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June 13, 2011

The Directors

PRADA S.p.A.
CLSA Equity Capital Markets Limited
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") regarding PRADA S.p.A. (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") for each of the three years ended January 31, 2011 (the "**Relevant Periods**") for inclusion in the prospectus of the Company, dated June 13, 2011 in connection with the initial public offering ("**IPO**") of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company was incorporated in Italy on July 11, 1990 as a joint-stock company with limited liability. The Company is an investment holding company and engaged in manufacturing and distribution business.

As at the date of this report, the Company has direct and indirect interests in subsidiaries, an associate and a jointly-controlled entity as set out in Note 40 of Section A below. All of these companies are private companies.

The statutory financial statements of the Company were audited by Deloitte & Touche S.p.A. The statutory financial statements of majority of subsidiaries of the Company were audited by independent auditors as set out in Note 41 of Section A below.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group and the financial statements of the Company for the Relevant Periods in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**"), which have been endorsed by the European Union ("**EU**") (the "**Underlying Financial Statements**"). EU-endorsed IFRSs may differ from IFRSs issued by the IASB if, at any reporting time, new or amended IFRSs and Interpretations issued by the IASB have not yet been endorsed by the EU. As at January 31, 2009, 2010 and 2011, there were no unendorsed accounting standards effective for the accounting periods beginning on February 1, 2008, 2009 and 2010, respectively, affecting the Financial Information. As a consequence there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Group and the Company. Accordingly, the Financial Information for the Relevant Periods is prepared in accordance with IFRSs issued by the IASB. Deloitte & Touche S.p.A., Italy has undertaken an independent audit of the Underlying Financial Statements in accordance with the Auditing Standards issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob, the Italian Commission for listed Companies and the Italian Stock Exchange. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants.

The Financial Information of the Group and the Company for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Information, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and of the Company as at January 31, 2009, 2010 and 2011, and of the consolidated results and consolidated cash flows of the Group for the Relevant Periods.

A. FINANCIAL INFORMATION

Consolidated Statements of Financial Position

		At January 31,		
Assets	Notes	2009	2010	2011
		Euro'000	Euro'000	Euro'000
Current assets				
Cash and cash equivalents	5	86,871	98,564	96,572
Trade receivables, net	6	250,512	224,198	274,175
Inventories	7	251,197	231,476	280,409
Derivative financial instruments	8	3,440	180	7,379
Amounts due from parent company, a jointly controlled entity and related parties	9	22,322	56,421	36,317
Other current assets	10	130,462	74,708	70,225
Assets held for sale	11	1,413	1,413	4,948
Total current assets		746,217	686,960	770,025
Non-current assets				
Property, plant and equipment	12	379,191	417,965	536,717
Intangible assets	13	901,116	893,319	869,119
Investment in an associate	14	1,738	1,738	1,738
Investment in a jointly controlled entity	14	8,160	7,757	—
Other investments	14	14	14	14
Deferred tax assets	33	106,185	111,373	141,378
Derivative financial instruments	8	—	—	2,140
Other non-current assets	15	33,433	28,355	44,884
Total non-current assets		1,429,837	1,460,521	1,595,990
Total assets		2,176,054	2,147,481	2,366,015

		At January 31,		
Liabilities and Shareholders' equity	Notes	2009	2010	2011
		Euro'000	Euro'000	Euro'000
Current liabilities				
Bank overdrafts and short-term loans	16	366,538	459,283	194,240
Amounts due to parent company, a jointly controlled entity and related parties	17	3,226	5,620	1,107
Other shareholders' loans	18	521	545	581
Trade payables	19	230,507	196,396	233,866
Current tax liabilities	33	33,904	62,189	107,592
Derivative financial instruments	8	21,266	9,278	5,279
Obligations under finance leases	20	3,414	5,513	5,019
Other current liabilities	21	93,389	90,726	111,482
Total current liabilities		752,765	829,550	659,166
Non-current liabilities				
Long-term debt	16	264,032	111,439	303,408
Obligations under finance leases	20	7,663	7,668	2,509
Post-employment benefits	22	36,103	36,831	34,833
Provision for contingencies and commitments	23	14,120	13,139	52,725
Deferred tax liabilities	33	64,525	59,404	52,711
Other non-current liabilities	24	22,429	32,633	50,207
Derivative financial instruments	8	2,118	158	318
Total non-current liabilities		410,990	261,272	496,711
Total liabilities		1,163,755	1,090,822	1,155,877
Equity and reserves				
Share capital	25	250,000	250,000	250,000
Reserves		753,107	797,903	954,350
Equity attributable to owners of the Company		1,003,107	1,047,903	1,204,350
Non-controlling interests		9,192	8,756	5,788
Total liabilities and equity		2,176,054	2,147,481	2,366,015
Net current (liabilities) assets		(6,548)	(142,590)	110,859
Total assets less current liabilities		1,423,289	1,317,931	1,706,849

Statements of Financial Position of the Company

		At January 31,		
Assets	Notes	2009	2010	2011
		Euro'000	Euro'000	Euro'000
Current assets				
Cash and cash equivalents	5	14,449	15,824	3,686
Trade receivables, net	6	425,535	463,314	478,899
Inventories	7	129,498	115,086	130,145
Derivative financial instruments	8	3,440	180	7,368
Amounts due from parent company, subsidiaries, and related parties	9	156,673	189,146	186,423
Other current assets	10	39,476	26,442	34,088
Assets held for sale	11	1,413	1,413	4,948
Total current assets		770,484	811,405	845,557
Non-current assets				
Property, plant and equipment	12	122,748	143,197	166,352
Intangible assets	13	88,475	90,501	91,634
Investment in an associate	14	1,738	1,738	1,738
Investment in a jointly controlled entity	14	7,050	7,050	—
Investments in subsidiaries	14	833,012	822,615	823,479
Other investments	14	14	14	14
Deferred tax assets	33	31,240	29,470	30,320
Derivative financial instruments	8	—	—	2,140
Other non-current assets	15	3,764	2,900	1,227
Total non-current assets		1,088,041	1,097,485	1,116,904
Total assets		1,858,525	1,908,890	1,962,461

		At January 31,		
Liabilities and Shareholders' equity	Notes	2009	2010	2011
		Euro'000	Euro'000	Euro'000
Current liabilities				
Bank overdrafts and short-term loans	16	286,147	375,100	149,956
Amounts due to parent company, subsidiaries, a jointly controlled entity and related parties	17	178,217	289,311	297,339
Trade payables	19	293,614	260,460	309,929
Current tax liabilities	33	5,980	18,366	42,889
Derivative financial instruments	8	20,946	8,941	4,883
Obligations under financial leases	20	2,953	2,305	2,819
Other current liabilities	21	42,703	44,855	47,477
Total current liabilities		830,560	999,338	855,292
Non-current liabilities				
Long-term debt	16	219,254	78,069	233,694
Obligations under financial leases	20	5,129	5,353	2,089
Post-employment benefits	22	23,044	23,511	20,400
Provisions for contingencies and commitments	23	1,081	1,081	28,906
Deferred tax liabilities	33	9,573	11,041	12,261
Other non-current liabilities	24	—	175	737
Derivative financial instruments	8	2,118	146	30
Total non-current liabilities		260,199	119,376	298,117
Total liabilities		1,090,759	1,118,714	1,153,409
Equity and reserves				
Share capital	25	250,000	250,000	250,000
Reserves	26	517,766	540,176	559,052
Equity attributable to owners of the Company		767,766	790,176	809,052
Total liabilities and equity		1,858,525	1,908,890	1,962,461
Net current liabilities		(60,076)	(187,933)	(9,735)
Total assets less current liabilities		1,027,965	909,552	1,107,169

Consolidated Income Statements

		Year ended January 31,		
Continuing operations	Notes	2009	2010	2011
		Euro'000	Euro'000	Euro'000
Net revenues	27	1,643,629	1,561,238	2,046,651
Cost of goods sold	29	(690,533)	(586,582)	(658,763)
Gross margin		953,096	974,656	1,387,888
Interest income		10,123	2,452	1,306
Other gains and losses	30	(2,076)	(7,948)	(4,660)
Product and development expenses	31	(88,206)	(96,794)	(97,164)
Advertising and promotion expenses		(99,542)	(75,823)	(85,119)
Selling expenses		(428,056)	(484,624)	(642,507)
General and administration expenses		(146,338)	(130,383)	(144,711)
Finance cost	32	(46,198)	(25,983)	(22,583)
Share of profit (loss) of a jointly controlled entity	14	1,015	(403)	(4,221)
Profit before tax		153,818	155,150	388,229
Income tax expense	33	(52,631)	(52,503)	(134,678)
Profit for the year from continuing operations	34	101,187	102,647	253,551
Discontinued operations				
Loss for the year from discontinued operations	4	(602)	(2,307)	—
Profit for the year		100,585	100,340	253,551
Profit for the year attributable to:				
Owners of the Company				
- Profit for the year from continuing operations		99,408	102,470	250,819
- Loss for the year from discontinued operations		(602)	(2,307)	—
Profit for the year attributable to owners of the Company		98,806	100,163	250,819
Non-controlling interests				
- Profit for the year from continuing operations		1,779	177	2,732
Profit for the year attributable to non-controlling interests		1,779	177	2,732
Total		100,585	100,340	253,551
Earnings per share (expressed in Euro per share)	36			
From continuing and discontinued operations				
- Basic		0.0395	0.0401	0.1003
From continuing operations				
- Basic		0.0398	0.0410	0.1003

Consolidated Statements of Comprehensive Income

	Year ended January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Profit for the year	100,585	100,340	253,551
Other comprehensive income (expense)			
Fair value (losses) gains on cash flow hedges	(18,757)	11,197	6,354
Actuarial gains (losses) on defined benefit pension plans	274	(815)	3,495
Exchange differences on translating foreign operations	20,799	(18,269)	5,609
Other comprehensive income (expense) for the year (net of tax)	2,316	(7,887)	15,458
Total comprehensive income for the year	102,901	92,453	269,009
Total comprehensive income attributable to:			
Owners of the Company	100,423	92,546	266,313
Non-controlling interests	2,478	(93)	2,696
	102,901	92,453	269,009

Tax effect relating to other comprehensive income:

	Year ended January 31, 2009			Year ended January 31, 2010			Year ended January 31, 2011		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount	Before-tax amount	Tax (expense) benefit	Net-of-tax amount	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Exchange differences on translating foreign operations	20,799	—	20,799	(18,269)	—	(18,269)	5,609	—	5,609
Fair value (losses) gains on cash flow hedges	(25,701)	6,944	(18,757)	15,628	(4,431)	11,197	8,813	(2,459)	6,354
Actuarial gains (losses) on defined benefit pension plans	403	(129)	274	(1,110)	295	(815)	4,553	(1,058)	3,495
	(4,499)	6,815	2,316	(3,751)	(4,136)	(7,887)	18,975	(3,517)	15,458

Consolidated Statements of Changes in Equity

	Share capital	Share premium	Foreign currency translation reserve	Cash flow hedging reserve	Actuarial reserve	Capital reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Balance as at February 1, 2008	250,000	209,298	(47,772)	4,541	(3,888)	—	496,231	908,410	4,121	912,531
Profit for the year	—	—	—	—	—	—	98,806	98,806	1,779	100,585
Other comprehensive income for the year	—	—	20,100	(18,757)	274	—	—	1,617	699	2,316
Total comprehensive income for the year	—	—	20,100	(18,757)	274	—	98,806	100,423	2,478	102,901
Acquisitions of additional interest in subsidiaries	—	—	—	—	—	(5,726)	—	(5,726)	3,855	(1,871)
Dividend paid	—	—	—	—	—	—	—	—	(1,262)	(1,262)
Balance as at January 31, 2009	250,000	209,298	(27,672)	(14,216)	(3,614)	(5,726)	595,037	1,003,107	9,192	1,012,299
Profit for the year	—	—	—	—	—	—	100,163	100,163	177	100,340
Other comprehensive income for the year	—	—	(17,999)	11,197	(815)	—	—	(7,617)	(270)	(7,887)
Total comprehensive income for the year	—	—	(17,999)	11,197	(815)	—	100,163	92,546	(93)	92,453
Dividends	—	—	—	—	—	—	(47,750)	(47,750)	(343)	(48,093)
Balance as at January 31, 2010	250,000	209,298	(45,671)	(3,019)	(4,429)	(5,726)	647,450	1,047,903	8,756	1,056,659
Profit for the year	—	—	—	—	—	—	250,819	250,819	2,732	253,551
Other comprehensive income for the year	—	—	5,659	6,354	3,481	—	—	15,494	(36)	15,458
Total comprehensive income for the year	—	—	5,659	6,354	3,481	—	250,819	266,313	2,696	269,009
Dividends	—	—	—	—	—	—	(111,000)	(111,000)	(530)	(111,530)
Acquisition of additional interest in a subsidiary	—	—	—	—	—	1,134	—	1,134	(5,134)	(4,000)
Balance as at January 31, 2011	250,000	209,298	(40,012)	3,335	(948)	(4,592)	787,269	1,204,350	5,788	1,210,138

Note: According to the Italian law, the Company has to set aside a portion of annual net profits to a non-distributable reserve and there are other limitation on distribution of profits. Details are set out in note 26.

Certain subsidiaries were also required to set aside a portion of annual net profit to the legal reserve. In addition, certain portion of their profit is required to cover deficit in certain reserves in accordance with relevant laws and such amount is not available for distribution.

Consolidated Statements of Cash Flows

	Year ended January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Profit before tax from continuing operations	153,818	155,150	388,229
Loss before tax from discontinued operations	(602)	(2,307)	—
Total profit before tax	153,216	152,843	388,229
Adjustments for:			
Depreciation and amortization from discontinued operations	170	497	—
Depreciation and amortization from continuing operations	79,910	93,804	111,454
Impairment of / written off non-current assets	11,777	9,383	6,089
Finance income and expenses	28,905	29,617	19,307
Share of (profit) loss of a jointly controlled entity	(1,105)	403	4,221
Other non-monetary changes	(463)	4,757	26,838
Operating cash flows before movements in working capital	272,410	291,304	556,138
Other non-current assets and liabilities	(4,239)	3,846	(9,950)
Trade receivables	8,578	24,445	(46,052)
Inventories	41,795	15,048	(46,377)
Trade payables	(8,900)	(33,519)	36,909
Other current assets and liabilities	(10,285)	39,417	(9,976)
	299,359	340,541	480,692
Interests paid, net	(35,392)	(21,208)	(22,811)
Income taxes paid, net	(98,056)	(39,447)	(90,167)
Cash flows generated from operations	165,911	279,886	367,714
Investing activities			
Purchase of assets	(144,307)	(132,791)	(187,606)
Acquisition of investments	(7,788)	(9,310)	(4,000)
Cash flow used in investing activities	(152,095)	(142,101)	(191,606)

	Year ended January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Financing activities			
Dividends paid to shareholders	—	(47,750)	(58,852)
Dividends paid to non-controlling interests	(1,262)	(343)	(530)
Repayment of loans to other shareholders	—	—	(74)
Repayment of short-term portion of long-term borrowings - third parties	(117,532)	(114,624)	(179,702)
Proceeds from long-term borrowings - third parties	37,267	23,007	307,293
Change in short-term borrowings - third parties	94,731	38,547	(201,806)
Change in short-term borrowings - parent company and related parties	(29,630)	(23,960)	(35,591)
Cash flow used in financing activities	(16,426)	(125,123)	(169,262)
Change in cash and cash equivalents, net of bank overdraft	(2,610)	12,662	6,846
Opening cash and cash equivalents, net of bank overdraft	55,144	59,862	69,195
Exchange differences	7,328	(3,329)	3,457
Closing cash and cash equivalents, net of bank overdrafts	59,862	69,195	79,498
Cash and cash equivalents	86,871	98,564	96,572
Bank overdrafts	(27,009)	(29,369)	(17,074)
Closing cash and cash equivalents, net of bank overdrafts	59,862	69,195	79,498

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

PRADA S.p.A. (the "**Company**") and its subsidiaries (collectively referred as the "**Group**") are a world leader in the design, production and distribution of luxury handbags, leather goods, footwear, apparel, accessories, eyewear and fragrances.

Through its directly-operated-stores ("**DOS**") network and a selected number of wholesalers, the Group operates in all major international markets.

The Company is a joint-stock company, incorporated and domiciled in Italy, with registered office in via Fogazzaro 28, Milan, Italy. Its parent is PRADA Holding B.V., a company domiciled in the Netherlands. The ultimate shareholders of PRADA Holding B.V. are Mr. Patrizio Bertelli and the Prada family.

The Financial Information is presented in Euro, which is the same as the functional currency of the Company.

The Financial Information has been prepared on a going concern basis.

2. APPLICATION OF THE NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The IASB and the International Financial Reporting Interpretations Committee ("**IFRIC**") of the IASB issued a number of new International Accounting Standards ("**IASs**"), IFRSs, amendments and interpretations (hereinafter collectively referred to as "**new IFRSs**") which are effective for the Group's financial period beginning on February 1, 2010. For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has adopted all these new IFRSs and other existing IFRSs consistently throughout the Relevant Periods.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective during the Relevant Periods.

IFRS 1 (Amendments)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[1]
IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[2]
Amendments to IFRS 7	Disclosures - Transfers of Financial Assets[2]
IFRS 9	Financial Instruments[3]

IFRS 10	Consolidated Financial Statements[3]
IFRS 11	Joint Arrangements[3]
IFRS 12	Disclosure of Interests in Other Entities[3]
IFRS 13	Fair Value Measurement[3]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
IAS 24 (revised in 2009)	Related Party Disclosures[5]
IAS 27 (Revised 2011)	Separate Financial Statements[3]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[3]
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement[5]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[1]

Improvements to IFRSs issued in 2010 (except for the amendments to IFRS 3(2008), IFRS 7 and IAS 1)[6]

[1] Effective for annual periods beginning on or after July 1, 2010.
[2] Effective for annual periods beginning on or after July 1, 2011.
[3] Effective for annual periods beginning on or after January 1, 2013.
[4] Effective for annual periods beginning on or after January 1, 2012.
[5] Effective for annual periods beginning on or after January 1, 2011.
[6] Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate.

IFRS 9 *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is recognized in profit or loss.

IFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The directors of the Company (the "**Directors**") anticipate that IFRS 9 that will be adopted in the Financial Information for the annual period beginning February 1, 2013 and that the application of the new standard may have impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The Directors anticipate that the application of the other new and revised standards, amendments or interpretation will have no material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with IFRSs issued by the IASB. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Relevant Periods are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to February 1, 2008, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits,* respectively*;*

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as at the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognized in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognized as at that date.

Financial assets

The Group's financial assets are classified into loans and receivables, financial asset at fair value through profit or loss ("**FVTPL**") and available-for-sale investments (other investments). All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognized in profit or loss.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent those derivatives designated and effective as a hedging instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, amounts due from parent company, subsidiaries, a jointly controlled entity and related parties, cash and cash equivalents and other current assets) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale investments do not have a quoted market price in an active market and whose fair value cannot be reliably measured. They are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, that are measured at amortised cost are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Inventories

Raw materials, work in progress and finished products are recorded at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Cost comprises direct production costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Acquisition or production cost is determined on a weighted average basis. Provisions, to directly adjust the value of the inventory, are made for slow moving and obsolete inventories as well as if the estimated selling prices are lower than cost.

Assets held for sale

A non-current asset is classified as held for sale if its carrying amount is mainly recovered through sale instead of through its continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets held for sale are measured at the lower of their previous carrying amounts and their fair value less any disposal costs.

Property, plant and equipment

Property, plant and equipment are recorded at acquisition cost or manufacturing cost, including any charges directly attributable, and are shown net of accumulated depreciation calculated on the basis of the useful lives of the assets and any impairment losses. Interest costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Maintenance expenses are charged in full to profit or loss of the year they are incurred and only capitalised if they increase the value or useful life of the related asset.

All costs incurred during the period between the renovation starting date and the opening date are capitalised as "Leasehold improvements", as they are deemed necessary to bring the related assets to their working condition. The relevant construction or renovation period ranges from six to eighteen months depending on the type of store/work.

Depreciation methods, estimated useful lives and residual values are reviewed annually, with the effect of any changes in estimate accounted for on a prospective basis.

The depreciation rates per annum are listed below:

Fixed asset category	Depreciation rate
Buildings	3% - 4%
Plant and production machinery	10% - 20%
Leasehold improvements	Shorter of lease term or 10%
Furniture and fittings	10% - 20%
Other equipments	6% - 33%

Freehold land and construction in progress is not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

When assets are disposed of, their cost and accumulated depreciation are eliminated from the financial statements. Any gains or losses arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognized in profit or loss.

Annually and whenever there is an indication of impairment, an impairment test is applied to calculate the recoverable amount of the asset. This calculation is determined by comparing the carrying value of the asset with the recoverable value i.e. the higher of fair value less selling costs and value in use.

Fair value is determined based on the best information available to reflect the amount that the Group could obtain, at the date of the period end, by disposing of the asset.

The value in use is an estimate of the present value of future cash flows expected to derive from the asset for the purpose of impairment assessment.

Impairment losses are immediately recognized in profit or loss.

At each reporting date, the Group assess whether there is any indication that an impairment loss recognized in prior periods may no longer apply or may have decreased. If any such indication exists, the Group will estimate the recoverable amount of that asset. The recoverable value of the asset shall not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Reversal of an impairment loss for an asset will be recorded in profit or loss.

Intangible assets

Intangible assets with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment loss.

Intangible assets include trademarks, store lease acquisition costs, software, development costs, goodwill and software under installation.

Trademarks are recorded at cost or at the value attributed upon acquisition and include the cost of trademark registration in the various countries in which the Group operates.

The estimated useful life of trademark is estimated no longer than 40 years. Every trademark is tested for impairment if indicators of impairment emerge.

Store lease acquisition costs represent expenditures made to enter into or take over retail store lease agreements. These costs are capitalised and amortised over the shorter period of the lease term or 10 years.

Software refers to Information Technology ("**IT**") projects and includes all internal and external costs incurred to put the asset in use. IT projects include costs for the acquisition of licenses as well as costs incurred for their development and installation. Software is capitalised on condition that it is identifiable, reliably measurable and if it is probable that the asset will generate future economic benefits.

Development costs include expenses incurred to strengthen the brand image through the implementation of highly technological retail projects such as the "In-Store Technology" or through project aimed to develop the store "concept". The relevant useful life is estimated by the Directors, and it is between three and ten years.

Intangible assets (other than goodwill and software under installation) with a determinable useful life are amortised on a straight-line basis at the following rates:

Intangible assets categories	Amortization rate
Trademarks	2.5% - 10%
Store lease acquisition costs	Shorter of lease term or 10%
Software	10% - 33%
Development cost	10% - 33%

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Goodwill, as an asset that produces future economic benefits but not individually identified and separately measured, is initially recognized at cost.

Goodwill is not amortised, but tested for impairment at the end of each period. If specific events or altered circumstances indicate the possibility that goodwill has been impaired, the impairment test is performed more frequently. If goodwill is initially recorded during the current year, the impairment test is performed before the end of the year.

For impairment test purposes, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash generating units that are expected to benefit from the synergies of the combination. Cash Generating Units are determined based on the organizational structure and represent homogeneous groups of assets that generate independent cash inflows from continuing use of the relevant assets. The Group's Cash Generating Units include trademarks, sales channels and geographical areas.

The cash generating units to which goodwill has been allocated shall be tested for impairment annually and, whenever there is an indication of impairment, by comparing their carrying amounts to their recoverable amounts.

Recoverable amount is the higher of the fair value less selling costs and value in use, as calculated based on an estimate of the future cash flows expected to derive from the cash generating unit tested for impairment. Cash flow projections are based on budget and forecast and on long-term business plans (generally five years) approved by the management of the relevant business units.

Whenever the recoverable amount of the cash generating unit is lower than its carrying value, an impairment loss is recognized directly in profit or loss.

An impairment loss recorded for goodwill is never reversed in the subsequent periods.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statements of financial position at cost less identified impairment loss.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a jointly controlled entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's Financial Information only to the extent of interests in the associate that are not related to the Group.

Investment in a jointly controlled entity

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entity is incorporated in the Financial Information using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in jointly controlled entities are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the jointly controlled entity. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognized in the Group's Financial Information only to the extent of interests in the jointly controlled entity that are not related to the Group.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and an associate, and a jointly controlled entity, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that has been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Derivative financial instruments

Derivative financial instruments that hedge interest rate risk and exchange rate risk exposure are recorded based on hedge accounting rules.

This accounting treatment is used for derivative financial instruments designated as cash flow hedges. A cash flow hedge is a hedge of the exposure to changes in future cash flows that are attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and which could affect profit or loss. In this case, the qualified portion of the gain or loss on the hedging instrument is recognized in other comprehensive income.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the consolidated income statements as the recognized hedged item.

Any gain or loss on a hedging instrument (or portion thereof) which is no longer effective as cash flow hedge is immediately recognized in the profit or loss. If a hedging instrument or a hedging relationship has expired but the hedged transaction has not yet occurred, any accumulated gains or losses, recognized in shareholders' equity until then, is recorded in the income statement when the transaction takes place.

If the hedged transaction is no longer expected to take place, any related cumulative gain or loss outstanding in equity will be recognized in the profit or loss.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Obligations under finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Short-term portions of obligations related to discounted future lease payments are recorded among current liabilities under "Obligations under finance leases", while medium and long-term portions are recorded among non-current liabilities under "Obligations under finance leases".

