,718	106,695
24	Financial expenses	(7,691,417)	(8,826,398)
	RESULT BEFORE TAX	**(3,537,904)**	**(4,611,163)**
25	Tax expense	(14,088,643)	(9,102)
	RESULT FOR THE YEAR	**(17,626,547)**	**(4,620,264)**
	Basic and diluted earnings per share (Euro)	**(0.77)**	**(0.20)**

The notes on page 17 to page 52 are an integral part of these consolidated financial statements.

Condensed consolidated statement of comprehensive income

(in Euro)

	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Net (loss) for the year recognized in the income statement	(17,626,547)	(4,620,264)
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR	**(17,626,547)**	**(4,620,264)**

The notes on page 17 to page 52 are an integral part of these consolidated financial statements.

Consolidated Cash flow statement

(in Euro)

	Note	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Result for the year		**(17,626,547)**	**(4,620,264)**
Adjustments for non-cash items:			
- Financial expenses	24	-	8,826,398
- Financial income	23	-	(106,695)
- Change in fair value of investment property	16	1,757,877	3,516,718
- Unrealised gain on assets held for trading / derivatives	20	1,128,952	(3,478,353)
- Inventory write-downs	3	1,715,175	6,238,756
- Depreciation and amortization		38,096	-
Changes in working capital:			
- Change in trade receivables/payables		317,684	(775,269)
- Change in other and tax receivables/payables		4,028,398	361,563
- Change in other and tax receivables/payables (VAT)		(2,860)	44,991
Investment in inventories	3	-	(194,673)
Disposal in inventories	3	-	450,002
Net cash flow generated from operating activities (A)		**(8,643,225)**	**10,263,174**
Acquisition and capital expenditure of investment property	2	(1,211,877)	(1,587,718)
Acquisition cost plus additions to properties disposed	2	-	2,257,000
Interest received		-	126,271
Acquisition of derivatives	6	-	(34,164)
Acquisition of other tangible / intangibile assets		(2,651)	(7,959)
Acquisition of subsidiaries		-	(20,000)
Sale of fixed assets		1,913	-
Investment in inventories		(616,135)	-
Net cash flow generated from / (used in) investing activities (B)		**(1,828,750)**	**733,430**
Interest paid	11	-	(3,488,710)
Distribution of share premium reserve	9	-	-
Tax claims paid	13		
Proceeds of borrowings and payables to banks and other financial institutions	11	(2,387,159)	(13,510,532)
Net cash flow generated from / (used in) financing activities (C)		**(2,387,159)**	**(16,999,243)**
Total net cash flow generated / (used) in the year (D=A+B+C)		**(12,859,135)**	**(6,002,638)**
Cash and cash equivalents at the beginning of the year (E)		**25,336,840**	**31,339,478**
Cash and cash equivalents at the end of the year (D+E)		**12,477,705**	**25,336,840**

The notes on page 17 to page 52 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 2013		**4,589,189**	**172,888,179**	**(15,991,298)**	**161,486,070**
Result of the year	10	-	-	(17,626,547)	(17,626,547)
Equity at 31 December 2014		**4,589,189**	**172,888,179**	**(33,617,846)**	**143,859,523**

	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**

The notes on page 17 to page 52 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 25 June 2015.

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. The loan facilities, amounting to Euro 216.1 million per 31 December 2014, consist of 2 sets of loans which have an initial maturity in December 2015 and October 2016 respectively. The extension of the financing is a material uncertainty for the company's ability to continue as a going concern. The uncertainty mainly relates to the ability of management to come to an agreement with the banks on the condition to extend the loans.
Whilst management intend to negotiate an extension to the existing financing agreements or to seek replacement financing facilities before maturity of the loans, at the date of approving these financial statements there is no certainty regarding the extension of the loans. Although an extension of the financing has not been realized yet, management expects that an agreement can be reached based on the following considerations:

- 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 (excluding the possible loan repayment obligation).
- The Fund has always respected all the covenants (ISCR, DSCR) and therefore its debt position has never been problematic for the lending banks, nor this is expected in the future according to the actual figures.
- The credit rating of the passing rent has been improved in the last 2 years.
- The overall Italian bank situation and liquidity available on the market has substantially improved in the last 12 months and the access to credit facilities is expected to be easier compared to the last debt renegotiation closed in 2013.

Management considered the relevant issues and reasonable expectations that the financing arrangements can be resolved prior to the maturity of the loans.