Post-employment benefits

Post-employment benefits mainly consist of defined contribution retirement benefit plans and Italian Staff Leaving Indemnities (hereinafter TFR) which are classed as defined-benefit plans.

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

For defined benefit plans, the present value is estimated by applying actuarial methods, of the expected future payments required to settle the obligation resulting from employee service in the current and past periods. The actuarial valuation is carried out by an independent actuary using the Projected Unit Credit Method. This method considers each period of service provided by the employee as an additional unit right and measures the actuarial liability on the basis of the only matured seniority at the evaluation date. This actuarial liability is then re-measured taking into account the relationship between the service years provided by the employee at the evaluation date and the maturity cumulated at the expected date of settlement of the benefit. Moreover this method includes within its assumptions future salary increases whenever due to an employee (such as inflation rates, careers and new agreements) until the estimated termination date of the employment relationship.

The retirement benefit obligation recognized in the statements of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The cost of defined benefit plan, accruing during the year and recorded in the consolidated income statements, is equal to the discounted average amount of employee entitlements for the current period service, plus the interest cost on the present value of the Group's obligation at the beginning of the year. The interest cost is calculated adopting the previous year discount rate of future outflows used to estimate the liability at the reporting date.

Actuarial gains and losses are recognized directly in the other comprehensive income, net of deferred tax.

Other long-term employee benefits are recorded among non-current liabilities and their value corresponds to the present value of the defined benefit obligation at the reporting date, adjusted according to the relevant agreement's period. The valuation of other long-term benefits is carried out using the Projected Unit Credit Method.

Provisions

Provisions for risks and charges cover costs of specific nature, of certain or probable existence, whose amount or due date was uncertain at end of each reporting period. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions are only accrued when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made based on available information.

Where the Group expects reimbursement of a charge that has been provided for (e.g. under an insurance policy) the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain and the amount can be measured reliably.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities, other than derivatives, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL represent those derivatives designated and effective as a hedging instrument.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Revenue recognition

Revenues from sales of products are recognized in the profit or loss when all of the following conditions are satisfied:

- risks and rewards of ownership are transferred to the buyer;
- the value of revenues can be reliably determined;
- the Group's control over the goods sold has ceased;
- economic benefits associated with the transaction will probably be enjoyed by the Group; and
- the costs pertaining to the transaction can be reliably determined.

Revenue from sale of goods is recognized when the goods are delivered and title has passed.

Royalties are accounted for based on sales made by the licensees and the terms of the contract.

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Operating leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

When calculating the lease term, renewal periods are also considered if provided for by the agreement and the amount due is known or can be estimated.

Store opening costs

Costs incurred during the pre-opening period of new or refurbished retail stores are charged to profit or loss when incurred, except for those capitalised as leasehold improvements (please refer to accounting policy of property, plant and equipment). Upon closure of a store, the carrying value of leasehold improvements, net of the expected recoverable amount, is charged to the profit or loss.

Finance charges

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the respective functional currency recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Euro) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal of a subsidiary that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in equity (foreign currency translation reserve).

Income taxes

The provision for income taxes is determined based on a realistic estimate of the tax charge of each consolidated entity, in accordance with the tax rates and tax laws in force or substantially approved in each country at the end of each reporting period. Taxable profit differs from profit as reported in the consolidated income statements because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Current taxes are recorded in the consolidated income statements as expenses.

Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the relevant year.

Use of estimates

The process of preparing the financial statements underlying the Financial Information in compliance with IFRS requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses and when valuing contingent assets and liabilities.

Such assumptions relate primarily to unsettled transactions and events as at the end of each reporting period. Accordingly, upon settlement, the actual results may differ from the estimated amounts. Estimates and assumptions are periodically reviewed and the effects of any differences are immediately charged to the profit or loss.

Estimates are used for impairment tests, in determining provisions, allowance for doubtful accounts, allowance for obsolete and slow moving inventories, derivatives, post-employment benefits and in calculating taxes.

Income taxes

At January 31, 2009, 2010 and 2011, the Group had unused tax losses of Euro 83.6 million, Euro 82.0 million and Euro 106.5 million, respectively, available for offset against future profits. A deferred tax asset has been recognized in respect of Euro 12.4 million, Euro 7.7 million and Euro 9.3 million of such losses at January 31, 2009, 2010 and 2011, respectively. No deferred tax asset has been recognized in respect of the remaining Euro 71.2 million, Euro 74.3 million and Euro 97.2 million due to the unpredictability of future profit streams at January 31, 2009, 2010 and 2011, respectively. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

Estimated impairment of trade receivable

The policy for impairment of trade receivables of the Group and the Company is based on the evaluation of collectability and aged analysis of accounts and on management's judgement. A consideration amount of judgement is required in assessing the ultimate realization of these receivables including the current creditworthiness and the past collection history of each agency. If the financial conditions of agencies of the Group and the Company were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required. As at January 31, 2009, 2010 and 2011, the carrying amounts of trade receivables of the Group are Euro 251 million, Euro 224 million and Euro 274 million, respectively, net of provision for bad and doubtful debts Euro 9.4 million, Euro 11.3 million and Euro 10.5 million, respectively. As at January 31, 2009, 2010 and 2011, the carrying amounts of trade receivables of the Company are Euro 426 million, Euro 463 million and Euro 479 million, respectively, net of provision for bad and doubtful debts Euro 3.9 million, Euro 4.5 million and Euro 4.3 million, respectively.

Fair value of derivatives and other financial instruments

As described in note 8, the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. Details of the assumptions used are disclosed in note 8. The Directors believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

Allowance for obsolete and slow moving inventories

The management of the Group and the Company review an aged analysis of inventories at the end of each reporting period, and makes allowances for obsolete and slow-moving inventory items identified that are no longer suitable for selling to customers. The management estimates the net realisable value based on the latest invoice price and current market conditions. Any adverse changes in the economic environment may impact the demand for the Group's and the Company's products and the net realisable value of the inventory. Where the expectation of the net realisable value is different from the original estimates, such difference will impact the carrying value of inventories.

Provision for litigations and tax disputes

The estimates for provision for litigation are based upon available information and advice of counsel and are regularly reviewed on this basis by management.

In addition, the Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such a determination is made.

Details are set out in note 23.

Post-employment benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the expected long-term rate of return on the relevant plan assets and the discount rate.

The expected return on plan assets assumption is determined on a uniform basis, taking into consideration long-term historical returns and asset allocation and future estimates of long-term investment returns.

The Group and the Company determine the appropriate discount rate at the end of each reporting period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group and the Company consider the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefit will be paid, and that have terms to maturity approximately the terms of the related pension liability.

Any changes in these assumptions will impact the carrying amount of the pension obligation.

4. SIGNIFICANT ACQUISITIONS AND DISINVESTMENTS

Car Shoe S.A.

Car Shoe S.A. is a company with registered office in Luxemburg and is the sole shareholder of Car Shoe Italia srl, which distribute Car Shoe products worldwide and sale through 2 monobrand retail stores in Italy.

Further to the agreements signed by the Company and Fang S.A., a non-controlling shareholder of Car Shoe S.A. in February 2008, PB Luxembourg S.A., a company with registered office in Luxemburg and entirely controlled by the Company, acquired a 4% stake in Car Shoe S.A. on April 9, 2008. After this acquisition PB Luxembourg increased its shareholding in Car Shoe S.A. from 51% to 55%. This operation was preceded by Car Shoe S.A. recapitalization - which took place on March 31, 2008 — by both shareholders which waived receivables: Fang S.A., the non-controlling shareholder, for an amount of Euro 4.3 million and PB Luxembourg S.A., subsidiary of the Group, for an amount of Euro 4.5 million.

The consideration for acquisition of this 4% stake in Car Shoe S.A. was Euro 5 million and the difference between the acquisition price and the carrying value of investment acquired was recognized in equity during the year ended January 31, 2009.

In June 2010, the Group further acquired the remaining 45% of the stock capital of Car Shoe S.A., the Luxembourg company that heads the Car Shoe Group, for Euro 4 million. As this involved the acquisition of a further interest in a company already controlled, the difference between the acquisition price and the portion of shareholders' equity acquired amounted to Euro 1.1 million was recognized directly in the Group's shareholders' equity during the year ended January 31, 2011 in accordance with IFRS 3 and IAS 27.

Santacroce srl

On December 2, 2008, the Company acquired the remaining stake in Santacroce srl for an amount of Euro 1.1 million, thus increasing its shareholding from 94% to 100%. The difference between the price paid and the carrying value of the interest acquired was recognized in equity during the year ended January 31, 2009.

Post Development Corp

On December 17, 2008 the Company acquired from its parent company, PRADA Holding B.V., 100% of a group of companies composed of two Luxembourg holding companies (Immobiliare 1 sàrl and Immobiliare 3 sàrl) and six United States ("**US**") companies, consisting in one sub-holding company (PRADA North America llc) and five subsidiaries (Oak Street Development llc, Piano Development llc, Melrose Development llc, Madison Development llc and Post Development Corp).

During the weeks following the acquisition, a series of extraordinary transactions were carried out aimed at simplifying the control chain over the acquired assets: the Luxembourg companies were liquidated on December 19, 2008 and all the US companies were merged into Post Development Corp in January 2009. The result of this reorganization is the direct ownership of Post Development Corp by the Company as at January 31, 2009.

The consideration of Euro 14.5 million, represented the fair value of a building, determined by an independent valuer, net of financial liabilities paid to PRADA Holding B.V.

The building, located in Manhattan, New York, is the headquarter of PRADA USA Corp and hosts the offices, the showroom and the regional warehouse of the US subsidiary.

Eurobracco srl ("Eurobracco")

During the year ended January 31, 2009, the Company reached a framework agreement with third parties which led to the acquisition by the Group of 100% equity interest of Eurobracco on October 9, 2008 which holds an industrial facility located in Tuscany, Italy. The acquisition was completed on May 5, 2009.

Consideration transferred

	Euro'000
Cash	1,600
Other payable	2,504
	4,104

Assets acquired and liabilities recognized at the date of acquisition are as follows:

	Euro'000
Land and building	7,349
Deferred tax liabilities	(1,849)
Obligations under financial leases	(1,369)
Net working capital	(27)
	4,104

Net cash outflow on acquisition of Eurobracco

	Euro'000
Cash consideration paid	1,600
Less: cash and cash equivalent balances acquired	(34)
	1,566

Luna Rossa Trademark sàrl ("Luna Rossa")

On March 10, 2009, the subsidiary PRADA S.A. acquired the remaining 49% stake in Luna Rossa, a joint-venture with Telecom Italia S.p.A. incorporated in 2005 for the management of the homonymous trademark during the 2007 America's Cup. The acquired interest basically consists of the Luna Rossa trademark and the consideration paid in cash, equal to Euro 9.3 million, represented the fair value of the acquired asset. In December 2009, Luna Rossa has been liquidated and its assets and liabilities have been transferred to PRADA S.A..

Cheaney business disposal

In August 2009, the Group disposed of a footwear manufacturing unit - part of the Church Holding UK plc group - operating in Great Britain. In compliance with IFRS 5 the relevant costs and revenues were shown on a separate line of the consolidated income statements during the years ended January 31, 2009 and 2010.

Costs and revenues from discontinued operations during the year ended January 31, 2009 and 2010, are detailed below.

	Year ended January 31,	
	2009	2010
	Euro'000	Euro'000
Net revenues	4,594	1,712
Cost of goods sold	(4,516)	(1,940)
Operating expenses	(673)	(161)
Impairment losses	—	(1,917)
	(595)	(2,306)
Interest and other financial expenses, net	(7)	(1)
Net loss from discontinued operations	(602)	(2,307)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are detailed as below:

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Cash on hand	9,859	17,273	17,794	999	2,762	833
Bank balances	77,012	81,291	78,778	13,450	13,062	2,853
Total	86,871	98,564	96,572	14,449	15,824	3,686

Bank balances of the Group carry interest at market rates which range from 0% to 4.62%, 0% to 3.18% and 0% to 1.30% as at January 31, 2009, 2010, 2011, respectively.

Bank balances of the Company carry interest at market rates which range from 0% to 2.98%, 0% to 1.55% and 0% to 0.897% as at January 31, 2009, 2010, 2011, respectively.

6. TRADE RECEIVABLES, NET

Trade receivables are detailed as follows:

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Trade receivables:						
- third parties	239,645	216,305	266,376	137,444	125,352	169,434
- PRADA Holding B.V.	—	—	—	142	380	505
- subsidiaries	—	—	—	274,016	325,555	296,152
- a jointly controlled entity (note a)	1,981	1,430	1,924	329	130	72
- other related parties (note b)	18,310	17,771	16,412	17,488	16,374	17,002
	259,936	235,506	284,712	429,419	467,791	483,165
Provision for bad and doubtful debts - third parties	(9,424)	(11,308)	(10,537)	(3,884)	(4,477)	(4,266)
Total	250,512	224,198	274,175	425,535	463,314	478,899

In 2005, the Group signed an agreement with Crédit Agricole Corporate and Investment Bank - Crédit Agricole Group for the securitization of the trade receivables. The contract provides that Company can sell, without recourse, the receivables relating to invoices issued to Italian and European customers. On January 19, 2010, the parties signed a supplementary agreement to early terminate the securitization program.

Note a: **Trade receivables from a jointly controlled entity refer to royalties receivable from Fragrance & Skincare S.L. and are related to the distribution of Prada fragrances (note 38).**

Note b: **Trade receivables from other related parties refer to the sale of finished products and to royalties under franchise agreements with retail companies owned by the major shareholders of PRADA Holding B.V. (note 38).**

The credit period on sales of goods is ranged from 30 days to 90 days during the Relevant Periods. Allowances for doubtful debts are recognized based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The following is an aged analysis of trade receivables (before allowance for doubtful debts) presented based on the overdue days at the end of each reporting period.

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Current	205,198	185,983	249,353	353,427	346,951	341,276
Overdue:						
1 - 30 days	20,807	18,491	7,438	24,306	12,138	77,407
31 - 60 days	9,235	3,949	7,438	15,985	17,575	21,435
61 - 90 days	3,757	3,351	4,176	6,610	8,824	10,212
91 - 120 days	2,604	2,021	342	3,068	5,563	1,904
Over 120 days	18,335	21,711	15,965	26,023	76,740	30,931
	259,936	235,506	284,712	429,419	467,791	483,165

Before accepting any new customer with open credit term, the Group and the Company assess the potential customer's credit quality and defines credit limits.

In determining the recoverability of a trade receivable, the Group and the Company consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of each reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and mostly unrelated.

Trade receivables disclosed below include amounts (see below for aged analysis) that are past due at the end of each reporting period for which the Group and the Company have not recognized an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group and the Company do not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group and the Company to the counterparty.

Age of receivables that are past due but not impaired

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Overdue:						
1 - 30 days	20,794	18,451	7,358	24,294	12,133	77,361
31 - 60 days	9,093	3,674	7,390	15,985	17,570	21,387
61 - 90 days	3,605	3,082	4,083	6,610	8,819	10,184
91 - 120 days	2,526	1,615	239	3,036	5,554	1,801
Over 120 days	9,800	11,823	6,180	22,649	72,651	27,208
	45,818	38,645	25,250	72,574	116,727	137,941

Movements in the allowance for bad and doubtful debts:

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Opening balance	7,984	9,424	11,308	3,704	3,884	4,477
Exchange differences	1,586	(1,013)	204	—	—	—
Impairment losses recognized	1,605	3,670	1,345	865	1,200	918
Amounts written off during the year as uncollectible	(771)	(766)	(2,069)	(685)	(685)	(1,129)
Amounts recovered during the year	(980)	(7)	(251)	—	78	—
Closing balance	9,424	11,308	10,537	3,884	4,477	4,266

7. INVENTORIES

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Raw materials	86,795	70,069	63,672	82,436	67,872	60,058
Work in progress	11,734	12,565	17,186	7,835	9,405	13,795
Finished products	214,485	214,620	263,341	99,126	103,308	119,850
Allowance for obsolete and slow moving inventories	(61,817)	(65,778)	(63,790)	(59,899)	(65,499)	(63,558)
Total	251,197	231,476	280,409	129,498	115,086	130,145

Work in progress includes materials in production by the Company, a subsidiary and by third party sub-contractors.

8. FINANCIAL INSTRUMENTS

Derivative financial instruments

Assets and liabilities - current portion

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Financial assets for derivative instruments	3,440	180	7,379	3,440	180	7,368
Financial liabilities for derivative instruments	(21,266)	(9,278)	(5,279)	(20,946)	(8,941)	(4,883)
Net carrying amount	(17,826)	(9,098)	2,100	(17,506)	(8,761)	2,485

Assets and liabilities - non-current portion

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Financial assets for derivative instruments	—	—	2,140	—	—	2,140
Financial liabilities for derivative instruments	(2,118)	(158)	(318)	(2,118)	(146)	(30)
Net carrying amount	(2,118)	(158)	1,822	(2,118)	(146)	2,110

The derivative financial assets and liabilities (current and non-current) is detailed as follows:

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Forward contracts	881	5	607	881	5	595
Options	2,559	175	6,561	2,559	175	6,561
Swaps	—	—	2,351	—	—	2,352
Positive fair value	3,440	180	9,519	3,440	180	9,508
Forward contracts	(935)	(1,271)	(469)	(615)	(1,270)	(458)
Options	(18,645)	(4,211)	(4,217)	(18,645)	(4,213)	(4,216)
Swaps	(3,804)	(3,954)	(911)	(3,804)	(3,604)	(239)
Negative fair value	(23,384)	(9,436)	(5,597)	(23,064)	(9,087)	(4,913)
Net carrying amount	(19,944)	(9,256)	3,922	(19,624)	(8,907)	4,595

Fair value of financial instruments are classified according to three levels of hierarchy:

- Level I, quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level II, inputs, other than quoted prices included within Level I , that are observable for the assets or liabilities , either directly (prices) or indirectly (derived from prices);

- Level III, fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data.

Derivative instruments recorded at the end of each reporting period are all classified, based on characteristics and determination of fair value, as Level 2.

The Group and the Company entered into the financial derivative contracts in the course of its risk management activities so as to hedge financial risks connected with exchange rate and interest rate fluctuations.

Financial risk management

The Group's international activities expose it to various financial risks including the risk of exchange rate and interest rate fluctuation. The Group's overall risk management policy takes into account of the volatility of financial markets and seeks to minimise uncertainty regarding cash flow and the resulting potential adverse effects on results of the Group.

The Group enters into hedging contracts to manage risks arising from exposure to the exchange rate and interest rate risks.

Financial instruments are accounted for based on hedge accounting rules. At the inception of the hedge contract, the Group formally documents the hedging relationship assuming that hedging is effective during different accounting periods it is designated for. In general, the fluctuation of the exchange rates of Euro against other currencies and market interest rates would result fair value changes on cash flow hedges.

Exchange rate risk

The Group's international sales activities and its worldwide structure expose it to an exchange rate risk due to fluctuations in the exchange rate of the Euro against the US dollar, British Pound, Japanese Yen, Hong Kong dollar and Swiss Franc, to a lesser extent, against other currencies. The corporate finance department is responsible for arranging foreign currency hedges by entering into derivative contracts (forward sale and purchase, options) with third parties.

These hedging contracts are classified as cash flow hedges. The fair value of the hedging contracts qualified as cash flow hedges is recorded under shareholders' equity net of the tax effect.

Interest rate risk

Debt taken on by the Group exposes it to the interest rate risk. The group treasury department hedges this risk by arranging interest rate swap and collar agreements.

These hedging contracts are classified as cash flow hedges. The fair value of the hedging contracts qualified as cash flow hedges is recorded under shareholders' equity net of the tax effect.

Foreign exchange rate transactions

The Group's and the Company's international activities expose its cash flow to exchange rate volatility. In order to hedge this risk, the Group and the Company enter into options and forward sale and purchase agreements so as to guarantee the countervalue in Euro (or in other currencies of the various Group companies) of identified cash flows.

Expected future cash flows mainly consist of collection of trade receivables and payment of trade payables.

The most important currencies in terms of hedged amounts are: US dollar, British Pound, Hong Kong dollar, Japanese Yen and Swiss Franc.

The notional amounts of the derivative contracts, designated as cash hedges as at the end of each reporting period are stated below.

Hedging contracts regarding projected future trade cash flows:

THE GROUP

As at January 31, 2009	Options(1)	Forward contracts(1)	Swaps(1)	Total
	Euro'000	Euro'000	Euro'000	Euro'000
Currencies				
US dollar	101,256	31,367	—	132,623
British Pound	14,702	2,228	(284)	16,646
Japanese Yen	58,575	870	—	59,445
Hong Kong dollar	50,886	22,737	—	73,623
Swiss Franc	8,654	7,767	—	16,421
Others	10,218	19,136	—	29,354
Total	244,291	84,105	(284)	328,112

THE COMPANY

As at January 31, 2009	Options(1)	Forward contracts(1)	Swaps(1)	Total
	Euro'000	Euro'000	Euro'000	Euro'000
Currencies				
US dollar	101,256	31,367	—	132,623
British Pound	14,702	2,228	(284)	16,646
Japanese Yen	58,575	870	—	59,445
Hong Kong dollar	50,886	22,737	—	73,623
Swiss Franc	8,654	7,767	—	16,421
Others	10,218	17,336	—	27,554
Total	244,291	82,305	(284)	326,312

All the existing contracts are expiring within January 31, 2010.

(1) A positive number represents net sales and a negative number represents net purchases.

THE GROUP

As at January 31, 2010	Options[1]	Forward contracts[1]	Swaps[1]	Total
	Euro'000	Euro'000	Euro'000	Euro'000
Currencies				
US dollar	49,595	1,432	—	51,027
British Pound	19,364	288	—	19,652
Japanese Yen	15,949	1,189	—	17,138
Hong Kong dollar	37,660	922	—	38,582
Swiss Franc	6,875	1,136	—	8,011
Others	8,110	5,937	—	14,047
Total	137,553	10,904	—	148,457

THE COMPANY

As at January 31, 2010	Options[1]	Forward contracts[1]	Swaps[1]	Total
	Euro'000	Euro'000	Euro'000	Euro'000
Currencies				
US dollar	90,409	1,432	—	91,841
British Pound	29,906	289	—	30,195
Japanese Yen	46,413	1,189	—	47,602
Hong Kong dollar	71,328	922	—	72,250
Swiss Franc	13,139	2,499	—	15,638
Others	12,448	26,678	—	39,126
Total	263,643	33,009	—	296,652

All the existing contracts are expiring within January 31, 2011.

(1) A positive number represents net sales and a negative number represents net purchases.

THE GROUP

As at January 31, 2011	Options[1]	Forward contracts[1]	Swaps[1]	Total
	Euro'000	Euro'000	Euro'000	Euro'000
Currencies				
US dollar	93,872	(10,225)	—	83,647
British Pound	38,241	—	—	38,241
Japanese Yen	76,518	(12,579)	—	63,939
Hong Kong dollar	116,226	14,612	—	130,838
Swiss Franc	19,490	—	—	19,490
Singapore dollar	15,761	(5,874)	—	9,887
Others	18,380	29,640	—	48,020
Total	378,488	15,574	—	394,062

THE COMPANY

As at January 31, 2011	Options(1)	Forward contracts(1)	Swaps(1)	Total
	Euro'000	Euro'000	Euro'000	Euro'000
Currencies				
US dollar	93,872	18,989	—	112,861
British Pound	38,241	—	—	38,241
Japanese Yen	76,518	6,978	—	83,496
Hong Kong dollar	116,226	14,612	—	130,838
Swiss Franc	19,490	—	—	19,490
Others	34,141	29,926	—	64,067
Total	378,488	70,505	—	448,993

All the existing contracts are expiring within January 31, 2012.

(1) A positive number represents net sales and a negative number represents net purchases.

Hedging contracts regarding projected future financial cash flows:

THE GROUP AND THE COMPANY

As at January 31, 2009	Options(1)	Forward contracts(1)	Swaps(1)	Total
	Euro'000	Euro'000	Euro'000	Euro'000
Japanese Yen	—	(22,484)	—	(22,484)

All contracts in place as at January 31, 2009 expired within 12 months.

THE GROUP

As at January 31, 2011	Options(1)	Forward contracts(1)	Swaps(1)	Total
	Euro'000	Euro'000	Euro'000	Euro'000
Currencies				
British Pound	—	4,646	—	4,646
Japanese Yen	—	28,891	—	28,891
Hong Kong dollar	—	31,659	—	31,659
Total	—	65,196	—	65,196

All contracts in place as at January 31, 2011 expired within 12 months.

(1) A positive number represents net sales and a negative number represents net purchases.

All contracts in force at the reporting date were entered into with leading financial institutions and the Group does not expect any default by these institutions.

Interest rate transactions

In recent years, the Group entered into Interest Rate Swaps contracts ("**IRS**") in order to hedge the risk of interest rate fluctuations regarding some loans payable.