Management concludes that there is a material uncertainty regarding the Company's ability to continue as a going concern but based on above considerations they have a reasonable expectation that the Company will continue in operational existence for at least the next twelve months after signing of these financial statements. 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, 2014.

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

The financial statements 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 and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code.

The comparative figures in the consolidated income statement and the consolidated cash flow statement for the year from 1 January 2014 up to 31 December 2014 refer to the year 2013.

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and various other factors considered appropriate. Actual results may differ for these estimates. The estimates and underlying assumptions are regularly reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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 financial statements are presented in euro, which is the functional currency and the group's presentation currency. Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

In 2014 the following new or revised IFRS standards or interpretations became applicable for the Company:

- Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment activities;
- Amendment to IAS 32, 'Financial instruments: Presentation,' on asset and liability offsetting;
- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures;
- Amendment to IAS 39, 'Financial instruments: recognition and measurement' on novation of derivatives;
- Ifric 21: Levies.

The (amended) standards did not impact the financial statements of the Company. Over the next years the following (amended) standards will enter into force, but are not expected to have a significant impact for the Company:

- IFRS 9: financial instruments;
- IFRS 11: joint arrangements;
- IFRS 15: revenue from contacts with customers;
- IAS 16: PPE
- IAS 27: separate financial statements;
- IAS 28: investment in associates;
- IAS 38: intangible assets;
- IAS 40: investment property.

Financial statement formats

In accordance with the provisions of the revision of IAS 1 "Presentation of Financial Statements", the financial statements at December 31, 2014 consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement and the Notes to the Statements, and are accompanied by the Directors' Report.

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

The "Statement of Comprehensive Income" 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.

Cash flow statement

The cash flow statement is prepared using the indirect method.

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 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 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, 2014 depending on the technique of evaluation used, below:

	Method of valuation			
Category of assets	**Discount Cash Flow ("DCF")**	**DCF Method and Trasformation Method**	**Transformation Method and Comparative Method**	**TOTALE**
Assets property use	52,577,000	-	7,936,000	60,513,000
Assets for office use	26,742,000	-	-	26,742,000
Assets logistics use	11,788,000	16,795,000	-	28,583,000
Assets other destination	12,289,000	149,049,000	2,407,000	163,745,000
Total Fair value	**103,396,000**	**165,844,000**	**10,343,000**	**279,583,000**

The following table, however, presents the classification of real estate valuations to 31 December 2014 (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**
Assets property use	-	-	60,513,000	60,513,000
Assets for office use	-	-	26,742,000	26,742,000
Assets logistics use	-	-	28,583,000	28,583,000
Assets other destination	-	-	163,745,000	163,745,000
Total Fair value	**-**	**-**	**279,583,000**	**279,583,000**

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 10.02% with a range of 6.71% to 10.84%. If the discount factor increases with 0.25% the impact on the valuation is EUR 3.89 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.

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 non-financial and financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, investment property, are reviewed at the reporting date to determine whether there is an indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit exceeds the recoverable amount. Impairment losses are recognised in the income statement as impairment of assets.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

An impairment loss is reversed if there is an indication that the impairment loss no longer exists or if there has been a change in the estimates used to measure the recoverable amount at the date of recognition of the impairment loss.

A financial asset not carried at fair value through income statement is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. For groups of similar assets, such as trade receivables, a collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise or other indications that a debtor will enter bankruptcy.

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 2014 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).

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 2014, 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.

Sale of assets

The results on disposal are the differences between the realised selling prices, net of selling costs, and the carrying amount, based on the last known fair value (mostly the latest appraisal). Results 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 charges and income

Interest comprises the total of interest attributable to the accounting period on loans, other debts, accounts receivable and cash and bank balances and is split between interest received and interest paid. Interest income & charges is recognised in the income statement as it accrues. The effective interest method is a method of calculating the amortised 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.

Interest attributable to the acquisition or construction of an asset that takes a substantial period of time to complete, is capitalised as part of the cost of the respective assets, starting from preparation of the plan until completion. Capitalised interest is calculated using the groups weighted average cost of debt or the borrowing cost of specific project financing.

Tax expense

Tax charges on the income statement for a year comprise current and deferred tax and are calculated on results before taxes, taking into account any tax-exempt components of profit and non-deductible costs. Current tax is the expected tax payable or receivable on the taxable income or loss for the period. Tax charges are calculated using tax rates prevailing at the balance sheet date.