The key features of the IRS agreements in place at the end of each reporting period are summarized as follows:

THE GROUP AND THE COMPANY

As at January 31, 2009								
Contract	Currency	Notional amount	Interest rate	Maturity date	Fair value	Bank institution of hedged financial debt	Amount	Due date
IRS	Euro/000	107,500	2.62% - 4.00%	27/07/2010	(533)	Syndicated loan	129,000	07/2010
IRS	Euro/000	107,500	2.62%	27/07/2010	(582)	Syndicated loan	129,000	07/2010
IRS	Euro/000	30,000	4.7475%	01/12/2010	(1,204)	Intesa-Sanpaolo	30,000	06/2014
IRS	Euro/000	30,000	4.7490%	29/11/2010	(1,205)	UniCredit S.p.A.	30,000	05/2012
IRS	Euro/000	10,000	3.5%	01/08/2012	(280)	Carilucca, Pisa e Livorno	10,000	08/2012
					(3,804)			

THE GROUP

As at January 31, 2010								
Contract	Currency	Notional amount	Interest rate	Maturity date	Fair value	Bank institution of hedged financial debt	Amount	Due date
IRS	Euro/000	64,500	2.62% - 4.00%	27/07/2010	(534)	Syndicated loan	129,000	07/2010
IRS	Euro/000	64,500	2.62%	27/07/2010	(534)	Syndicated loan	129,000	07/2010
IRS	Euro/000	30,000	4.7475%	01/12/2010	(1,059)	Intesa-Sanpaolo	30,000	06/2014
IRS	Euro/000	30,000	4.7490%	29/11/2010	(1,058)	UniCredit S.p.A.	30,000	05/2012
IRS	Euro/000	10,000	3.5%	01/08/2012	(419)	Carilucca, Pisa e Livorno	10,000	08/2012
IRS	USD/000	22,000	5.7%	01/05/2014	(350)	Sovereign Bank	22,000	05/2014
					(3,954)			

THE COMPANY

As at January 31, 2010								
Contract	Currency	Notional amount	Interest rate	Maturity date	Fair value	Bank institution of hedged financial debt	Amount	Due date
IRS	Euro/000	64,500	2.62% - 4.00%	27/07/2010	(534)	Syndicated loan	129,000	07/2010
IRS	Euro/000	64,500	2.62%	27/07/2010	(534)	Syndicated loan	129,000	07/2010
IRS	Euro/000	30,000	4.7475%	01/12/2010	(1,059)	Intesa-Sanpaolo	30,000	06/2014
IRS	Euro/000	30,000	4.7490%	29/11/2010	(1,058)	UniCredit S.p.A.	30,000	05/2012
IRS	Euro/000	10,000	3.5%	01/08/2012	(419)	Carilucca, Pisa e Livorno	10,000	08/2012
					(3,604)			

THE GROUP

As at January 31, 2011								
Contract	Currency	Notional amount	Interest rate	Maturity date	Fair value	Bank institution of hedged financial debt	Amount	Due date
IRS	Euro/000	260,000	1.511%	26/07/2013	2,027	Pool loan	260,000	07/2013
IRS	Euro/000	26,250	1.545%	02/06/2014	249	Intesa-Sanpaolo	26,250	06/2014
IRS	Euro/000	24,000	1.745%	29/05/2012	(33)	Goldman Sachs	24,000	05/2012
IRS	Euro/000	5,400	2.21%	01/07/2015	6	MPS	5,400	07/2015
IRS	Euro/000	8,750	3.5%	01/08/2012	(136)	Carilucca, Pisa e Livorno	8,750	08/2012
IRS	USD/000	20,988	5.7%	01/05/2014	(673)	Sovereign Bank	20,988	05/2014
					1,440			

THE COMPANY

As at January 31, 2011								
Contract	Currency	Notional amount	Interest rate	Maturity date	Fair value	Bank institution of hedged financial debt	Amount	Due date
IRS	Euro/000	260,000	1.511%	26/07/2013	2,027	Pool laon	260,000	07/2013
IRS	Euro/000	26,250	1.545%	02/06/2014	249	Intesa-Sanpaolo	26,250	06/2014
IRS	Euro/000	24,000	1.745%	29/05/2012	(33)	Goldman Sachs	24,000	05/2012
IRS	Euro/000	5,400	2.21%	01/07/2015	6	MPS	5,400	07/2015
IRS	Euro/000	8,750	3.5%	01/08/2012	(136)	Carilucca, Pisa e Livorno	8,750	08/2012
					(2,113)			

The IRS converts the variable interest rates applying to a series of loans into fixed interest rates.

The IRS have been arranged with leading financial institutions and the Group does not expect them to default.

Under applicable regulations, all of the derivatives in force at the reporting date meet the requirements to be classified as cash flow hedges.

Information on financial risks

Capital management

The Group's and the Company's strategy in terms of capital management is intended to safeguard the Group's and the Company's ability to continue guaranteeing the return to shareholders, protecting the interests of stakeholders and respecting financial covenants as well as maintaining an adequate capital structure.

The capital structure of the Group and the Company consists of net debt (borrowings as detailed in note 16, net of cash and cash equivalents) and equity of the Group and the Company (comprising share capital, reserves and non-controlling interests.)

Financial assets

THE GROUP

As at January 31, 2009	Loans and receivables	Derivative financial instruments	Total	Notes
	Euro'000	Euro'000	Euro'000	
Cash and cash equivalents	86,871	—	86,871	5
Trade receivables, net	250,512	—	250,512	6
Derivative financial instruments	—	3,440	3,440	8
Amounts due from parent company, a jointly controlled entity and related parties	20,696	—	20,696	9
	358,079	3,440	361,519	

As at January 31, 2010	Loans and receivables	Derivative financial instruments	Total	Notes
	Euro'000	Euro'000	Euro'000	
Cash and cash equivalents	98,564	—	98,564	5
Trade receivables, net	224,198	—	224,198	6
Derivative financial instruments	—	180	180	8
Amounts due from parent company, a jointly controlled entity and related parties	54,537	—	54,537	9
	377,299	180	377,479	

As at January 31, 2011	Loans and receivables	Derivative financial instruments	Total	Notes
	Euro'000	Euro'000	Euro'000	
Cash and cash equivalents	96,572	—	96,572	5
Trade receivables, net	274,175	—	274,175	6
Derivative financial instruments	—	9,519	9,519	8
Amounts due from parent company, a jointly controlled entity and related parties	34,044	—	34,044	9
	404,791	9,519	414,310	

THE COMPANY

As at January 31, 2009	Loans and receivables	Derivative financial instruments	Total	Notes
	Euro'000	Euro'000	Euro'000	
Cash and cash equivalents	14,449	—	14,449	5
Trade receivables, net	425,535	—	425,535	6
Derivative financial instruments	—	3,440	3,440	8
Amounts due from parent company, subsidiaries, a jointly controlled entity and related parties	148,177	—	148,177	9
	588,161	3,440	591,601	

As at January 31, 2010	Loans and receivables	Derivative financial instruments	Total	Notes
	Euro'000	Euro'000	Euro'000	
Cash and cash equivalents	15,824	—	15,824	5
Trade receivables, net	463,314	—	463,314	6
Derivative financial instruments	—	180	180	8
Amounts due from parent company, subsidiaries, a jointly controlled entity and related parties	184,936	—	184,936	9
	664,074	180	664,254	

As at January 31, 2011	Loans and receivables	Derivative financial instruments	Total	Notes
	Euro'000	Euro'000	Euro'000	
Cash and cash equivalents	3,686	—	3,686	5
Trade receivables, net	478,899	—	478,899	6
Derivative financial instruments	—	9,508	9,508	8
Amounts due from parent company, a jointly controlled entity and related parties	184,234	—	184,234	9
	666,819	9,508	676,327	

Financial liabilities

THE GROUP

As at January 31, 2009	Amortised cost	Derivative financial instruments	Total	Notes
	Euro'000	Euro'000	Euro'000	
Bank overdrafts and borrowings	630,570	—	630,570	16
Amounts due to parent company, a jointly controlled entity and related parties	2,751	—	2,751	17
Other shareholders' loan	521	—	521	18
Trade payables	230,507	—	230,507	19
Derivative financial instruments	—	23,384	23,384	8
	864,349	23,384	887,733	

As at January 31, 2010	Amortised cost	Derivative financial instruments	Total	Notes
	Euro'000	Euro'000	Euro'000	
Bank overdrafts and borrowings	570,722	—	570,722	16
Amounts due to parent company, a jointly controlled entity and related parties	2,806	—	2,806	17
Other shareholders' loan	545	—	545	18
Trade payables	196,396	—	196,396	19
Derivative financial instruments	—	9,436	9,436	8
	770,469	9,436	779,905	

As at January 31, 2011	Amortised cost	Derivative financial instruments	Total	Notes
	Euro'000	Euro'000	Euro'000	
Bank overdrafts and borrowings	497,648	—	497,648	16
Amounts due to parent company, a jointly controlled entity and related parties	281	—	281	17
Other shareholders' loan	581	—	581	18
Trade payables	233,866	—	233,866	19
Derivative financial instruments	—	5,597	5,597	8
	732,376	5,597	737,973	

THE COMPANY

As at January 31, 2009	Amortised cost	Derivative financial instruments	Total	Notes
	Euro'000	Euro'000	Euro'000	
Bank overdrafts and borrowings	505,401	—	505,401	16
Amount due to parent company, subsidiaries, a jointly controlled entity and related parties	167,191	—	167,191	17
Trade payables	293,614	—	293,614	19
Derivative financial instruments	—	23,064	23,064	8
	966,206	23,064	989,270	

As at January 31, 2010	Amortised cost	Derivative financial instruments	Total	Notes
	Euro'000	Euro'000	Euro'000	
Bank overdrafts and borrowings	453,169	—	453,169	16
Amount due to parent company, subsidiaries, a jointly controlled entity and related parties	283,698	—	283,698	17
Trade payables	260,460	—	260,460	19
Derivative financial instruments	—	9,087	9,087	8
	997,327	9,087	1,006,414	

As at January 31, 2011	Amortised cost	Derivative financial instruments	Total	Notes
	Euro'000	Euro'000	Euro'000	
Bank overdrafts and borrowings	383,650	—	383,650	16
Amount due to parent company, subsidiaries, a jointly controlled entity and related parties	288,775	—	288,775	17
Trade payables	309,929	—	309,929	19
Derivative financial instruments	—	4,913	4,913	8
	982,354	4,913	987,267	

Credit risk

Credit risk is defined as the risk that a counterpart in a transaction, not fulfilling its obligations, causes a financial loss to another entity. The maximum risk to which an entity is potentially exposed is represented by all financial assets recorded in the financial statements.

The Group's directors essentially believe that the Group's credit risk mainly regards trade receivables generated from the wholesale channel.

The Group manages the credit risk and mitigates the related negative effects through its commercial and financial strategy. Credit risk management is performed by controlling and monitoring the reliability and solvency of customers and it is under the responsibility of the Group Commercial Department.

At the same time, the fact that the total receivables balance is not highly concentrated on individual customers and the fact that net sales are evenly spread geographically throughout the world, reduce the risk of financial losses.

Liquidity risk

The liquidity risk is intended as the difficulty the Group may have in fulfilling its obligations with regard to financial liabilities. The Directors are responsible for managing the liquidity risk, while the Group Treasury Department, reporting to the Chief Financial Officer, is responsible for optimising management of financial resources.

The Group's current liabilities exceed its current assets by approximately Euro 6.5 million and Euro 142.6 million as at January 31, 2009 and 2010, respectively. The Company's current liabilities exceed its current assets by approximately Euro 60.1 million, Euro 187.9 million and Euro 9.7 million as at January 31, 2009, 2010 and 2011, respectively.

The Group had unused and available credit lines totaling Euro 302.5 million, Euro 254.3 million and Euro 440.6 million as at January 31, 2009, 2010 and 2011, respectively.

The Company also held unused and available credit lines for Euro 237.1 million, Euro 179.6 million and Euro 368.7 million as at January 31, 2009, 2010 and 2011, respectively.

The Directors believe that the funds and lines of credit currently available, in addition to those that will be generated by operating and financing activities, will allow the Group to meet its needs deriving from investing activities, working capital management and repayment of loans as they fall due, without using all available funds that can thus be allocated to the payment of dividends. Accordingly, the Financial Information has been prepared on a going concern basis.

Financial liabilities associated with trade payables of the Group of Euro 230.5 million, Euro 196.4 million and Euro 233.9 million as at January 31, 2009, 2010 and 2011, respectively, fall due within 12 months.

Financial liabilities associated with trade payables of the Company of Euro 293.6 million, Euro 260.5 million and Euro 309.9 million as at January 31, 2009, 2010 and 2011, respectively, fall due within 12 months.

The following table details the maturity of derivative and non-derivative financial liabilities showing earliest date on which the Group and the Company could be called upon to make payment.

Derivative financial liabilities

THE GROUP

At January 31, 2009	Contractual cash flow	Up to 6 months	6 to 12 months	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Forward contracts designated as cash flow hedging							
Cash outflow	(2,819)	(1,342)	(1,477)	—	—	—	—
Cash inflow	1,918	906	1,012	—	—	—	—
Other cash flow hedging contracts							
Cash outflow	(19,343)	(11,602)	(7,741)	—	—	—	—
Cash inflow	2,374	971	1,403	—	—	—	—
Interest rate swaps cash flow hedge	(3,855)	(550)	(993)	(2,243)	(69)	—	—
Net value	(21,725)	(11,617)	(7,796)	(2,243)	(69)	—	—

At January 31, 2010	Contractual cash flow	Up to 6 months	6 to 12 months	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Forward contracts designated as cash flow hedging							
Cash outflow	(3,641)	(1,055)	(2,586)	—	—	—	—
Cash inflow	2,375	329	2,046	—	—	—	—
Other cash flow hedging contracts							
Cash outflow	(1,570)	(1,184)	(386)	—	—	—	—
Cash inflow	865	865	—	—	—	—	—
Interest rate swaps cash flow hedge	(4,097)	(2,590)	(1,324)	(425)	(25)	185	82
Net value	(6,068)	(3,635)	(2,250)	(425)	(25)	185	82

At January 31, 2011	Contractual cash flow	Up to 6 months	6 to 12 months	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Forward contracts designated as cash flow hedging							
Cash outflow	(11,986)	(11,477)	(509)	—	—	—	—
Cash inflow	11,432	11,092	340	—	—	—	—
Other cash flow hedging contracts							
Cash outflow	(21,771)	(20,196)	(1,575)	—	—	—	—
Cash inflow	18,768	17,345	1,423	—	—	—	—
Interest rate swaps cash flow hedge	(1,106)	(305)	(249)	(404)	(145)	(3)	—
Net value	(4,663)	(3,541)	(570)	(404)	(145)	(3)	—

THE COMPANY

At January 31, 2009	Contractual cash flow	Up to 6 months	6 to 12 months	From 1 to 2 years	From 2 to 3 years
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Forward contracts designated as cash flow hedging					
Cash outflow	(1,203)	(938)	(265)	—	—
Cash inflow	589	589	—	—	—
Other cash flow hedging contracts					
Cash outflow	(19,343)	(11,602)	(7,741)	—	—
Cash inflow	2,374	971	1,403	—	—
Interest rate swaps as cash flow hedging	(3,855)	(550)	(993)	(2,243)	(69)
Net value	(21,438)	(11,530)	(7,596)	(2,243)	(69)

At January 31, 2010	Contractual cash flow	Up to 6 months	6 to 12 months	From 1 to 2 years	From 2 to 3 years
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Forward contracts designated as cash flow hedging					
Cash outflow	(3,641)	(1,055)	(2,586)	—	—
Cash inflow	2,375	329	2,046	—	—
Other cash flow hedging contracts					
Cash outflow	(1,570)	(1,184)	(386)	—	—
Cash inflow	865	865	—	—	
Interest rate swaps as cash flow hedging	(3,626)	(2,334)	(1,143)	(127)	(22)
Net value	(5,597)	(3,379)	(2,069)	(127)	(22)

At January 31, 2011	Contractual cash flow	Up to 6 months	6 to 12 months	From 1 to 2 years	From 2 to 3 years
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Forward contracts designated as cash flow hedging					
Cash outflow	(840)	(331)	(509)	—	—
Cash inflow	409	69	340	—	—
Other cash flow hedging contracts					
Cash outflow	(21,771)	(20,196)	(1,575)	—	—
Cash inflow	18,768	17,345	1,423	—	—
Interest rate swaps as cash flow hedging	(169)	(101)	(57)	(11)	—
Net value	(3,603)	(3,214)	(378)	(11)	—

Non-derivative financial liabilities

THE GROUP

At January 31, 2009	Carrying amount	Contractual cash flow	On demand	6 months or less	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Beyond 5 years
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Obligations under finance leases	11,077	11,947	—	2,010	1,725	2,708	3,362	968	601	573
Financial liabilities										
- Bank overdraft and borrowings	630,570	655,058	29,704	246,009	105,710	178,151	36,793	27,446	19,707	11,538
- Other shareholders' loan	521	521	521	—	—	—	—	—	—	—
- Amounts due to parent company, a jointly controlled entity and related parties	2,751	2,751	2,751	—	—	—	—	—	—	—
Total	644,919	670,277	32,976	248,019	107,435	180,859	40,155	28,414	20,308	12,111

At January 31, 2010	Carrying amount	Contractual cash flow	On demand	6 months or less	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Beyond 5 years
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Obligations under finance lease	13,181	13,979	—	2,961	3,004	5,443	1,437	610	524	—
Financial liabilities										
- Bank overdraft and borrowings	570,722	593,720	29,357	406,931	36,111	36,719	40,918	18,200	22,881	2,603
- Other shareholders' loan	545	545	545	—	—	—	—	—	—	—
- Amounts due to parent company, a jointly controlled entity and related parties	2,806	2,806	2,806	—	—	—	—	—	—	—
Total	587,254	611,050	32,708	409,892	39,115	42,162	42,355	18,810	23,405	2,603

At January 31, 2011	Carrying amount	Contractual cash flow	On demand	6 months or less	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Beyond 5 years
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Obligations under finance leases	7,528	7,878	—	2,317	2,925	1,487	616	529	4	—
Financial liabilities										
- Bank overdraft and borrowings	497,648	530,676	17,186	115,211	76,537	137,738	156,789	24,196	3,019	—
- Other shareholders' loan	581	581	581	—	—	—	—	—	—	—
- Amounts due to parent company, a jointly controlled entity and related parties	281	281	281	—	—	—	—	—	—	—
Total	506,038	539,416	18,048	117,528	79,462	139,225	157,405	24,725	3,023	—

THE COMPANY

At January 31, 2009	Carrying amount	Contractual cash flow	On demand	6 months or less	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Beyond 5 years
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Obligations under financial leases	8,082	8,493	—	1,714	1,421	2,140	2,794	424	—	—
Financial liabilities										
- Bank overdraft and borrowings	505,401	524,371	14,177	232,457	50,014	149,244	29,871	20,667	16,403	11,538
- Amounts due to parent company, subsidiaries, a jointly controlled entity and related parties	167,191	167,191	167,191	—	—	—	—	—	—	—
Total	680,674	700,055	181,368	234,171	51,435	151,384	32,665	21,091	16,403	11,538

At January 31, 2010	Carrying amount	Contractual cash flow	On demand	6 months or less	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Beyond 5 years
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Obligations under financial leases	7,658	8,136	—	1,116	1,405	3,411	1,071	610	523	—
Financial liabilities										
- Bank overdraft and borrowings	453,169	469,466	23,362	344,758	17,387	28,802	30,041	13,382	9,131	2,603
- Amounts due to parent company, subsidiaries, a jointly controlled entity and related parties	283,698	283,698	283,698	—	—	—	—	—	—	—
Total	744,525	761,300	307,060	345,874	18,792	32,213	31,112	13,992	9,654	2,603

At January 31, 2011	Carrying amount	Contractual cash flow	On demand	6 months or less	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Beyond 5 years
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Obligations under financial leases	4,908	5,168	—	958	2,005	1,071	610	523	—	—
Financial liabilities										
- Bank overdraft and borrowings	383,650	408,195	15,349	87,430	57,830	117,724	116,743	10,100	3,019	—
- Amounts due to parent company, subsidiaries, a jointly controlled entity and related parties	288,775	288,775	288,775	—	—	—	—	—	—	—
Total	677,333	702,138	304,124	88,388	59,835	118,795	117,353	10,623	3,019	—

Some non-derivative financial liabilities provide financial parameters to be met by certain Group's companies. These covenants are described in note 16 to the Financial Information.

Exchange rate risk

The exchange rate risk to which the Group is exposed depends on foreign currency fluctuations, mainly against the Euro.

The exchange rate risk translates into the risk that Group's distributor cash flows may fluctuate as a result of changes in exchange rates. The most important currencies for the Group are the British Pound, Hong Kong dollar, Japanese Yen and US dollar.

The following table represents the sensitivity of the Group's and the Company's net result and net equity to a range of fluctuations of the main foreign currencies against Euro, based on the net balance of assets and liabilities as at the end of each reporting period. A positive number below indicates an increase in profit or equity.

	THE GROUP				THE COMPANY			
	Euro -> + 5%		Euro -> - 5%		Euro -> + 5%		Euro -> - 5%	
Year ended January 31, 2009	Effect on net income	Effect on net equity	Effect on net income	Effect on net equity	Effect on net income	Effect on net equity	Effect on net income	Effect on net equity
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
British Pound	(1,154)	(733)	1,324	830	(494)	(74)	595	101
Hong Kong dollar	141	3,268	18	(3,692)	3,154	6,280	(3,312)	(7,022)
Japanese Yen	(631)	1,252	628	(1,644)	(611)	1,272	697	(1,575)
US dollar	(2,976)	2,822	2,978	(3,220)	(2,004)	3,794	1,904	(4,294)
Other currencies	(1,501)	183	1,754	(246)	(374)	1,225	417	(1,488)
Total	(6,121)	6,792	6,702	(7,972)	(329)	12,497	301	(14,278)

	THE GROUP				THE COMPANY			
	Euro -> + 5%		Euro -> - 5%		Euro -> + 5%		Euro -> - 5%	
Year ended January 31, 2010	Effect on net income	Effect on net equity	Effect on net income	Effect on net equity	Effect on net income	Effect on net equity	Effect on net income	Effect on net equity
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
British Pound	(1,212)	(302)	975	179	(552)	359	245	(551)
Hong Kong dollar	2,894	3,694	(1,208)	(4,547)	4,400	5,200	(2,873)	(6,212)
Japanese Yen	1,565	2,341	(488)	(2,763)	1,264	2,039	(154)	(2,430)
US dollar	2,342	3,553	(615)	(4,322)	122	1,333	1,838	(1,868)
Other currencies	(924)	28	1,171	(272)	597	1,549	(510)	(1,953)
	4,665	9,314	(165)	(11,725)	5,831	10,480	(1,454)	(13,014)

	THE GROUP				THE COMPANY			
	Euro -> + 5%		Euro -> - 5%		Euro -> + 5%		Euro -> - 5%	
Year ended January 31, 2011	Effect on net income	Effect on net equity	Effect on net income	Effect on net equity	Effect on net income	Effect on net equity	Effect on net income	Effect on net equity
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
British Pound	(479)	(323)	472	453	(251)	(95)	219	200
Hong Kong dollar	4,595	8,664	(7,651)	(8,992)	5,362	9,431	(8,499)	(9,839)
Japanese Yen	1,087	2,881	(1,699)	(3,298)	543	2,337	(1,098)	(2,697)
US dollar	1,000	3,565	(2,199)	(3,539)	(36)	2,529	(1,054)	(2,394)
Other currencies	(2,196)	99	2,181	(257)	(3,015)	(3,692)	(265)	(2,704)
Total	4,007	14,886	(8,896)	(15,633)	2,603	10,510	(10,697)	(17,434)

The impact on net equity is the sum of the effect on the statement of comprehensive income of a hypothetical strengthening/weakening of the Euro against other currencies.

The effects on the above-mentioned items are recorded before the tax effect. Management believes that this sensitivity analysis is purely indicative,as it is based on the period end exposure, that might not reflect effects actually generated during the Relevant Periods.

Interest rate risk

The Group is exposed to interest rate fluctuations mainly with regard to the amount of interest charges on the debt carried by the Group.

Management of this risk falls within the scope of the risk management activities the Group carries out through the centralised Treasury Department.

The following table shows the sensitivity, of the Group and the Company's net income and net equity, to a shift in the interest rate curve to which the Group companies' and the Company's financial position was exposed as at the end of each reporting period.