Current tax and deferred tax is recognised in income statement except to the items recognised directly in equity or in other comprehensive income in which case, the tax is also recognised in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

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 2014. 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 avoidance of double taxation income and capital gains arising from immovable property situated in Italy is effectively exempt from corporate taxation in The Netherlands. The Company does not recognize a deferred tax asset as the Directors expect not to compensate the fiscal losses with fiscal profits in the coming years.

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 S.p.A. on the basis of the service level agreement.

In order to implement a Risk-Management System adequate for the Fund's organisational structure and compliant with current legislation, the Company has prepared and formalised a specific internal Risk Management Unit.

The Risk Management Unit has the job of identifying, measuring and controlling all the real-estate, financial and operational risks relating to the Funds managed.

Specifically, the Risk Manager has the task of:

- identifying:
    - within the specific risk categories of the real-estate sector and its processes (investment, management, disinvestment), the risks to which the managed assets are exposed;
    - risks related to the financial markets;
    - operational risks deriving from the typical activity of the the Funds managed;

- defining the risk measurement methodologies which are the most suitable for the business of managing Real Estate Funds;
- proposing to the Senior Management limits on accepting the risks assumed for each managed portfolio or fund;
- controlling the risk exposure and trends of risks assumed, making proposals to the Senior Management when needed:

- measures to limit and reduce risks;
- corrective measures in the case of exceeding the limits.

In addition, the Risk Management Unit:

- prepares information flows necessary for controlling the exposure to financial risks of the managed assets, and indicating anomalies found in operations;
- checks, at the Fund level, that investment choices and the expected results are consistent with the risk-return profiles defined by the Board of Directors;
- checks at the Fund level i) any incoherencies in the methodologies and principles used in property valuations by the independent expert, ii) the presence of the elements needed to reconstruct the valuations completely, iii) any calculation errors in valuations;
- controls the funds under management as regards compliance with prudential rules for limiting and distributing risk;

- prepares reports for the Board of Directors, Senior Management, and managers of operating units about risk evolution, performance analysis, and breaches of operating limits set;
- monitors the operation of the Risk Management process, providing for periodic revisions of the same;
- communicates with the Fund's units on their responsibilities concerning risk.

Other than the activities described above, the following further elements are highlighted.

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 rental "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. Positions which present default risk are covered by an adequate bad debt provision in order to avoid any financial repercussions in subsequent financial years.

The Fund’s management company manages investment processes for the funds managed in compliance with internal procedures aimed at preventing situations of potential conflict of interest. In particular, the fund 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 Fund 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 Fund management company 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 / customers 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.

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.

When the overall interest rates change by 0,5%, result and equity will change by EUR 1,085,281.

Asset devaluation risk

In 2014 the overall valuation has decreased of 0.63% (2013 – decrease 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 2014 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	36,136,659	179,964,365	-	-	216,101,024
Trade payables	1,695,678	-	-	-	1,695,678
Other payables	3,221,534	2,037,463	1,026,238	-	6,285,235
Tax payables	126,424	-	-	-	126,424
Future interest payments on bank borrowings *	6,421,357	5,910,272	9,844,894	-	22,176,523

* expected cash flows of interest payments on bank borrowings considering current interest rate

The maturities of financial liabilities outstanding at 31 December 2013 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	-	-	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

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 17.9 m of yearly rent (rent roll at 31st December 2014, not including new rent and renegotiation starting in 2015) mostly deriving from major tenants, which are principally telecommunications and utilities service suppliers (Telecom Italia S.p.A. and RAI S.p.A. – 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 63% of the total annual passing rent of the portfolio as of 31 December 2014.

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).

Fair value measurement

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 assets and liabilities recognised in the balance sheet by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Investment property	-	-	279,583,000	**279,583,000**
Inventories	-	-	76,659,350	**76,659,350**
Derivative financial instruments	-	(2,084,831)	-	**(2,084,831)**
	-	**-2,084,831**	**356,242,350**	**354,157,519**

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. Fund has made use of a primary external company, for the valuation of derivative financial instruments outstanding at 31 December 2014

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 9,300 (Euro 9,360 at 31 December 2013) and is relative to the participation that the Fund held in the Consorzio Eastgate Park equal to 93.6% (93.6% in 2013).