THE GROUP

Year ended January 31, 2009	Shift Interest rate curve	Effect on net income	Effect on net equity	Shift interest rate curve	Effect on net income	Effect on net equity
		Euro'000	Euro'000		Euro'000	Euro'000
Euro	+ 0.50%	(2,484)	(1,194)	- 0.50%	2,490	1,153
Japanese Yen	+ 0.25%	(199)	(199)	- 0.25%	199	199
US dollar	+ 0.50%	71	71	- 0.50%	(71)	(71)
Other currencies	from + 0.25% to + 1%	239	239	from - 0.25% to - 1%	(239)	(239)
Total		(2,373)	(1,083)		2,379	1,042

THE COMPANY

Year ended January 31, 2009	Shift Interest rate curve	Effect on net income	Effect on net equity	Shift interest rate curve	Effect on net income	Effect on net equity
		Euro'000	Euro'000		Euro'000	Euro'000
Euro	+ 0.50%	(2,275)	(985)	- 0.50%	2,281	944
Japanese Yen	+ 0.25%	(55)	(55)	- 0.25%	55	55
US dollar	+ 0.50%	(13)	(13)	- 0.50%	13	13
Other currencies	from + 0.25% to + 1%	(354)	(354)	from - 0.25% to - 1%	1,240	1,240
Total		(2,697)	(1,407)		3,589	2,252

THE GROUP

Year ended January 31, 2010	Shift Interest rate curve	Effect on net income	Effect on net equity	Shift interest rate curve	Effect on net income	Effect on net equity
		Euro'000	Euro'000		Euro'000	Euro'000
Euro	+ 0.50%	(1,154)	(860)	- 0.50%	2,045	1,886
Japanese Yen	+ 0.50%	(272)	(272)	- 0.50%	272	272
US dollar	+ 0.50%	68	500	- 0.50%	(408)	(571)
Other currencies	from + 0.50% to + 1%	74	74	from - 0.50% to - 1%	(74)	(74)
Total		(1,284)	(558)		1,835	1,513

THE COMPANY

Year ended January 31, 2010	Shift Interest rate curve	Effect on net income	Effect on net equity	Shift interest rate curve	Effect on net income	Effect on net equity
		Euro'000	Euro'000		Euro'000	Euro'000
Euro	+ 0.50%	(1,282)	(988)	- 0.50%	2,173	2,014
Japanese Yen	+ 0.25%	(166)	(166)	- 0.25%	166	166
US dollar	+ 0.50%	(39)	(39)	- 0.50%	39	39
Other currencies	from + 0.25% to + 1%	(345)	(345)	from - 0.25% to - 1%	345	345
Total		(1,832)	(1,538)		2,723	2,564

THE GROUP

Year ended January 31, 2011	Shift Interest rate curve	Effect on net income	Effect on net equity	Shift interest rate curve	Effect on net income	Effect on net equity
		Euro'000	Euro'000		Euro'000	Euro'000
Euro	+ 0.50%	(1,597)	52	- 0.50%	1,708	(87)
Japanese Yen	+ 0.50%	(335)	(335)	- 0.50%	335	335
US dollar	+ 0.50%	(3)	228	- 0.50%	3	(209)
Other currencies	+ 0.50%	125	125	- 0.50%	(125)	(125)
Total		(1,810)	70		1,921	(86)

THE COMPANY

Year ended January 31, 2011	Shift Interest rate curve	Effect on net income	Effect on net equity	Shift interest rate curve	Effect on net income	Effect on net equity
		Euro'000	Euro'000		Euro'000	Euro'000
Euro	+0.50%	(1,785)	(136)	-0.50%	1,896	101
Japanese Yen	+0.50%	(377)	(377)	-0.50%	377	377
US dollar	+0.50%	(55)	(55)	-0.50%	55	55
Other currencies	+0.50%	23	23	-0.50%	(23)	(23)
Total		(2,194)	(545)		(2,305)	510

The total impact on net equity should be considered as the sum of the effect of an hypothetical shift in the interest rate curve on the income statement and on the cash flow hedge reserve.

The effects on the above-mentioned items are recorded before the tax effect. The sensitivity analysis was based on the period end net financial position, so it might not reflect the actual exposure to the interest rate risk during the year. Therefore, this analysis should be considered as indicative only.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models adopted by international financial providers for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted forward interest rates.

- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

9. AMOUNTS DUE FROM PARENT COMPANY, SUBSIDIARIES, A JOINTLY CONTROLLED ENTITY AND RELATED PARTIES

Amounts due from parent company, subsidiaries, a jointly controlled entity and related parties are detailed in note 38.

The principal amount of financial receivables of approximately Euro 20.6 million, Euro 54.5 million and Euro 32.6 million due from PRADA Holding B.V. as at year ended January 31, 2009, 2010 and 2011, respectively, is repayable upon request within 15 days of notice while interest accrues at a rate equal to Euribor/Libor plus a 100 basis points spread.

The principal amount of financial receivables of approximately Euro 70,000, Euro 75,000 and Euro 77,000 due from other companies controlled by PRADA Holding B.V. as at year ended January 31, 2009, 2010 and 2011, respectively, is repayable upon request within 15 days of notice while interest accrues at a rate equal to Euribor plus 100 basis points.

Except as disclosed above, all remaining receivables are interest free.

All balances are unsecured.

10. OTHER CURRENT ASSETS

Other current assets are detailed as follows:

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Value-added tax and other tax receivables	15,799	8,459	19,918	11,144	2,735	10,913
Income tax receivable	51,097	10,153	9,124	4,732	927	1,441
Other current assets	20,144	20,142	7,783	3,292	4,004	2,660
Prepayments and accrued income	35,108	30,514	31,842	20,308	18,776	18,966
Deposits	8,314	5,440	1,558	—	—	108
Total	130,462	74,708	70,225	39,476	26,442	34,088

Other current assets

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Advertising contributions under license agreements	13,072	10,505	1,952	—	—	—
Advances to suppliers	2,547	1,151	566	1,832	441	566
Rental incentives	2,729	4,487	2,222	—	—	—
Advances to employees	510	527	647	408	440	528
Others	1,286	3,472	2,396	1,052	3,123	1,566
Total	20,144	20,142	7,783	3,292	4,004	2,660

"Advertising contributions under license agreements" refer to receivables from licensees which manufacture and distribute Prada and Miu Miu eyewear and telephones on contribution of advertising costs incurred by the Group during the Relevant Periods.

Prepayments and accrued income

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Rental charges	10,599	9,962	11,357	2,267	2,102	1,992
Insurance	592	822	873	363	229	371
Design costs	13,872	11,903	10,620	13,353	11,903	10,620
Fashion shows and advertising campaigns	1,323	1,732	2,133	1,290	1,360	2,049
Sponsorship	1,233	595	236	—	—	—
Consulting	2,508	3,032	2,762	2,507	3,032	2,739
Others	4,981	2,468	3,861	528	150	1,195
Total	35,108	30,514	31,842	20,308	18,776	18,966

Design costs mainly refer to design fee incurred for collections which will launch in the following year.

Sponsorship mainly refers to sponsorships to related parties which are detailed in note 38.

Deposits

Deposits mainly include guarantee deposits paid under store leases agreements.

11. ASSETS HELD FOR SALE

	THE GROUP & THE COMPANY		
	At January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Genny trademark (note a)	1,413	1,413	1,413
Fragrance & Skincare (note b)	—	—	3,535
	1,413	1,413	4,948

Note a: This item mainly includes trademark no longer considered strategic by the Group and whose value will be recovered mainly through disposal and not through continued use. During the year ended January 31, 2009, the asset was impaired by Euro 2.8 million so as the book value approximates its fair value. No further impairment was made in the year ended January 31, 2010 and 2011.

On March 16, 2011, the Company entered into a sale agreement with a third party, Swinger International Group, at a consideration of Euro 1.8 million.

Note b: On January 27, 2011, the directors resolved to dispose of the interest in Fragrance & Skincare S.L. to its joint venture partner, Puig S.L. which are detailed in note 14.

12. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Carrying amounts of:						
Freehold land and buildings	110,407	106,457	145,602	48,750	61,079	100,783
Plant and production machinery	13,776	13,520	15,042	11,541	12,080	13,810
Leasehold improvements	134,396	160,748	220,112	9,074	11,239	16,523
Furniture and fittings	47,729	56,204	72,109	5,413	8,143	11,471
Other equipments	22,498	19,420	24,695	15,038	12,291	10,111
Construction in progress	50,385	61,616	59,157	32,932	38,365	13,654
	379,191	417,965	536,717	122,748	143,197	166,352

THE GROUP

Movements in the historical cost of property, plant and equipment during the Relevant Periods are as follows:

	Freehold land and buildings	Plant and production machinery	Leasehold improvements	Furniture and fittings	Other equipments	Construction in progress	Total cost
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Balance as at February 1, 2008	62,918	80,619	251,551	99,186	71,334	26,654	592,262
Exchange differences	1,884	(1,541)	34,729	5,673	940	1,657	43,342
Additions	58,631	6,761	61,942	23,615	4,187	27,095	182,231
Disposals	—	(624)	(180)	(621)	(1,236)	—	(2,661)
Other movements	6,385	—	(1,134)	838	(91)	(4,926)	1,072
Written off	—	(111)	(8,951)	(2,787)	(913)	(95)	(12,857)
Balance as at January 31, 2009	129,818	85,104	337,957	125,904	74,221	50,385	803,389
Exchange differences	(2,259)	259	(16,548)	(2,230)	(424)	(466)	(21,668)
Additions	2,201	5,874	65,686	19,254	3,549	23,585	120,149
Disposals	(448)	(1,042)	(1,024)	(589)	(4,625)	—	(7,728)
Other movements	(518)	268	7,780	3,098	638	(11,876)	(610)
Written off	—	(344)	(11,327)	(1,374)	(511)	(12)	(13,568)
Balance as at January 31, 2010	128,794	90,119	382,524	144,063	72,848	61,616	879,964
Exchange differences	1,257	46	12,788	4,086	579	2,195	20,951
Additions	10,479	7,609	83,165	26,437	11,930	58,446	198,066
Disposals	—	(1,057)	(110)	(416)	(434)	(309)	(2,326)
Other movements	31,995	346	23,766	3,857	(54)	(60,710)	(800)
Written off	—	(15)	(14,925)	(1,515)	(376)	(2,081)	(18,912)
Balance as at January 31, 2011	172,525	97,048	487,208	176,512	84,493	59,157	1,076,943

THE GROUP

Movements in the accumulated depreciation and amortization of property, plant and equipment during the Relevant Periods are as follows:

	Freehold land and buildings	Plant and production machinery	Leasehold improvements	Furniture and fittings	Other equipments	Total accumulated depreciation
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Balance as at February 1, 2008	9,767	67,520	163,451	67,203	45,311	353,252
Exchange differences	394	(1,280)	20,059	3,065	622	22,860
Depreciation	2,719	5,808	27,897	9,937	7,540	53,901
Disposals	—	(609)	(27)	(379)	(1,172)	(2,187)
Other movements	6,531	—	(1,539)	681	21	5,694
Written off	—	(111)	(6,280)	(2,332)	(599)	(9,322)
Balance as at January 31, 2009	19,411	71,328	203,561	78,175	51,723	424,198
Exchange differences	(174)	223	(9,954)	(1,286)	(294)	(11,485)
Depreciation	3,290	6,099	37,186	12,787	6,891	66,253
Disposals	(109)	(987)	(310)	(512)	(4,517)	(6,435)
Other movements	(81)	(21)	(727)	(163)	109	(883)
Written off	—	(43)	(7,980)	(1,142)	(484)	(9,649)
Balance as at January 31, 2010	22,337	76,599	221,776	87,859	53,428	461,999
Exchange differences	134	39	6,975	2,206	435	9,789
Depreciation	4,295	6,319	49,923	15,861	6,646	83,044
Disposals	—	(929)	(25)	(247)	(378)	(1,579)
Other movements	157	(7)	(349)	(32)	38	(193)
Written off	—	(15)	(11,204)	(1,244)	(371)	(12,834)
Balance as at January 31, 2011	26,923	82,006	267,096	104,403	59,798	540,226

THE COMPANY

Movements in the historical cost of property, plant and equipment during the Relevant Periods are as follows:

	Freehold land and buildings	Plant and production machinery	Leasehold improvements	Furniture and fittings	Other equipments	Construction in progress	Total cost
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Balance as at February 1, 2008	43,631	68,254	25,419	23,478	45,725	20,917	227,424
Additions	13,636	5,949	1,810	1,167	4,371	12,015	38,948
Disposals	—	(609)	(2)	(47)	(523)	—	(1,181)
Other movements	871	—	(871)	—	—	—	—
Written off	—	(111)	—	(11)	(516)	—	(638)
Balance as at January 31, 2009	58,138	73,483	26,356	24,587	49,057	32,932	264,553
Additions	2,142	5,671	2,324	3,736	2,149	6,981	23,003
Disposals	—	(134)	—	(104)	(4,188)	(7)	(4,433)
Other movements	12,912	888	894	459	211	(1,541)	13,823
Written off	—	(43)	(16)	(8)	(399)	—	(466)
Balance as at January 31, 2010	73,192	79,865	29,558	28,670	46,830	38,365	296,480
Additions	10,347	7,434	7,545	4,850	2,238	7,041	39,455
Disposals	—	(1,057)	—	(4)	(128)	—	(1,189)
Other movements	31,978	339	(683)	58	54	(31,752)	(6)
Written off	—	(15)	(274)	—	(238)	—	(527)
Balance as at January 31, 2011	115,517	86,566	36,146	33,574	48,756	13,654	334,213

THE COMPANY

Movements in the accumulated depreciation and amortization of property, plant and equipment during the current and previous year are as follows:

	Freehold land and buildings	Plant and production machinery	Leasehold improvements	Furniture and fittings	Other equipments	Total accumulated depreciation
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Balance as at February 1, 2008	8,196	57,431	16,323	17,929	29,622	129,501
Depreciation	1,038	5,226	1,113	1,300	5,392	14,069
Disposals	—	(604)	—	(44)	(479)	(1,127)
Other movements	154	—	(154)	—	—	—
Written off	—	(111)	—	(11)	(516)	(638)
Balance as at January 31, 2009	9,388	61,942	17,282	19,174	34,019	141,805
Depreciation	1,554	5,627	1,037	1,279	4,919	14,416
Disposals	—	(125)	—	(92)	(4,178)	(4,395)
Other movements	1,171	384	16	174	178	1,923
Written off	—	(43)	(16)	(8)	(399)	(466)
Balance as at January 31, 2010	12,113	67,785	18,319	20,527	34,539	153,283
Depreciation	2,464	5,918	1,735	1,625	4,418	16,160
Disposals	—	(929)	—	—	(126)	(1,055)
Other movements	157	(3)	(157)	(49)	52	—
Written off	—	(15)	(274)	—	(238)	(527)
Balance as at January 31, 2011	14,734	72,756	19,623	22,103	38,645	167,861

The written off recorded as at January 31, 2009, 2010 and 2011 relates to assets that are no longer being used.

The net book value of property, plant and equipment of the Group amounted to Euro 38.1 million, Euro 35.7 million and Euro 31.5 million as at January 31, 2009, 2010 and 2011 in respect of assets held under finance leases.

The net book value of property, plant and equipment of the Company amounted to Euro 31.4 million, Euro 22.4 million and Euro 20.7 million as at January 31, 2009, 2010 and 2011 in respect of assets held under finance leases.

13. INTANGIBLE ASSETS

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Carrying amounts of:						
Trademark	327,700	328,154	312,460	1	6	5
Goodwill	507,295	503,889	503,946	78,354	82,122	82,122
Store lease acquisitions	41,832	42,452	36,087	—	—	—
Software	9,135	5,764	6,385	8,523	5,324	5,996
Development costs	14,482	12,244	7,869	1,352	2,762	2,421
Software under installation	672	816	2,372	245	287	1,090
	901,116	893,319	869,119	88,475	90,501	91,634

THE GROUP

Movements in the historical cost of intangible assets during the Relevant Periods are as follows:

	Trademarks	Goodwill	Store lease acquisitions	Software	Development costs	Software under installation	Total gross value
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Balance as at February 1, 2008	394,293	535,201	82,825	53,580	39,093	1,058	1,106,050
Exchange differences	(10,772)	(5,205)	(266)	137	36	4	(16,066)
Additions	177	—	13,767	2,394	1,975	493	18,806
Other movements	—	—	1,255	643	25	(883)	1,040
Written off	—	—	—	(337)	(3)	—	(340)
Balance as at January 31, 2009	383,698	529,996	97,581	56,417	41,126	672	1,109,490
Exchange differences	1,937	936	(16)	(175)	(16)	(4)	2,662
Acquisition through business combinations	9,311	—	—	—	—	—	9,311
Additions	168	2,060	7,517	1,226	2,871	525	14,367
Disposals	—	—	—	(153)	—	—	(153)
Other movements	—	—	428	(236)	52	(325)	(81)
Written off	—	—	—	(65)	—	(52)	(117)
Balance as at January 31, 2010	395,114	532,992	105,510	57,014	44,033	816	1,135,479
Exchange differences	(5,208)	176	340	185	1	19	(4,487)
Additions	184	—	1,529	3,339	1,599	2,143	8,794
Disposals	—	—	—	(2)	—	(3)	(5)
Other movements	1	—	381	216	21	(603)	16
Written off	—	—	—	(24)	(189)	—	(213)
Balance as at January 31, 2011	390,091	533,168	107,760	60,728	45,465	2,372	1,139,584

THE GROUP

Movements in the accumulated amortization and impairment of intangible assets during the Relevant Periods are as follows:

	Trademarks	Goodwill	Store lease acquisition cost	Software	Development costs	Total accumulated amortization
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Balance as at February 1, 2008	47,961	19,564	49,491	42,106	21,992	181,114
Exchange differences	(2,328)	(2,307)	288	124	1	(4,222)
Amortization	10,365	—	5,769	5,367	4,678	26,179
Other movements	—	—	201	—	(27)	174
Impairment	—	5,444	—	—	—	5,444
Written off	—	—	—	(315)	—	(315)
Balance as at January 31, 2009	55,998	22,701	55,749	47,282	26,644	208,374
Exchange differences	475	567	(247)	(159)	(2)	634
Amortization	10,487	—	7,446	4,539	5,156	27,628
Disposals	—	—	—	(143)	—	(143)
Other movements	—	—	110	(213)	(9)	(112)
Impairment	—	5,835	—	—	—	5,835
Written off	—	—	—	(56)	—	(56)
Balance as at January 31, 2010	66,960	29,103	63,058	51,250	31,789	242,160
Exchange differences	(439)	119	157	162	1	—
Amortization	11,110	—	8,358	2,955	5,987	28,410
Other movements	—	—	100	—	(2)	98
Written off	—	—	—	(24)	(179)	(203)
Balance as at January 31, 2011	77,631	29,222	71,673	54,343	37,596	270,465

THE COMPANY

Movements in the historical cost of intangible assets during the Relevant Periods are as follows:

	Trademarks	Development cost	Goodwill	Software	Software under installation	Total cost
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Balance as at February 1, 2008	2,093	850	81,657	42,280	806	127,686
Additions	—	1,975	—	2,021	132	4,128
Other movements	—	51	—	642	(693)	—
Balance as at January 31, 2009	2,093	2,876	81,657	44,943	245	131,814
Additions	1	2,540	2,060	1,109	286	5,996
Other movements	7	(28)	1,708	79	(244)	1,522
Balance as at January 31, 2010	2,101	5,388	85,425	46,131	287	139,332
Additions	—	1,446	—	3,256	991	5,693
Other movements	—	(12)	—	188	(188)	(12)
Balance as at January 31, 2011	2,101	6,822	85,425	49,575	1,090	145,013

The movements in the accumulated amortization of intangible assets during the Relevant Periods are as follows:

	Trademarks	Development cost	Goodwill	Software	Total accumulated amortization
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Balance as at February 1, 2008	2,092	833	3,303	31,270	37,498
Amortization	—	691	—	5,150	5,841
Balance as at January 31, 2009	2,092	1,524	3,303	36,420	43,339
Amortization	1	1,111	—	4,373	5,485
Other movements	2	(9)	—	44	37
Impairment	—	—	—	(30)	(30)
Balance as at January 31, 2010	2,095	2,626	3,303	40,807	48,831
Amortization	1	1,777	—	2,772	4,550
Other movements	—	(2)	—	—	(2)
Balance as at January 31, 2011	2,096	4,401	3,303	43,579	53,379

Trademark

The net book value of trademarks is provided below:

	THE GROUP		
	At January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Prada	4,963	4,800	4,637
Miu Miu	193,262	187,687	182,112
Church's	121,706	119,188	110,546
Luna Rossa	—	9,074	8,093
Car Shoe	6,560	6,363	6,177
Other	1,209	1,042	895
Total	327,700	328,154	312,460

Group's trademarks have not been impaired during the Relevant Periods. "Other" includes trademark registration expenses.

"Store lease acquisition costs" (Key Money) include intangible assets recorded with reference to costs incurred by the Group to enter into, take over or extend lease agreements for retail premises in the most prestigious retail areas.

Goodwill

The carrying amount of goodwill was allocated to cash generating units ("**CGU**") as follows:

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Italian wholesale	78,355	78,355	78,355	78,354	78,354	78,354
Asia Pacific and Japan retail	311,936	311,936	311,936	—	—	—
Italian retail	25,850	25,850	25,850	—	—	—
Germany and Austria retail	5,064	5,064	5,064	—	—	—
The United Kingdom retail	9,300	9,300	9,300	—	—	—
Spain retail	1,400	1,400	1,400	—	—	—
France and Montecarlo retail	11,700	11,700	11,700	—	—	—
North America retail and wholesale	48,000	48,000	48,000	—	—	—
Industrial goodwill	1,433	3,492	3,492	—	3,768	3,768
Church's	14,257	8,792	8,849	—	—	—
Total	507,295	503,889	503,946	78,354	82,122	82,122

Goodwill is not amortised. Instead, it is tested for impairment at least once a year.

The method used to identify the recoverable value ("value in use") is based on the discounted expected free cash-flow (hereinafter DCF) generated by the assets directly attributable to the business to which the goodwill has been allocated.

The value in use is calculated as the sum of the present value of future free cash-flows expected from the business plan projections covering a 5 year period prepared for each CGU and the present value of the operating activities of the sector at the end of the business plan period (terminal value) based on growth rate ranging from 0% to 1.5%.

Business plans cover a period of five years and the discount rate applied is calculated using the weighted average cost of capital approach ("**W.A.C.C.**"). For the test performed, the W.A.C.C. used for discounting purposes is in the range between 6.17% to 9.93%, 5.66% to 8.84% and 5.55% to 9.6% as at January 31, 2009, 2010 and 2011, respectively.

As at January 31, 2009, the test highlighted on impairment loss which recorded in the consolidated income statement. An impairment of Euro 5 million reduced "Industrial Goodwill", while an impairment of Euro 0.4 million reduced the goodwill attributable to the "Church's" CGU due to uncertain global economic outlook, the Group has revised its cash flow forecasts for the CGU.

Following to the test performed as at January 31, 2010 an impairment loss, attributable to the "Church's" CGU, was recorded in the consolidated income statement for an amount of Euro 5.8 million due to uncertain global economic outlook, the Group has revised its cash flow forecasts for the CGU.

No impairment loss was identified as at January 31, 2011 as the recoverable value is greater than the carrying value of goodwill of each CGUs.

14. INVESTMENTS

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Investments in subsidiaries	—	—	—	833,012	822,615	823,479
Investment in an associate	1,738	1,738	1,738	1,738	1,738	1,738
Investment in a jointly controlled entity	8,160	7,757	—	7,050	7,050	—
Other investments	14	14	14	14	14	14
Total	9,912	9,509	1,752	841,814	831,417	825,231

Details of the associate at the end of each reporting periods are disclosed in note 40.

Investment in a jointly controlled entity

Fragrance & Skincare S.L. is a jointly controlled entity, with the Spanish manufacturer Puig Beauty & Fashion, for distributing of fragrances.

The Company acquired 50% of shares of Fragrance & Skincare S.L. in 2007 from its parent company — PRADA Holding B.V.. The value of the investment includes a goodwill amounting to Euro 4.4 million annually tested for impairment.

On January 27, 2011, the directors resolved to dispose of the interest in Fragrance & Skincare S.L. to its joint venture partner, Puig S.L.. The assets attributable to the investment in a jointly controlled entity have been classified as asset held for sale in the consolidated statement of financial position (note 11) as at January 31, 2011 and a sales agreement was entered with Puig S.L. on February 23, 2011. The consideration for the disposal of Fragrance & Skincare S.L. was approximately Euro 3.5 million. The relationship with the Spanish fragrance producer will continue under the licensing agreement with Fragrance & Skincare S.L. that has been extended to 2020.

Summarized financial information in respect of the Group's jointly controlled entity is set out below.

	THE GROUP	
	At January 31,	
	2009	2010
	Euro'000	Euro'000
Total assets	35,960	34,608
Total liabilities	28,593	28,047
Net assets	7,367	6,561
Group's share of net assets of a jointly controlled entity	3,684	3,281

	THE GROUP		
	Year ended January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Total profit for the year	2,030	(806)	(8,442)
Other comprehensive income	—	—	—
Group's share of profit (loss) of entity	1,015	(403)	(4,221)
Group's share of other comprehensive income	—	—	—

15. OTHER NON-CURRENT ASSETS

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Guarantee deposits	31,056	24,347	37,945	—	—	—
Deferred rent	—	1,650	1,981	—	—	—
Others	2,377	2,358	4,958	3,764	2,900	1,227
Total	33,433	28,355	44,884	3,764	2,900	1,227

Guarantee deposits are analysed by type as follows:

THE GROUP

	At January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Type:			
Stores	27,938	22,194	34,639
Offices	1,904	1,055	1,268
Warehouses	184	125	152
Other	1,030	973	1,886
Total	31,056	24,347	37,945

16. BORROWINGS

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Bank overdrafts	27,009	29,369	17,074	14,105	23,365	15,173
Bank loans	606,199	543,033	484,878	493,621	430,673	371,117
	633,208	572,402	501,952	507,726	454,038	386,290
Deferred cost on loans	(2,638)	(1,680)	(4,304)	(2,325)	(869)	(2,640)
Total	630,570	570,722	497,648	505,401	453,169	383,650
Secured	17,123	34,271	36,487	17,123	19,843	21,643
Unsecured	613,447	536,451	461,161	488,278	433,326	362,007
	630,570	570,722	497,648	505,401	453,169	383,650

Carrying amount repayable:						
Within one year	368,274	460,281	196,463	287,603	375,794	151,346
More than one year, but not exceeding two years	174,045	32,324	127,177	145,712	25,700	109,091
More than two years, but not exceeding five years	79,602	77,220	178,312	63,124	49,967	125,853
More than five years	11,287	2,577	—	11,287	2,577	—
Deferred cost on loans	(2,638)	(1,680)	(4,304)	(2,325)	(869)	(2,640)
	630,570	570,722	497,648	505,401	453,169	383,650
Less: Amounts due within one year shown under current liabilities	(366,538)	(459,283)	(194,240)	(286,147)	(375,100)	(149,956)
Amounts shown under non-current liabilities	264,032	111,439	303,408	219,254	78,069	233,694

The ranges of effective interest rates are as follows:

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
Effective interest rate:	0.93% to 6.65%	0.74% to 9.67%	1.17% to 10.30%	2.43% to 6.11%	0.74% to 5.0%	1.14% to 4.4%

The carrying amounts of the Group's and the Company's bank loans are denominated in the following currencies:

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Euro	493,656	430,805	370,643	493,621	430,673	371,117
Japanese Yen	108,081	74,597	77,038	—	—	—
Renminbi	—	13,635	13,167	—	—	—
US dollar	—	15,489	15,329	—	—	—
Other currencies	4,462	8,507	8,701	—	—	—
	606,199	543,033	484,878	493,621	430,673	371,117

Non-current borrowings are analysed as follows:

Lending bank	Notes	Borrower	Expiry date	2009	2010	2011
				Euro'000	Euro'000	Euro'000
Syndicated loan	a	The Company	07/2010	129,000	—	—
Banca di Roma		The Company	07/2010	4,000	—	—
Banca Monte dei Paschi di Siena	b	The Company	07/2015	6,000	5,400	4,200
Intesa Sanpaolo*	c	The Company	06/2014	30,000	26,250	18,750
UniCredit S.p.A.	d	The Company	05/2012	30,000	24,000	12,000
C.R. Lucca. Pisa. Livorno	e	The Company	08/2012	10,000	8,750	3,750
Cariparma	f	The Company	06/2015	11,123	13,843	16,243
Pool loan	g	The Company	07/2013	—	—	180,000
Syndicated loan	a	PRADA Japan Co., Ltd.	07/2010	24,669	—	—
Mizuho Bank	h	PRADA Japan Co., Ltd.	07/2013	17,394	13,231	8,872
HSBC	i	Church & Co. Plc.	07/2013	2,784	2,472	1,660
Sovereign Bank	j	Post Development Corp.	05/2014	—	15,028	14,844
Bank of China	k	PRADA Fashion Commerce (Shanghai) Co. Ltd.	09/2012	—	3,147	3,322
Mizuho Bank	l	PRADA Fashion Commerce (Shanghai) Co. Ltd.	09/2013	—	—	9,845
Mizuho Bank and Bank of Tokyo	m	PRADA Japan Co., Ltd.	07/2013	—	—	32,003
				264,970	112,121	305,489
Deferred cost on loans				(938)	(682)	(2,081)
Total				264,032	111,439	303,408

* Intesa Sanpaolo is a shareholder of the Company.

Notes:

a. In 2005, the Group obtained a long-term loan organized and provided by Intesa Sanpaolo S.p.A., Calyon S.A., HSBC Bank plc and UniCredit S.p.A. The loan agreement was signed on July 27, 2005 for a total amount of Euro 590 million and 14,500 million Japanese Yen allocated to the Company and its subsidiary PRADA Japan Co., Ltd, respectively.

The amount allocated to the Company includes a five-year loan of Euro 430 million (including Euro 301 million repayable in seven installments due from January 2007 to January 2010 and the remainder through a bullet repayment in July 2010), a revolving credit line of Euro 80 million and a back-up facility of Euro 80 million for working capital requirements (final maturity July 2010). The Company voluntarily cancelled some Euro 40 million of this back-up line of credit in December 2005 while the remaining Euro 40 million was cancelled in February 2006.

The credit facility allocated to PRADA Japan Co., Ltd includes a five-year loan of 10,500 million Japanese Yen (including 7,668 million Yen repayable in seven installments due from January 2007 to January 2010 and the remaining through a bullet repayment in July 2010) and a revolving line of credit of 4,000 million Japanese Yen with final maturity July 2010.

These long-term facilities are subject to certain financial covenants and conditions, which are based on the consolidated financial statements of the Group. These financial covenants and conditions refer to a minimum amount of consolidated net worth that shall not be less than Euro 320 million, a maximum level of the ratio of total net borrowings to EBITDA that shall not exceed 3.5 at the year end (3.75 at the half of the year) and a minimum level of the ratio of EBITDA to financial charges that shall not be lower than 4. As at January 31, 2009 the Group fully respected these covenants.

The loan agreement provides that the proceeds from any debenture loan or from other medium-term bank loans expiring before July 2010, as well as from capital increases due to the possible listing of PRADA spa are used to repay the loan capital ahead of schedule.

b. On July 31, 2008 Banca Monte dei Paschi di Siena granted the Company a seven-year mortgage loan of Euro 6 million repayable in 10 installments due from January 2011 to July 2015. The loan agreement is guaranteed by a mortgage on a property in Tuscany acquired during year ended January 31, 2009. The net book value of such property was Euro 13.0 million, Euro 12.7 million and Euro 12.5 million as at January 31, 2009, 2010 and 2011, respectively.

Interest rate is equal to six-month Euribor plus 110 basis points.

c. On May 29, 2007, Intesa Sanpaolo spa granted the Company a seven year loan of Euro 30 million repayable in 8 equal installments due from December 2010 to June 2014.

The loan facility is subject to certain financial covenants and conditions, which are based on the consolidated financial statements of the Group. These financial covenants and conditions refer to a minimum amount of consolidated net worth that shall not be less than Euro 320 million, a maximum level of the ratio of total net borrowings to EBITDA that shall not exceed 3.5 at the year end and a minimum level of the ratio of EBITDA to financial charges that shall not be lower than 4. At the reporting date, all of the covenants were respected.

d. On May 29, 2007, UniCredit S.p.A. granted the Company five-year loan of Euro 30 million repayable in four installments (three installments of Euro 6 million due from November 2010 to November 2011 and the remaining Euro 12 million as a bullet repayment in May 2012). Pursuant to the agreement, the Company may exercise — within 60 days of the expiry date - a term out option thus extending the loan term by two years. In this case, the remaining amount of Euro 12 million may be repaid in five equal installments.

The loan facility is subject to certain financial covenants and conditions, which are based on the consolidated financial statements of the Group. These financial covenants and conditions refer to a maximum level of the ratio of total net borrowings to EBITDA that shall not exceed 3.5 at the year end and a minimum level of the ratio of EBITDA to financial charges that shall not be lower than 4. At the reporting date, all of the covenants were respected.

e. On July 20, 2007, Cassa di Risparmio di Lucca Pisa Livorno S.p.A. granted the Company a five-year loan of Euro 10 million repayable in eight equal installments due from November 2010 to August 2012.

f. On July 31, 2008, Cassa di Risparmio di Parma e Piacenza S.p.A. granted the Company a seven-year mortgage loan of Euro 20 million disbursable based on the progress of works on a property located in Tuscany. As at January 31, 2010 the amount received was Euro 13.8 million, (Euro 11.1 million as at January 31, 2009). The loan is guaranteed by a mortgage on the property. On January 18, 2010 the amortization schedule was amended while the final maturity remained as the original (June 30, 2015). Following this amendment the reimbursement is established in 7 semi-annual installments starting from December 2012. The net book value of such property was Euro 27.3 million, Euro 31.2 million and Euro 34.1 million as at January 31, 2009, 2010 and 2011, respectively.

g. The Company signed a loan agreement with a pool of seven banks for a total amount of Euro 360 million. The agreement includes a term loan of Euro 260 million repayable from July 2011 and a revolving line of credit of Euro 100 million. The lending banks are: Banca Monte dei Paschi di Siena, Crédit Agricole, HSBC, Intesa Sanpaolo, Mizuho, Natixis and UniCredit S.p.A. The loan expires on July 27, 2013.

   The term loan is subject to interest at the Euribor 6 month rate plus a spread of 150 basis points while the revolving line of credit is subject to the Euribor rate for the period plus a spread of 115 basis points. Both spreads are variable in relation to the ratio between consolidated net bank borrowing and EBITDA.

   This loan is subject to compliance with certain covenants based on the consolidated financial statements of the Group. Specifically, the ratio of total net bank borrowing and EBITDA cannot exceed 2.5 at year end (3 at the six-monthly reporting date), the ratio of EBITDA to total net interest charges must be greater than 4 and, finally, shareholders' equity must not be lower than Euro 650 million.

h. On July 11, 2008 Mizuho Bank granted PRADA Japan Co., Ltd. a five-year loan of Yen 2 billion repayable in 6 six-month installments due from January 2011 to July 2013. The financing is at a fixed interest rate of 2.09%.

i. On May 12, 2008 Church & Co., Ltd. signed a five-year loan agreement with HSBC Bank plc for a total amount of GBP 2.5 million, repayable in 3 tranches within 9 months after the execution of the agreement; the financing is repayable in 6 installments due from January 2011. It is guaranteed by PRADA spa and the interest rate is equal to the UK base rate plus 70 basis points.

j. On April 3, 2009, Sovereign Bank granted Post Development Corp. a five-year mortgage loan of USD 22 million, of which USD 3.3 million are repayable in 59 monthly instalments, due from June 2009 to April 2014 and the remainder through a bullet repayment in May 2014. The loan is guaranteed by a mortgage on the property in New York, head-office of PRADA USA Corp. This loan is subject to certain financial covenants that are based on the financial statements of Prada USA Corp. and Post Development Corp. and they have been fully respected as at reporting date. The net book value of such property was Euro 35.3 million, Euro 30.6 million and Euro 30.0 million as at January 31, 2009, 2010 and 2011, respectively.

k. On September 20, 2009 PRADA Fashion Commerce (Shanghai) Co., Ltd. was granted a three year loan from Bank of China for a total of Renminbi 30 million. The reimbursement is bullet at maturity.

l. On September 28, 2010, Prada Fashion Commerce (Shanghai) Co., Ltd. obtained a three-year loan totaling Renminbi 170 million from Mizuho Bank. The loan includes Tranche A of Renminbi 120 million which is repayable in six-monthly installments between March 2012 and September 2013 and Tranche B of Renminbi 50 million, repayable in quarterly installments between December 2012 and September 2013. The applicable rate of interest is 100% of the rate published by the People's Bank of China.

m. On September 28, 2010, Prada Japan Co., Ltd. signed a loan agreement for a total amount of Japanese Yen 6 billion with a pool of banks including Mizuho Bank and Bank of Tokyo. This includes a term loan of Yen 4 billion, repayable in six-monthly installments from January 2012, and a revolving line of credit of Yen 2 billion that expires in July 2011. The term loan is subject to interest at the TIBOR six month rate plus a spread of 110 basis points while the revolving line of credit is subject to interest at the TIBOR period rate plus a spread of 82.5 basis points. This loan is also subject to certain covenants based on the statutory financial statements of Prada Japan Co., Ltd. from January 31, 2011. At the reporting date, all of the covenants were respected.

The Company and the Group have historically complied all the above financial covenants at the end of each reporting period.

17. AMOUNTS DUE TO PARENT COMPANY, SUBSIDIARIES, A JOINTLY CONTROLLED ENTITY AND RELATED PARTIES

Amounts due to parent companies, subsidiaries, a jointly controlled entity and related parties may be detailed in note 38.

For financial payables of Euro 2.5 million, Euro 2.6 million and Euro 0.07 million due to PRADA Holding B.V. as at January 31, 2009, 2010 and 2011, respectively, bear interests at a rate equal to Euribor/Libor plus a 1% spread and the principal amount is repayable upon request within 15 days of notice.

For financial payables of approximately Euro 0.25 million, Euro 0.24 million and Euro 0.24 million due to other companies controlled by PRADA Holding B.V. as at January 31, 2009, 2010 and 2011, respectively, bear interests at a rate equal to Euribor and the principal amount is repayable upon request within 15 days of notice.

Except as disclosed above, the remaining payables are interest free.

All balances are unsecured.

18. OTHER SHAREHOLDERS' LOANS

	THE GROUP		
	At January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Other shareholders' loans	521	545	581

Balances represent financial payables to non-controlling shareholders of subsidiaries.

19. TRADE PAYABLES

Trade payables can be summarized as follows:

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Trade payables						
- third parties	229,156	195,577	232,143	180,883	154,434	175,723
- related parties	1,258	819	1,701	1,291	1,175	1,504
- a jointly controlled entity	93	—	22	93	—	22
- subsidiaries	—	—	—	111,347	104,851	132,680
Total	230,507	196,396	233,866	293,614	260,460	309,929

Trade payables towards related parties refer to purchases of finished goods from retail companies owned by PRADA Holding B.V.'s main shareholders as detailed in note 38.

The following is an aged analysis of trade payable presented based on the due date at the end of each reporting period.

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Current	204,552	174,968	210,742	281,641	249,865	297,934
Overdue:						
1 - 60 days	13,737	13,088	13,536	5,627	5,201	5,468
61 - 90 days	2,520	1,359	2,557	861	916	1,630
> 90 days	9,698	6,981	7,031	5,485	4,478	4,897
Total trade payables	230,507	196,396	233,866	293,614	260,460	309,929

The credit period of purchase of goods and services are ranged from 30 days to 90 days during the Relevant Periods. The Group and the Company have financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

20. OBLIGATIONS UNDER FINANCE LEASES

THE GROUP

The Group leased certain of its property, plant and equipment under finance leases. Majority of the lease expired within 5 years. The Group has options to purchase the property, plant and equipment for a nominal amount at the end of the lease terms. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.02% to 5.89%, 1.68% to 5.85% and 2.01% to 5.85% as at January 31, 2009, 2010 and 2011, respectively.

	Minimum lease payments			Present value of minimum lease payments		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Amounts payable under finance leases						
Not later than one year	3,735	5,965	2,317	3,414	5,513	5,019
Later than one year and not later than five years	7,639	8,014	5,557	7,160	7,668	2,509
Later than five years	573	—	4	503	—	—
	11,947	13,979	7,878	11,077	13,181	7,528
Less: future finance charges	(870)	(798)	(350)	N/A	N/A	N/A
	11,077	13,181	7,528	11,077	13,181	7,528

	At January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Included in the Financial Information as:			
- current	3,414	5,513	5,019
- non-current	7,663	7,668	2,509
	11,077	13,181	7,528

THE COMPANY

The Company leased certain of its buildings under finance leases. The lease terms are expired within 5 years. The Company has options to purchase the buildings for a nominal amount at the end of the lease terms. The Company's obligations under finance leases are secured by the lessors' title to the leased assets.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.02% to 5.89%, 1.68% to 3.00% and 2.01% to 3.00% as at January 31, 2009, 2010 and 2011, respectively.

	Minimum lease payments			Present value of minimum lease payments		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Amounts payable under finance leases						
Not later than one year	3,135	2,521	2,963	2,953	2,305	2,819
Later than one year and not later than five years	5,358	5,615	2,204	5,129	5,353	2,089
	8,493	8,136	5,167	8,082	7,658	4,908
Less: future finance charges	(411)	(478)	(259)	N/A	N/A	N/A
	8,082	7,658	4,908	8,082	7,658	4,908

	At January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Included in the Financial Information as:			
- current	2,953	2,305	2,819
- non-current	5,129	5,353	2,089
	8,082	7,658	4,908

21. OTHER CURRENT LIABILITIES

Other current liabilities can be detailed as follows:

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Payables for capital expenditure	32,368	28,247	41,134	12,495	9,699	9,529
Accrued expenses and deferred income	21,181	23,659	23,423	10	13	53
Others	39,840	38,820	46,925	30,198	35,143	37,895
Total	93,389	90,726	111,482	42,703	44,855	47,477

Accrued expenses and deferred income

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Deferred income	2,467	1,837	1,208	10	13	53
Advertising	373	1,319	76	—	—	—
Rental	6,539	10,388	9,845	—	—	—
Consultancies	937	855	1,774	—	—	—
Maintenance, utilities and insurance	4,332	3,261	1,258	—	—	—
Commissions	1,072	687	888	—	—	—
Personnel costs	1,849	1,227	1,499	—	—	—
Others	3,612	4,085	6,875	—	—	—
Total	21,181	23,659	23,423	10	13	53

Others

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Short-term benefits employees and collaborators	27,099	26,524	32,768	18,768	18,582	20,993
Customer payments	1,881	834	—	—	—	—
Advances from customers	1,239	2,723	2,473	1,327	1,799	411
Customs duties	1,533	1,516	2,099	—	—	—
Provision for customers returns	2,721	4,651	4,491	8,198	13,158	16,124
Others	5,367	2,572	5,094	1,905	1,604	367
Total	39,840	38,820	46,925	30,198	35,143	37,895

22. POST-EMPLOYMENT BENEFITS

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Post-employment benefits	35,595	35,786	33,451	22,651	22,662	19,429
Other long-term benefits	508	1,045	1,382	393	849	971
Total	36,103	36,831	34,833	23,044	23,511	20,400

Post-employment benefits

Defined benefit plans

The Italian post-employment benefits are "Trattamento di fine rapporto" (hereinafter "TFR" i.e. staff leaving indemnity), which is a unfunded pension, and the balance - which reflects fair value - was determined projecting the benefit, accruing under Italian law at the end of each reporting period, to the future date when the employment relationship will be terminated and discounting it at the reporting date using the actuarial "Projected Unit Credit Method".

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at February 25, 2011 by Federica Zappari, Attuario, a national registered actuary of Ordine Nazionale Degli Attuari, in Italy. The address of Federica Zappari is 00154 Roma, Via Giovanni da Empoli, 33, Italia.

The following table shows movements in caption post-employment benefit liabilities during the Relevant Periods:

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Opening balance	34,507	35,595	35,786	24,462	22,651	22,662
Current service cost	2,842	2,751	2,732	—	—	8
Curtailment	(742)	—	—	(741)	—	—
Interest cost	3,754	1,283	579	1,008	664	273
Actuarial (gains) losses	(401)	1,109	(4,455)	530	692	(491)
Benefits paid	(5,564)	(4,690)	(5,817)	(2,608)	(1,920)	(3,024)
Pension plan surplus	—	—	3,595	—	—	—
Exchange differences	1,754	(513)	1,031	—	—	—
Other movements	(555)	251	—	—	575	1
Closing balance	35,595	35,786	33,451	22,651	22,662	19,429

Amount recognized in profit or loss in respect of the defined benefit plans are as follows:

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Current service cost	2,842	2,751	2,732	—	—	8
Interest cost	3,754	1,283	579	1,008	664	273
Others	(742)	—	—	(741)	—	—
	5,854	4,034	3,311	267	664	281

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
Discount rate(s)	7.0%	6.0%	6.1%	2.9% to 4.7%	1.2% to 4.8%	2.0% to 5.0%
Expected return on plan assets (Note)	1% to 7.5%	1% to 7.4%	1% to 7.5%	n/a	n/a	n/a
Expected rate(s) of salary increase	0% to 3.3%	0% to 3.3%	1.5% to 2.0%	0% to 3.3%	0% to 3.3%	1.5% to 2.0%

Note: Applicable for the funded pension in United Kingdom for certain subsidiaries of the Group.

The charge is included in the employee benefits expense in the consolidated income statements.

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The directors' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The Group recognized actuarial gains (losses) amounted to Euro 274,000, Euro (815,000) and Euro 3,495,000 for the years ended January 31, 2009, 2010 and 2011, respectively, in other comprehensive income. The cumulative amount of actuarial gains recognized directly in other comprehensive income amounted to Euro 3.6 million, Euro 4.4 million and Euro 0.9 million as at January 31, 2009, 2010 and 2011, respectively.

The post-employment benefits for Italian companies liability was determined based on an independent appraisal which considered demographic, economic and financial evidence and assumptions.

The technical basis for the computation was based on an historical analysis of the data. For the demographic assumptions, variables such as mortality, early retirement and resignation, dismissal, expiry of employment contract, advance payment on leaving indemnities and supplementary pension schemes were considered. Economic and financial assumptions were made based on variables such as inflation and discount rates.

Post-employment benefits of non-Italian companies are stated net of the surplus on pension plans relating to the Group companies operating in the United Kingdom, which is a funded pension, which provide pensions services to employees.

The fair value, as determined by an independent actuary using the "Projected Unit Cost Method", of the funds is as follows:

	THE GROUP		
	At January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Fair value of fund assets	31,960	39,709	44,493
Fair value of fund liabilities	(32,468)	(40,756)	(40,898)
Fund net fair value	(508)	(1,047)	3,595

At the end of each reporting date, the main fund assets, along with the relevant expected rates of return, were as follows:

THE GROUP

	Assets			Rate of return		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000			
Equities	11,131	11,954	20,293	7.5%	7.4%	7,5%
Alternatives	3,900	4,846	4,944	7.5%	7.4%	7.5%
Bonds	12,794	17,930	17,986	5.6%	5.1%	4.9% - 5.5%
Other	4,135	4,979	1,270	1%	1%	1%
Total	31,960	39,709	44,493			

Defined contribution plans

In certain countries, the Group contributes to pension with defined contributions.

Other long-term benefits

The Group signs agreements with some key employees in order to retain them until a certain future date against payment of allowances (the so-called Stability Agreements).

These stability agreements can be considered "Other long-term employee benefits" in compliance with IAS19. They were subjected to actuarial appraisal.

23. PROVISIONS

Movements on provisions are summarized as follows:

THE GROUP

	Provision for litigation	Provision for tax disputes	Other provisions	Total
	Euro'000	Euro'000	Euro'000	Euro'000
Balance as at February 1, 2008	1,229	3,403	5,092	9,724
Exchange differences	32	13	518	563
Reclassification	9	16	(25)	—
Additions	1,453	4,871	3,933	10,257
Reversals	(791)	(476)	(4,019)	(5,286)
Utilization	(129)	(961)	(48)	(1,138)
Balance as at January 31, 2009	1,803	6,866	5,451	14,120
Exchange differences	(23)	23	(272)	(272)
Additions	165	4,709	881	5,755
Reversals	(300)	(104)	(460)	(864)
Utilization	(176)	(4,241)	(1,183)	(5,600)
Balance as at January 31, 2010	1,469	7,253	4,417	13,139
Exchange differences	—	73	(39)	34
Additions	211	33,334	7,874	41,419
Reversals	(74)	—	(310)	(384)
Utilization	(760)	(569)	(154)	(1,483)
Balance as at January 31, 2011	846	40,091	11,788	52,725

THE COMPANY

	Provision for litigation	Provision for tax disputes	Total
	Euro'000	Euro'000	Euro'000
Balance as at February 1, 2008	882	—	882
Reversals	(770)	—	(770)
Utilization	(82)	—	(82)
Additions	1,051	—	1,051
Balance as at January 31, 2009 and 2010	1,081	—	1,081
Utilization	(700)	—	(700)
Additions	132	28,393	28,525
Balance as at January 31, 2011	513	28,393	28,906

The provisions represent the Directors' best estimate of the maximum contingent liabilities. In the Directors' opinion, and based on the information available to them, as supported by the opinions of independent experts, at the end of each reporting period. The total amount provided for risks and charges was reasonable considering the contingent liabilities that might arise.

Provision for litigation

The provision for litigation mainly regards disputes with suppliers and employees of the Group. The amounts utilised during the Relevant Periods regarded the settlement of a dispute with a supplier.

Provision for tax disputes

Pending tax disputes

On December 30, 2005, Genny S.p.A. received two notices of tax assessment for VAT purposes for the 2002 fiscal year. The assessments regarded the sales of the Byblos and Genny businesses (the latter transaction involved two Group companies) and amounted to about Euro 20 million. The Company appealed to the Provincial Tax Commission of Ancona and a hearing took place on January 16, 2007. On May 15, 2007, the Provincial Tax Commission issued its decision which was favorable to the Company. On June 7, 2008, the Revenue Agency of Ancona filed an appeal against these decisions and on September 18, 2008, the Company filed its own counter arguments. The above appeal hearings were held on December 21, 2010 and the Company was recently notified of a favorable outcome. This tax dispute is still pending, and the Company is now waiting for the next action of the Tax Authorities. However, according to these updated facts and information available, the Group's management has not changed its evaluation.

On August 4, 2006, IPI Italia spa, as purchaser of the Genny business, received a demand for VAT penalties totalling Euro 5.7 million for the year 2002. On November 14, 2006 the Company submitted defensive arguments against this claim. On October 9, 2007 the Company received a request for penalties against which it filed an appeal with the Milan Tax Commission on December 14, 2007. On January 19, 2009, the appeal was rejected. On December 1, 2009 the dispute was discussed with the Regional Tax Commission that rejected the appeal. The Company then prepared a further appeal to the Supreme Court of Cassation, against this decision, and filed it on March 3, 2011. Full provision was made for the amount involved in the dispute during the prior year. However, it does not appear under provisions for taxation as it has already been paid in advance to the tax authorities, in accordance with the applicable tax regulations.