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 279,583,000 (Euro 280,129,000 at 31 December 2013) and is comprised of:

	01.01.2014-31.12.2014	**01.01.2013-31.12.2013**
Balance as at the beginning of the year	280,129,000	284,315,000
Additions:		
- Acquisitions	-	-
- Capital expenditure	1,211,877	1,587,718
Net (loss) from fair value adjustments on investment property	(1,757,877)	(3,516,718)
- Acquisition cost plus additions to properties disposed	-	(2,257,000)
Balance as at the end of the year	**279,583,000**	**280,129,000**

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). No disposals occurred during 2014.

The item “Capitalised expenditure” relates to works performed on the assets in order to improve and optimise the condition of the properties, both in terms of bringing them into line with regulations and to increase the expected economic return.

The main unobservable data input relates to the discount factor, which is on average 10.02% with a range of 6.71% to 10.84%. If the discount factor increases with 0.25% the impact on the valuation is EUR 3.89 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-cancellable contracts	17,346,525	23,905,209	-	41,251,734

Note 3 Inventories

At 31 December 2014 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:

	01.01.2014-31.12.2014	01.01.2013-31.12.2013
Balance as at the beginning of the year	77,758,390	84,252,475
Capitalized costs:		
- Acquisition	-	-
- Capital expenditures	616,135	39,758
- Financial expenses	-	154,915
- Write-downs	(1,715,175)	(6,238,756)
Total incremental costs in the year	*(1,099,040)*	*(6,044,083)*
- Costs of inventory sold	-	(450,002)
Balance as at the end of the year	**76,659,350**	**77,758,390**

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 2014 versus the previous year takes into account a general reduction 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 assumed future cash flows.

The main unobservable data input relates to the discount factor, which is on average 10.02% with a range of 6.71% to 10.84%. If the discount factor increases with 0.25% the impact on the valuation is EUR 3.89 million negative.

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

	31.12.2014	31.12.2013
Trade receivables from third parties	1,205,047	2,809,124
Total	**1,205,047**	**2,809,124**

Trade receivables are broken down below:

	31.12.2014		31.12.2013	
	Non-current	**Current**	**Non-current**	**Current**
Trade receivables from third parties	-	6,356,218	-	10,908,132
Total gross trade receivables	**-**	**6,356,218**	**-**	**10,908,132**
Provision for doubtful accounts	-	(5,151,171)	-	(8,099,008)
Total trade receivables	**-**	**1,205,047**	**-**	**2,809,124**

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:

	01.01.2014-31.12.2014	01.01.2013-31.12.2013
Balance at the beginning of the year	8,099,008	7,848,374
Movement during the year	(2,947,837)	250,634
Balance as at the end of the year	**5,151,171**	**8,099,008**

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 2,249,943.

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 2014. The provision amounts to 81% 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 155,127 (Euro 381,054 at 31 December 2013).

	31.12.2014	31.12.2013
Other receivables	155,127	381,054
Total gross other receivables	**155,127**	**381,054**
Provision for doubtful accounts	-	-
Total other receivables	**155,127**	**381,054**

Movements in the provision for doubtful accounts are shown below:

	01.01.2014-31.12.2014	01.01.2013-31.12.2013
Balance at the beginning of the year	-	51,859
Provision	-	(51,859)
Balance as at the end of the year	-	**-**

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

	31.12.2013	Acquisitions	Fair Value Adjustment	31.12.2014
Portogruaro derivative	(130,381)	-	(52,519)	(182,899)
Jumbo derivative	(825,498)	-	(1,076,434)	(1,901,932)
Total	**(955,879)**	**-**	**(1,128,952)**	**(2,084,831)**

At 31 December 2014 this item totals Euro (2,084,831) (Euro (955,879) at 31 December 2013), 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 30/09/2014 to 31/12/2014	€ 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 31/12/2014	(760,773)	(570,579)	(570,579)

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 31/12/2014	(73,160)	(54,870)	(54,870)

At the date of the present Statement of Accounts the hedging percentage is 92.49% of the debt. 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 2014 this item totals Euro 12,477,705 (with respect to Euro 25,336,840 in 2013) of which Euro 7,987,223 in restricted accounts (Euro 10,309,314 in 2013), 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 (33,617,846) reflects:

- the initial amount at 1 January 2014, equal Euro 15,991,299;
- the movement that took place during the year from 1 January 2014 to 31 December 2014 were as follows:
- decrease equal to Euro 17,626,547 related to the result of year 2014.