On November 30, 2005, PRADA Retail France SAS received a notice of assessment for an amount of approximately Euro 0.5 million, following an inspection by the French Tax Authorities. The assessment regarded inter-company transfer prices in 2003 and 2004. The dispute essentially concerned the adjustment of the tax losses carried forward by the French company. As no agreement was reached with the French Tax Authorities, on May 31, 2007, PRADA Retail France SAS filed an application to open a mutual agreement procedure in terms of the Franco-Swiss Treaty and the outcome is still pending. If the matter is decided against PRADA Retail France SAS, it will not generate any taxable income and will only affect tax loss carryforwards on which no deferred tax assets have been recognized in any case.

On December 9, 2009 PRADA Retail France SAS has received a notice of assessment for an amount of approximately Euro 1.8 million, following an inspection by the French Tax Authorities with regard to transfer pricing in 2005, 2006 and 2007. In the first few months of 2010, PRADA Retail France SAS commenced mutual agreement procedures in relation to this second assessment under both the Franco-Swiss and Franco-Italian bilateral tax conventions. In the meantime, on August 30, 2010, PRADA Retail France SAS received a notice from the French Tax Authorities stating that they have cancelled part of the initial adjustment to the extent of Euro 1.5 million. The outcome of the mutual agreement procedure is awaited in relation to the remaining part. In the meantime, PRADA Retail France SAS has paid Euro 0.4 million. Based on their understanding of the risks associated with this dispute and with the support of a leading French tax firm, the Directors have decided not to make any provision.

In 2008, PRADA Germany GMBH received a notice of assessment for an amount of approximately Euro 0.7 million, following an inspection by the German tax authorities. The assessment regarded inter-company transfer prices in 2001, 2002, 2003 and 2004. In July 2008, Prada Germany GMBH commenced the mutual agreement procedure provided for by the Treaty against double taxation between Germany and Switzerland. On September 10, 2008, the

German Tax Authorities announced the suspension of the ordinary contestation procedure and of the payment due. In the meantime, the German Tax Authorities have commenced an inspection in relation to transfer pricing in the 2005, 2006, 2007 and 2008 tax years; this inspection is still in progress.

Settled tax disputes

During the years 2003-2005, the Japanese Tax Authorities conducted an investigation on PRADA Japan Co., Ltd with regard to transfer prices. On December 27, 2005 the Japanese Tax Authorities issued a formal tax assessment notice for the years from 1999 to 2003. On February 24, 2006, PRADA Japan Co., Ltd. appealed against these assessments in compliance with Japanese laws. PRADA Japan Co., Ltd then requested the suspension of the ordinary dispute procedure to start the mutual agreement procedure in compliance with the Treaties against double taxation involving Japanese, Dutch and Luxembourg Competent Authorities. The mutual agreement procedure was formally started between the Japanese Competent Authorities on one side and the Dutch and Luxembourg Competent Authorities on the other side. Then the Dutch and Luxembourg authorities appointed the Swiss authorities to conduct negotiations with the Japanese authorities. They held several meetings and exchanged documents; at the end of first half of 2009 an agreement was finalised to reduce the assessment by around 50% of the original requested amount. According to this agreement also corresponding adjustments have been recognized during second half of 2009. The related provision amounted to Euro 4.2 million, and was accrued and settled during the year ended January 31, 2009 and then settled further to the agreement between the competent authorities. In the last two months of 2009, the Japanese Tax Authorities began an inspection of Prada Japan Co., Ltd in relation to transfer prices in the tax years 2004, 2005, 2006, 2007 and 2008 this inspection is still in progress.

In 2007, the Korean tax authorities commenced a tax inspection of PRADA Korea Ltd, mainly in relation to transfer pricing, in relation to the 2002, 2003, 2004, 2005 and 2006 tax periods. In 2008, the inspection resulted in notices of tax assessment that were challenged by PRADA Korea Ltd although, in the meantime, as required by local regulations, it paid the full amount of the assessment in order to avoid the possibility of heftier penalties. After its initial challenge was dismissed, in September 2008, PRADA Korea Ltd filed an appeal that was heard in August 2010. During this appeal, the tax tribunal stated that it would make its final decision on the issue of transfer pricing only after it had been informed of the outcome of a new inspection being carried out by the tax authorities in order to gain a better understanding of the methods used to value the company's intercompany transaction. This inspection has been completed and the Korean tax authorities have ruled in favor of the Company with a reimbursement of approximately Euro 0.7 million to the Company.

During the tax inspection at PRADA Korea Ltd, the Korean authorities determined the existence of a permanent establishment of PRADA Asia Pacific ltd. in Korea. As a result, in 2008, PRADA Asia Pacific Ltd received a notice of tax assessment which it immediately challenged while paying the full amount of Euro 0.6 million demanded, in accordance with local regulations. After the initial challenge, a further appeal was filed (as already mentioned above) but was rejected in relation to this specific issue. PRADA Asia Pacific Ltd has made no further appeals.

In some countries, the Tax Authorities have requested information to assess the reasonableness of the transfer prices of products for the determination of income taxes and the imposition of customs duties on imports as part of on-going tax audit activities and have not yet led to any tax disputes.

Except where there is an express statement that no provision has been made, the Directors, supported by the opinion of their tax advisors, believe that the provisions totaling Euro 40.1 million carried at January 31, 2011 in respect of the tax disputes described above represents the best estimate of the obligations that the Group could be called upon to fulfill.

Other provisions

"Other provisions" amounted to Euro 5.5 million, Euro 4.4 million and Euro 11.8 million as at January 31, 2009, 2010 and 2011, respectively. They mainly included the provisions made in relation to lease agreements which may be defined as onerous contracts under IAS 37 "Provisions, contingent liabilities and contingent assets".

24. OTHER NON-CURRENT LIABILITIES

They mainly regard liabilities to be recognized on a straight-line basis in relation to costs of commercial leases.

25. SHARE CAPITAL

As at January 31, 2009, 2010 and 2011 the Company has 250,000,000 ordinary shares with a nominal value of Euro 1 each. This made for total subscribed and fully paid share capital of Euro 250 million.

At the end of each reporting period, 94.89% of the share capital is owned by PRADA Holding B.V. and 5.11% by Intesa Sanpaolo S.p.A..

26. RESERVES

	Share premium	Cash flow hedging reserve	Actuarial reserve	Retained earnings	Total
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Balance as at February 1, 2008	209,298	4,845	(923)	339,461	552,681
Loss for the year	—	—	—	(15,774)	(15,774)
Other comprehensive expense for the year	—	(18,756)	(385)	—	(19,141)
Total comprehensive expense for the year	—	(18,756)	(385)	(15,774)	(34,915)
Balance as at January 31, 2009	209,298	(13,911)	(1,308)	323,687	517,766
Profit for the year	—	—	—	59,594	59,594
Other comprehensive income (expense) for the year	—	11,139	(614)	41	10,566
Total comprehensive income (expense) for the year	—	11,139	(614)	59,635	70,160
Dividends	—	—	—	(47,750)	(47,750)
Balance as at January 31, 2010	209,298	(2,772)	(1,922)	335,572	540,176
Profit for the year	—	—	—	122,776	122,776
Other comprehensive income for the year	—	6,609	491	—	7,100
Total comprehensive income for the year	—	6,609	491	122,776	129,876
Dividends	—	—	—	(111,000)	(111,000)
Balance as at January 31, 2011	209,298	3,837	(1,431)	347,348	559,052

Notes:

a. According to the Italian law, the Company has to set aside a portion not less than 5% of the annual net profits to a non-distributable reserve (legal reserve) until this reserve is equal to 20% of the share capital of the Company. The legal reserve amounted to Euro 6.9 million, Euro 6.9 million and Euro 9.9 million as at January 31, 2009, 2010 and 2011, respectively and it was recorded in retained earnings in the statements of financial position. In accordance with the relevant laws, the amount of Euro 43.1 million, Euro 43.1 million and Euro 40.1 million as at January 31, 2009, 2010 and 2011, respectively, which represented the difference between Euro 50 million (which is 20% of the share capital) and the amount already appropriated, shall be covered by its share premium and such amounts are non-distributable.

b. Retained earnings of Euro 1.3 million, Euro 1.9 million and Euro 1.4 million was restricted to cover the actuarial loss reserve as at January 31, 2009, 2010 and 2011, respectively and it was non-distributable.

c. Upon the adoption of the IFRS in 2006, there is an effect of transition of approximately Euro 20.5 million included in retained earnings and in accordance with art 7. Of Legislative Decree 38/2005, it was non-distributable.

d. Cash flow hedging reserve is non-distributable.

27. NET REVENUES

Consolidated net revenues are mainly generated by sales of products and they are stated net of returns and discounts.

The following is an analysis of the Group's revenue during the Relevant Periods from continuing operations:

	Year ended January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Net sales	1,604,148	1,530,577	2,017,064
Royalties	39,481	30,661	29,587
Total	1,643,629	1,561,238	2,046,651

Royalties are paid by licensees on sales of eyewear, fragrances, mobile phones and under franchise agreements. Details of royalty income are as follows:

	Year ended January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Eyewear	27,655	23,240	24,046
Perfumes	5,087	3,778	3,603
Mobile phones	4,118	1,674	—
Franchise agreements	2,265	1,617	1,723
Other	356	352	215
Total	39,481	30,661	29,587

Total royalty income includes Euro 6 million, Euro 4.6 million and Euro 4.5 million for the year ended January 31, 2009, 2010 and 2011, respectively, of royalties earned from related parties.

A breakdown of net sales by brand, geographical area and products is provided in note 28 "Segment Information".

28. SEGMENT INFORMATION

IFRS 8 requires that detailed information be provided for each "operating segment" that makes up the business. An operating segment is intended as a business division whose operating results are regularly reviewed by Chief Executive Officer, the chief operating decision maker, so that they can make decisions about the resources to be allocated to the segment and assess its performance.

Owing to the Group's matrix organization structure, based on which responsibilities are assigned cross-functionally among brands, products, channels, geographic areas, together with the complementarity of production processes of the various brands and the many relationships among the different business segments, the chief operating decision maker reviews the consolidated financial statements of the Group as a whole and for this reason a single operating segment has been identified.

Nevertheless, in order to provide a better understanding of the effects of the business activities undertaken and the economic context in which the Group operates, information about the operating results of the various brands is provided in addition to that regarding net sales by trademark, geographical area, product and channel.

Net sales analysis

	Year ended January 31,					
	2009		2010		2011	
	Euro'000	%	Euro'000	%	Euro'000	%
Net sales by geographic area						
Italy	385,198	24.0%	330,005	21.6%	393,285	19.5%
Europe	436,332	27.2%	372,992	24.4%	450,463	22.3%
North America	290,041	18.1%	227,783	14.9%	294,903	14.6%
Asia Pacific	282,670	17.6%	396,123	25.9%	645,680	32.0%
Japan	186,828	11.6%	189,447	12.4%	220,924	11.0%
Other countries	23,079	1.5%	14,227	0.8%	11,809	0.6%
Total	1,604,148	100.0%	1,530,577	100.0%	2,017,064	100%
Net sales by trademark						
Prada	1,265,637	78.9%	1,209,465	79.0%	1,586,840	78.7%
Miu Miu	239,480	14.9%	252,304	16.5%	353,038	17.5%
Church's	49,851	3.1%	43,604	2.8%	53,028	2.6%
Car shoe	34,340	2.1%	18,461	1.2%	17,935	0.9%
Other	14,840	1.0%	6,743	0.5%	6,223	0.3%
Total	1,604,148	100.0%	1,530,577	100.0%	2,017,064	100%
Net sales by product line						
Clothing	470,846	29.4%	396,399	25.9%	483,564	24.0%
Leather goods	634,107	39.5%	711,642	46.5%	1,013,626	50.3%
Footwear	488,368	30.4%	410,493	26.8%	503,120	24.9%
Other	10,827	0.7%	12,043	0.8%	16,754	0.8%
Total	1,604,148	100.0%	1,530,577	100.0%	2,017,064	100%
Net sales by distribution network						
DOS (outlets included)	871,266	54.3%	991,493	64.8%	1,427,356	70.8%
Independent clients, franchises and related parties	732,882	45.7%	539,084	35.2%	589,708	29.2%
Total	1,604,148	100.0%	1,530,577	100.0%	2,017,064	100%
Net sales	1,604,148	97.6%	1,530,577	98.0%	2,017,064	98.6%
Royalties	39,481	2.4%	30,661	2.0%	29,587	1.4%
Total revenues	1,643,629	100.0%	1,561,238	100.0%	2,046,651	100%

Prada brand - net sales analysis

	Year ended January 31,					
	2009		2010		2011	
	Euro'000	%	Euro'000	%	Euro'000	%
Net sales by geographic area						
Italy	286,787	22.7%	248,993	20.6%	302,025	19.0%
Europe	331,205	26.2%	284,285	23.5%	341,544	21.5%
North America	254,523	20.1%	203,267	16.8%	260,310	16.4%
Asia Pacific	234,206	18.5%	326,939	27.0%	517,024	32.6%
Japan	140,642	11.1%	135,176	11.2%	157,061	9.9%
Other countries	18,274	1.4%	10,805	0.9%	8,876	0.6%
Total	1,265,637	100.0%	1,209,465	100.0%	1,586,840	100%
Net sales by product line						
Clothing	410,038	32.4%	347,658	28.7%	419,464	26.4%
Leather goods	498,608	39.4%	553,665	45.8%	785,993	49.6%
Footwear	346,805	27.4%	297,139	24.6%	366,392	23.1%
Other	10,186	0.8%	11,003	0.9%	14,991	0.9%
Total	1,265,637	100.0%	1,209,465	100.0%	1,586,840	100%
Net sales by distribution network						
DOS (outlets included)	698,779	55.2%	779,181	64.4%	1,119,962	70.6%
Independent clients, franchises and related parties	566,858	44.8%	430,284	35.6%	466,878	29.4%
Total	1,265,637	100.0%	1,209,465	100.0%	1,586,840	100%
Net sales	1,265,637	97.2%	1,209,465	97.7%	1,586,840	98.3%
Royalties	36,746	2.8%	28,621	2.3%	27,914	1.7%
Total revenues	1,302,383	100.0%	1,238,086	100.0%	1,614,754	100%

Miu Miu brand - net sales analysis

	Year ended January 31,					
	2009		2010		2011	
	Euro'000	%	Euro'000	%	Euro'000	%
Net sales by geographic area						
Italy	55,662	23.2%	51,782	20.5%	61,337	17.4%
Europe	60,825	25.4%	55,772	22.1%	70,137	19.9%
North America	29,966	12.5%	22,092	8.8%	32,181	9.1%
Asia Pacific	45,140	18.8%	66,474	26.3%	123,731	35.0%
Japan	44,494	18.6%	53,692	21.3%	63,341	17.9%
Other countries	3,393	1.5%	2,492	1.0%	2,311	0.7%
Total	239,480	100.0%	252,304	100.0%	353,038	100%
Net sales by product line						
Clothing	54,049	22.6%	46,497	18.4%	63,258	17.9%
Leather goods	128,660	53.7%	154,570	61.3%	224,337	63.6%
Footwear	56,137	23.4%	50,198	19.9%	63,681	18.0%
Other	634	0.3%	1,039	0.4%	1,762	0.5%
Total	239,480	100.0%	252,304	100.0%	353,038	100%
Net sales by distribution network						
DOS (outlets included)	132,894	55.5%	177,278	70.3%	264,375	74.9%
Independent clients, franchises and related parties	106,586	44.5%	75,026	29.7%	88,663	25.1%
Total	239,480	100.0%	252,304	100.0%	353,038	100%
Net sales	239,480	99.0%	252,304	99.3%	353,038	99.6%
Royalties	2,378	1.0%	1,688	0.7%	1,458	0.4%
Total revenues	241,858	100.0%	253,992	100.0%	354,496	100%

Church's brand - net sales analysis

	Year ended January 31,					
	2009		2010		2011	
	Euro'000	%	Euro'000	%	Euro'000	%
Net sales by geographic area						
Italy	16,277	32.7%	13,176	30.2%	15,307	28.9%
Europe	28,145	56.5%	25,910	59.4%	31,435	59.3%
North America	2,666	5.3%	1,849	4.2%	1,966	3.7%
Asia Pacific	2,168	4.3%	2,137	4.9%	3,622	6.8%
Japan	390	0.8%	245	0.6%	511	0.9%
Other countries	205	0.4%	287	0.7%	187	0.4%
Total	49,851	100.0%	43,604	100.0%	53,028	100%

Net sales by product line						
Clothing	473	0.9%	422	1.0%	551	1.0%
Leather goods	1,114	2.2%	1,206	2.8%	1,432	2.7%
Footwear	48,264	96.9%	41,976	96.2%	51,045	96.3%
Other	—	—	—	—	—	—
Total	49,851	100.0%	43,604	100.0%	53,028	100%

Net sales by distribution network						
DOS (outlets included)	30,433	61.0%	28,153	64.6%	34,683	65.4%
Independent clients, franchises and related parties	19,418	39.0%	15,451	35.4%	18,345	34.6%
Total	49,851	100.0%	43,604	100.0%	53,028	100%

Net sales	49,851	99.8%	43,604	99.5%	53,028	99.8%
Royalties	111	0.2%	209	0.5%	101	0.2%
Total revenues	49,962	100.0%	43,813	100.0%	53,129	100%

Car Shoe brand - net sales analysis

	Year ended January 31,					
	2009		2010		2011	
	Euro'000	%	Euro'000	%	Euro'000	%
Net sales by geographic area						
Italy	21,032	61.2%	13,709	74.3%	12,509	69.7%
Europe	8,865	25.8%	3,536	19.2%	3,353	18.7%
North America	2,661	7.7%	385	2.1%	353	2.0%
Asia Pacific	464	1.4%	175	0.9%	1,275	7.1%
Japan	138	0.4%	23	0.1%	11	0.1%
Other countries	1,180	3.5%	633	3.4%	434	2.4%
Total	34,340	100.0%	18,461	100.0%	17,935	100%
Net sales by product line						
Clothing	—	—	—	—	—	—
Leather goods	4,833	14.1%	2,010	10.9%	1,760	9.8%
Footwear	29,507	85.9%	16,451	89.1%	16,175	90.2%
Other	—	—	—	—	—	—
Total	34,340	100.0%	18,461	100.0%	17,935	100%
Net sales by distribution network						
DOS (outlets included)	4,863	14.2%	4,550	24.6%	6,027	33.6%
Independent clients, franchise and related parties	29,477	85.8%	13,911	75.4%	11,908	66.4%
Total	34,340	100.0%	18,461	100.0%	17,935	100%
Net sales	34,340	100.0%	18,461	100.0%	17,935	100%
Royalties	—	—	—	—	—	—
Total revenues	34,340	100.0%	18,461	100.0%	17,935	100%

Analysis of revenues and EBITDA by brand

Year ended January 31, 2009	Group	Prada	Miu Miu	Church's	Car Shoe	Other
Net sales	1,604,148	1,265,637	239,480	49,851	34,340	14,840
Royalties	39,481	36,746	2,378	111	—	246
Net revenues	1,643,629	1,302,383	241,858	49,962	34,340	15,086
EBITDA	282,641	250,375	30,231	1,354	2,313	(1,632)
EBITDA %	17.2%	19.2%	12.5%	2.7%	6.7%	—

Year ended January 31, 2010	Group	Prada	Miu Miu	Church's	Car Shoe	Other
Net sales	1,530,577	1,209,465	252,304	43,604	18,461	6,743
Royalties	30,661	28,621	1,688	209	—	143
Net revenues	1,561,238	1,238,086	253,992	43,813	18,461	6,886
EBITDA	290,219	249,814	41,971	1,045	(1,921)	(690)
EBITDA %	18.6%	20.2%	16.5%	2.4%	—	—

Year ended January 31, 2011	Group	Prada	Miu Miu	Church's	Car Shoe	Other
Net sales	2,017,064	1,586,840	353,038	53,028	17,935	6,223
Royalties	29,587	27,914	1,458	101	—	114
Net revenues	2,046,651	1,614,754	354,496	53,129	17,935	6,337
EBITDA	535,930	453,565	77,443	6,764	(1,996)	154
EBITDA %	26.2%	28.1%	21.8%	12.7%	—	2.4%

Note: EBITDA represents profit before tax from continuing operations adding back finance cost, depreciation and amortization expense from continuing operations and loss on impairment/written off of property, plant and equipment and intangible assets.

Geographical information

The Group's operations are located in Italy (country of domicile of the Company), Europe, North America, Asia Pacific, Japan and other countries.

The information about its non-current assets by geographical location of the assets are detailed below:

	At January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Italy	318,229	331,893	350,685
Europe	736,072	755,397	764,184
North America	155,651	135,653	152,402
Japan	61,895	52,891	86,430
Asia Pacific	51,805	73,314	98,771
	1,323,652	1,349,148	1,452,472

Note: Non-current assets excluded those relating to financial instruments and deferred tax assets.

Information about major customers

During the Relevant Periods, there are no individual customers with sales of 10% or more of the Group's total revenue.

29. COST OF GOODS SOLD

	Year ended January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Raw materials purchases and manufacturing expenses	555,891	483,627	589,232
Logistics costs, duties, freight and insurance	89,327	90,272	115,331
Cost inventories recognized as expenses	45,315	12,683	(45,800)
Total	690,533	586,582	658,763

30. OTHER GAINS AND LOSSES

	Year ended January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Continuing operations:			
Net foreign exchange losses	(2,076)	(7,948)	(4,660)

31. PRODUCTS AND DEVELOPMENT EXPENSES

Product and development expenses include both the design phase - intended as research and experimentation of shapes, fabrics, leathers, production techniques and definition of the design concept - and the product development phase meant as product industrialization and production of prototypes. Pursuant to the Italian Law 296 of 27 December 2006, tax relief was granted in relation to industrial research and competitive development. Such grants are recognized in the income statements when received and when all the conditions have been met as specified in the grant. The Group recognized it as credit to its product and development expenses of approximately Euro 3.8 million, Euro 0.8 million and nil during the years ended January 31, 2009, 2010 and 2011.

32. FINANCE COST

	Year ended January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Interest expense on bank overdraft and loans	35,628	19,428	18,699
Interest expenses on loans from related parties	268	50	41
Total interest expense	35,896	19,478	18,740
Less: Amount included in the cost of qualifying assets	(273)	(384)	(147)
	35,623	19,094	18,593
Other financial expenses	10,575	6,889	3,990
Total	46,198	25,983	22,583

33. TAXATION

	Year ended January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Current taxation	61,121	70,558	166,810
Deferred taxation	(8,490)	(18,055)	(32,132)
Total	52,631	52,503	134,678

The following table shows the reconciliation between the effective tax rate of the Group and the theoretical tax rate of the Company:

	Year ended January 31,		
	2009	2010	2011
Italian tax rate	31.4%	31.4%	31.4%
Tax effect of expenses/income that is not deductible/taxable in determining taxable profit	15.6%	8.7%	9.5%
Tax effect of utilization of tax losses carried forward not previously recognized	-1.8%	-1.9%	-0.8%
Effect of different tax rates of subsidiaries operating in other jurisdictions	-11.0%	-4.4%	-5.4%
Group effective tax rate	34.2%	33.8%	34.7%

At January 31, 2009, 2010 and 2011, the Group had unused tax losses of Euro 83.6 million, Euro 82.0 million and Euro 106.5 million, respectively, available for offset against future profits. A deferred tax asset has been recognized in respect of Euro 12.4 million, Euro 7.7 million and Euro 9.3 million of such losses at January 31, 2009, 2010 and 2011, respectively. No deferred tax asset has been recognized in respect of the remaining Euro 71.2 million, Euro 74.3 million and Euro 97.2 million due to the unpredictability of future profit streams at January 31, 2009, 2010 and 2011, respectively. At January 31, 2011, included in unrecognized tax losses are losses of Euro 9.1 million that will expire within five years, and Euro 16.5 million that will expire after five years. Other losses may be carried forward indefinitely.

Movements in net deferred tax assets and deferred tax liabilities are shown in the following table:

	THE GROUP			THE COMPANY		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Opening balance	21,216	41,660	51,969	8,312	21,667	18,429
Exchange differences	7,491	(3,716)	8,346	—	—	—
Deferred tax from acquisition	(1,849)	—	—	—	(2,463)	—
Change in the consolidation area	(213)	—	—	—	—	—
Deferred tax on cash flow hedge reserve	6,944	(4,431)	(2,459)	6,960	(4,379)	(2,635)
Deferred tax on actuarial gains/losses reserve	(129)	295	(1,058)	146	119	—
Other movements	(290)	106	(263)	(506)	99	102
Deferred tax credit for the year	8,490	18,055	32,132	6,755	3,386	2,163
Closing balance	41,660	51,969	88,667	21,667	18,429	18,059

Deferred tax assets and liabilities are offset when there is a legally receivable right to offset a current tax asset against a current tax liability and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention of offset the balances on a net basis.

The following table shows deferred tax assets and liabilities classified by nature:

THE GROUP

	At January 31,					
	2009		2010		2011	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Inventory	36,337	—	44,536	—	62,284	—
Receivables and other assets	403	1,752	473	1,490	415	1,515
Depreciation	43,290	12,874	46,698	11,957	53,869	6,273
Deferred taxes from acquisitions	—	42,292	—	40,920	—	39,548
Provision for risks/accrued liabilities	7,800	267	6,255	267	10,790	267
Non-current assets	2,413	—	1,977	—	5,893	—
Unrealised exchange differences	—	3,062	—	847	—	1,134
Losses carried forward	2,764	—	3,796	—	3,129	—
Financial instruments	5,853	—	1,429	—	303	1,455
Post-employment benefits	3,483	1,183	3,533	883	4,533	1,943
Others	3,842	3,095	2,676	3,040	162	576
Total	106,185	64,525	111,373	59,404	141,378	52,711

THE COMPANY

	At January 31,					
	2009		2010		2011	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Inventory	18,655	—	20,414	—	19,805	—
Receivables and other assets	—	1,209	—	1,286	—	1,303
Depreciation/amortization	3,391	6,842	3,113	8,529	2,551	7,497
Provision for risks/accrued liabilities	2,914	—	4,487	—	7,609	—
Financial instruments	5,763	—	1,273	—	—	1,455
Post-employment benefits	—	1,016	—	788	—	788
Others	517	506	183	438	355	1,218
Total	31,240	9,573	29,470	11,041	30,320	12,261

34. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	Year ended January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Depreciation and amortization	79,911	93,804	111,455
(Loss) gain from hedge ineffectiveness on cash flow hedges	(2,040)	(4,122)	5,164
Impairment/written off of property, plant and equipment and intangible assets	11,777	9,383	6,089
Write-down (reversal) of inventory	7,940	4,189	(2,127)
Auditors' remunerations	2,500	1,409	1,514

35. STAFF COST

Employee remuneration during the Relevant Periods were as follows:

	Year ended January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Wages and salaries	245,110	249,171	284,870
Post-employment benefits (note 22)	11,956	13,146	13,868
Social security	57,122	57,996	63,192
Others	12,586	12,472	15,910
Total employee expenses	326,774	332,785	377,840

36. EARNINGS PER SHARE

The calculation of basic earnings per share for the Relevant Periods is based on the profit for the year attributable to owners of the Company for the Relevant Periods and the weighted average number of 2,500,000,000 ordinary shares for the Relevant Periods which have been retrospectively adjusted for the share split as detailed in Appendix V of the prospectus and assuming that the share split had been effective on February 1, 2008.

No dilute earnings per share is presented as there were no potential dilutive shares during the Relevant Periods.

37. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of the directors are summarized as follows:

	Year ended January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Directors' fees	3,190	2,506	2,271
Other emoluments			
- Salaries and other benefits	15,735	15,743	15,785
- Bonus and other incentives (note)	69	6,464	4,070
- Non-monetary benefits	117	121	91
- Contributions to retirement benefits scheme	205	190	201
Total	19,316	25,024	22,418

Note: The bonus and other incentive is determined based on performance of the Group for the Relevant Periods.

The emoluments of the directors on a named basis are as follows:

For the year ended January 31, 2009

	Director's fee	Salaries and other benefits	Bonus and other incentives (note d)	Non-monetary benefits	Contributions to retirement benefits scheme	Total
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Miuccia Prada Bianchi	1,000	8,700	—	—	15	9,715
Patrizio Bertelli	1,000	5,000	—	—	15	6,015
Carlo Mazzi	—	960	—	47	12	1,019
Donatello Galli	—	275	69	28	102	474
Brian Blake (note a)	1,000	—	—	42	29	1,071
Marco Salomoni	—	800	—	—	32	832
Marco Cerrina Feroni	40	—	—	—	—	40
Francesco Tatò (note b)	90	—	—	—	—	90
Giancarlo Forestieri	60	—	—	—	—	60
Total	3,190	15,735	69	117	205	19,316

For the year ended January 31, 2010

	Director's fee	Salaries and other benefits	Bonus and other incentives (note d)	Non-monetary benefits	Contributions to retirement benefits scheme	Total
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Miuccia Prada Bianchi	1,000	8,700	—	—	17	9,717
Patrizio Bertelli	1,000	5,000	6,000	—	17	12,017
Carlo Mazzi	—	962	—	45	10	1,017
Donatello Galli	—	281	46	27	98	452
Brian Blake (note a)	329	—	418	49	1	797
Marco Salomoni	—	800	—	—	32	832
Marco Cerrina Feroni	40	—	—	—	—	40
Francesco Tatò (note b)	30	—	—	—	3	33
Gian Franco Oliviero Mattei	47	—	—	—	5	52
Giancarlo Forestieri	60	—	—	—	7	67
Total	2,506	15,743	6,464	121	190	25,024

For the year ended January 31, 2011

	Director's fee	Salaries and other benefits	Bonus and other incentives (note d)	Non-monetary benefits	Contributions to retirement benefits scheme	Total
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Miuccia Prada Bianchi	1,000	8,700	—	—	17	9,717
Patrizio Bertelli	1,000	5,000	4,000	—	17	10,017
Carlo Mazzi	21	1,004	—	59	11	1,095
Donatello Galli	—	281	70	32	105	488
Marco Salomoni	—	800	—	—	32	832
Marco Cerrina Feroni	40	—	—	—	—	40
Gian Franco Oliviero Mattei	120	—	—	—	12	132
Giencarlo Forestieri	60	—	—	—	7	67
Davide Mereghetti (note c)	30	—	—	—	—	30
Total	2,271	15,785	4,070	91	201	22,418

Notes:

(a) Brian Blake resigned as the director of the Company with effect from April 27, 2009.

(b) Francesco Tatò retired as the director of the Company with effect from May 28, 2009.

(c) Davide Mereghetti was appointed as the director on April 28, 2009.

(d) The bonus and other incentive are determined based on performance of the Group for the Relevant Periods.

The five highest paid individuals of the Group for the Relevant Periods included three directors for the year ended January 31, 2009 and two directors for the years ended January 31, 2010 and 2011. The remunerations of the remaining two individuals for the year ended January 31, 2009 and the remaining three individuals for the years ended January 31, 2010 and 2011 are as follows:

	Year ended January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Employees			
- Wages and salaries	3,127	4,536	5,220
- Bonus and other incentives	—	303	1,770
- Non-monetary benefits	—	122	124
- Post employment benefit	23	117	167
	3,150	5,078	7,281

Their emoluments were within the following bands:

	Year ended January 31		
	2009	2010	2011
	No. of employees	No. of employees	No. of employees
HK$12,500,001 to HK$13,000,000	—	1	1
HK$13,000,001 to HK$13,500,000	1	1	—
HK$13,500,001 to HK$14,000,000	—	—	1
HK$22,500,001 to HK$23,000,000	1	—	—
HK$29,000,001 to HK$29,500,000	—	1	—
HK$48,000,001 to HK$48,500,000	—	—	1
	2	3	3

During the Relevant Periods, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group.

The Company paid a total amount of Euro 418,000 for compensation for loss of office for one of the Directors during the Relevant Periods.

Mr. Donatello Galli has waived his fees as a Director, in the amount of Euro 40,000, in respect of the period from May 28, 2009 to January 31, 2011.

Mr. Marco Salomoni has waived Euro 40,000 in respect of his fees as a Director and Euro 10,000 in respect of his fees as a member of the Internal Control Committee for the period from May 28, 2009 to January 31, 2011.

Mr. Carlo Mazzi has waived Euro 40,000 in respect of his fees as a Director and Euro 20,000 in respect of his fees as the President of the Remuneration Committee for the period from May 28, 2009 to December 31, 2010.

38. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Group enters into commercial and financial transactions with related parties during the Relevant Periods.

These transactions mainly refer to the sale of goods, the supply of services, the granting and borrowing of loans and sponsorship and franchising agreements.

The following tables show details of balances with related parties as at January 31, 2009, 2010 and 2011 of the Group and the Company, and transactions with related parties during the Relevant Periods of the Group.

THE GROUP

Balances with related parties as at January 31, 2009

	Trade receivables	Amounts due from parent company, a jointly controlled entity and related parties	Prepayments	Trade payables	Other current liabilities	Amounts due to parent company, a jointly controlled entity and related parties	Maximum amount due from PRADA Holding B.V. (note)
	Euro'000 (Note 6)	Euro'000 (Note 9)	Euro'000	Euro'000 (Note 19)	Euro'000	Euro'000 (Note 17)	Euro'000
PRADA Holding B.V.	—	21,009	—	—	—	2,502	34,417
Companies controlled by shareholders:							
Venezia 3 S.r.l.	2,675	—	—	214	—	283	
F.lli PRADA S.r.l.	5,700	—	—	332	—	—	
Montenapoleone 6 S.r.l.	2,733	—	—	104	—	6	
IPR S.r.l.	4,530	—	—	492	—	—	
Spiga 1 S.r.l.	2,395	—	—	61	—	—	
PRADA Italia S.p.A.	193	2	—	1	—	5	
Stellarea	—	28	—	—	—	—	
Luna Rossa Challenge 2007	84	—	—	36	—	7	
Stichting Fondazione PRADA	—	134	—	—	—	32	
Progetto PRADA Arte S.r.l.	—	687	—	—	—	128	
Gipafin S.à r.l.	—	20	—	—	—	1	
CID USA Corp.	—	73	—	—	—	—	
HMP S.r.l.	—	67	—	—	—	—	
Others	—	50	—	18	—	—	
	18,310	1,061	—	1,258	—	462	
Companies controlled by PRADA Holding B.V.:							
EXHL Design L.L.C.	—	135	—	—	—	2	
Prapar Corporation	—	—	—	—	—	252	
EXHL Retail USA L.L.C.	—	98	—	—	—	—	
EXHL Italia S.r.l.	—	17	—	—	—	—	
Others	—	—	—	—	—	—	
	—	250	—	—	—	254	
Jointly controlled entity:							
Fragrance and Skincare S.L.	1,981	—	—	93	—	5	
Members of the Board of Directors	—	—	—	—	190	—	
Other related parties	—	2	—	—	180	3	
Total	20,291	22,322	—	1,351	370	3,226	

THE GROUP

Balances with related parties as at January 31, 2010

	Trade receivables	Amounts due from parent company, a jointly controlled entity and related parties	Prepayments	Trade payables	Other current liabilities	Amounts due to parent company, a jointly controlled entity and related parties	Maximum amount due from PRADA Holding B.V. (note)
	Euro'000 (Note 6)	Euro'000 (Note 9)	Euro'000	Euro'000 (Note 19)	Euro'000	Euro'000 (Note 17)	Euro'000
PRADA Holding B.V.	—	55,085	—	—	—	4,369	58,395
Companies controlled by shareholders:							
Venezia 3 S.r.l.	3,407	—	—	64	—	296	
F.lli PRADA S.r.l.	5,128	—	—	211	—	—	
Montenapoleone 6 S.r.l.	3,252	—	—	102	—	2	
IPR S.r.l.	3,677	—	—	231	—	—	
Spiga 1 S.r.l.	2,014	—	—	53	—	—	
PRADA Italia S.p.A.	115	—	—	76	—	5	
Stellarea	—	28	—	—	—	—	
Luna Rossa Challenge 2007	178	—	300	82	—	8	
Stichting Fondazione PRADA/ Progetto PRADA Arte S.r.l.	—	887	155	—	—	689	
Gipafin S.à r.l.	—	20	—	—	—	1	
CID USA Corp.	—	74	—	—	—	—	
HMP S.r.l.	—	75	—	—	—	12	
Others	—	11	—	—	—	—	
	17,771	1,095	455	819	—	1,013	
Companies controlled by PRADA Holding B.V.:							
EXHL Design L.L.C.	—	125	—	—	—	—	
Prapar Corporation	—	—	—	—	—	238	
EXHL Retail USA L.L.C.	—	99	—	—	—	—	
EXHL Italia S.r.l.	—	7	—	—	—	—	
Others		10	—	—	—	—	
	—	241	—	—	—	238	
Jointly controlled entity:							
Fragrance and Skincare S.L.	1,430	—	—	—	—	—	
Members of the Board of Directors	—	—	—	—	2,040	—	
Other related parties	—	—	—	—	122	—	
Total	19,201	56,421	455	819	2,162	5,620	

THE GROUP

Balances with related parties as at January 31, 2011

	Trade receivables	Amounts due from parent company, a jointly controlled entity and related parties	Prepayments	Trade payables	Other current liabilities	Amounts due to parent company, a jointly controlled entity and related parties	Maximum amount due from PRADA Holding B.V. (note)
	Euro'000 (Note 6)	Euro'000 (Note 9)	Euro'000	Euro'000 (Note 19)	Euro'000	Euro'000 (Note 17)	Euro'000
PRADA Holding B.V.	—	33,325	—	—	—	70	52,873
Companies controlled by shareholders:							
Venezia 3 S.r.l.	2,182	—	—	272	—	299	
F.lli PRADA S.r.l.	5,474	—	—	452	—	6	
Montenapoleone 6 S.r.l.	2,263	—	—	257	—	2	
IPR S.r.l.	3,763	—	—	505	—	—	
Spiga 1 S.r.l.	2,148	—	—	127	—	—	
PRADA Italia S.p.A.	264	—	—	2	—	—	
Stellarea	—	28	—	—	—	—	
Luna Rossa Challenge 2007	318	—	—	86	—	5	
Stichting Fondazione PRADA/ Progetto PRADA Arte S.r.l.	—	1,128	—	—	—	472	
Gipafin S.à r.l.	—	20	—	—	—	1	
CID USA Corp.	—	75	—	—	—	—	
HMP S.r.l.	—	79	—	—	—	—	
Prada America's Cup S.r.l.	—	1,397	—	—	—	—	
Others	—	11	—	—	—	1	
	16,412	2,738	—	1,701	—	786	
Companies controlled by PRADA Holding B.V.:							
EXHL Design L.L.C	—	127	—	—	—	2	
Prapar Corporation	—	1	—	—	—	249	
EXHL Retail USA L.L.C	—	102	—	—	—	—	
EXHL Italia S.r.l.	—	6	—	—	—	—	
Others	—	13	—	—	—	—	
	—	249	—	—	—	251	
Jointly controlled entity:							
Fragrance and Skincare S.L.	1,924	5	—	22	171	—	
Members of the Board of Directors	—	—	—	—	—	—	
Other related parties	—	—	—	—	134	—	
Total	18,336	36,317	—	1,723	305	1,107	

Note: The maximum amount outstanding in respect of amounts due from PRADA Holding B.V. are disclosed pursuant to section 161B of the Hong Kong Companies Ordinance.

THE COMPANY

Balances with related parties

	Trade receivables (Note 6)			Trade payables (Note 19)		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
PRADA Holding B.V.	142	380	505	—	—	—
Subsidiaries:						
Artisans Shoes S.r.l.	2,099	825	1,626	15,844	11,666	17,496
Car Shoe Hong Kong Ltd	—	—	111	—	—	—
Boutique Genny Inc.	—	—	—	—	—	—
Car Shoe Italia S.r.l.	5,904	3,922	4,928	34	53	130
Car Shoe S.A.	67	95	105	—	—	—
Car Shoe Singapore Pte. Ltd.	—	—	37	—	—	—
Church & Co. (USA) Ltd	42	80	58	—	—	—
Church & Co. plc	6,039	7,682	9,019	20	95	165
Church English shoes S.A.	15	66	25	—	—	—
Church France S.A.	45	82	27	—	—	—
Church Holding UK plc	88	129	166	40	41	41
Church Hong Kong Retail Ltd	101	124	30	—	—	—
Church Japan Co., Ltd	1	1	1	—	—	—
Church Italia S.r.l.	588	1,323	891	27	19	42
Church's Singapore Pte. Ltd.	—	22	85	—	—	—
Church UK Retail Ltd	706	1,113	1,278	—	—	—
Church's English Shoes Switzerland S.A.	155	256	9	23	23	23
Church's Spain, S.L.	—	85	96	—	—	—
Eurobracco S.r.l.	—	—	—	1	—	—
IPI Logistica S.r.l.	306	279	438	4,509	4,992	7,515
PB Luxembourg S.A.	55	84	—	—	—	—
Post Development Corp.	61	61	66	—	—	—
PRADA (Thailand) Co., Ltd	355	121	97	—	—	—
PRADA Asia Pacific Ltd	39,661	45,078	47,289	2,114	3,630	2,771
PRADA Australia Pty. Ltd	491	533	965	1	—	17
PRADA Austria GmbH	821	1,119	197	20	42	55
PRADA Bosphorus Deri Mamuller Limited Sirketi	—	6,208	8,355	—	127	75
PRADA Canada Corp.	393	(1,332)	(511)	36	71	81
PRADA Czech Republic s.r.o.	546	1,489	2,000	—	48	310
PRADA China Ltd	2,042	71	—	92	—	—
PRADA Company S.A.	10	10	14	—	—	—
PRADA Far East B.V.	—	127	220	4	4	4
PRADA Fashion Commerce (Shanghai) Co. Ltd	1,536	3,387	5,494	366	152	2
PRADA Germany GmbH	6,178	10,808	9,415	1,029	1,010	2,529
PRADA Hawaii Corp.	4,504	10,693	8,844	342	464	903
PRADA Hellas Style Partner L.L.C.	2,778	4,685	4,967	14	172	91
PRADA Japan Co., Ltd	27,630	32,704	32,615	3,265	745	926
PRADA Korea Ltd	786	884	938	94	46	47
PRADA Montecarlo S.A.M.	852	659	460	90	20	83
PRADA Portugal, Unipessoal lda	339	214	2,974	—	—	83
PRADA Retail France SAS	22,519	38,226	19,640	3,261	3,785	1,896
PRADA Retail Malaysia Sdn Bhd	201	155	97	—	—	—
PRADA Retail UK Ltd	23,922	23,410	21,130	2,148	2,094	1,433

	Trade receivables (Note 6)			Trade payables (Note 19)		
	At January 31,			At January 31,		
	2009	2010	2011	2009	2010	2011
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
PRADA RUS L.L.C.	—	—	611	—	—	—
PRADA S.A.	33,114	28,982	31,261	66,265	62,520	93,624
PRADA Singapore Pte, Ltd	399	803	865	—	—	2
PRADA Spain sa	2,995	7,382	2,284	29	39	26
PRADA Stores S.r.l.	24,699	24,739	23,499	55	1,086	534
PRADA Taiwan Ltd Taipei	747	890	509	—	1	(1)
PRADA Trading Shanghai Co. Ltd.	323	215	196	—	—	—
PRADA USA Corp.	55,144	59,998	46,816	7,845	11,790	1,597
Santacroce S.r.l.	697	—	—	2,887	—	—
Space Caffè S.r.l.	3	52	120	20	—	—
Space Hong Kong Ltd	132	789	1,040	—	—	—
Space S.A.	432	908	471	609	2	(1)
Space USA Corp.	518	3,717	3,084	—	—	—
Travel Retail Shops Pty Ltd	112	135	151	—	—	—
TRS Guam Partnership	221	58	45	—	—	—
TRS Hawaii L.L.C	1,511	759	379	158	77	124
TRS Hong Kong Ltd	71	51	—	—	—	—
TRS MACAU	208	42	44	—	—	—
TRS New Zealand Pty. Ltd	73	17	14	—	—	—
Travel Retail Shops Okinawa KK	605	411	498	105	37	57
TRS saipan Partnership	127	101	58	—	—	—
TRS Singapore Pte Ltd	49	28	11	—	—	—
	274,016	325,555	296,152	111,347	104,851	132,680
Jointly controlled entity:						
Fragrance & Skincare S.L.	329	130	72	93	—	22
Companies controlled by PRADA Holding B.V.:						
EXHL Italia S.r.l.	14	7	6	—	—	—
Other related parties:						
F.lli PRADA S.r.l.	5,440	4,810	5,322	262	75	367
Gipafin S.à r.l.	20	20	20	1	1	1
HMP S.r.l.	8	8	8	—	4	—
IPR S.r.l.	3,991	2,740	3,560	407	75	397
Luna Rossa Challenge 2007	84	178	318	36	82	86
Luna Rossa S.r.l.	—	—	—	17	—	—
Montenapoleone 6 S.r.l.	2,527	2,706	2,224	86	70	224
PRADA Italia S.p.A.	193	115	264	—	73	2
Progetto PRADA Arte S.r.l.	687	426	309	40	595	—
Spiga 1 S.r.l.	2,236	1,787	2,097	49	15	47
Stellarea	28	28	28	—	—	—
Stichting Fondazione PRADA	113	365	721	—	—	—
Venezia 3 S.r.l.	2,104	3,187	2,128	208	48	234
Others	43	(3)	(3)	185	137	146
	17,474	16,367	16,996	1,291	1,175	1,504
Total	291,975	342,439	313,731	112,731	106,026	134,206

	Other current liabilities		
	At January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Board of Directors	190	2,040	171

	At January 31,					
	2009		2010		2011	
	Amounts due from parent company, subsidiaries, a jointly controlled entity and related parties (Note 9)					
	Other receivables	Financial receivables	Other receivables	Financial receivables	Other receivables	Financial receivables
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
PRADA Holding B.V.	—	20,626	115	54,434	118	32,529
Subsidiaries:						
Artisans Shoes S.r.l.	1,412	—	156	—	783	—
Car Shoe Italia S.r.l.	1	—	1	—	—	1
Church & Co. plc	—	—	—	—	—	2,228
Church France S.A.	—	516	—	525	—	495
Church Holding UK plc	—	1,415	—	1,490	—	1,522
Church Italia S.r.l.	2	—	1	2,230	2	37
Church's English Shoes Switzerland S.A.	—	729	—	742	—	737
Eurobracco S.r.l.	12	—	—	—	—	—
IPI Logistica S.r.l.	433	—	150	—	145	—
PB Luxembourg S.A.	—	5,319	—	5,503	—	—
PRADA (Thailand) Co., Ltd	—	745	—	716	—	786
PRADA America's Cup S.r.l.	—	—	—	—	—	1,397
PRADA Asia Pacific Ltd	—	—	1	—	—	—
PRADA Australia Pty. Ltd	—	878	—	647	—	758
PRADA Bosphorus Deri Mamuller Limited Sirketi	—	—	615	—	—	—
PRADA Canada Corp.	—	4	—	3	—	3
PRADA Czech Republic s.r.o.	20	—	21	1,660	—	1,803
PRADA Germany GmbH	—	—	—	1,622	451	10,653
PRADA Hawaii Corp.	—	77	—	70	—	72
PRADA Hellas Single Partner L.L.C.	150	2,557	—	12	—	—
PRADA Japan Co., Ltd	3,295	—	3,004	—	—	89
PRADA Korea Ltd	—	—	—	—	—	—
PRADA Montecarlo S.A.M.	—	1,808	—	1,630	—	1,116
PRADA Portugal, Unipessoal lda	6	—	6	—	—	567
PRADA Retail France SAS	—	1,614	—	1,644	—	16,674
PRADA Retail Malaysia Sdn. Bhd	—	—	—	—	—	—
PRADA Retail UK Ltd	—	278	—	407	1	3,341
PRADA Rus L.L.C.	—	—	—	—	—	649
PRADA S.A.	109	53,424	5	17,156	42	11,607
PRADA Spain sa	3	1,838	1	1,651	—	8,759
PRADA Stores S.r.l.	2,812	54,441	1	92,518	510	88,141
PRADA Taiwan Ltd Taipei	—	—	—	—	1	—
PRADA USA Corp.	—	—	—	—	3	—
Santacroce S.r.l.	178	1,681	—	—	—	—
Space Caffè S.r.l.	—	—	—	79	—	38
Travel Retail Shops Pty Ltd.	—	167	—	197	—	220
TRS New Zealand Pty. Ltd	—	60	—	—	—	—
	8,433	127,551	3,962	130,502	1,938	151,693

	At January 31,					
	2009		2010		2011	
	Amounts due from parent company, subsidiaries, a jointly controlled entity and related parties (Note 9)					
	Other receivables	Financial receivables	Other receivables	Financial receivables	Other receivables	Financial receivables
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Companies controlled by PRADA Holding B.V.:						
EXHL Italia S.r.l.	2	—	—	—	—	—
Other related parties:						
HMP S.r.l.	59	—	59	—	59	12
PRADA Italia S.p.A.	2	—	—	—	—	—
Progetto PRADA Arte S.r.l.	—	—	72	—	74	—
Stichting Fondazione PRADA	—	—	2	—	—	—
	61	—	133	—	133	12
Total	8,496	148,177	4,210	184,936	2,189	184,234

	At January 31,					
	2009		2010		2011	
	Amounts due to parent company, subsidiaries, a jointly controlled entity and related parties (Note 17)					
	Other payables	Financial payables	Other payables	Financial payables	Other payables	Financial payables
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
PRADA Holding B.V.	—	2,500	—	2,544	—	11
Subsidiaries:						
Artisans Shoes S.r.l.	145	5,462	146	4,011	721	15
Car Shoe Italia S.r.l.	—	905	—	2,171	—	428
IPI Logistica S.r.l.	12	1,543	—	994	—	687
Post Development Corp.	—	26,796	—	27,224	—	27,596
PRADA Asia Pacific Ltd	1,384	96	1,384	—	—	—
PRADA Austria GmbH	—	—	—	—	—	1,110
PRADA Canada Corp.	—	27	—	29	—	32
PRADA Far East B.V.	3	88,368	3	143,362	3	206,105
PRADA Hawaii Corp.	88	—	88	—	88	—
PRADA Japan Co., Ltd	1,420	22,532	1,294	34,034	—	1,514
PRADA Retail France SAS	—	22	—	1,322	—	558
PRADA Retail UK Ltd	14	36	13	—	948	—
PRADA S.A.	1,678	15,675	1,541	65,015	1,533	47,634
PRADA Spain sa	—	—	—	—	72	—
PRADA Stores S.r.l.	5,720	14	642	1	5,078	—
PRADA USA Corp.	396	3,192	342	2,968	—	3,066
Santacroce S.r.l.	68	1	—	—	—	—
Space Caffè S.r.l.	—	—	94	—	68	—
Space S.A.	—	22	—	23	1	19
	10,928	164,691	5,547	281,154	8,512	288,764
Jointly controlled entity						
Fragrance & Skincare S.L.	5	—	—	—	—	—
Other related parties:						
Luna Rossa Challenge 2007	5	—	5	—	5	—
Progetto PRADA Arte S.r.l.	88	—	41	—	23	—
Stichting Fondazione PRADA	—	—	20	—	24	—
	93	—	66	—	52	—
Total	11,026	167,191	5,613	283,698	8,564	288,775