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:

	31.12.2014		31.12.2013	
	Non-current	**Current**	**Non-current**	**Current**
Jumbo Properties loan	179,964,365	100,000	180,428,443	-
Area of Portogruaro loan	-	36,036,659	38,059,740	-
Edificio 16 loan	-	-	-	-
Bank overdraft	-	-	-	-
Total	**179,964,365**	**36,136,659**	**218,488,183**	**-**

The loan movements are presented in this table:

	31.12.2013	Increases	Decreases	arrangement costs	Interest due	Interest paid	31.12.2014
Jumbo loan	180,428,443	-	(850,000)	485,922	5,049,118	(5,049,118)	180,064,365
Portogruaro loan	38,059,740	-	(2,080,919)	57,838	1,037,082	(1,037,082)	36,036,659
Edificio 16 loan	-						-
Total	**218,488,183**	**-**	**(2,930,919)**	**543,760**	**6,086,200**	**(6,086,200)**	**216,101,024**

At 31 December 2014 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 180,064,365 Euro (180,428,443 Euro at 31 December 2013); During the year a voluntary repayment of 850,000 euro was made (after the Company received the guarantee deposit, of the same amount, provided by the tenant ACC Compressor S.p.A. to guarantee payment of the rental instalments).

- a loan on the Portogruaro area (henceforth "Portogruaro Loan") of 36,036,659 Euro (38,059,740 Euro at 31 December 2013), made up for 4,120,569 Euro of the drawdown of tranche 5 ("guarantee" line), for 11,689,050 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 84,042 in loan arrangement costs and accrued interests. During the period voluntary repayments of 2,080,919 euro were made.

The Fund confirms that all the financial covenants are in compliance with the financing contracts as at 31 December 2014.

	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	180,064,365	505,180	-	180,569,545	-	180,569,545
Portogruaro Loan	36,036,659	84,042	-	36,120,701	4,120,569	32,000,132
Total	**216,101,024**	**589,222**	**-**	**216,690,246**	**4,120,569**	**212,569,677**

The covenants of the Fund at 31 December 2014 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	277,852,000	180,569,545	65%	65%
Portogruaro Loan	74,618,000	32,000,132	43%	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	277,852,000	180,569,545		
Unlevered Assets	1,731,000 (1)	-		
Portogruaro Loan	74,618,000	36,120,701		
Total Real Estate Assets	**357,844,000** (2)	**216,690,246**	**61%**	**60%**
Cash & Other Assets	**10,474,121** (3)	**-**	**0%**	**20%**
Fund total assets	**368,318,121** (4)	**216,690,246**	**59%**	
Global LTV Covenant figures	**361,335,374** (5)	**216,690,246**	**60%**	**60%**

1. The unlevered assets are the Agrileasing portfolio.
2. "Total Real Estate Assets" of Euro 357,844,000 is the total portfolio open market value as at 31 December 2014.

3. “Cash & Other Assets” includes Euro 10,474,121 of cash and other assets as per Bank of Italy financial statements.
4. “Fund total assets” of Euro 368,318,121 is the amount of the total assets considering the points above.
5. The OMV of “Global LTV Covenant” is calculated as the sum of the OMV of the total Real Estate Assets (Euro 357,844,000) plus one third of the “Cash & Other Assets” (Euro 10,474,121).

- 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	277,852,000	180,569,545	-	-
Total	**277,852,000**	**180,569,545**	**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.

	01.01.2015-31-12-2015 prospective	ISCR of the Period a/b	min ISCR
a) Projected NOI	7.3		
b) Interests and financing fees	5.2		
ISCR Covenant		**1,41x**	**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:

	31.12.2014	31.12.2013
Trade payables to Prelios Group	93,729	107,483
Trade payables to Management Company	0	80,492
Trade payables to third parties	1,601,949	2,794,096
Total	**1,695,678**	**2,982,070**

At 31 December 2014, trade payables to Prelios Group, amounting to Euro 93,729 are detailed as follows:

- Euro 93,729 to Prelios Netherlands B.V. in relation to the management fees outstanding at the reporting date;

At 31 December 2014 trade payables to third parties of Euro 1,601,949 mainly relate to costs for the administration and building management of the Fund’s properties and Euro 176,846 costs for legal and professional services.

Note 13 Other payables

At 31 December 2014, this item includes

		31.12.2014	31.12.2013
Non-Current Liabilities			
Payable to italian tax authorities (A)		**3,063,701**	**-**
Current Liabilities			
Payable to italian tax authorities (A)		1,514,927	-
Advance payments		-	291,500
Security deposits	(B)	497,046	1,310,750
Management fees	(C)	653,220	325,957
Other		556,341	649,277
Subtotal		3,221,534	2,577,484
Total		**6,285,235**	**2,577,484**

A) Out of court settlement with the Italian tax authorities of Euro 14.1 million, of which Euro 9.5 million were paid during 2014 (the remaining payable in quarterly instalments until 2017.) See additional information in contingencies and other commitments.

B) security deposits received on leases;

C) management fee to the IDeA FIMIT sgr S.p.A.

Note 14 Tax payables

The balance of Euro 126,424 refers mostly to Euro 86,762 (2013: Euro 7,324) of withholding taxes due to the authorities on services rendered by the CoFund's consultants, and Euro 5,967 of income tax from year 2014.

Note 15 Rental income

Rental income amounts to Euro 17,932,206 (with respect to Euro 19,023,985 in 2013), including Euro 11,327,165 (Euro 10,945,940 in 2013) from Telecom Italia S.p.A..

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

The balance of Euro (1,757,877) is the difference between the fair value of investment property at 31 December 2014 and 31 December 2013.

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 2014 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 0 (Euro 129,000 in 2013), as there were no properties sold during the year 2014.

In 2013 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 0 (Euro 155,002 in 2013) as there were no inventories sold during the year 2014.

In 2013 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 2,473,181 (Euro 1,941,184 in 2013) 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 1,128,952 (Euro 3,478,353 in 2013) and reflects the gain on fair value of the four interest rate collar contracts at 31 December 2014 (for additional details refer to note 6 above).

Note 21 Management fees

Management fees, amounting to Euro (1,501,863) (Euro (1,380,221) in 2013), relate to the Management Company's commission (Euro 1,305,033) and to TMF Netherlands B.V. commission (Euro 196,830).

Note 22 Other costs

In detail:

	01.01.2014 - 31.12.2014	**01.01.2013 - 31.12.2013**
Other real estate expenses	1,860,986	2,297,380
General and administrative expenses	5,272,778	3,785,863
Local property tax	3,110,960	2,832,042
Inventory write-downs/write-backs	1,715,175	6,238,756
Total costs for services	**11,959,900**	**15,154,042**

"General and administrative expenses" include Euro 1,365,115 (Euro 795,491 in 2013) 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:

	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Maintenance	1,109,310	1,240,391
Property fees	203,375	81,270
Facilities fees	-	27,000
Cleaning and surveillance costs	49,879	158,656
Tax on rental contracts	-	182,104
Consumption costs	212,427	197,412
Marketing expenses	-	123,041
Local and other taxes	86,854	119,392
Insurance costs	199,141	168,114
Total costs for services	**1,860,987**	**2,297,380**

Note 23 Financial income

Financial income amounts to Euro 96,718 (Euro 106,695 in 2013) and mainly relates to:

- interest on bank accounts of the Company of Euro 96,718.

Note 24 Financial expenses

These amount to Euro (7,691,417) (Euro (8,826,398) in 2013) and can be broken down as follows:

	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Interest owed on bank loans	6,086,200	3,487,323
Loan arrangement costs	-	648,559
Bank commission on unutilised credit facilities	672,983	325,660
Interest of financial instruments	929,070	4,498,862
Bank fees	2,781	3,841
Other financial charges	383	17,067
Total	**7,691,417**	**8,981,313**
Capitalized financial expenses	-	(154,915)
Total	**7,691,417**	**8,826,398**

Note 25 Tax expense

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

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) 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.

During 2014 the Company agreed with the Italian tax authorities an out-of-court-settlement of Euro 14,1 million, and already paid Euro 9.5 million during 2014 (the remaining payable in quarterly installments until 2017.)

Therefore no additional future tax liabilities for the Company at present are expected 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.

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)	(17,627)
Weighted average number of ordinary shares in issue	22,945,847
Basic and diluted EPS (Euro per share)	(0.77)

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. In 2014 no transactions occurred between the fund and its shareholders.

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.

To guarantee the loans to bank institutions, a voluntary mortgage has been registered on the properties for twice the maximum amount of the debt.

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 4.1 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 2014.

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’.

No other relevant events have happened after balance sheet date.

Note 31 Related party transactions

The balances with related parties are listed below:

	31.12.2014	31.12.2013
Trade payables to Prelios Group	-	14,974
Trade payables to Management Company	93,729	92,509

	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Management fees	-	248,188
Other costs	1,220	715,021

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

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

Company Balance sheet

After appropriation of result

(in Euro)

Note	ASSETS	31.12.2014	31.12.2013
	Investment		
1	Investments in Group Companies	144,527,147	146,903,002
	Receivables		
2	Other receivables	12,731	29,040
	Other assets		
3	Cash at banks	4,162,601	14,845,485
	TOTAL ASSETS	**148,702,479**	**161,777,527**
	Shareholders' equity		
4	Share capital	4,589,189	4,589,189
5	Share premium	172,888,179	172,888,179
6	Legal/Revaluation reserve	24,136,864	24,057,266
7	Retained earnings	(57,754,709)	(40,048,565)
		143,859,522	**161,486,070**
	Long-term liabilities		
9	Other payables	3,063,701	-
	Short-term liabilities		
8	Trade payables	215,977	291,405
9	Other payables	1,563,278	52
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**148,702,479**	**161,777,527**

Company Profit and Loss account for the year from 1 January 2014 to 31 December 2014

(in Euro)

Note		01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
	Corporate profit after tax	(14,950,692)	(411,678)
1	Result of subsidiaries after tax	(2,675,855)	(4,208,587)
	RESULT FOR THE YEAR	**(17,626,547)**	**(4,620,264)**

Notes to the Company Financial Statements as at 31 December 2014

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 2014 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:

	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Opening balance	146,903,002	154,352,184
Subsidiary acquisition	-	20,000
Additional capital contributions	300,000	-
Reimbursement of quotas	-	(3,500,000)
Result of subsidiaries	(2,675,855)	(3,969,182)
Dividends from subsidiaries	-	-
Total	**144,527,147**	**146,903,002**

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.

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). During 2014 additional capital contributions were made in the amount of Euro 300,000.

During 2013 the Company received a partial reimbursement of quotas from Spazio Industriale Fund's for an amount of Euro 3.5 million.

Note 2 Other receivables

This item totals Euro 12,731 and mainly refers to prepaid insurance costs.

Note 3 Cash at banks

At 31 December 2014 this item totals Euro 4,162,601 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 2013	**4,589,189**	**172,888,179**	**24,057,266**	**(40,048,565)**	**161,486,070**
Share premium distribution	-	-	-	-	-
Result of the year	-	-	79,597	(17,706,145)	(17,626,547)
Equity at 31 December 2014	**4,589,189**	**172,888,179**	**24,136,864**	**(57,754,709)**	**143,859,522**

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 2014 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 24,136,864, 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 2014 this item is negative equal to Euro 57,754,709.

The movements that took place during the year from 1 January 2014 to 31 December 2014 were as follows:

- the decrease equal to Euro 17,706,145 related to the realized result of 2014 (that not includes fair value adjustments on derivatives, investment properties and inventories).

Note 9 Trade payables

At 31 December 2014 the item amounts to Euro 215,977 and includes an amount of Euro 93,729 due to related parties (mainly due to management fees outstanding at the reporting date) and Euro 122,248 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.

At 31 December 2014 it mainly contains an amount of Euro 4,578,628 related with an out of court settlement with the Italian tax authorities of Euro 14.1 million, of which Euro 9.5 million was paid during 2014 (the remaining is payable in quarterly installments until 2017.) See additional information in contingencies and other commitments.

Note 11 Directors' remuneration

During 2013 and 2014 all board members received remuneration, respectively on the total amount of EUR 184,121 and EUR 191,706.

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 2014 and transactions between the same during the year then ended are listed below:

	01.01.2014 - 31.12.2014	**01.01.2013 - 31.12.2013**
Management fees	-	248,188
Other costs	1,220	25,901

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, June 23rd 2015

Board of Directors:

Colin Kingsnorth

Gualtiero Tamburini

Rob Turner

Michael Andrew Haxby

Antonella Fusta — Director since 30 December 2013 till 19 June 2015

Nicholas Paul James — Director since 09 December 2008 till 13 January 2015

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 17,626,547 for the year 1st January 2014 to 31st December 2014 as follows:

Legal / Revaluation Reserve	79,597
Retained Earnings	(17,706,145)
Total	**(17,626,547)**

Subsequent events

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

No relevant events have happened after balance sheet date.