Transactions of the Group with related parties during the year ended January 31, 2009

	Sales of goods	Purchase	Operating costs (revenues)	Royalties received	Royalties paid	Interest income	Financial cost
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
PRADA Holding B.V.	—	—	(222)	—	—	1,868	266
Companies controlled by shareholders:							
Venezia 3 S.r.l.	4,224	162	(1,761)	120	—	—	—
F.lli PRADA S.r.l.	10,724	701	(100)	296	—	—	—
Montenapoleone 6 S.r.l.	4,883	267	(97)	125	—	—	—
IPR S.r.l.	8,965	756	(135)	224	—	—	—
Spiga 1 S.r.l.	4,092	175	(218)	114	—	—	—
PRADA Italia S.p.A.	—	—	(288)	—	—	—	—
Luna Rossa Challenge 2007	—	(18)	(33)	—	2	—	—
HMP S.r.l.	—	—	463	—	—	12	—
Stichting Fondazione PRADA	—	—	2,439	—	—	—	—
Progetto PRADA Arte S.r.l.	—	—	821	—	—	—	—
Others	1	—	849	—	—	8	—
	32,889	2,043	1,940	879	2	20	—
Companies controlled by PRADA Holding B.V.:							
EXHL Design L.L.C.	—	—	—	—	—	—	—
Prapar Corporation	—	—	—	—	—	—	2
EXHL Retail USA L.L.C.	—	—	—	—	—	3	—
EXHL Italia S.r.l.	—	—	(6)	—	—	—	—
EXHL Japan Co. Ltd	—	—	(2)	—	—	—	—
Immobiliare 3	—	—	—	—	—	25	—
PRADA Arte B.V.	—	—	—	—	—	56	—
Others		—	—	—	—	7	—
	—	—	(8)	—	—	91	2
Jointly controlled entity:							
Fragrance and Skincare S.L.	—	17	(729)	5,087	—	—	—
Total	32,889	2,060	981	5,966	2	1,979	268

Transactions of the Group with related parties during the year ended January 31, 2010

	Sales of goods	Purchase	Operating costs (revenues)	Royalties received	Royalties paid	Interest income	Financial cost
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
PRADA Holding B.V.	—	—	(253)	—	—	383	44
Companies controlled by shareholders:							
Venezia 3 S.r.l.	5,116	553	(2,023)	132	—	—	—
F.lli PRADA S.r.l.	10,257	970	(112)	279	—	—	—
Montenapoleone 6 S.r.l.	4,705	405	44	123	—	—	—
IPR S.r.l.	7,535	1,104	(42)	184	—	—	—
Spiga 1 S.r.l.	3,856	274	(112)	104	—	—	—
PRADA Italia S.p.A.	—	—	(283)	—	—	—	—
Luna Rossa Challenge 2007	—	(10)	(35)	—	1	—	—
HMP Srl	—	—	477	—	—	—	4
Stichting Fondazione PRADA/ Progetto PRADA Arte S.r.l.	2	3	4,838	—	—	—	—
Maestrale Holding	—	—	3,500	—	—		
Others	—	1	869	—	—	—	—
	31,471	3,300	7,121	822	1	—	4
Companies controlled by PRADA Holding B.V.:							
Prapar Corporation	—	—	—	—	—	—	3
EXHL Retail USA L.L.C.	—	—	—	—	—	1	—
EXHL Italia S.r.l.	—	—	(6)	—	—	—	—
EXHL Japan Co. Ltd	—	—	(3)	—	—	—	—
PRADA Arte B.V.	—	—	(5)	—	—	—	—
Others	—	—	—	—	—	—	—
	—	—	(14)	—	—	1	3
Jointly controlled entity:							
Fragrance and Skincare S.L.	—	—	(545)	3,778	—	—	—
Total	31,471	3,300	6,309	4,600	1	384	51

Transactions of the Group with related parties during the year ended January 31, 2011

	Sales of goods	Purchase	Operating costs (revenues)	Royalties received	Royalties paid	Interest income	Financial cost
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
PRADA Holding B.V.	—	—	(129)	—	—	469	38
Companies controlled by shareholders:							
Venezia 3 S.r.l.	4,454	419	(1,925)	118	—	—	—
F.lli PRADA S.r.l.	11,851	697	(218)	326	—	—	—
Montenapoleone 6 S.r.l.	5,164	313	(4)	142	—	—	—
IPR S.r.l.	8,283	692	(274)	222	—	—	—
Spiga 1 S.r.l.	4,781	244	(111)	132	—	—	—
PRADA Italia S.p.A.	—	—	(315)	—	—	—	—
Luna Rossa Challenge 2007	—	—	5,350	—	—	60	—
HMP S.r.l.	—	—	465	—	—	1	—
Stichting Fondazione PRADA/ Progetto PRADA Arte Srl	—	—	1,966	—	—	—	—
PRADA America's Cup S.r.l.	—	—	—	—	—	21	—
Maestrale Holding	—	—	—	—	—	—	—
Others	—	—	881	—	—	—	—
	34,533	2,365	5,815	940	—	82	—
Companies controlled by PRADA Holding B.V.:							
Prapar Corporation	—	—	—	—	—	—	3
EXHL Retail USA L.L.C.	—	—	—	—	—	1	—
EXHL Italia S.r.l.	—	—	(6)	—	—	—	—
EXHL Japan Co. Ltd	—	—	(3)	—	—	—	—
PRADA Arte B.V.	—	—	(5)	—	—	—	—
Others	—	—	—	—	—	—	—
	—	—	(14)	—	—	1	3
Jointly controlled entity:							
Fragrance and Skincare S.L.	—	22	(245)	3,603	—	—	—
Total	34,533	2,387	5,427	4,543	—	552	41

The key management composes of the Company's Board of directors and the remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends. Details of the directors' remuneration disclosed in note 37.

In the opinion of directors, related parties financial transactions and balances with PRADA Holding B.V. and EXHL group companies are expected to discontinue and settle upon the listing of the Company's shares on the Stock Exchange. The Company has discontinued the transactions with Prada America's Cup S.r.l. and will collect the receivable due by them of approximately Euro 1.4 million as at January 31, 2011 after the said company collects the value added tax credit claim from the Italian tax authorities. All other transactions and balances are of trade nature and will continue after the listing of the Company's shares on the Stock Exchange.

39. COMMITMENTS

Operating leases

The future aggregate minimum annual lease payments under all non-cancellable operating leases which fall due as follows:

	At January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Within one year	156,969	175,938	198,481
Between two and five years inclusive	529,228	572,981	660,454
After five years	596,452	494,964	535,779
Total	1,282,649	1,243,883	1,394,714

The following table shows the amounts recognized as an expense during the Relevant Periods:

	Year ended January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Minimum fixed lease amounts	117,961	124,979	154,582
Variable lease amounts	70,732	93,992	140,472
Total	188,693	218,971	295,054

Some Group companies are required to pay lease charges based on a fixed percentage of net sales.

40. LIST OF SUBSIDIARIES, AN ASSOCIATE AND A JOINTLY CONTROLLED ENTITY

The list of subsidiaries, an associate and a jointly controlled entity are as follows:

Name of Company	Local currency	Issued and fully paid share or registered capital (in thousands local currency)	Proportion of nominal value of issued share capital/ registered capital held by the Company				Place of incorporation/ establishment/ operation	Date of incorporation/ establishment	Main business
			2009	2010	2011	Date of this report			
			%	%	%	%			
Subsidiaries									
Italy									
Artisans Shoes S.r.l.(1)(6)	EURO	1,000	66.73	66.73	66.73	66.73	Montegranaro, Italy	09/02/1977	Shoes production
Space Caffè S.r.l.(1) (ex PRADA Advertising S.r.l.)	EURO	20	100.00	100.00	100.00	100.00	Milan, Italy	06/12/1990	Services
IPI Logistica S.r.l.(1)	EURO	600	100.00	100.00	100.00	100.00	Milan, Italy	26/01/1999	Services
PRADA Stores S.r.l.(1)	EURO	520	100.00	100.00	100.00	100.00	Milan, Italy	11/04/2001	Retail/ Investment holding
Car Shoe Italia S.r.l.	EURO	10	55.00	55.00	100.00	100.00	Milan, Italy	16/03/2001	Wholesale/ Retail
Church Italia S.r.l.	EURO	51	100.00	100.00	100.00	100.00	Milan, Italy	31/01/1992	Wholesale/ Retail
Europe									
PRADA Retail UK Ltd(2)	GBP	5,000	100.00	100.00	100.00	100.00	London, UK	07/01/1997	Retail
PRADA Germany GmbH	EURO	215	100.00	100.00	100.00	100.00	Munich, Germany	20/03/1995	Retail
PRADA Austria GmbH	EURO	40	100.00	100.00	100.00	100.00	Vienna, Austria	14/03/1996	Retail
PRADA Spain sa	EURO	240	100.00	100.00	100.00	100.00	Madrid, Spain	14/05/1986	Retail
PRADA Retail France SAS	EURO	4,000	100.00	100.00	100.00	100.00	Paris, France	10/10/1984	Retail
PRADA Hellas Single Partner Limited Liability Company(1)	EURO	6,000	100.00	100.00	100.00	100.00	Athens, Greece	19/12/2007	Retail
PRADA Monte-Carlo S.A.M.	EURO	150	100.00	100.00	100.00	100.00	Monte-Carlo, Monaco	25/05/1999	Retail
PRADA S.A.(1)	EURO	31	100.00	100.00	100.00	100.00	Luxembourg	29/07/1994	Services/ trademark owner
PRADA Company S.A.	EURO	3,204	100.00	100.00	100.00	100.00	Luxembourg	12/04/1999	Services
PB Luxembourg S.A.(5)	EURO	31	100.00	100.00	n/a	n/a	Luxembourg	13/03/2001	Investment holding
Car Shoe S.A.	EURO	2,100	55.00	55.00	100.00	100.00	Luxembourg	13/03/2001	Service/ Trademark owner
PRADA Far East B.V.(1)	EURO	20	100.00	100.00	100.00	100.00	Amsterdam, The Netherlands	27/03/2000	Investment holding/ Services
Space S.A.	CHF	200	100.00	100.00	100.00	100.00	Paradiso, Switzerland	17/07/2008	Retail
Church Holding UK plc(1)	GBP	78,126	100.00	100.00	100.00	100.00	Northampton, UK	22/07/1999	Investment holding
Church France S.A.	EURO	241	100.00	100.00	100.00	100.00	Paris, France	01/06/1955	Retail
Church UK Retail Ltd	GBP	1,021	100.00	100.00	100.00	100.00	Northampton, UK	16/07/1987	Retail
Church's English Shoes Switzerland S.A.	CHF	100	100.00	100.00	100.00	100.00	St. Moritz, Switzerland	29/12/2000	Retail

Name of Company	Local currency	Issued and fully paid share or registered capital (in thousands local currency)	Proportion of nominal value of issued share capital/ registered capital held by the Company 2009	2010	2011	Date of this report	Place of incorporation/ establishment/ operation	Date of incorporation/ establishment	Main business
			%	%	%	%			
Church & Co. Ltd	GBP	2,811	100.00	100.00	100.00	100.00	Northampton, UK	16/01/1926	Investment holding/ Production/ Wholesale
Church & Co. (Footwear) Ltd	GBP	44	100.00	100.00	100.00	100.00	Northampton, UK	06/03/1954	Trademark owner
Church English Shoes S.A.	EURO	75	100.00	100.00	100.00	100.00	Brussels, Belgium	25/02/1963	Retail
PRADA Czech Republic s.r.o.(1)	CZK	2,500	100.00	100.00	100.00	100.00	Prague, Czech Republic	25/06/2008	Retail
PRADA Portugal. Unipessoal LDA(1)	EUR	5	100.00	100.00	100.00	100.00	Lisbon, Portugal	07/08/2008	Retail
PRADA Rus L.L.C.(1)	RUR	278	100.00	100.00	99.90	99.90	Moscow, Russia	07/11/2008	Retail
Church Spain, S.L.	EUR	3	100.00	100.00	100.00	100.00	Madrid, Spain	06/05/2009	Retail
PRADA Bosphorus Deri Mamuller Ticaret Limited Sirketi	TRY	7,630	100.00	100.00	100.00	100.00	Istanbul, Turkey	26/02/2009	Retail
JSC (2009) Ltd	GBP	90	100.00	100.00	100.00	100.00	Northampton, UK	21/09/1920	Dormant
America									
PRADA USA Corp(1)	USD	152,211	100.00	100.00	100.00	100.00	New York, U.S.A	25/10/1993	Services/ Wholesale/ Retail
PRADA Hawaii Corp	USD	14,400	100.00	100.00	100.00	100.00	Delaware, U.S.A.	01/04/1996	Retail
Space USA Corp	USD	301	100.00	100.00	100.00	100.00	New York, U.S.A.	15/02/1994	Retail
UPB Corp	USD	70	100.00	100.00	100.00	100.00	New York, U.S.A.	18/05/1989	Services
TRS Hawaii L.L.C.(7)	USD	400	55.00	55.00	55.00	55.00	Honolulu, U.S.A.	17/11/1999	Duty-free retail
PRADA Canada Corp(1)	CAD	300	100.00	100.00	100.00	100.00	Toronto, Canada	01/05/1998	Wholesale/ Retail
Boutique Genny Inc(5)	USD	500	100.00	100.00	n/a	n/a	New York, U.S.A.	04/12/1997	Services
Church & Co. (USA) Ltd	USD	85	100.00	100.00	100.00	100.00	New York, U.S.A.	08/09/1930	Retail
Post Development Corp	USD	42,221	100.00	100.00	100.00	100.00	New York, U.S.A.	18/02/1997	Real estate
PRADA Brasil Importação e Comércio de Artigos de Luxo Ltda.	BRL	250,000	n/a	n/a	n/a	100.00	Brazil	12/04/2011	Retail
Other areas									
PRADA Middle East FZCO	Dhs	18,000,000	n/a	n/a	n/a	60.00	Dubai	25/05/2011	Retail
Asia-Pacific and Japan									
PRADA Asia Pacific Ltd	HKD	3,000	100.00	100.00	100.00	100.00	Hong Kong	12/09/1997	Retail/ Wholesale
PRADA Taiwan Ltd	TWD	3,800	100.00	100.00	100.00	100.00	Hong Kong	16/09/1993	Retail
Space HK Retail Ltd	HKD	1,000	100.00	100.00	100.00	100.00	Hong Kong	25/02/1993	Retail
PRADA Retail Malaysia Sdn Bhd	MYR	1,000	100.00	100.00	100.00	100.00	Malaysia	23/01/2002	Retail
PRADA China Ltd	HKD	7,000	100.00	100.00	100.00	100.00	Hong Kong	03/11/1997	Retail
TRS Hong Kong Ltd (7)	HKD	500	55.00	55.00	55.00	55.00	Hong Kong	23/02/2001	Duty-free retail
PRADA Singapore Pte Ltd	SGD	1,000	100.00	100.00	100.00	100.00	Singapore	31/10/1992	Retail

Name of Company	Local currency	Issued and fully paid share or registered capital (in thousands local currency)	Proportion of nominal value of issued share capital/ registered capital held by the Company 2009	2010	2011	Date of this report	Place of incorporation/ establishment/ operation	Date of incorporation/ establishment	Main business
			%	%	%	%			
TRS Singapore Pte. Ltd[(7)]	SGD	500	55.00	55.00	55.00	55.00	Singapore	08/08/2002	Duty-free retail
PRADA Korea Ltd	KOW	8,125,000	100.00	100.00	100.00	100.00	Seoul, Korea	27/11/1995	Retail
PRADA (Thailand) Co. Ltd	BTH	172,000	100.00	100.00	100.00	100.00	Bangkok, Thailand	19/06/1997	Retail
PRADA Japan Co. Ltd	JPY	200,000	100.00	100.00	100.00	100.00	Tokyo, Japan	01/03/1991	Retail
TRS Guam Partnership[(7)]	USD	1,095	55.00	55.00	55.00	55.00	Guam	01/07/1999	Duty-free retail
TRS Saipan Partnership[(7)]	USD	1,405	55.00	55.00	55.00	55.00	Saipan	01/07/1999	Duty-free retail
TRS New Zealand Ltd[(7)]	NZD	100	55.00	55.00	55.00	55.00	Auckland, New Zealand	04/11/1999	Duty-free retail
PRADA Australia Pty Ltd	AUD	3,500	100.00	100.00	100.00	100.00	Sydney, Australia	21/04/1997	Retail
TRS Australia Ltd[(7)]	AUD	600	55.00	55.00	55.00	55.00	Sydney, Australia	23/03/2000	Duty-free retail
PRADA Trading (Shanghai) Co. Ltd[(3)]	RMB	1,653	100.00	100.00	100.00	100.00	Shanghai, China	09/02/2004	Retail
Travel Retail Shops Okinawa KK[(7)]	JPY	10,000	55.00	55.00	55.00	55.00	Tokyo, Japan	21/01/2005	Duty-free retail
PRADA Fashion Commerce (Shanghai) Co. Ltd[(3)]	RMB	48,966	100.00	100.00	100.00	100.00	Shanghai, China	31/10/2005	Retail
Church Japan Co., Ltd	JPY	3,050	100.00	100.00	100.00	100.00	Tokyo, Japan	17/04/1992	Retail
Church Hong Kong Retail Ltd	HKD	1,000	100.00	100.00	100.00	100.00	Hong Kong	04/06/2004	Retail
Church Singapore Pte., Ltd.[(2)]	SGD	500	100.00	100.00	100.00	100.00	Singapore	18/08/2009	Retail
Car Shoe Singapore Ltd[(4)]	SGD	500	n/a	n/a	100.00	100.00	Singapore	01/02/2010	Retail
Car Shoe Hong Kong Ltd[(4)]	HKD	3,000	n/a	n/a	100.00	100.00	Hong Kong	26/02/2010	Retail
Associate									
PAC S.r.l.[(8)]	Euro	31	49.00	49.00	49.00	49.00	Milano, Italy	02/08/1991	Dormant
Jointly controlled entity									
Fragrance of skincare S.L.[(9)]	Euro	4,000	50.00	50.00	50.00	50.00	Barcelona, Spain	11/02/2003	Distribution

Notes:

(1) Directly controlled by the Company

(2) Share capital lower than thousands of local currency

(3) The companies were established in China in the form of wholly foreign-owned enterprises.

(4) These companies were incorporated during year ended January 31, 2011.

(5) These companies were liquidated during the year ended January 31, 2011 as part of the reorganization of the Group's structure. These companies do not have any outstanding claims and liabilities to the Group at the date of liquidation.

(6) The minority shareholder of Artisans Shoes S.r.l. is Mr. Graziano Mazza who is an independent third party of the Group.

(7) The minority interest of TRS group companies are beneficially owned by LVMH group, an independent third party of the Group.

(8) The majority shareholders of PAC S.r.l. are beneficially owned by the Prada Family.

(9) The joint venture partner of Fragrance of Skincare S.L. is Puig, S.L., an independent third party of the Group.

41. SUBSIDIARIES AUDITOR

The statutory financial statements of the following Company's subsidiaries for the Relevant Periods, or since their respective dates of establishment or incorporation, where there is a shorter period, were prepared in accordance with IFRSs or relevant accounting principles and financial regulations.

Subsidiaries	Country	Auditor's name
Artisan Shoes S.r.l.	Italy	Note
IPI Logistica S.r.l.	Italy	Note
Prada Stores S.r.l.	Italy	Note
Car Shoe Italia S.r.l.	Italy	Note
Church Italia S.r.l.	Italy	Note
Prada Retail UK Limited	United Kingdom	Deloitte LLP
PRADA Germany GmbH	Germany	Deloitte & Touche Gmbh
Prada Retail France sas	France	Deloitte & Associés
Prada Monte Carlo SAM	Monaco	Andrè GARINO and Bettina RAGAZZONI
PRADA S.A.	Luxembourg	Deloitte S.A.
Church Holding UK Ltd	United Kingdom	Deloitte LLP
Church UK Retail Limited	United Kingdom	Deloitte LLP
Church France S.A.	France	Deloitte & Associés
Church & Co. Limited	United Kingdom	Deloitte LLP
Prada Asia Pacific Limited	Hong Kong	Deloitte Touche Tohmatsu
Prada Taiwan Limited, Taiwan Branch	Taiwan	Deloitte & Touche
Space Hong Kong Limited	Hong Kong	Deloitte Touche Tohmatsu
Prada Retail Malaysia Sdn Bhd	Malaysia	Deloitte & Touche
Prada China Limited	Hong Kong	Deloitte Touche Tohmatsu
TRS Hong Kong Limited	Hong Kong	Deloitte Touche Tohmatsu
Prada Singapore Pte Limited	Singapore	Deloitte LLP
TRS Singapore Pte Limited	Singapore	Deloitte LLP
Prada Korea ltd	Korea	Deloitte Anjin LLC
Prada (Thailand) Co., Ltd.	Thailand	Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.
Prada Japan Co., ltd	Japan	Deloitte Touche Tohmatsu LLC
TRS New Zealand ltd	Hong Kong	Deloitte Touche Tohmatsu
Prada Australia Pty Limited	Australia	Deloitte Touche Tohmatsu
Prada Trading Shanghai	Shanghai - China	Deloitte Touche Tohmatsu CPA Ltd
Prada Fashion Commerce (Shanghai) Co. Ltd	Shanghai - China	Deloitte Touche Tohmatsu CPA Ltd
Church Hong Kong Retail Ltd	Hong Kong	Deloitte Touche Tohmatsu

Note: These Italian subsidiaries do not have legal obligation to file statutory financial statements audited by external auditors. The statutory financial statements of these Italian subsidiaries were audited by their board of auditors, Collegio Sindacale, under the relevant Italian law.

Except for disclosed above, no statutory financial statements have been prepared for the three years ended January 31, 2011 for other subsidiaries as there were no such statutory requirement.

42. DIVIDENDS

Dividends recognized as distribution during the Relevant Periods are as follow:

	Year ended January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Final	—	47,750	111,000

The dividend per share (have not adjusted for the share split as detailed in Appendix V of the prospectus) for the year ended January 31, 2009, 2010 and 2011 were Nil, Euro 0.191 and Euro 0.444, respectively.

Dividend of Euro 35 million (Euro 0.14 per share (have not adjusted for the share split as detailed in Appendix V of the prospectus) in respect of the year ended January 31, 2011 per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

Under Italian tax law, dividends paid to an Italian company are not subject to withholding tax while dividends paid by an Italian company to a European Union parent company that qualifies for the benefits of the Parent-Subsidiary Directive are free from withholding tax to the extent all the requirements set forth by article 27-bis of Presidential Decree 600/1973 are met. Since all the shareholders of the Company are qualify for exemption as stated above, no tax was withheld during the Relevant Periods.

43. CAPITAL COMMITMENTS

	Year ended January 31,		
	2009	2010	2011
	Euro'000	Euro'000	Euro'000
Capital expenditure in respect of the acquisition of property, plant and equipment/intangible assets contracted for but not provided in the Financial Information	2,060	—	42,500

44. OTHER COMMITMENTS

On November 16, 2010, the Company signed a preliminary contract with third parties whereby it undertook to purchase a number of real estate properties in Italy, already used by the Company in its business activities under rental agreements, at a total cost of Euro 49.5 million. As at the reporting date, one of the properties had already been acquired for Euro 7 million while the remaining will be purchased by June 2011 (Euro 30.2 million) and by February 2012 (Euro 12.3 million).

45. MAJOR NON-CASH TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, during the Relevant Periods, the following non-cash transactions have taken place:

(a) During the year ended January 31, 2010, amount due from Prada Holding B.V., parent company of the Company, of Euro 52.1 million was settled through dividend declared by the Company.

B. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Relevant Periods. Under the arrangements presently in force, the aggregate remuneration excluding bonus payable, if any, of the Company's directors for the year ending January 31, 2012 is approximately to be Euro27,016,000.

C. SUBSEQUENT EVENTS

Other than those disclosed elsewhere in the Financial Information, the following significant events took place subsequent to January 31, 2011:

(a) With reference to the recent events in Japan, the Group has not pointed out any significant change to its retail network. The shops that on March 11, 2011, have been closed mainly as a consequence of the electric power rationing have been fully operating again since March 23, 2011.

(b) On May 26, 2011, a resolution was passed by the shareholders of the Company to approve the subdivision of each issued and unissued shares of Euro 1 each in the authorized share capital into 2,500,000,000 shares of Euro 0.1 each. Immediately after the share split, the Company had 2,500,000,000 ordinary shares in issue. All shares rank pari passu with each other in all respects.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to January 31, 2011.

Yours faithfully,

Deloitte & Touche S.p.A.
Milan, Italy

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong