Separate Financial Statements 2013

PRADA spa
(Hong Kong Stock code: 1913)

Separate Financial Statements 2013

Index

Patrizio Bertelli

Miuccia Prada

Corporate Information

Corporate Information

Registered office	Via A. Fogazzaro, 28 20135 Milan, Italy
Headquarters office	Via A. Fogazzaro, 28 20135 Milan, Italy
Place of business in Hong Kong registered under Part 16 of the Hong Kong Companies Ordinance	36/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong
Company website	www.pradagroup.com
Hong Kong Exchange Stock Code	1913
Board of Directors (appointed on May 22, 2012)	Carlo Mazzi (Chairperson, having assumed the role on February 14, 2014, and Executive Director) Miuccia Prada Bianchi (Chief Executive Officer, having assumed the role on February 14, 2014, and Executive Director) Patrizio Bertelli (Chief Executive Officer and Executive Director) Donatello Galli (Chief Financial Officer and Executive Director) Alessandra Cozzani (Executive Director appointed on December 20, 2013) Gaetano Micciché (Non-Executive Director) Gian Franco Oliviero Mattei (Independent Non-Executive Director) Giancarlo Forestieri (Independent Non-Executive Director) Sing Cheong Liu (Independent Non-Executive Director) Marco Salomoni (Non-Executive Director) resigned on December 19, 2013
Audit Committee	Gian Franco Oliviero Mattei (Chairman) Giancarlo Forestieri Sing Cheong Liu
Remuneration Committee	Gian Franco Oliviero Mattei (Chairman) Carlo Mazzi Giancarlo Forestieri
Nomination Committee	Gian Franco Oliviero Mattei (Chairman) Carlo Mazzi Sing Cheong Liu
Board of Statutory Auditors	Antonino Parisi (Chairman) Roberto Spada (Standing member) David Terracina (Standing member)

Supervisory Board (Legislative Decree 231/2001)	David Terracina (Chairman) Gian Franco Oliviero Mattei Franco Bertoli
Main Shareholder	PRADA Holding B.V. Keizersgracht 313 3rd floor 1016 EE Amsterdam - The Netherlands
Joint Company Secretaries	Patrizia Albano Via A. Fogazzaro, 28 20135 Milan, Italy Ying-Kwai Yuen (Fellow member, HKICS) 36/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong
Authorized Representatives in Hong Kong	Carlo Mazzi Via A. Fogazzaro, 28 20135 Milan, Italy Ying-Kwai Yuen (Fellow member, HKICS) 36/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong
Alternate Authorized Representative in Hong Kong to Carlo Mazzi	Sing Cheong Liu House 7 Severn Hill 4 Severn Road The Peak Hong Kong
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen’s Road East Wanchai, Hong Kong
Auditor	Deloitte & Touche Spa Via Tortona, 25 20144 Milan, Italy

Financial Review

Presentation

The Company is the PRADA Group parent company and acts as an operating-holding company. It operates, directly and through investments in subsidiary and associate companies, in manufacturing, distribution, retail, brand and trademark management in the luxury goods sector.

The Company's main activities are as follows:

- manufacture of leather goods, clothing, footwear and accessories of all kinds bearing the Prada, Miu Miu, Car Shoe and Church's brands;
- worldwide wholesale of leather goods, footwear and clothing bearing the Prada and Miu Miu brands;
- retail through company stores and on-line;
- management of investments;
- services provided to Group companies, including:
  - retail management services regarding preparation of purchasing budgets and selection of product mix, visual displaying and management of stores;
  - advertising and promotional services, especially media planning, design services and style input;
  - information technology services regarding the technological infrastructure and the centralized, integrated management of applications;
  - engineering services in relation to the opening, refurbishment and maintenance of stores;
  - financial services involving the granting of loans;
  - corporate services regarding legal affairs, tax advisory, administration/accounting, human resources, security and logistics consultancy.

The report of the Board of Directors refers to PRADA spa (the "Company"), operational holding company of the PRADA Group. It is based on the Separate Financial Statements at January 31, 2014 (financial year 2013), as prepared in accordance with IFRS adopted by the European Union. The Financial review must be read together with the Financial statements and the Notes which form an integral part of the Separate Financial Statements.

2013 highlights

In 2013, the Prada Group pursued with conviction its strategic plan of expansion in the global luxury goods market, achieving one of the highest rates of growth in the segment. The uncertain economic environment with exchange rate volatility and the ongoing negative economic situation in Europe meant that the results achieved were all the more satisfying. For the fourth consecutive year, significant net revenue growth was recorded.

Commercial growth was driven by the retail network thanks to both the solid contribution of existing stores and the impact of newly opened stores. The Group retail network expansion led to the opening of 79 (net of closing) new directly operated stores (DOS) during the year. The total number of DOS reached 540 at January 31, 2014.

Finally, in the industrial area, in 2013, management committed to improving further supply chain processes in order to optimize the system of procurement for the retail network and maintain high industrial margins.

The following tables show some of the key performance indicators for the last two years.

(amounts in thousands of Euro)	January 31 2014	%	January 31 2013	%
Net sales	2,004,115	100.0%	1,732,111	100.0%
Cost of goods sold	(898,150)	-44.8%	(836,417)	-48.3%
Gross margin	1,105,965	55.2%	895,694	51.7%
Operating expenses	(541,635)	-27.0%	(488,765)	-28.2%
Interest and other financial income (expenses), net	27,605	1.4%	49,219	2.8%
Income before tax	591,935	29.5%	456,147	26.3%
Income tax	(196,360)	-9.8%	(167,851)	-9.7%
Net income for the year	395,574	19.7%	288,297	16.6%
ROE	28,39%		23,78%	
ROI	33,84%		27,42%	
ROS	28,16%		23,49%	
Depreciation, amortization and impairment	25,911	1.3%	25,969	1.5%
EBIT	564,329	28.2%	406,928	23.5%
EBITDA	590,240	29.5%	432,898	25.0%

Net revenues for the twelve months ended January 31, 2014 totaled Euro 2,004.1 million, 15.7% more than the Euro 1,732.1 million recorded the previous year. The increase was driven by the retail channel thanks to the opening of new DOS and like-for-like growth by existing stores owned by the companies of Prada Group.

EBITDA for the year amounted to Euro 590.2 million with a 36.4% increase on 2012. Gross margin growth led to an improvement in EBITDA notwithstanding increased operating expenses.

The increase in operating expenses included an increase in royalties expenses of Euro 30.2 million, in line with the growth of net sales.

Net financial income totaled Euro 27.6 million and mainly comprised the following income and expenses:

- dividend income of Euro 46.5 million;
- net exchange losses of Euro 15.2 million;
- net interest expenses of Euro 2.1 million;

The tax charge for the year, represented as a percentage of income before taxation, was 33.2% against 36.8% last year. The 2012 tax rate was affected by an extraordinary tax charge amounting to some Euro 42 million and relating to the years 2010 and 2011, while in the 2013 the Company recorded extraordinary tax charge for Euro 22 million relating to 2012.

During the year, the Company did not carry out any unusual and/or atypical transactions with a significant impact on the financial statements.

Analysis of the statement of financial position

The following table contains the statement of financial position, as reclassified in order to provide a better picture of the composition of net invested capital.

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Non-current assets excluding financial items	1,382,385	1,297,042
Current assets excluding financial assets	886,771	739,514
Current liabilities excluding financial liabilities	542,031	486,927
Net working capital	344,740	252,587
Long-term liabilities, including deferred taxation	26,898	16,190
Employee benefits	40,113	25,759
Provisions for risks	23,266	23,726
Net invested capital	1,636,846	1,483,954
Shareholders’ equity	1,541,141	1,393,234
Long-term financial payables	117,433	18,781
Short-term financial payables (net of cash and cash equivalents)	(21,728)	71,939
Net financial indebtedness	95,705	90,720
Shareholders' equity and net financial indebtedness	1,636,846	1,483,954
Ratios		
Net financial indebtedness/Shareholders’ equity	0.06	0.07
Current assets/Current liabilities	1.64	1.52

Net invested capital increased by Euro 152.9 million (10.3%) because of a Euro 85 million increase in non-current assets and the increase in net working capital. Net financial indebtedness is in line with prior year.

The following table contains the detailed composition of non-current assets excluding financial items:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Property, plant and equipment	317,996	279,164
Intangible assets	114,188	93,547
Investments in subsidiaries and associated undertakings	908,286	884,909
Deferred tax assets	33,009	33,815
Other non-current assets	5,988	4,589
Derivative financial instruments, non-current	1,430	1,018
Other receivables from parent companies, subsidiaries, associates and related parties	1,487	-
Total non-current assets excluding financial items	1,382,385	1,297,042
Ratio of tangible assets already depreciated	0.59	0.58

Property, plant and equipment and Intangible assets show a net increase of around Euro 59 million. Details of capital expenditure for the period are provided in Notes 7 and 8.

Investments in subsidiaries and associated undertakings have recorded a net increase of Euro 23 million, mainly because of capital increases by PRADA Bosphorous, PRADA Brazil and PRADA Maroc, as highlighted in Note 9.

The following table contains a breakdown of Net working capital.

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Trade receivables	621,096	488,559
Inventories	187,067	153,640
Trade payables	(436,357)	(393,545)
Net operating working capital	371,806	248,654
Derivative financial instruments	8,793	33,600
Other receivables from parent, subsidiary, associated companies and related parties	5,609	5,159
Other current assets	28,380	32,589
Current tax receivables (payables)	12,427	9,171
Other liabilities to parent, subsidiary, associated companies and related parties	(7,068)	(5,547)
Other current liabilities	(75,208)	(71,039)
Other current assets (liabilities), net	(27,066)	3,933
Net working capital	344,740	252,587

The overall increase of Euro 92 million is due to a Euro 123 million increase in net operating working capital, offset by a Euro 31 million change in other current liabilities, net. In particular, the fair value of derivative instruments has decreased from Euro 33.6 million to Euro 8.8 million.

The increase in net operating working capital is due to increases in trade receivables (+Euro 132.5 million) and inventories (+Euro 33.4 million). In addition, trade payables increased by Euro 42.8 million due to the higher volume of production as a result of the Company's sales growth.

Net financial position

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Long term financial payables	134,799	18,277
Obligations under finance leases	-	503
Financial receivables from parent companies, subsidiaries, associates and related parties	(17,366)	-
Long term financial debt	117,433	18,781
Bank overdraft and short term loans	14,483	118,410
Financial payables to parent company, subsidiaries, associates and related parties	342,031	312,324
Financial receivables from parent company, subsidiaries, associates and related parties	(252,616)	(218,952)
Obligations under finance leases	498	571
Cash and cash equivalents	(126,124)	(140,414)
Short-term financial (receivables) debt	(21,728)	71,939
Net financial debt	95,705	90,719
Net financial position, net of payables to parent company and other Group companies	23,656	(2,652)

As at January 31, 2014, the net financial position shows net debt of Euro 95.7 million, with an increase of Euro 5 million compared to the previous year.

In terms of liquidity, debt at January 31, 2014 is more favorable than at January 31, 2013 because of a shift towards longer term borrowings. Long-term financial payables have increased from Euro 18.8 million at January 31, 2013 to Euro 117.4 million while the short-term financial position has been transformed from net debt of Euro 72 million into net cash of Euro 21.7 million.

In 2013, PRADA spa issued a five year bond listed on the Irish Stock Exchange with a nominal amount of Euro 130 million. During 2013, it also repaid the Euro 100 million installment due on a syndicated loan. At January 31, 2014, the Company had further available lines of credit of Euro 387 million (Euro 408.5 million at January 31, 2013).

As shown in the Statement of cash flows, cash flows from operating activities amounted to Euro 251.5 million and wholly funded all investing activities for the period (Euro 45.8 million) as well as contributing towards payment of dividends to shareholders (Euro 230.3 million).

Policy on hedging of financial risks

The Company's financial risk hedging policies and the effects of the strategies adopted are described in the Notes to the financial statements.

Research and development

The Company sees the creative process as the first step towards quality.

This unique approach enables the Company to anticipate and set trends, experimenting with shapes and fabrics, leathers and production techniques.

Research and development activities are aimed at the creation of innovative products through the search for new or improved materials, the research and definition of design concepts, the development and production of prototypes.

Relationships and transactions with related parties

Information on relationships and transactions with related parties is provided in Note 27.

Treasury stock

As at January 31, 2014, the Company did not hold any treasury stock.

Significant events during the year

For a review of the most significant events during the year, see the "Corporate information" and "Significant acquisitions and disinvestments" sections of the Notes to the financial statements.

Events after the reporting period

On February 27, 2014, PRADA spa signed a sponsorship agreement with Luna Rossa Challenge srl, a related company in terms of IAS 24, for the participation of the Luna Rossa sailing team in the XXXV edition of the America's Cup. The contract, effective from February 27, 2014 until October 31, 2017, provides for total sponsorship payments of Euro 50 million, payable in variable monthly installments depending on the needs of the sailing team. In return, the Company will have the right to be the main sponsor of team Luna Rossa as well as to promote the Prada brand in association with the Luna Rossa trademark, for advertising purposes, during the contract and throughout the duration of the contract.

On February 27, 2014, PRADA spa signed a sponsorship agreement with Progetto Prada Arte srl (PPA), a related company in terms of IAS 24. The agreement regards the organization and promotion of cultural and artistic activities, including the "Art of Sound" exhibition by Germano Celant, and renovation of the Ca' Corner della Regina building. The contract provides for a maximum contribution of Euro 7.94 million, payable by January 31, 2015. The Company will be entitled to use images of the sponsored events, as agreed with PPA.

On March 14, 2014 the Company acquired the 80% of the Angelo Marchesi srl, owner of the historic Milanese pastry shop founded in 1824. The acquisition is aimed at enhancing the "Pasticceria Marchesi" brand, a synonym to quality in the Italian food industry, joining it with Prada and Miu Miu brands, leaders in the luxury goods market, within the Group's development worldwide.

Outlook for 2014

In 2013, the Group continued its program of development centered on growth and, once again, achieved encouraging growth figures. However, the macroeconomic situation remains difficult, especially in Europe, and the recovery is struggling to take hold in the face of a strong Euro which does not help exports. Against this background, the Group will seek to balance its growth oriented measures by paying careful attention to operational aspects in order to ensure that it consolidates the results achieved to date.

Proposed allocation of net income for the year

The Board of Directors proposes that the net income for the period of Euro 395,574,305 be allocated as follows:

- Euro 281,470,640 to the shareholders as dividends;
- Euro 114,103,665 to Retained earnings.

Chief Executive Officer

Patrizio Bertelli

Milan, April 2, 2014

Corporate Governance

Corporate governance practices

The Company is committed to maintaining a high standard of corporate governance practices and fulfilling its commitment to effective corporate governance. The corporate governance model adopted by the Company consists of a set of rules and standards with the aim at establishing efficient and transparent operations within the Group, to protect the rights of the Company's shareholders and to enhance shareholder value. The corporate governance model adopted by the Company is in compliance with the applicable regulations in Italy, as well as the principles of the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Compliance with the Code

The Board has reviewed the Company's corporate governance practices and is satisfied that such practices have complied with the code provisions set out in the Code, during the year ended January 31, 2014 (the "Reviewed Period").

Directors' securities transactions

The Company has adopted written procedures governing Directors' securities transactions on terms no less exacting than the standard set out in the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"). Specific written acknowledgments have been obtained from each Director to confirm compliance with the Model Code throughout the Reviewed Period. There was no incident of non-compliance during the Reviewed Period.

The Company has also adopted written procedures governing securities transactions carried out by the relevant employees who are likely to possess inside information in relation to the Company and its securities. The terms of these procedures are no less exacting than the standard set out in the Model Code.

Board of Directors

a. Board Composition

The Board is currently composed of nine Directors, of which five are Executive Directors, one is Non-Executive Director and three are Independent Non-Executive Directors. All Directors have distinguished themselves in their field of expertise and advised the Board in the area of their specialty, relevant to the business activities and strategic development of the Company and the Group. The Company has maintained on its website and on the website of The Stock Exchange of Hong Kong Limited ("HKSE") an updated list of its Directors, identifying their respective roles and functions and whether they are Independent Non-Executive Directors.

With a view to achieving a sustainable and balanced development, the Company has viewed diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its development. The Board diversity policy has been considered and adopted by the Board. All Board appointments are based on meritocracy and candidates are proposed and selected on an objective basis, with due regard for the benefits of diversity of the Board. A range of diversity perspectives is considered, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The final selection is based on merit and the contribution that the candidates can bring to the Board.

At the Board meeting approving the change of director on December 20, 2013, Board diversity was one of the key aspects that were discussed. Out of the total number of nine Directors, the number of female Directors has increased to two.

The Nomination Committee has been delegated with the overall responsibility for implementing and monitoring the application of the Board diversity policy. The Nomination Committee will discuss any revisions that may be required to ensure the effectiveness of the Board diversity policy and will recommend any such revisions to the Board for consideration and approval. The Board will review its composition on a regular basis to assess its optimal structure.

b. Board Meetings

During the Reviewed Period, the Board held five meetings to discuss the Group's overall corporate strategic direction and objectives, to assess its operational and financial performance (including the annual budget, annual, interim and quarterly results), to issue Euro 130 million Notes listed on the Irish Stock Exchange, to appoint a new Director and new members of Committees, to approve connected transactions and the Group's investments plan. The average attendance rate of the Directors for these five meetings either in person or through electronic means of communication was 85%.

Minutes of the Board meetings are kept by the Group Corporate Affairs Director and Joint Company Secretary, Ms. Patrizia Albano. Minutes of the meetings of the Board and all the Board Committees are available to any Director for inspection at any reasonable time by giving reasonable notice.

c. Board Attendance

The details of attendance at Board Meetings, Committee Meetings and shareholders' general meeting held during the Reviewed Period are set out in the following table:

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Shareholder's Meeting
Executive Directors					
Mr. Carlo MAZZI (Chairperson) 1	5/5			1/1	1/1
Ms. Miuccia PRADA BIANCHI 2 (Chief Executive Officer)	2/5				1/1
Mr. Patrizio BERTELLI (Chief Executive Officer)	4/5				1/1
Mr. Donatello GALLI (Chief Financial Officer)	4/5				1/1
Ms. Alessandra COZZANI 3	1/1				
Non-Executive Directors					
Mr. Marco SALOMONI 4	4/4		1/1	2/2	1/1
Mr. Gaetano MICCICHÉ	3/5				0/1
Independent Non-Executive Directors					
Mr. Gian Franco Oliviero MATTEI 5	5/5	6/6	1/1	3/3	1/1
Mr. Giancarlo FORESTIERI 6	5/5	5/6	1/1		1/1
Mr. Sing Cheong LIU 7	5/5	6/6		3/3	1/1
Statutory Auditors					
Mr. Antonino PARISI (Chairman)	5/5	5/6			1/1
Mr. Roberto SPADA	4/5	4/6			1/1
Mr. David TERRACINA	5/5	6/6			1/1
Date(s) of Meeting	April 5, 2013	April 3, 2013	April 3, 2013	April 3, 2013	May 23, 2013
	June 11, 2013	May 23, 2013		Sept. 17, 2013	
	July 30, 2013	June 11, 2013		Dec. 20, 2013	
	Sept. 17, 2013	Sept. 17, 2013			
	Dec. 20, 2013	Nov. 13, 2013			
		Dec. 20, 2013			
Average Attendance Rate of Directors	85%	94.4%	100%	100%	88.9%

Notes:
1: Former Deputy Chairman, has assumed the role of Chairperson on February 14, 2014; appointed as member of Remuneration Committee and Nomination Committee on December 20, 2013
2: Former Chairperson, has assumed the role of Chief Executive Officer on February 14, 2014
3: Appointed as Executive Director on December 20, 2013
4: Resigned as Non-Executive Director and ceased to be member of Remuneration Committee and Nomination Committee on December 19, 2013
5: Chairman of Audit Committee, Remuneration Committee and Nomination Committee
6: Member of Audit Committee and Remuneration Committee
7: Member of Audit Committee and Nomination Committee

Ms. Miuccia Prada Bianchi, the former Chairperson of the Board and current Chief Executive Officer of the Company, was absent for three of the Board meetings due to prior commitments concerning fashion shows. Attendance at such events was important for the discharge of her duties to the Company. Prior to the relevant Board meeting being held, she rendered her views and comments to Mr. Carlo Mazzi, the former Deputy Chairman, who led the Directors through the agenda of the relevant Board meetings.

d. Roles and Responsibilities

The Board is vested with full powers for the ordinary and extraordinary management of the Company. The Board has the power to perform all acts it deems advisable for the implementation and achievement of the corporate purposes, except for those acts reserved by laws or by the By-laws for resolution at a shareholders' general meeting. In particular, the Board is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Company and the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual, interim and quarterly results, approval of major transactions and connected transactions and other significant operational and financial matters.

All Board members have been provided with monthly updates prepared by the Executive Directors with the support of the management which give a balanced and comprehensive assessment of the performance, position and prospects of the Company and the Group, in sufficient details to enable the Board as a whole and each Director to discharge their duties.

Day-to-day operational responsibilities are specifically delegated by the Board to management. Such responsibilities include:

- the preparation of annual, interim and quarterly results for the approval of the Board before publication;
- execution of business strategy and other initiatives adopted by the Board;
- monitoring of operating budgets adopted by the Board;
- implementation of adequate systems of internal controls and risk management procedures; and
- compliance with relevant statutory requirements, rules and regulations.

e. Non-executive Directors

The Non-Executive Directors, including the Independent Non-executive Directors, provide the Company with diversified skills, expertise and varied backgrounds and qualifications. They participate in the Board and Board Committees (including Audit Committee, Remuneration Committee and Nomination Committee) meetings to bring independent and objective views, advice and judgment on important issues relating to the Company's strategy, policy, financial performance, and take the lead on matters where potential conflicts of interests arise. They also attend the annual general meetings of the Company to understand the views of the shareholders. They make a positive contribution to the development of the Company's strategy and policy through independent, constructive and informed comments.

f. Independent Non-executive Directors

The independence of the Independent Non-executive Directors has been assessed in accordance with the applicable Listing Rules. Each Independent Non-Executive Director meets the independence guidelines set out in Rule 3.13 of the Listing Rules and has provided to the Company the annual confirmation as to his independence. This was further confirmed by the review of the Nomination Committee made on April 1, 2014. None of the Independent Non-Executive Directors of the Company has any business or financial interests with the Company or its subsidiaries and they continue to be considered by the Company to be independent.

g. Liability Insurance for the Directors

The Company has arranged for appropriate liability insurance to indemnify its Directors for their liabilities arising out of the corporate activities. The insurance coverage is reviewed on an annual basis.

h. Directors' Training

Each Director, after his/her appointment, is provided with a comprehensive, formal and tailored induction program to ensure that he/she has a proper understanding of the key areas of business operations and practices of the Company, as well as his/her responsibilities under the relevant laws, rules and regulations.

All Directors are encouraged to participate in continuous professional training to develop and refresh their knowledge and skills. In this respect, during the Reviewed Period, Directors received regular updates on changes and developments of the Group's business and on the latest development of the laws, rules and regulations relating to Directors' duties and responsibilities. In addition, all Directors attended an in-house seminar conducted by the Joint Company Secretaries covering mainly the topic of inside information disclosure requirements. These initiatives are taken to ensure the Directors' awareness of the latest corporate governance practices and that their contribution to the Board remains informed and relevant.

Directors are requested to provide records of the continuous training they have received during the Reviewed Period to the Group Corporate Affairs Director and the Joint Company Secretary, Ms. Patrizia Albano.

Chairperson and Chief Executive Officers

As published in the announcement dated February 14, 2014, the current Chairperson is Mr. Carlo Mazzi and the current Chief Executive Officers are Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli. The role of the Chairperson is separate from that of the Chief Executive Officers. The Chairperson is vested with the power to represent the Company and is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures. The Chief Executive Officers, supported by the other Executive Directors and senior management, are responsible for managing the Company's business, including the implementation of major strategies and other initiatives adopted by the Board. The Chief Executive Officers are husband and wife.

Appointment of Directors

At the shareholders' general meeting of the Company held on May 22, 2012, the Board (including the Non-Executive Directors) was appointed for a term of three financial years. The mandate of the current Board of Director lapses on the date of the shareholders' general meeting to be called to approve the financial statements for the year ending January 31, 2015.

The Board is empowered under the Company's by-laws to appoint any person as a Director to fill a casual vacancy. On December 20, 2013, the Nomination Committee recommended and the Board approved the appointment of Ms. Alessandra Cozzani as an Executive Director, to fill the casual vacancy caused by Mr. Marco Salomoni's resignation as Non-Executive Director on December 19, 2013. Ms. Alessandra Cozzani's appointment as Executive Director will be subject to election by the shareholders at the forthcoming shareholders' general meeting, and in case of election her mandate as Executive Director shall lapse at the same time as the other current Directors.

Under the Company's By-laws, the Directors may be re-appointed.

Corporate Governance Functions of the Board

The Board is responsible for determining and supervising the application of appropriate corporate governance policies of the Company, in accordance with the provisions of the Code. The Board's role in this regard is:

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the Code of Conduct, the Organisation, Management and Control Model (adopted pursuant to Italian Legislative decree 231 of June 8, 2001) and the Company's procedures;

(v) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report; and

(vi) to perform any other corporate governance duties and functions set out by the Listing Rules or other applicable rules, for which the Board shall be responsible.

During the Reviewed Period, the Board considered the following corporate governance matters:

(i) adopted the Board diversity policy;

(ii) reviewed connected transactions of the Company;

(iii) reviewed the compliance with the Code;

(iv) approved the issuance and the listing of Euro 130 million 2.75 per cent Notes on the Irish Stock Exchange; and

(v) reviewed the effectiveness of the internal controls and risk management systems of the Company through the Internal Control Department and the Audit Committee.

Board Committees

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee. Each Committee is chaired by an Independent Non-Executive Director. Each of the Committees' terms of reference is available on the Company's and Stock Exchange's websites. The terms of reference in respect of each Committee are of no less exacting terms than those set out in the Code.

In addition, the Board has established a supervisory body under the Italian Legislative Decree 231 of June 8, 2001.

a. Audit Committee

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules where at least one member possesses appropriate professional qualifications in accounting or related financial management expertise to discharge the responsibility of the Audit Committee. The membership of the Audit Committee consists of three Independent Non-Executive Directors, namely, Mr. Gian Franco Oliviero Mattei (Chairman), Mr. Giancarlo Forestieri and Mr. Sing Cheong Liu. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process and internal control and risk management systems, to oversee the external audit process and the internal audit process and to perform other duties and responsibilities as are assigned to the Audit Committee by the Board.

During the Reviewed Period, the Audit Committee held six meetings (with an attendance rate of 94.4%) mainly to review with senior management and the Group's internal and external auditor and the board of statutory auditors, the significant internal and external audit findings and financial matters as required under the Committee's terms of reference. The Audit Committee's review covers the recommendation to the Board on the selection and appointment of external auditor, the audit plans and findings of internal and external auditors, internal controls, risk assessment, annual review of the continuing connected transaction of the Group, tax update and financial reporting matters (including the annual results for the year ended January 31, 2013, the first quarterly results as of April 30, 2013, interim financial results as of July 31, 2013 and third quarterly results as of October 31, 2013, before recommending them to the

Board for approval).

The Audit Committee has also held a meeting on April 1, 2014 to review the annual results for the year ended January 31, 2014 before recommending it to the Board for approval.

Auditor's compensation

The total fees and expenses accrued to Deloitte & Touche S.p.A. and its network for the audit of the Consolidated financial statements and the Separate financial statements for the year ending January 31, 2014, together with non-audit services, are illustrated below:

Type of service	Audit Firm	Fees in thousands of Euro
Audit services	Deloitte & Touche spa	468
Certification services	Deloitte & Touche spa	10
Tax advisory	Deloitte & Touche spa	16
Comfort letter on Euro 130 million Notes	Deloitte & Touche spa/ Deloitte network	175
Out of pocket expenses		33
Total fees of audit firm for period ended January 31, 2014		702

b. Remuneration Committee

The Company has established a Remuneration Committee in compliance with the Code. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management and the establishment of a formal and transparent procedure for developing policy on such remuneration. The recommendations of the Remuneration Committee are then put forward to the Board for consideration and adoption, where appropriate. The Remuneration Committee consists of two Independent Non-Executive Directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Giancarlo Forestieri and one Executive Director, Mr. Carlo Mazzi. Mr. Mazzi was appointed as a member of the Remuneration Committee on December 20, 2013 to replace Mr. Marco Salomoni who ceased to be a member of the Remuneration Committee on December 19, 2013.

During the Reviewed Period, the Remuneration Committee held one meeting (with attendance rate of 100%) mainly to review the long-term incentive plan connected to the Group's results and suggest its application to certain strategic consultants of the Company and to recommend the supplementation of the consultancy agreements with Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli to include the variable incentive components in their remuneration. On April 1, 2014, the Remuneration Committee held one meeting to recommend the additional Directors' fee to be approved at the forthcoming shareholders' general meeting.

Remuneration Policy

The Group's compensation policy is aimed at attracting, rewarding and protecting its personnel, who is considered to be the key to the success of the business of the Group. The overall market competitiveness and complexity of a position is taken into account during the review of basic salaries. The Company has an incentive system that links compensation with the annual performance of the Company, taking into account the Group's objectives in net sales, as well as the objectives of each department.

The Company has adopted cash long term incentive plans for senior managers and a small number of key managers for retention purposes, under which the benefit of a senior manager or a key manager under the incentive plan would vest subject to the achievement by the Group of one or more economic objectives and his/her presence within the Group at the end of a three-year period. In addition, technicians of the Company may receive a collection bonus that is provided to them after the development of a seasonal collection.

The aggregate amount of remuneration of the Directors of the Company is approved by the shareholders in a general meeting. The remuneration of each Director is then determined by the Board which receives recommendations from the Remuneration Committee. Under the current compensation arrangements, the Executive Directors receive compensation in the form of fees, salaries and other benefits, discretionary bonuses and other incentives, non-monetary benefits and other allowances and contributions to retirement benefits schemes. The Non-Executive Directors (including Independent Non-Executive Directors) receive compensation in the form of fees, salaries and contributions to retirement benefits scheme, as the case may be. No Director is allowed to approve his/her own remuneration.

c. Nomination Committee

The Company has established a Nomination Committee in compliance with the Code. The primary duties of the Nomination Committee are to make recommendations to the Board on the structure, size and composition of the Board itself, on the selection of new Directors and on the succession plans for Directors. The Nomination Committee also assesses the independence of Independent Non-Executive Directors. The recommendations of the Nomination Committee are then put forward to the Board for consideration and adoption, where appropriate. The Nomination Committee consists of two Independent Non-Executive Directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Sing Cheong Liu and one Executive Director, Mr. Carlo Mazzi. Mr. Mazzi was appointed as a member of the Nomination Committee on December 20, 2013 to replace Mr. Marco Salomoni who ceased to be a member of the Nomination Committee on December 19, 2013.

During the Reviewed Period, the Nomination Committee held three meetings on April 3, 2013, September 17, 2013 and December 20, 2013 (with all members attending) to review the adequacy of the structure and composition of the Board, to perform the annual review of the independence of the Independent Non-Executive Directors, to propose to the Board the adoption of the Board diversity policy, the appointment of a new Director and the substitution of the members of the Board Committees. In addition, the Nomination Committee held two meetings on February 14, 2014 to recommend to the Board the appointment of a new Chairperson and of an additional Chief Executive Officer, and on April 1, 2014 to assess and confirm the independence of the Independent Non-Executive Directors of the Company for the Reviewed Period and to recommend to the shareholders the election of Ms. Alessandra Cozzani as an Executive Director at the forthcoming shareholders' general meeting.

d. Supervisory Body

In compliance with Italian Legislative Decree 231 of June 8, 2001, the Company has established a supervisory body whose primary duty is to ensure the functioning, effectiveness and enforcement of the Company’s Model of Organization, adopted by the Company pursuant to the Decree. The supervisory body consists of three members appointed by the Board selected among qualified and experienced individuals, including Independent Non-Executive Directors, qualified auditors, executives or external individuals. The supervisory body consists of Mr. David Terracina (Chairman), Mr. Franco Bertoli and Mr. Gian Franco Oliviero Mattei.

Board of statutory auditors

Under Italian law, a joint-stock company is required to have a board of statutory auditors, appointed by the shareholders for a term of three financial years, with the authority to supervise the Company on its compliance with the applicable laws, regulations and the By-laws, compliance with the principles of proper management and, in particular, on the adequacy of the organizational, administrative and accounting structure adopted by the Company and on its functioning.

At the shareholders' general meeting of the Company held on May 22, 2012, the board of statutory auditors (including the alternate statutory auditors) was appointed for a term of three financial years. The mandate of all of the current statutory auditors (including the alternate statutory auditors) will therefore expire at the shareholders' general meeting to be called to approve the financial statements of the Company for the year ending January 31, 2015.

The board of statutory auditors of the Company consists of Mr. Antonino Parisi (Chairman), Mr. Roberto Spada and Mr. David Terracina. The alternate statutory auditors are Mr. Marco Serra and Mr. Cristiano Proserpio.

Directors' responsibility and auditors' responsibility for Separate financial statements

The Directors are responsible for preparing the Separate financial statements of the Company for the year ended January 31, 2014 with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Company itself. In preparing these Separate financial statements, the Directors have selected suitable accounting policies and made judgments and estimates that are prudent and reasonable. The Separate financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union.

As regards the auditor of the Company, its responsibilities are stated in the auditor's report on the Separate financial statements.

Internal control

The Board places great importance on maintaining a sound and effective system of internal control to safeguard the shareholders' investment and the Company's assets. The Board is also responsible for assessing the overall effectiveness of the internal control system including financial, operational and compliance controls and risk management functions. On December 6, 2012 the Board approved a revision of the risk assessment model adopted by the Company, aiming to cover developments since the first adoption of the risk assessment model.

The Internal Audit Department provides an independent review of the adequacy and effectiveness of the internal control system. The audit plan is discussed and agreed every year with the Audit Committee and then submitted to the Board for approval. In addition to its agreed annual schedule of work, the Internal Audit Department conducts other special reviews as required.

The Company's internal control system has mainly been designed to safeguard the assets of the Company itself, to maintain proper accounting standards, to ensure that appropriate authority has been given for the performance of acts by the Company, and to comply with relevant laws and regulations. During the Reviewed Period, no significant control failings or weaknesses was identified. The Board, through the Audit Committee, reviewed and is generally satisfied that the internal control system has functioned effectively and is adequate for the Company and the Group as a whole.

Joint Company Secretaries

As disclosed in the prospectus of the Company dated June 13, 2011, the Company has appointed Ms. Patrizia Albano and Ms. Yuen Ying Kwai as joint company secretaries of the Company.

Ms. Patrizia Albano, who is qualified as a lawyer admitted to the Bar Association of Rome (*Ordine degli Avvocati di Roma*) has attended continuous professional training sessions in Italy and Hong Kong for approximately 88 hours in the past three years, on a range of topics including directors' duties and responsibilities and other corporate activities, liabilities and damages, compliance on safety at work, administrative sanctions, professional ethics and the board and shareholders in European listed companies, to update her skills and knowledge. During the Reviewed Period Ms. Yuen Ying Kwai undertook over 15 hours of relevant professional training to update her skills and knowledge. In addition, both Ms. Albano and Ms. Yuen have attended a training session held by the Company's legal advisors (Slaughter and May) relating to the Listing Rules and Securities and Futures Ordinance of Hong Kong (Cap.571) for three hours.

Shareholders' Rights

a. Convening shareholders' general meeting by shareholders

Pursuant to Article 14.2 of the Company's By-Laws, a shareholders' general meeting has to be called by the Board when requested by shareholders representing at least one-twentieth of the Company's share capital, provided that the request mentions the item(s) to be discussed at the meeting. If there is an unjustified delay in calling the meeting by the Board, action will be taken by the board of statutory auditors.

b. Putting forward proposals at shareholders' general meeting

Pursuant to Articles 14.4 and 14.5 of the Company's By-Laws, shareholders who, individually or jointly, own or control at least one-fortieth of the Company's share capital may request in writing for additions to be made to the list of items on the agenda, within ten days as of the notice of call of a shareholders' general meeting, by setting out the proposed additions (five days in the circumstances indicated under the second paragraph of Article 14.4). The proposals should be directed to the Group Corporate Affairs Director and Joint Company Secretary by email at corporateaffairs@pradagroup.com or at the Company's address: Via A. Fogazzaro n. 28, Milan 20135, Italy.

c. Making enquiry to the Board

Enquiries about matters to be put forward to the Board should be directed to the Group Corporate Affairs Director and Joint Company Secretary by email at corporateaffairs@pradagroup.com or at the Company's address: Via A. Fogazzaro n. 28, Milan 20135, Italy. The Company will not normally deal with verbal or anonymous enquiries.

d. Procedures for shareholders to propose a person for election as Director

The procedures for a shareholder to propose a person for election as Director of the Company are set out in Articles 19.3 and 19.4 of the Company's By-laws, details of which have been disclosed in the Company's announcement dated March 30, 2012.

Constitutional Documents

During the Reviewed Period, there was no change in the Company's constitutional documents.

Communication with Shareholders

a. Investor relations and communications

The Company endeavors to maintain a high level of transparency in communication with shareholders and the financial community in general. The Company has maintained regular dialogue and fair disclosure with institutional shareholders, fund managers, research analysts and the finance media. Investor/analysts briefings and one-on-one meetings, roadshows (both domestic and international), investor conferences, site visits, results briefing are conducted on a regular basis in order to facilitate communication between the Company, shareholders and the investment community. The Company strives to ensure effective and timely dissemination of information to shareholders and the investment community at all times and will review regularly the arrangements to ensure its effectiveness.

The Company's corporate website (www.pradagroup.com) facilitates effective communications with shareholders, investors and other stakeholders, making corporate information and other relevant financial and non-financial information available electronically and on a timely basis. This includes extensive information about the Group's performance and activities via the annual report, interim report, press releases, presentations, announcements, circulars to shareholders and notices of general meetings, etc.

b. Shareholders' Meetings

The Company strives to maintain an on-going dialogue with its shareholders. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend such meetings. The process of the Company's general meeting is monitored and reviewed on a regular basis.

The Company uses shareholders' general meeting as one of the principal channels for communicating with the shareholders and to ensure that shareholders' views are communicated to the Board. At the shareholders' general meeting, each substantially separate issue is proposed and considered by a separate resolution (including the election of individual directors).

The last shareholders' general meeting of the Company was held on May 23, 2013 at the Company's registered office at Via A. Fogazzaro n. 28, Milan, Italy with the video-conference system located at the registered office of Prada Asia Pacific Limited at 36/F, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong (the "2013 Shareholders' General Meeting"). The Directors, including the Chairperson of the Board, the Chairman of the Board Committees and the auditor of the Company, Deloitte & Touche S.p.A., attended the 2013 Shareholders' General Meeting.

Separate resolutions were proposed at the 2013 Shareholders' General Meeting on each issue and the voting results of such resolutions were disclosed in the announcement of the Company dated May 23, 2013. The numbers of votes cast in favour of each resolution (and the corresponding percentage level) are set out below:

Ordinary Resolutions proposed at the 2013 Shareholders' General Meeting	Number of Votes cast in favour (%)
1. (a) To approve the Audited Separate Financial Statements, which show a net income of Euro 288,296,583, and the Audited Consolidated financial statements of the Company for the year ended January 31, 2013	2,412,926,752 (99.969855%)
1. (b) To approve the allocation of the net income for the year ended January 31, 2013 as follows: (i) Euro 4,786,769 to the legal reserve of the Company; (ii) Euro 230,294,160 to Shareholders as a final dividend, in particular to declare and distribute a final dividend of Euro/cents 9 per share to be paid on or about Thursday, June 20, 2013; (iii) Euro 53,215,654 to retained earnings	2,412,926,852 (99.969859%)
2. To appoint Deloitte & Touche S.p.A. as the auditor ("revisore legale dei conti") of the Company for a term of three financial years (financial year ending January 31, 2014 to financial year ending January 31, 2016), ending on the date of the shareholders' general meeting called to approve the financial statements for the last year of the auditor's appointment and to approve its remuneration of Euro 472,000, for each financial year of its three-year term, for the provision to the Company of the audit of the Separate Financial Statements and the Consolidated financial statements, which is included in the overall annual remuneration of Euro 1,605,000 for Deloitte & Touche S.p.A. and its network in respect of provision of audit services to the Prada Group as a whole. The auditor's annual remuneration shall be subject to adjustment in accordance with changes in relevant applicable laws or additional requirements for the audit services as well as the annual upward adjustment linked to index of ISTAT – the Italian National Institute for Statistics	2,412,926,752 (99.969855%)

All resolutions put to the shareholders at the 2013 Shareholders' General Meeting were duly passed. Computershare Hong Kong Investor Services Limited, the Company's Hong Kong share registrar, acted as scrutineer for the vote taking at the 2013 Shareholders' General Meeting.

c. Corporate Communications

In order to increase efficiency in communication with shareholders and to contribute to environmental protection, the Company has made arrangements since September 2011 to ascertain how its shareholders wish to receive corporate communications. Shareholders have the right to choose the language, either in English or Chinese, or both, and means of receipt of the corporate communications, in printed form or by electronic means through the Company's website at www.pradagroup.com.

Financial Statements

Statement of financial position

(amounts in Euro)	Note	January 31 2014	January 31 2013
Assets			
Current assets			
Cash and cash equivalents	1	126,123,838	140,414,307
Trade receivables, net	2	621,096,222	488,559,086
Inventories	3	187,066,861	153,640,348
Derivative financial instruments	4	12,105,390	34,502,815
Financial and other receivables from parent company, subsidiaries, associates and related parties	5	258,225,715	224,110,698
Other current assets	6	60,893,239	57,653,403
Total current assets		1,265,511,265	1,098,880,657
Non-current assets			
Property, plant and equipment	7	317,995,502	279,164,192
Intangible assets	8	114,188,467	93,546,618
Investments in subsidiaries and associated undertakings	9	908,286,484	884,909,469
Deferred tax assets	26	33,008,969	33,814,937
Other non-current assets	10	5,987,930	4,588,566
Derivative financial instruments - non current	4	1,429,929	1,017,741
Financial and other receivables from parent company, subsidiaries, associates and related parties	5	18,853,083	
Total non-current assets		1,399,750,364	1,297,041,523
Total assets		2,665,261,630	2,395,922,180
Liabilities and Shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans	11	14,483,151	118,410,037
Financial and other payables to parent company, subsidiaries, associates and related parties	12	349,099,419	317,870,762
Trade payables	13	436,357,053	393,544,631
Current tax liabilities	14	20,086,273	15,893,634
Derivative financial instruments	4	3,312,049	902,671
Obligations under finance leases	15	497,996	571,254
Other current liabilities	16	75,207,611	71,038,948
Total current liabilities		899,043,552	918,231,937
Non-current liabilities			
Long-term financial payables	17	134,798,714	18,277,311
Obligations under finance leases	15	-	503,495
Long- term employee benefits	18	40,113,358	25,759,628
Provisions	19	23,266,336	23,725,724
Deferred tax liabilities	26	8,026,936	15,476,346
Other non-current liabilities	20	3,134,227	681,129
Derivative financial instruments - non current	4	2,490,485	32,315
Financial and other payables to parent company, subsidiaries, associates and related parties	12	13,246,795	-
Total non-current liabilities		225,076,851	84,455,948
Total liabilities		1,124,120,403	1,002,687,885
Share capital		255,882,400	255,882,400
Other reserves		889,684,522	849,055,311
Net income/(loss) of the year		395,574,305	288,296,583
Shareholders' equity	21	1,541,141,227	1,393,234,295
Total liabilities and shareholders' equity		2,665,261,630	2,395,922,180

Income statement

(amounts in Euro)	Note	January 31 2014	January 31 2013
Net revenues	22	2,004,114,705	1,732,110,966
Cost of goods sold	23	(898,149,896)	(836,417,391)
Gross Margin		1,105,964,809	895,693,575
Operating expenses	24	(541,635,323)	(488,765,080)
Interest and other financial income (expenses), net	25	27,605,240	49,218,627
Income before taxation		591,934,726	456,147,122
Income taxes	26	(196,360,421)	(167,850,539)
Net income for the year		395,574,305	288,296,583

Statement of comprehensive income

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Net income for the year	395,574	288,297
Items recycled to P&L:		
Fair value movements recognized in cash flow hedge reserve	(22,930)	33,651
Tax impact of above item	6,306	(9,254)
Change in Cash Flow Hedge reserve less tax impact	(16,625)	24,397
Items not recycled to P&L:		
Gains/ (losses) recognized in actuarial gains/(losses) reserve	(894)	(4,208)
Tax impact of above item	146	440
Change in Actuarial reserve less tax impact	(748)	(3,768)
Net gains (losses) recognized directly in equity	(17,373)	20,628
Total comprehensive income for the year	378,201	308,925

Statement of cash flows

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Cash flows generated from operations:		
Income before taxation	591,935	456,147
Adjustments for:		
Depreciation and amortization	25,911	22,494
Impairment of fixed assets	-	3,475
Losses/(gains) on disposal of fixed assets	(69)	336
Impairment of investments	-	536
Provisions and other non-monetary charges	(44,367)	(40,151)
Other non-current assets and liabilities	21,321	1,358
Changes in Statement of financial position:		
Trade receivables, net	(157,831)	41,793
Inventories, net	(33,423)	32,194
Trade payables	42,817	49,175
Other current assets and liabilities	3,097	(2,911)
Other non-current assets and liabilities	(3,474)	(6,021)
Cash flows generated from operations	445,917	558,425
Interest paid, net	(4,482)	(5,273)
Income taxes paid, net	(189,909)	(207,215)
Net cash flows generated from operations	251,526	345,937
Cash flow generated (used) from investing activities:		
Purchase of property, plant and equipment	(60,375)	(82,968)
Disposal of property, plant and equipment	142	3,968
Purchase of intangible assets	(11,757)	(5,280)
Disposal of intangible assets	-	80
Investments in subsidiaries	(20,336)	(39,262)
Dividends received	46,515	46,002
Cash flows generated (used) by investing activities	(45,812)	(77,460)
Cash flows generated (used) by financing activities		
Dividends paid	(230,294)	(127,941)
Change in short-term intercompany loans	18,951	(2,179)
Change in long-term intercompany loans	(19,529)	-
Repayment of short-term portion of long-term borrowings	(119,136)	(100,722)
New long term borrowings arranged	130,000	1,617
Cash flow generated (used) by financing activities	(220,008)	(229,225)
Change in cash and cash equivalents net of bank overdraft	(14,293)	39,251
Exchange differences	(2)	(3)
Opening cash and cash equivalents, net of bank overdraft	140,411	101,163
Closing cash and cash equivalents, net of bank overdraft	126,115	140,411
Cash and bank balances	126,124	140,414
Bank overdraft	(8)	(3)
Closing cash and cash equivalents, net of bank overdraft	126,115	140,411

Statement of changes in shareholders’ equity
(amounts in thousands of Euro, except for number of shares)

(amounts in thousands of Euro)	Number of shares	Share capital	Share premium reserve	Legal reserve	Other reserves	Retained earnings	Cash flow hedge reserve	Net income (loss) for the year	Share-holders’ equity
Balance at January 31 2012	2,558,824,000	255,882	410,047	34,440	182,899	94,076	(4,093)	238,999	1,212,250
Allocation of 2011 net income	-	-	-	11,950	-	227,049	-	(238,999)	-
Dividends paid	-	-	-	-	-	(127,941)	-	-	(127,941)
Comprehensive income for the year (recycled to P&L)	-	-	-	-	-	-	24,397	288,297	312,694
Comprehensive income for the year (not recycled to P&L)	-	-	-	-	-	(3,768)	-	-	(3,768)
Balance at January 31 2013	2,558,824,000	255,882	410,047	46,390	182,899	189,416	20,304	288,297	1,393,235
Allocation of 2012 net income	-	-	-	4,787	-	283,510	-	(288,297)	-
Dividends paid	-	-	-	-	-	(230,294)	-	-	(230,294)
Comprehensive income for the year (recycled to P&L)	-	-	-	-	-	-	(16,625)	395,574	378,949
Comprehensive income for the year (not recycled to P&L)	-	-	-	-	-	(749)	-	-	(749)
Balance at January 31 2014	2,558,824,000	255,882	410,047	51,177	182,899	241,883	3,679	395,574	1,541,141

Notes to the Financial Statements

Corporate information

PRADA spa is a joint-stock company, registered and domiciled in Italy. Its registered office is in via Fogazzaro 28, Milan, Italy. At January 31, 2014, 79.98% of the share capital was owned by PRADA Holding bv, a company domiciled in The Netherlands, while the remaining shares were floating on the Main Board of the Hong Kong Stock Exchange.

The ultimate indirect shareholders of PRADA Holding bv are Patrizio Bertelli and the Prada family.

In terms of Art. 2497 et seq of the Italian Civil Code, the Company is not subject to the management and control of any company or entity.

These Financial Statements were approved by the Board of Directors on April 2, 2014.

Basis of preparation

The Financial Statements, including the Statement of financial position, Income statement, Statement of comprehensive income, Statement of cash flows, Statement of changes in shareholders' equity and Notes to the financial statements, are prepared in compliance with International Financial Reporting Standards (IAS/IFRS) and related interpretations (SIC/IFRIC) as approved by the European Commission and in force at the reporting date.

The Financial Statements have been prepared on a going concern basis.

Amendments to IFRS

New standards and amendments issued by the IASB, endorsed by the European Union and applicable to PRADA spa from February 1, 2013

The following amendments to IFRS have been endorsed by the European Union and are applicable to PRADA spa effective from February 1, 2013. The matters in question have not had a material impact on the Company at the date of preparation of these financial statements:

- IAS 19 "Employee benefits". The amendments made to this Standard, effective from annual periods beginning on or after January 1, 2013, should help users of financial statements to better understand how defined benefit plans affect an entity's financial position, financial performance and cash flows.
- IFRS 13 "Fair Value measurement". This new Standard, effective from annual periods beginning on or after January 1, 2013, defines the fair value, sets out in a single IFRS a framework for measuring the fair value and requires disclosures about fair value measurements. This IFRS applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements. It does not require fair value measurements in addition to those already required or permitted by other IFRS and is not intended to establish valuation standards or affect valuation practices outside financial reporting.
- IAS 12 "Income Taxes". The amendments made to this Standard, effective from annual periods beginning on or after January 1, 2013, provide a practical approach for measuring deferred tax assets and deferred tax liabilities when an investment property is measured using the fair value model in IAS 40 "Investment property". These amendments have to be applied retrospectively.
- IFRS 7 "Financial Instruments: Disclosures". The amendments made to this Standard, effective from annual periods beginning on or after January 1, 2013, require additional disclosures to enable users of its financial statements to

evaluate the effect, or potential effect, of netting arrangements on the entity's financial position. The disclosures required by these amendments have to be applied retrospectively.

– Annual improvements to IFRSs (2009-2011 cycle). The improvements made refer to:

  - "IAS 1 Presentation of Financial Statements". New criteria have been introduced in case of presentation of comparative information in addition to the obligatory minimum comparative information and in case of changes of accounting policies, or retrospective restatement or reclassification.

  - "IAS 16 Property, plant and equipment". This improvement establishes that spare parts and servicing equipment shall be recognized as property, plant and equipment when they meet the IAS definition of property, plant and equipment. Otherwise, they are classified as inventory.

  - "IAS 32 Financial instruments: Presentation". The improvement provides that taxes on income relating to distributions to holders of equity instruments and related transaction costs are to be accounted for in accordance with "IAS 12 Income taxes".

New standards and amendments issued by the IASB, endorsed by the European Union but not yet applicable to the PRADA spa as effective from annual periods beginning on or after January 1, 2014

– Amendments to "IAS 39 Financial instruments: Recognition and measurement". The amendments aim to regulate situations where a derivative designed as a hedging instrument is novated by a counterparty to a central counterparty as a consequence of new laws or regulations. These amendments are effective from annual periods commencing on or after January 1, 2014.

– Amendments to "IAS 36 Impairment of assets". The aim of the amendments to this standard, effective from annual periods commencing on or after January 1, 2014, is to clarify the disclosures that must be provided in relation to the recoverable amount of assets when assets are measured at fair value less costs to sell; it only regards those assets whose value has been impaired.

– "Investment entities", intended as a group of amendments to IFRS 10, IFRS 12 and IAS 27. IFRS 10 has been amended to require investment companies to measure investments in subsidiaries at fair value through profit and loss rather than consolidate them, in order better to reflect their business model. IFRS 12 has been amended to require the presentation of specific disclosures regarding the subsidiaries of the investment entities above. The amendments to IAS 27 have also removed the possibility for investment entities to opt to measure investments in certain subsidiaries at cost or fair value in their separate financial statements. These amendments are effective from annual periods commencing on or after January 1, 2014.

– "Guide to transition", intended as a group of amendments to IFRS 10, IFRS 11 and IFRS 12. The aim of these amendments is to clarify the intention of the IASB when it first issued the guide to transition "IFRS 10 Consolidated financial statements". The amendments also aim to provide additional information on IFRS 10, "IFRS 11 Joint Arrangements" and "IFRS 12 Disclosure of interests in other entities", while limiting the obligation to provide adjusted comparative information to the previous comparative period only. Also, for unconsolidated structured entities, the amendments remove the obligation to present comparative information for periods prior to the first-time application of IFRS 12.

– "IFRS 10 Consolidated financial statements". This new standard, effective at the latest from annual periods commencing on or after January 1, 2014, is based on the previous version of "IAS 27 Consolidated and separate financial statements" and provides additional details for the preparation and presentation of consolidated financial statements. The standard reinforces the control concept as the basic criterion for use in determining which companies must be consolidated. This new standard also replaces "IAS 27 Consolidated and separate financial statements" and "SIC 12 Consolidation – special purpose entities".

- "IFRS 11 Joint arrangements". This new standard, effective at the latest from annual periods commencing on or after January 1, 2014, establishes principles for the financial reporting by parties to a joint arrangement and shall replace "IAS 31 Interests in joint ventures" and "SIC 13 Jointly controlled entities – Non-monetary contributions by venturers". IFRS 11 also establishes the criteria for use in determining the type of joint arrangement in which the entity is involved (joint venture or joint operation) by evaluating the rights and obligations arising from the agreement.

- "IFRS 12 Disclosure of interests in other entities". This new standard, effective at the latest from the annual period commencing on or after January 1, 2014, applies to entities with an interest in subsidiaries, joint arrangements, associates and unconsolidated "structured entities". It requires the entity to provide disclosures which enable the end users of the financial statements to evaluate the nature and risks connected with interests in other entities and their impact on the financial position, performance and cash flows of the entity.

- "IAS 28 Investments in associates and joint ventures". The amendments to this standard, effective at the latest from the annual period commencing on or after January 1, 2014, must be interpreted together with "IFRS 11 Joint Arrangements" and the new version of "IAS 27 Separate financial statements". The standard (as amended in 2011) shall be applied by all entities that are investors with joint control of, or significant influence over, an investee. It requires the equity method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee.

- "IAS 27 Separate Financial Statements". The amendments to this standard followed the issue of IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities" and the amendments to IAS 28 "Investment in Associates and Joint Ventures". They prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. Such amendments are effective at the latest from the annual period commencing on January 1, 2014 or after.

- IAS 32 "Financial Instruments: Presentation". The amendments to this Standard, effective from annual periods commencing on or after January 1, 2014, and to be applied retrospectively, clarify the criterion to be followed when an entity currently has a legally enforceable right to offset financial assets and financial liabilities.

At the reporting date, the Company does not expect any of the new IFRSs and amendments above (i.e. the IFRSs and amendments endorsed by the European Union and applicable from periods commencing on or after January 1, 2014) to have a significant impact.

New standards, amendments and guidelines issued by the IASB but not yet endorsed by the European Union

– "IFRS 9 Financial instruments". This standard shall replace "IAS 39 Financial instruments: Recognition and measurement" in its entirety but, for now, no obligatory date for implementation of IFRS 9 has been established. Entities may, however, opt for its early application. The replacement process has been divided into three main phases.
  The first phase regards the classification and measurement of financial assets and liabilities. In November 2009, the IASB published the sections of IFRS 9 relating to the classification and measurement of financial assets and which require that all financial assets be classified on the basis of the entity's business model for managing its financial assets and on the basis of the characteristics of the contractual cash flows of the financial assets. Financial assets are initially measured at fair value plus, in the case of financial assets not at fair value through profit and loss, particular transaction costs. Subsequently, financial assets are measured at amortized cost or fair value. In October 2010, the IASB added requirements on the classification and measurement of financial liabilities to IFRS 9 while leaving almost unchanged most of the provisions of IAS 39 for the classification and measurement of financial liabilities. Some limited amendments to the above classification and measurement requirements were considered by the IASB in November 2011 and later published in November 2012 in its "*Exposure Draft Classification and Measurement: Limited Amendments to IFRS 9*" *(Proposed amendments to IFRS 9 (2010)).*

  As part of the second phase, on impairment, in 2009, the IASB published a request for comments on the feasibility of an expected loss model to determine the impairment of financial assets. This formed the basis of the "Exposure Draft Financial Instruments: Amortized Cost and Impairment" published in November 2009 and followed by the "Exposure Draft, Financial Instruments: Impairment" supplement in January 2011. Following the comments received, in March 2013, the IASB published the "Exposure Draft Financial Instruments: Expected Credit Losses". At the date of these financial statements, the IASB is still looking at the Exposure Draft to consider the comments and suggestions received.

  With the third phase, hedge accounting, the IASB added to IFRS 9 requirements regarding the accounting treatment of hedging instruments: i) the IASB extensively revised the hedge accounting requirements of IAS 39 and replaced them with the requirements of IFRS 9; ii) the IFRS 9 hedge accounting requirements bring hedge accounting closer to risk management, with the objective of making more useful information available to the users of financial statements. The requirements also establish an hedge accounting approach more based on hedging principles while clearing up several inconsistencies and accounting weaknesses present in the IAS 39 hedge accounting model; iii) the IASB did not specifically deal with the issue of open portfolio or macro hedging as part of the general hedge accounting requirements established by IFRS 9.

– "IFRIC Interpretation 21 Levies". This interpretation, applicable to annual periods commencing on or after January 1, 2014, provides indications on when an entity should recognize a liability for levies imposed by governments, both for levies accounted for in compliance with "IAS 37 Provisions, contingent liabilities and contingent assets" and for levies whose timing and amount are certain.

– Information on the recoverable amount of non-financial assets (amendments to "IAS 36 Impairment of assets"). These amendments require more information on the recoverable amount of each cash flow generating unit with goodwill or intangible assets with an indefinite useful life whose value as attributed to that unit is significant compared to the total carrying amount of the goodwill or intangible assets with an indefinite useful life of the entity. These amendments shall be applied for annual periods commencing on or after January 1, 2014. Early application is permitted. Entities must not apply the amendments to periods (including comparative periods) to which they do not also apply IFRS 13.

– Amendments to "IAS 19 Employee benefits". The IASB has amended the requirements of IAS 19 for contributions from employees or third parties which are connected to a service. If the amount of the contributions is independent of the number of years' service, the entity may recognize the contributions as a reduction to the cost of service in the period in which the related service is rendered, rather than allocating the contributions to the periods of service. If the amount of the contributions depends on the number of years' service, the entity is required to allocate the contributions by period of service, using the same method of allocation required by section 70 of IAS 19 for the gross benefit (e.g. using the contribution plan formula or in constant amounts). In compliance with "IAS 8 Accounting policies, Changes in accounting estimates and Errors", the entity must apply these amendments retroactively from the financial statements for periods beginning from July 1, 2014. Early application is allowed. If a company applies the amendments to a previous period, it must disclose this fact in the notes to the financial statements.

– Annual IFRS improvements (2010-2012 cycle). These improvements affect: "IFRS 2 Share based payments", amending the definition of vesting condition;
"IFRS 3 Business combinations", amending the accounting treatment of contingent consideration in a business combination;
"IFRS 8 Operating segments", further information is requested on the aggregation of operating segments and a reconciliation of the total of the reportable segments' assets to the entity's assets is requested;
"IFRS 13 Fair Value Measurement", clarifies the impact of the standard on the measurement of short-term receivables and payables;
"IAS 16 Property, plant and equipment", amendment to revaluation method;
"IAS 24 Related party transactions", amendment to definition of key management personnel;
" IAS 38 Intangible assets", amendment to revaluation method.

– Annual IFRS improvements (2011-2013 Cycle). These improvements affect:
"IFRS 1 First-time adoption of International Financial Reporting Standard", meaning of "effective IFRS";
"IFRS 3 Business combinations", clarifying that this IFRS does not apply to the formation of all types of joint arrangement;
"IFRS 13 Fair Value Measurement", clarifying that the IFRS applies to financial assets and financial liabilities with compensating positions for market risk or counterparty credit risk;
"IAS 40 Investment property", clarifying the interrelationship of IFRS 3 and IAS 40 for when classifying property as investment property or owner occupied property.
"IFRS 14 *Regulatory Deferral Accounts*". This new IFRS describes how regulatory deferral account balances are expenditure or income amounts that would not be recognized as assets or liabilities in compliance with other standards but qualify for deferral under this standard so long as the amount is included – or it is expected that it may be included – by the regulator when establishing the price(s) that an entity may charge its clients for regulated rate goods or services.

At the date of these financial statements, the European Union has not yet completed the endorsement of the new standards and amendments above.

Financial statements

The Company has prepared the Statement of financial position classifying separately current and non-current assets and liabilities. The Notes contain more detailed information with further breakdowns of the items reported in the Statement of Financial Position.

The Income Statement is classified by destination.

Cash flow information is reported in the Statement of cash flows which forms an integral part of the Financial Statements.

The accounting policies and the Notes are an integral part of the Financial Statements.

Every item in the Statement of financial position, Income statement, Statement of cash flows and Statement of changes in shareholder's equity is detailed in the Notes to the financial statements.

Main accounting policies

Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of financial position at nominal value. Cash equivalents include all highly liquid investments with an original maturity of three months or less. For the purposes of the cash flow statement only, cash and cash equivalents comprise cash on hand, bank accounts, deposit accounts.

In the statement of financial position, bank overdrafts and current portions of payables to banks for medium and long-term loans are included in Bank overdrafts and short-term loans.

Trade receivables and payables

Trade receivables are carried at nominal amount less the allowance for doubtful accounts, estimated based on an assessment of all disputed and doubtful balances at year-end. Bad debts are written off when identified.

Trade payables are recorded at nominal amount.

Transactions denominated in foreign currencies are recorded at the exchange rate as at the date of the transaction. At the reporting date, transactions denominated in foreign currencies are translated using the exchange rate as at the reporting date. Gains and losses arising from the translation are reflected in the Income Statement.

The transfer of a financial asset to third parties implies its derecognition from the statement of financial position only if all risks and rewards connected with the financial asset are substantially transferred. Risks and rewards are considered transferred when exposure to variability in the present value of future net cash flows associated with the asset changes significantly as a result of the transfer.

Inventories

Raw materials, work in progress and finished products are recorded at the lower of acquisition cost, production cost and net realizable value. 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, adjusting the value of the inventory, are made for slow moving and obsolete inventories and if estimated selling prices are lower than cost.

Derivative financial instruments

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

Hedging contracts are designated as cash flow hedges. Hedge accounting treatment is used if derivative financial instruments is designated as a hedge of the exposure to changes in future cash flows of a recognized asset or liability or a highly probable transaction and which could affect profit or loss. In this case, the effective portion of the gain or loss on the hedging instrument is recognized in shareholders' equity. Accumulated gains or losses are reversed from shareholders' equity and recorded in the income statement for the period in which the income statement effect of the hedged operation is recorded. Any gain or loss on a hedging instrument (or portion thereof) which is no longer effective as a cash flow hedge is immediately recorded in the Income Statement.

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, are recorded in the Income Statement when the transaction takes place. If the hedge transaction is no longer expected to take place, any related cumulative gain or loss outstanding in equity will be recognized immediately in the Income Statement.

Derivative instruments designated not to be hedges are recorded at fair value to profit and loss.

Assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be mainly recovered through sale rather than through its continued usage.

Assets classified as held for sale are valued at the lower of net book value and fair value less any costs to sell.

Property, plant and equipment

Property, plant and equipment are recorded at purchase cost or production cost, including any charges directly attributable. They are shown net of accumulated depreciation calculated on the basis of the useful lives of the assets and any impairment losses. Interest costs on borrowings to finance directly purchase, construction or production are capitalized to increase the value of the asset. All other borrowing costs are charged to the Income Statement.

Ordinary maintenance expenses are charged in full to the Income Statement for the year they are incurred.

Extraordinary maintenance expenses are capitalized if they increase the value or useful life of the related asset.

The costs included in Leasehold improvements relate to refurbishment work carried out on assets not owned by the Company. They are capitalized and amortized based on the lease agreement, taking account of any renewals. All costs incurred during the period between the start of refurbishment work and the opening of the store are capitalized as Leasehold improvements, as they are deemed necessary to bring the related assets to their working condition in accordance with company guidelines.

Depreciation methods, useful lives and net book values are reviewed annually. The depreciation rates representing the useful lives are listed below:

Category of property, plant and equipment	Depreciation rate
Buildings	3% -10%
Production plant and equipment	7.5% - 25%
Leasehold improvements	Remaining lease term
Furniture and fittings	12%
Other equipment	15% - 33%

When assets are disposed of, their cost and accumulated depreciation are eliminated from the financial statements and any gains or losses are recognized in the Income Statement.

The value of land is stated separately from the value of buildings. Depreciation is only charged on the value of buildings.

Every year, a test is performed for indications that the value of property, plant and equipment has been impaired. If any such indications are found, an impairment test is used to estimate the recoverable amount of the asset. The Impairment of assets paragraph describes the method used to perform the impairment test.

Impairment losses are recorded immediately in the Income Statement.

At every reporting date, the Company will assess whether there is any indication that an impairment loss recognized in prior periods may no longer apply and should be decreased. If any such indication exists, the Company 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 if no impairment loss had been recognized for the asset in prior years.

Reversal of an impairment loss for an asset will be recorded in the Income Statement.

Intangible assets

Only identifiable assets, controlled by the company and capable of producing future economic benefits are included in intangible assets.

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

Development costs include expenses incurred to strengthen the brand image through projects aimed at developing the store “concept”. The relevant useful life is estimated based on the Directors’ understanding and amounts to between three and five years.

Software refers to Information Technology development projects and includes all internal and external costs incurred to bring the asset into use. IT projects include costs incurred to acquire licenses as well as the cost of development and installation. Software is capitalized on condition that it is identifiable, reliably measurable and if it is probable that the asset will generate future economic benefits.

Store lease acquisition costs represent expenditures incurred to enter into or take over retail store lease agreements. These costs are capitalized and amortized over the lease term.

Intangible assets with a determinate useful life are amortized on a straight-line basis at the following rates:

Category of intangible assets	Amortization rate
Software	10% - 33%
Store lease acquisition costs	Shorter of lease term and 10 years
Right of usufruct	Duration of real right (10 years)
Other intangible assets	20% - 33%

All business combinations included within the scope of IFRS 3 are recorded using the acquisition method whereby identifiable assets, liabilities and potential liabilities of the acquired business, which satisfy recognition requirements, are measured at their acquisition-date fair value.

The difference between the cost of the business combination and the interest acquired in the net fair value of identifiable assets, liabilities and potential liabilities is recorded as goodwill. If additional interests in subsidiaries already controlled are acquired, the positive difference between the acquisition cost and the value of the interest acquired is recognized in equity.

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

Goodwill is not amortized but tested for impairment every year to check if its value has been impaired. 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.

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

Impairment of assets

IAS 36 requires an impairment test to be performed on property, plant and equipment, intangible assets and investments whenever there is an indication of impairment.

Goodwill, investments and other intangible assets with an indefinite useful life and assets not yet available for use are tested for impairment at least once a year.

When the carrying amount of these assets exceeds their value in use or their fair value, it is reduced accordingly and the impairment is recognized in the Income Statement.

The recoverable amount of the asset is calculated comparing its carrying amount with the higher of its net selling price (where there is an active market) and its value in use.

Value in use is determined by discounting cash flows expected to arise from the use of the asset or Cash Generating Unit, as well as from the cash flow expected to arise from its disposal at the end of its useful life.

Cash flow projections are based on budgets and forecasts and on long-term plans (generally 5 years) approved by the management and by the relevant business units.

Cash Generating Units are determined based on the organizational structure and represent groups of assets that generate independent cash inflows from continuing use of the relevant assets.

Prada’s Cash Generating Units include trademarks, sales channels and geographical areas.

Investments

Investments in subsidiaries, associated undertakings and joint ventures are accounted for under the cost method and periodically tested for impairment. This test is performed at least once a year or whenever there is an indication of impairment.

The valuation method used is the Discounted Cash Flow model, adopting the process described in the Note Impairment of assets. If an impairment loss has to be recognized, it is charged to the Income Statement in the period in which it is identified. If the reason for the impairment loss no longer applies, the carrying amount of the investment is restored but not to more than its original cost. Such reversals are recorded in the Income Statement.

Deferred tax assets

Deferred tax assets are amounts of income taxes recoverable in future periods in relation to:

- deductible temporary differences;
- carryforward of unused tax losses.

Deductible temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax value which, in determining taxable income for future years, will result in deductible amounts when the carrying amount of the asset or liability is realized or settled.

Deferred tax assets are recognized for all deductible timing differences, tax losses carry-forwards and unused tax credits only to the extent that is probable that taxable profit will be available in future years against which the deductible timing differences can be used. Recoverability is reviewed at every year end. Deferred tax assets are measured at the tax rates which are expected to apply to the period when the asset is realized based on tax rates (and tax laws) in force at the reporting date.

Deferred tax assets are not discounted.

Deferred tax assets are recognized through the income statement unless the tax amount is generated from a transaction or an event directly recognized in equity or from a business combination.

Deferred tax assets relating to items credited or debited directly to shareholders' equity are also credited or debited directly to shareholders' equity.

Obligations under finance leases

Fixed assets acquired under finance leases are recorded at the lower of market value and the present value of future payments due under the lease agreement on the date of the transaction and are depreciated based on their useful life.

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

Non-current financial liabilities

Non-current financial liabilities include payables to banks for medium and long term loans. Bank borrowing includes principal amounts, interest and additional arrangement costs accruing and due at the closing date even when they are charged at a later date.

Non-current financial liabilities are initially recorded at fair value on the transaction date less transaction costs which are directly attributable to the acquisition.

After initial recognition, non-current financial liabilities are valued at amortized cost i.e. at the initial amount less principal repayments already made plus or minus the amortization (using the effective interest method) of any difference between that initial amount and the maturity amount.

The effective rate of interest is the rate used to discount payments based on the contractual term of the loan or on a shorter period, if appropriate.

Employee benefits

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

Defined benefit plans are recognized, using actuarial techniques to estimate the amount of the obligations resulting from employee service in the current and past periods and discounting it to determine the present value of the Company's obligations.

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 matured years of service only at the date of measurement. This actuarial liability is then re-measured taking into account the relationship between the service years provided by the employee at the date of measurement and the total years of service expected at the forecast date of settlement of the benefit. Moreover, this method takes account of future salary increases, for whatever reason (inflation, career progression and new employment agreements) until the estimated termination date of the employment relationship.

Actuarial gains and losses are recognized directly in equity, net of the tax effect.

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 period of the underlying agreement. Like defined benefit plans, other long term benefits are also valued using the Projected Unit Credit Method.

Provisions for risks and charges

Provisions for risks and charges cover costs of a known nature that were certain or probable but whose amount or due date was uncertain at year end. Provisions are only recorded when the Company 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 Company 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 certain.

Deferred tax liabilities

Deferred tax liabilities are amounts of income taxes due in future periods in respect of taxable temporary differences.

Taxable temporary differences are differences between the carrying amount of an asset or liability in the Statement of financial position and its tax base which, in determining the taxable income for future years, will result in taxable amounts when the carrying amount of the asset or liability is recovered or settled.

Deferred tax liabilities are recognized for all taxable timing differences except when liability is generated by:

– the initial recognition of goodwill, or
– the initial recognition of an asset or liability in a transaction other than a business combination that does not affect the accounting result or the tax result at the transaction date.

Deferred tax liabilities are measured at the tax rates which are expected to apply to the period when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are not discounted.

Deferred tax liabilities are recognized in the Income Statement unless the tax amount is generated by a transaction or an event directly recognized in equity or by a business combination.

Taxation for deferred tax liabilities relating to items credited or debited directly to shareholders' equity is also credited or debited directly to shareholders' equity.

The deferred tax provision is only offset against deferred tax assets or when the two items refer to the same tax and the same period.

Revenue recognition

Revenues from the sale of goods are recognized in the income statement when:

– the significant risks and rewards of ownership are transferred to the buyer;
– the value of the revenues can be reliably measured;
– the Company's effective control over the goods sold has ceased;
– the economic benefits generated by the transaction will probably be enjoyed by the Company;
– the costs pertaining to the transaction can be reliably measured.

Royalties are accounted for based on sales made by the licensees and the terms of the contracts. Royalties under franchise agreements are recorded based on the sales made by the Company to the franchisees. Cash discounts are recorded as financial charges.

Dividends are recognised when the shareholder's right to receive payment is established.

Accounting for costs

Costs are recorded on an accrual basis. In particular, a cost is immediately recognized in the Income Statement when:

– an expense does not generate any future economic benefit;
– the future economic benefits do not qualify or cease to qualify as assets for recognition in the statement of financial position;
– a liability is incurred and no asset has been recorded.

Operating leases

Operating leases are recorded in the income statement on a straight-line basis for the whole lease term.

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.

Financial expenses

Financial expenses include interest on bank overdrafts, on short and long term loans, financial expenses on finance leases and securitization operations, amortization of initial costs of loan operations, changes in the fair value of derivatives – insofar as chargeable to the Income Statement – and annual interest cost maturing on the present value of post-employment benefits.

Income taxes

The provision for income taxes is determined based on a realistic estimate of the tax charge of each entity included in the tax consolidation, in accordance with the tax rates and tax laws in force or substantially approved in each country at the reporting date.

Current taxes are recorded in the Income Statement as an expense. This is except for taxes deriving from transactions or events directly recognized through shareholders' equity which are directly charged to equity.

Changes of accounting policy, errors and changes in accounting estimates

The accounting policies adopted are only modified from one year to another if the change is required by an accounting standard or if it provides more reliable and more relevant information on the effects of operations on the Company's Statement of financial position, Income statement or Cash flows.

Changes of accounting policy are applied retrospectively, adjusting the opening balance of each affected component of equity for the earliest prior period presented. Other comparative amounts, disclosed for each prior period presented, are also adjusted as if the new accounting policy had always been applied. A prospective approach is applied only when it is not possible to restate the comparative information.

The adoption of a new or amended accounting standard is implemented in accordance with the requirements of the standard itself. If the new standard does not include specific transition provisions, the change of accounting policy is applied retrospectively or, if this is not feasible, prospectively.

In the case of material errors, the same approach adopted for changes in accounting standards described in the previous paragraph shall be followed. Non material errors are recognized in the Income Statement in the period in which the error is identified.

The effect of changes in accounting estimates is prospectively recorded in the Income Statement for the year the change takes place if it is the only year affected. It is also reflected in later years if they too are affected by the change.

Financial risk management

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

The Company 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 set by IAS 39. At the inception of the hedge contract, the Company formally documents the hedging relationship assuming that the hedging is effective during the different accounting periods it is designated for.

Exchange rate risk

The Company's export sales activities expose it to an exchange rate risk due to fluctuations in the exchange rate of the Euro primarily against the US Dollar, Hong Kong Dollar, Chinese Renminbi, Japanese Yen and, to a lesser extent, other currencies. The Corporate Finance Department is responsible for foreign exchange risk hedging by entering into derivative contracts (forward sale and purchase, options) with third parties.

In accordance with IAS 39, these hedging contracts are classed as cash flow hedges. The fair value of the hedging contracts designated as cash flow hedges is recorded under shareholders' equity net of the tax effect.

Interest rate risk

The debt taken on by the Company exposes it to an interest rate risk. The Corporate Finance Department hedges this risk by arranging Interest Rate Swap and Collar agreements.

The fair value of derivative contracts designated as cash flow hedges is recorded under shareholders' equity net of the tax effect.

Meanwhile, for non-hedging derivatives qualified as fair value to profit and loss, fair value is recorded in full in the Income Statement.

Use of estimates

In accordance with IAS/IFRS, the preparation of these financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses as well as contingent assets and liabilities.

Such assumptions relate primarily to transactions and events not settled as of the year-end. 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 Income statement.

Estimates have been used when performing impairment tests, in determining provisions for risks and charges, the allowance for doubtful accounts, the allowance for obsolete and slow moving inventories, post-employment benefits, when calculating taxes and measuring derivative instruments and securities available for sale. The fair value of derivatives and securities available for sale is based on market listed prices at the reporting date. The fair value of derivative instruments used to hedge the interest rate risk (IRS) and derivative instruments used to hedge the exchange rate risk (forward contracts and options) has been determined using one of the valuation platforms in most widespread use on the market and based on interest rate curves and spot and forward exchange rates at the reporting date.

Significant acquisitions and disinvestments

On February 3, 2013, PRADA Retail spc was incorporated in Doha to develop the retail business in Qatar.

On June 24, 2013, PRADA Kazakhstan llp was incorporated in Almaty to develop the retail business in Kazakhstan.

On July 10, 2013, PRADA spa and Fin-Reta srl incorporated Pellettieri d'Italia srl in Italy – with respective interests of 60% and 40% - to develop manufacturing activities.

On January 24, 2014, Erfico sa was merged through incorporation into PRADA Switzerland sa with legal effect from January 1, 2014.

Statement of financial position

1. Cash and cash equivalents

The following table details the balance at January 31, 2014 and 2013:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Cash on hand	1,012	761
Bank deposit accounts	40,002	110,302
Bank current accounts	85,109	29,351
Total cash and cash equivalents	126,124	140,414

Please refer to the Statement of cash flows and to the Financial Review for details of cash flows for the year.

2. Trade receivables

Trade receivables are detailed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Trade receivables - Third parties	155,551	144,762
Trade receivables - Parent company	180	124
Trade receivables - Subsidiaries and associates	433,354	313,169
Trade receivables - Companies controlled by PRADA Holding bv	10	3
Trade receivables - Related companies	32,002	30,501
Total trade receivables	621,096	488,559

The increase in trade receivables is due to the higher level of retail and wholesale sales.

Trade receivables from related companies refer to sales of finished products to retail companies owned by the main shareholders of PRADA Holding bv.

A detailed breakdown of these receivables by debtor is provided in Note 27 "Transactions with parent, subsidiary, associated and related companies".

The allowance for doubtful debts was determined on a specific basis considering all information available at the reporting date in order to bring receivables in line with their fair value.

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Trade receivables, gross	160,435	150,868
Allowance for bad and doubtful debts	(4,884)	(6,106)
Trade receivables, net	155,551	144,762

Movements on the allowance for doubtful debts during the year are detailed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Opening amount	6,106	6,061
Increases	600	631
Utilized	(1,822)	(586)
Closing amount	4,884	6,106

Gross trade receivables at January 31, 2014 are analyzed by maturity date as follows:

(amounts in thousands of Euro)	January 31 2014	Current	Overdue (in days)				
			1 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade receivables, third parties	160,435	131,490	8,029	7,025	5,643	2,482	5,766
Trade receivables, parent, subsidiary and related companies	465,545	349,316	15,180	28,394	17,842	9,483	45,330
Total	625,980	480,806	23,209	35,419	23,485	11,965	51,095

(amounts in thousands of Euro)	January 31 2013	Current	Overdue (in days)				
			1 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade receivables, third parties	150,875	124,682	9,820	6,216	5,164	1,096	3,820
Trade receivables, parent, subsidiary and related companies	343,797	291,192	12,875	10,314	5,583	2,378	21,525
Total	494,671	415,873	22,695	16,530	10,747	3,474	25,346

3. Inventories

Inventories are detailed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Raw materials	81,177	75,707
Work in progress	22,831	20,907
Finished products	149,683	130,650
Allowance for obsolete and slow-moving inventories	(66,624)	(73,624)
Net inventories	187,067	153,640

Inventories are valued at weighted average cost.

Movements on the allowance for obsolete and slow moving inventories are analyzed as follows:

(amounts in thousands of Euro)	Raw materials	Finished products	Total
Balance at January 31 2013	29,374	44,250	73,624
Reversal	-	(7,000)	(7,000)
Balance at January 31 2014	29,374	37,250	66,624

The change in the allowance for obsolete finished products has been recorded to bring the carrying amount into line with the estimated realizable value.

4. Derivative financial instruments: assets and liabilities

Derivative financial instruments - assets and liabilities, current portion:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Financial assets regarding derivative instruments, current	12,105	34,503
Financial liabilities regarding derivative instruments, current	(3,312)	(903)
Net carrying amount	8,793	33,600

Derivative financial instruments - assets and liabilities, non-current portion:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Financial assets regarding derivative instruments, non-current	1,430	1.018
Financial liabilities regarding derivative instruments, non-current	(2,490)	(32)
Net carrying amount	(1,061)	985

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

(amounts in thousands of Euro)	January 31 2014	January 31 2013	IFRS7 Category
Forward contracts	5,039	12,408	Level II
Options	5,402	22,095	Level II
Interest rate swap – cash flow hedge	-	1,018	Level II
Interest rate swap – fair value to profit and loss	3,094	-	Level II
Positive fair value	13,535	35,521	
Forward contracts	(1,633)	(129)	Level II
Options	(1,364)	0	Level II
Interest rate swap – cash flow hedge	(55)	(806)	Level II
Interest rate swap – fair value to profit and loss	(2,750)	-	Level II
Negative fair value	(5,803)	(935)	
Net carrying amount	7,733	34,586	

All of the derivative instruments reported in the financial statements at January 31, 2014, can be classified as Level II of the fair value hierarchy proposed by IFRS 7. Except as reported in the paragraph "Other commitments" in relation to the call and put options on shares in subsidiary Prada Middle East fzco and the impossibility of determining their fair value at the reporting date, the Company has not entered into any derivative contracts that may be qualified as Level I or III.

The fair values of derivatives arranged to hedge interest rate risks (IRS) and of derivatives arranged to hedge exchange rate risks (forward contracts and options) have been determined utilizing one of the valuation platforms in most widespread use on the financial market and are based on the interest rate curves and on spot and forward exchange rates at the reporting date.

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

Foreign exchange rate transactions

The international nature of the Company's activities expose its cash flows – especially those relating to sales - to exchange rate volatility. In order to hedge this risk, the Company enters into options and forward sale and purchase agreements so as to guarantee the value in Euro of identified cash flows.

Expected future cash flows mainly regard the collection of trade receivables and settlement of trade payables. The most important currencies in terms of hedged amounts are: U.S. Dollar, Hong Kong Dollar, Japanese Yen, GB Pound, Korean Won and Chinese Renminbi.

The notional amounts of the derivative contracts, designated as foreign exchange risk hedges (as translated at the European Central Bank exchange rate at January 31, 2014), are stated below.

Contracts in place at January 31, 2014 to hedge projected future trade cash flows:

(Amounts in thousands of Euro)	Options	Forward contracts	January 31 2014
Currency			
US Dollar	115,789	37,733	153,522
Hong Kong Dollar	59,541	111,938	171,479
Japanese Yen	40,976	43,799	84,775
GB Pound	58,903	36,282	95,185
Chinese Renminbi	39,671	-	39,671
Korean Won	-	47,738	47,738
Others	4,167	78,525	82,692
Total	319,048	356,015	675,062

All contracts in place as at January 31, 2014 will mature by January 31, 2015.

Contracts in place at January 31, 2013 to hedge projected future trade cash flows:

(Amounts in thousands of Euro)	Options	Forward contracts	January 31 2013
Currency			
US Dollar	154,539	7,380	161,919
Hong Kong Dollar	109,033	71,357	180,390
Japanese Yen	52,960	32,663	85,623
GB Pound	70,525	1,517	72,042
Chinese Renminbi	-	56,962	56,962
Korean Won	-	48,672	48,672
Others	41,237	34,185	75,422
Total	428,294	252,736	681,030

All of the contracts in place at January 31, 2013 will mature by June 30, 2014.

Contract in place as at January 31, 2014 and 2013 to hedge projected future financial cash flows.

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Forward Contracts		
Currency		
Brasilian Real	6,716	2,064
GB Pound	6,088	5,834
Russian Ruble	6,283	7,357
US Dollar	1,405	-
Total	**20,493**	**15,255**

A liquidity analysis on the maturity dates of these derivative contracts is included in these Notes in the Information on Financial Risks section.

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

Interest rate transactions

The Company enters into Interest Rate Swaps agreements (IRS) in order to hedge the risk of interest rate fluctuations regarding several loans payable. The key features of the IRS agreements in place as at January 31, 2014 and January 31, 2013 are summarized as follows:

Contract	Currency	Notional amount	Interest rate	Maturity date	January 31 2014	Hedged loan – lending institution	Amount	Expiry
					Fair value			
IRS	Euro/000	3,750	1.545%	02/06/2014	(23)	Intesa-Sanpaolo	3,750	06/2014
IRS	Euro/000	1,800	2.210%	01/07/2015	(33)	MPS	1,800	07/2015
Total IRS – Cash flow hedge					55)			

Contract	Currency	Notional amount	Interest rate	Maturity date	January 31 2013	Hedged loan – lending institution	Amount	Expiry
					Fair value			
IRS	Euro/000	100,000	1.511%	26/07/2013	(588)	Pool loan	100,000	07/2013
IRS	Euro/000	11,250	1.545%	02/06/2014	(141)	Intesa-Sanpaolo	11,250	06/2014
IRS	Euro/000	3,000	2.210%	01/07/2015	(77)	MPS	3,000	07/2015
Total IRS – Cash flow hedge					(806)			

The IRS agreements convert the variable interest rates applying to a series of loans into fixed interest rates. These agreements have been arranged with leading financial institutions and the Company does not expect them to default.

Under applicable regulations all of the derivatives reported above in place at the reporting date meet the requirements for designation as cash flow hedges.

During the year, the Company entered into an IRS agreement, in relation to loans of a UK subsidiary. In the same date and with the same subsidiary, the Company entered into an IRS agreement having the same notional and maturity dates. Both IRS agreements have been accounted for as non-hedging instruments (*fair value to profit and loss*):

Contract	Currency	Notional amount	Interest rate paid	Interest rate received	Maturity date	January 31 2014	Counterparty
						Fair value	
IRS	GBP/000	60,000	2.778%	Libor GBP/365	31/01/2029	(198)	Unicredit
IRS	GBP/000	60,000	Libor GBP/365	2.83%	31/01/2029	541	Kenon Ltd
Total IRS – Fair value to profit and loss						343	

Movements on the cash flow hedge reserve included in shareholders' equity, before tax effects, since February 1, 2012, may be analyzed as follows:

(amounts in thousands of Euro)	
Opening balance at February 1, 2012	(5,645)
Change in fair value, recognized in Equity	24,961
Change in fair value, charged to Income Statement	8,690
Closing balance at January 31, 2013	28,006
Change in fair value, recognized in Equity	8,971
Change in fair value, charged to Income Statement	(31,902)
Closing balance at January 31, 2014	5,075

Changes in the reserve that are charged to the Income Statement are recorded under "Interest and other financial income/(expense), net" or as operating income and expenses depending on the nature of the underlying.

Information on financial risks

Capital Management

The Company's capital management strategy is intended to safeguard the Group's ability to continue to guarantee a return to shareholders, protect the interests of other stakeholders and respect covenants, while maintaining an adequate, balanced capital structure.

Categories of financial assets and liabilities according to IAS 39

Financial assets

Financial assets at January 31, 2014	Loans and receivables	Derivative financial instruments	Total	Note
Cash and cash equivalents	126,124		126,124	1
Trade receivables, net	621,096		621,096	2
Derivative financial instruments		13,535	13,535	4
Financial receivables from parent, subsidiary and associated companies and related parties	252,616		252,616	5
Total	999,837	13,535	1,013,372	

Financial assets at January 31, 2013	Loans and receivables	Derivative financial instruments	Total	Note
Cash and cash equivalents	140,414		140,414	1
Trade receivables, net	488,559		488,559	2
Derivative financial instruments		35,521	35,521	4
Financial receivables from parent, subsidiary and associated companies and related parties	218,952		218,952	5
Total	847,925	35,521	883,446	

Financial liabilities

Financial liabilities at January 31, 2014	Loans and receivables	Derivative financial instruments	Total	Note
Financial payables - third party	149,282		149,282	11, 17
Financial payables - parent, subsidiary and associated companies and related parties	342,031		342,031	12
Trade payables	436,357		436,357	13
Derivative financial instruments		5,803	5,803	4
Total	927,670	5,803	933,473	

Financial liabilities at January 31, 2013	Loans and receivables	Derivative financial instruments	Total	Note
Financial payables - third party	136,687		136,687	11.17
Financial payables - parent, subsidiary and associated companies and related parties	312,324		312,324	12
Trade payables	393,545		393,545	13
Derivative financial instruments		935	935	4
Total	842,556	935	843,491	

Fair Value

The reported amount of derivative instruments, whether they are assets or liabilities, reflects their fair value.

The carrying amount of financial assets is a reasonable approximation of their fair value, as detailed below.

The carrying amount of financial liabilities, except for the Bonds issued in 2013 and listed on the Irish Stock Exchange, is a reasonable approximation of fair value.

The Bonds, reported at an amount of Euro 129 million (nominal amount of Euro 130 million as adjusted by Euro 1 million following application of the amortized cost method), is included in the financial liabilities reported above at nominal amount of Euro 130 million. Its fair value, as determined based on the official listed price on the Irish Stock Exchange at January 31, 2014, is Euro 131.3 million

Credit risk

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

The Directors believe that the Company's credit risk essentially regards trade receivables generated by sales to independent customers in the wholesale channel.

The Company manages the credit risk and reduces its negative effects through its commercial and financial strategy. Credit risk management is performed by controlling and monitoring the reliability and solvency of customers and is carried out by the Group's Commercial Departments.

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 around the world lead to a reduced risk of financial losses.

The expected loss on bad and doubtful receivables at the reporting date is entirely covered by the allowance for doubtful accounts.

Movements on the allowance for doubtful accounts are shown in Note 2. Trade receivables.

Liquidity risk

The liquidity risk relates to the difficulty the Company may face in fulfilling its obligations with regard to financial liabilities. The Directors are responsible for managing the liquidity risk while the Group Corporate Finance Department, reporting to the CFO, is responsible for managing financial resources.

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 Company to meet its needs resulting from investing activities, working capital management and repayment of loans as they fall due. This can be achieved without using all available fund and surplus resources can thus be used to pay dividends.

At January 31, 2014, the Company had unused and available bank borrowing facilities totaling Euro 387 million.

The following table details the maturity of financial liabilities, showing the earliest date on which the Company could be called upon to make payment (worst-case scenario).

Financial liabilities under derivative financial instruments

(amounts in thousands of Euro)	Future contractual cash flows at Jan. 31, 2014	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	more than 3 years
Forward contracts designated as cash flow hedges						
Cash outflows	(60,457)	(32,549)	(27,908)	-	-	-
Cash inflows	58,962	31,825	27,138	-	-	-
Other contracts designated as cash flow hedges						
Cash outflows	(6,235)	(1,795))	(4,440)	-	-	-
Cash inflows	5,740	1,6497	4,091	-	-	-
Interest rate swaps	303	(894)	(795)	(1,188)	(566)	3,747
Net value	(1,686)	(1,765)	(1,914)	(1,188)	(566)	3,747

(amounts in thousands of Euro)	Future contractual cash flows at Jan. 31, 2013	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	more than 3 years
Forward contracts designated as cash flow hedges						
Cash outflows	(5.422)	(5.387)	(35)	-	-	-
Cash inflows	5.340	5.340	-	-	-	-
Other contracts designated as cash flow hedges						
Cash outflows	-	-	-	-	-	-
Cash inflows	-	-	-	-	-	-
Interest rate swaps	(768)	(671)	(57)	(36)	(3)	-
Net value	(850)	(718)	(91)	(36)	(3)	-

Financial liabilities

(amounts in thousands of Euro)	Carrying amount at Jan. 31 2014	Future contractual cash flows at Jan. 31, 2014	upon request	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Obligations under finance leases	498	504	-	88	416	-	-	-	-
Financial payables to banks	150,171	166,400	-	9,419	6,813	9,435	3,575	3,575	133,575
Financial payables to subsidiaries, parent company and related parties	342,031	342,031	342,031	-	-	-	-	-	-
Total	492,700	508,935	342,031	9,507	7,229	9,435	3,575	3,575	133,575

(amounts in thousands of Euro)	Carrying amount at Jan. 31 2013	Future contractual cash flows at Jan. 31, 2013	upon request	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Obligations under finance leases	1,075	1,087	-	488	91	507	-	-	-
Financial payables to banks	137,013	138,557	-	110,491	9,474	12,696	5,896	-	-
Financial payables to subsidiaries, parent company and related parties	312,324	312,324	312,324	-	-	-	-	-	-
Total	450,412	451,968	312,324	110,979	9,565	13,203	5,896	-	-

Exchange rate risk

The exchange rate risk to which the Company is exposed depends on foreign currency fluctuation against the Euro.

The exchange rate risk mainly involves the risk that the cash flows of the Group's distribution company will fluctuate as a result of changes in exchange rates. The most important currencies for the Company are: the U.S. Dollar, Hong Kong Dollar, Japanese Yen, Chinese Renminbi and British Pound.

Exchange rate risk management is one of the risk management activities carried out by the Company's centralized Treasury Department.

The following table shows the sensitivity of the Company's net income and shareholders' equity to a range of fluctuation in the main foreign currencies against Euro, based on the statement of financial position at January 31, 2014.

(amounts in thousands of Euro)	Euro --> + 10%		Euro --> - 10%	
	Positive/ (negative) effect on net income	Positive/ (negative) effect on shareholders' equity	Positive/ (negative) effect on net income	Positive/ (negative) effect on shareholders' equity
GB Pound	152	5,412	819	(7,882)
Hong Kong Dollar	7,519	20,270	(8,756)	(24,696)
Japanese Yen	(2,149)	2,728	2,032	(2,666)
Chinese Renminbi	(390)	1,932	628	(2,312)
US Dollar	(4,203)	5,231	6,225	(6,524)
Other currencies	(7,374)	3,286	3,189	(9,731)
Total	(6,445)	38,861	4,137	(53,809)

The total impact on shareholders' equity (Euro 38.9 million positive and 53.8 million negative) is the sum of the effect on the income statement and on the cash flow hedge reserve of an hypothetical strengthening/weakening of the Euro against other currencies. The effects on net income and shareholders' equity are stated before the effect of taxation.

Management considers this sensitivity analysis purely indicative, as it is based on the period end exposure which might not reflect the effects actually generated during the year.

Interest rate risk

The Company is exposed to the risk of interest rate fluctuations mainly with regard to the interest charges on its financial indebtedness. The interest rate risk is managed as part of the risk management activities carried out by the centralized Treasury Department.

The following table shows the sensitivity of the Company's net income and shareholders' equity to a shift in the interest rate curve in relation to its financial position as at January 31, 2014.

(amounts in thousands of Euro)	Shift in interest rate curve	Positive/ (negative) effect on net income for the period	Positive/ (negative) effect on shareholders' equity	Shift in interest rate curve	Positive/ (negative) effect on net income for the period	Positive/ (negative) effect on shareholders' equity
Euro	+ 0.50%	(399)	(394)	- 0.50%	399	397
GB Pound	+ 0.50%	41	41	- 0.50%	(41)	(41)
Hong Kong Dollar	+ 0.50%	(411)	(411)	- 0.50%	411	411
US Dollar	+ 0.50%	95	95	- 0.50%	(95)	(95)
Other currencies	+ 0.50%	235	235	- 0.50%	(235)	(235)
Total		(439)	(434)		439	437

The total impact on shareholders' equity is 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 stated 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.

5. Financial receivables and other receivables from parent, subsidiary and associated companies and related parties

Receivables from parent companies and other companies are analyzed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Financial receivables	252,616	218,952
Other receivables	5,609	5,159
Financial receivables and other receivables – due within a year	258,226	224,111

Financial receivables include correspondence current accounts of Euro 12.4 million and short-term loans of Euro 240.2 million which bear interest and form part of the Group's centralized treasury management.

A detailed breakdown of the balance is provided in Note 27.

Long term receivables from parent companies and other companies are detailed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Financial receivables	17,366	-
Other receivables	1,487	-
Financial receivables and other receivables – due after more than a year	18,853	-

Financial receivables include the capital element of loans to subsidiaries due after more than a year.

Other receivables refer to deferred rental income, recorded in relation to Fratelli Prada srl and Progetto Prada Arte srl in application of "IAS 17 Leases". See Note 27 for a description of the operation and details by counterparty.

6. Other current assets

Other current assets are detailed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
VAT and other tax receivables	32,513	25,064
Other current assets	5,338	11,922
Prepayments and accrued income	23,042	20,667
Total other current assets	60,893	57,653

Tax receivables include VAT receivables of Euro 21.7 million and other tax receivables of Euro 10.8 million.

Other current assets include advances paid towards services and advances to suppliers.

Prepayments and accrued income include the following prepaid expenses: design, advertising campaign and fashion show costs totaling Euro 14.3 million; software assistance costs of Euro 1.3 million; industrial property rental costs of Euro 2.4 million; amortized costs on loans of Euro 1 million; insurance costs of Euro 0.8 million and other costs of Euro 3.2 million. Prepaid design costs mainly includes costs incurred to develop collections that will generate revenue the following year.

7. Property, plant and equipment

Changes in the historical cost of Property, plant and equipment during the year ended January 31, 2014 and in prior year are as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other equipment	Assets under construction	Total historical cost
Balance at January 31, 2012	153,351	92,919	40,747	37,109	50,308	26,890	401,323
Additions	34,969	8,604	2,021	1,111	17,174	22,807	86,685
Disposals	(3)	(809)	(71)	(985)	(6,967)	-	(8,835)
Other movements	3,286	127	-	74	-	(3,487)	-
Impairment	-	-	-	(39)	(486)	(41)	(567)
Balance at January 31, 2013	191,602	100,840	42,698	37,270	60,027	46,168	478,605
Additions	5,511	10,320	9,155	4,467	4,512	26,157	60,121
Disposals	(15)	(727)	(36)	-	(576)	(8)	(1,362)
Other movements	1,815	48	3,090	613	-	(5,566)	-
Impairment	-	(18)	-	(1)	(379)	(2)	(400)
Balance at January 31, 2014	198,912	110,462	54,909	42,349	63,584	66,749	536,965

Changes in accumulated depreciation of Property, plant and equipment during the year ended January 31, 2014 and in prior year are as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other equipment	Total accumulated depreciation
Balance at January 31, 2012	17,995	78,713	21,394	23,975	40,274	182,350
Depreciation	4,125	6,703	2,598	2,124	3,267	18,817
Disposals	-	(793)	(1)	(15)	(3,723)	(4,531)
Impairment	3,331	-	-	(39)	(486)	2,806
Balance at January 31, 2013	25,450	84,623	23,991	26,045	39,331	199,441
Depreciation	4,573	7,568	2,951	2,468	3,655	21,215
Disposals	(10)	(693)	(12)	-	(574)	(1,289)
Impairment	-	(18)	-	(1)	(379)	(397)
Balance at January 31, 2014	30,013	91,482	26,930	28,512	42,033	218,969

Changes in the net book value of Property, plant and equipment in the year ended January 31, 2014 and in prior year are as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other equipment	Assets under construction	Total net book value
Balance at January 31, 2012	135,356	14,206	19,353	13,133	10,034	26,890	218,972
Additions	34,969	8,604	2,021	1,111	17,174	22,807	86,685
Depreciation	(4,125)	(6,703)	(2,598)	(2,124)	(3,267)	-	(18,817)
Disposals	(3)	(17)	(70)	(970)	(3,245)	-	(4,304)
Other movements	3,286	127	-	74	-	(3,487)	-
Impairment	(3,331)	-	-	-	-	(41)	(3,372)
Balance at January 31, 2013	166,152	16,217	18,707	11,224	20,696	46,168	279,164
Additions	5,511	10,320	9,155	4,467	4,512	26,157	60,121
Depreciation	(4,573)	(7,568)	(2,951)	(2,468)	(3,655)	-	(21,215)
Disposals	(5)	(34)	(24)	-	(2)	(10)	(75)
Other movements	1,815	48	3,090	613	-	(5,566)	-
Balance at January 31, 2014	168,899	18,981	27,978	13,837	21,551	66,749	317,996

At January 31 2014, Land and buildings included capitalized interest expenses of Euro 1.4 million.

The increases in Production plant and machinery mainly related to purchases of equipment for use in the manufacturing processes.

The increase in leasehold improvements regards the refurbishment of leased industrial and commercial property, including the new store in Galleria Vittorio Emanuele II, operated by Fratelli Prada spa. For further information about this operation, see Note 27.

Additions to Assets under construction totaling Euro 26.2 million mainly included Euro 12.2 million of capex on real estate properties in Tuscany and Euro 9.7 million on a property in Milan.

8. Intangible assets

Changes in the historical cost of Intangible assets during the year ended January 31, 2014 and in prior year are as follows:

(amounts in thousands of Euro)	Other intangible assets	Trade-marks	Store Lease Acquisitions	Software	Goodwill	Assets in progress	Total historical cost
Balance at January 31, 2012	6,820	2,102	1,360	54,671	85,425	987	151,365
Additions	-	-	-	1,515	-	1,967	3,482
Disposals	-	-	-	(83)	-	-	(83)
Other movements	-	-	-	566	-	(566)	-
Impairment	-	-	-	-	-	(102)	(102)
Balance at January 31, 2013	6,820	2,102	1,360	56,669	85,425	2,286	154,662
Additions	19,013	-	1,845	3,584	-	896	25,338
Other movements	-	-	-	2,236	-	(2,236)	-
Balance at January 31, 2014	25,833	2,102	3,205	62,489	85,425	947	180,000

Changes in the accumulated amortization of Intangible assets during the year ended January 31, 2014 and in prior year are as follows:

(amounts in thousands of Euro)	Other intangible assets	Trade-marks	Store Lease Acquisitions	Software	Goodwill	Total accumulated amortization
Balance at January 31, 2012	5,510	2,097	85	46,443	3,303	57,438
Amortization for year	802	1	113	2,762	-	3,678
Other movements	-	-	-	(1)	-	(1)
Balance at January 31, 2013	6,312	2,098	198	49,203	3,303	61,115
Amortization for year	1,268	1	207	3,221	-	4,696
Balance at January 31, 2014	7,580	2,099	405	52,424	3,303	65,811

Changes in the net book value of Intangible assets during the year ended January 31, 2014 and in prior year are as follows:

(amounts in thousands of Euro)	Other intangible assets	Trade-marks	Store Lease Acquisitions	Software	Goodwill	Assets in progress	Total net book value
Balance at January 31, 2012	1,310	5	1,275	8,228	82,122	987	93,927
Additions	-	-	-	1,515	-	1,967	3,482
Amortization	(802)	(1)	(113)	(2,762)	-	-	(3,678)
Disposals	-	-	-	(82)	-	-	(82)
Other movements	-	-	-	566	-	(566)	-
Impairment	-	-	-	-	-	(102)	(102)
Balance at January 31, 2013	508	4	1,162	7,465	82,122	2,286	93,547
Additions	19,013	-	1,845	3,584	-	896	25,338
Amortization	(1,268)	(1)	(207)	(3,221)	-	-	(4,696)
Other movements	-	-	-	2,236	-	(2,236)	-
Balance at January 31, 2014	18,252	2	2,800	10,065	82,122	947	114,188

The increase in other intangible assets includes Euro 18.9 milion of costs capitalized following the establishment of a ten year right of usufruct to a real estate property in Tuscany and in relation to the business that was party to rental agreements for said property; the property is now used by the Company as an outlet store.

Goodwill

Goodwill amounted to Euro 82.1 million at January 31, 2014 and included Euro 78.3 million relating to sales and distribution activities in Italy. As required by IAS 36, the value of the assets with an indefinite useful life is not amortized but tested for impairment at least once a year.

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

Value in use is calculated as the sum of the present value of future free cash-flows expected from the business plan projections 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).

The business plans cover a period of five years and the discount rate used to discount cash flows is calculated using the weighted average cost of capital approach (WACC). The weighted average cost of capital used for discounting purposes was 8.7%. A sensitivity analysis was performed to ensure that changes in the main assumptions (WACC and "g" growth rate) did not significantly affect the coverage results. The outcome of this simulation did not highlight any indication that values in use could have been lower than the carrying amount.

The impairment test performed as at January 31, 2014 did not identify any impairment losses.

9. Investments

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Investments in subsidiaries and associated undertakings	908,274	884,897
Other investments	13	13
Total	908,286	884,909

Investments in subsidiaries and associated undertakings at January 31, 2014 and 2013 are analyzed as follows:

(amounts in thousands of Euro)	Note	January 31 2013	Increases	Decreases	January 31 2014
Investments in subsidiaries:					
Artisans Shoes srl		2,706			2,706
Car Shoe Italia srl	(1)		2,000		2,000
Church Holding UK plc		108,828			108,828
Pellettieri d'Italia srl	(2)		164		164
IPI Logistica srl		1,798			1,798
Post Development Corp.		54,807			54,807
PRADA Bosphorus Deri Mamuller Limited Sirketi	(3)	12,052	5,540		17,592
PRADA Brazil Importaçao e Comercio de Artigos de Luxo ltda	(4)	10,936	6,647		17,583
PRADA Canada Corp.		5,086			5,086
PRADA Czech Republic sro		1,894			1,894
PRADA Far East bv		383,590			383,590
PRADA Hellas Single Partner Limited Liability Company		1,764			1,764
PRADA Hong Kong P.D. limited		1,120			1,120
PRADA Kazakhstan llp	(5)		2,411		2,411
PRADA Maroc	(6)	3,961	3,574		7,535
PRADA Middle East Fzco		2,069			2,069
PRADA Portugal. Unipessoal lda		955			955
PRADA Retail Spc	(7)	-	3,041		3,041
PRADA Rus llc		23,267			23,267
PRADA sa		23,315			23,315
PRADA Stores srl		80,237			80,237
PRADA Switzerland sa	(8)	12,839	3,307		16,147
Erfico sa	(8)	3,307		(3,307)	-
PRADA Ukraine llc		2,868			2,868
PRADA USA Corp.		145,759			145,759
Space Caffè srl		-			-
Investments in associated undertakings:					
PAC srl - in liquidation		1,738			1,738
Investments in other entities		13			13
Total		884,909	26,684	(3,307)	908,286

Investments were tested for impairment but no impairment losses were identified at January 31, 2014.

An impairment test is performed at least once a year or whenever there is an indication of probable impairment.

(1) on December 13, 2013, the Company acquired a 100% investment in Car Shoe Italia srl;

(2) on July 10, 2013, PRADA spa and Fin-Reta srl incorporated Pellettieri d'Italia srl with respective interests of 60% and 40%;

(3) This amount regards the injection of capital of Turkish Lire 15,000,000 in October 2013;

(4) during the year, the Company subscribed and paid share capital increases for a total amount of Euro 6,647,307;

(5) On June 24, 2013, this company was set up with share capital of Tenge 500 million in Almaty to develop the retail business in Kazakhstan;

(6) This amount regards additional capital paid in in December 2013;

(7) on February 3, 2013, this company was set up in Doha to develop the retail business in Qatar; capital payments equal to Euro 3,040,770 were made into the company;

(8) during the year, Anita Smaga sa changed its company name to PRADA Switzerland sa and absorbed Erfico sa.

Additional information on subsidiaries and associated undertakings:

(Amounts in currency /000)	Carrying amount	Local currency	Share Capital	Latest net income / (loss)	Share-holders' equity	% interest held
Artisans Shoes srl	2,706	EURO	1,000	1,532	8,459	66.70%
Car Shoe Italia srl	2,000	EURO	10	(7,788)	(1,571)	100.00%
Church's Holding UK plc	108,828	GBP	78,126	403	121,862	100.00%
Pellettieri d'Italia srl	164	EURO	100	(733)	(633)	60.00%
IPI Logistica srl	1,798	EURO	600	960	3,491	100.00%
Post Development corp.	54,807	USD	45,138	2,231	79,357	100.00%
PAC srl - in liquidation (1)	1,738	EURO	31	(9)	3,839	49.00%
PRADA Bosphorus Deri Mamuller Limited Sirketi	17,592	TRY	41,000	1,102	26,774	100.00%
PRADA Brazil Importaçao e Comercio de Artigos de Luxo ltda	17,583	BRL	47,000	(35,437)	(2,880)	100.00%
PRADA Canada corp.	5,086	CAD	300	6,435	33,938	100.00%
PRADA Czech Republic sro	1,894	CZK	2,500	13,447	24,563	100.00%
PRADA Far East bv	383,590	EURO	20	69,443	443,547	100.00%
PRADA Hellas Single Partner Limited Liability Company	1,764	EURO	2,850	56	998	100.00%
PRADA Hong Kong P.D. limited	1,120	HKD	11,000	1,079	12,633	100.00%
PRADA Kazakhstan llp	2,411	KZT	500,000	(241,775)	258,225	100.00%
PRADA Maroc Sarlau	7,535	MAD	68,000	(30,565)	16,151	100.00%
PRADA Middle East FZCO	2,069	AED	18,000	41,935	81,399	60.00%
PRADA Portugal. Unipessoal Ida	955	EURO	5	885	1,887	100.00%
PRADA Retail Spc	3,041	QAR	15,000	(3,333)	11,667	100.00%
PRADA Rus llc	23,267	RUB	250	(159,659)	240,486	99.90%
PRADA sa	23,315	EURO	31	55,397	280,715	100.00%
PRADA Stores srl	80,237	EURO	520	1,290	9,041	100.00%
PRADA Switzerland sa	16,147	CHF	226	(1,632)	(1,617)	100.00%
PRADA Ukraine llc	2,868	UAH	30,000	(16,991)	(7,670)	100.00%
PRADA USA Corp.	145,759	USD	152,211	30,526	227,098	100.00%
Space Caffè srl	-	EURO	20	(36)	(2)	100.00%

1) Figures at 31/12/2012

The amounts shown are those reported for consolidation purposes before the resolutions by the respective Boards of Directors approving the financial statements and could well differ from the final version.

10. Other non-current assets

Other non-current assets may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Long-term guarantee deposits	278	382
Advances and payments on account	1,962	2,870
Long-term prepaid expenses	2,619	-
Sundry other long-term receivables	1,129	1,337
Total	5,988	4,589

Long-term prepaid expenses refer to the portion of stamp duty paid on the Galleria Vittorio Emanuele II concession fees which relates to future reporting periods.

Other long-term receivables include Euro 0.6 million relating to insurance policies in respect of staff leaving indemnity liabilities towards several employees.

11. Bank overdrafts and short-term loans

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Bank overdrafts	8	3
Short-term loans	123	-
Current portion of long term loans	14,361	118,722
Deferred costs on loans	(9)	(315)
Bank overdrafts and short-term loans	14,483	118,410

Loans are stated net of costs incurred to arrange new loans.

12. Financial payables and other payables to parent, subsidiary and associated companies and related parties

Current payables to parent, subsidiary and associated companies and related parties are analyzed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Financial payables	342,031	312,324
Other payables	7,068	5,547
Total payables due within a year	349,099	317,871

Other payables include sundry interest-free payables to subsidiaries.

See Note 27 for a detailed breakdown of the balance by creditor.

Non-current payables to parent, subsidiary and associated companies and related parties are analyzed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Payables to related parties for investments	13,247	-
Total payables due after more than a year	13,247	-

This item represents the present value of the outstanding payable towards Fin-Reta srl for the granting of a right of usufruct to a commercial property and related business. See Note 8 for a description of the operation.

13. Trade payables

Trade payables may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Trade payables - third parties	229,909	219,342
Trade payables - related parties	6,190	2,815
Trade payables - parent company	1	-
Trade payables - subsidiary and associated companies	200,257	171,388
Total	436,357	393,545

The increase in Trade payables to third parties is due to higher production volumes as a result of growth in the Company's sales.

Trade payables to subsidiary companies include Euro 122 million of royalties payable to PRADA sa (Euro 103 million at January 31, 2013).

Trade payables to related parties regard purchases of finished products from retail companies owned by the main shareholders of PRADA Holding bv.

A detailed breakdown by creditor is shown in Note 27 Transactions with parent, subsidiary and associated companies and related parties.

Total trade payables are summarized below by maturity date.

(amounts in thousands of Euro)	January 31 2014	Current	Overdue (days)				
			1 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade payables - third parties	229,909	209,181	11,083	4,859	1,462	436	2,887
Trade payables - related parties	6,190	6,019	-	140	-	-	31
Trade payables - subsidiary and associated companies	200,257	172,048	7,806	4,060	2,573	1,355	12,417
Total	436,357	387,248	18,889	9,059	4,035	1,791	15,335

(amounts in thousands of Euro)	January 31 2013	Current	Overdue (days)				
			1 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade payables - third parties	219,341	206,744	6,919	1,626	858	211	2,984
Trade payables - related parties	2,816	1,890	22	72	127	187	517
Trade payables - subsidiary and associated companies	171,388	149,381	4,574	5,447	2,697	1,450	7,838
Total	393,545	358,015	11,514	7,146	3,682	1,848	11,339

14. Current tax liabilities

Current tax liabilities are detailed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Current taxes on income	8,463	6,472
VAT and other taxes	4,196	3,894
Social security liabilities	7,428	5,528
Total	20,086	15,894

Current tax liabilities for corporate income taxes are stated net of advance payments made.

VAT and other taxes refers to withholding taxes on employee remuneration and professional fees and to VAT liabilities arising from e-commerce sales in EU countries.

15. Obligations under finance leases

Property, plant and equipment includes properties with a net carrying amount of Euro 6.1 million acquired under finance leases that are still in place.

Residual liabilities under finance leases still in place at January 31, 2014 shall mature by January 31, 2015.

The decrease in obligations under finance leases is due to installment payments made as due under finance leases in place at January 31, 2014.

16. Other current liabilities

Other current liabilities may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Payables to employees	29,226	27,439
Provision for returned goods	26,942	24,362
Payables for capex	18,316	18,502
Other payables	490	447
Deferred income	233	289
Total	75,208	71,039

Payables to employees include wages and salaries, 13th and 14th months' salaries, accrued holidays and productivity bonuses.

The provision for returned goods is created to cover identifiable future liabilities for returns whose amount and due date was not known at the reporting date. The amount of the provision was estimated on the basis of historical/statistical data and on forecasts of the number of items sold that could be returned in future.

"Payables for capital expenditure" include liabilities as at January 31, 2014 for capital expenditure described in Notes 7 and 8 on Property, plant and equipment and Intangible assets.

Other payables includes advances of Euro 0.2 million received from customers and sundry payables of Euro 0.3 million.

17. Long-term financial payables

Long-term financial payables are analyzed below.

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Bonds	130,000	-
Long term bank borrowings	5,802	18,287
Deferred costs on long term loans	(1,003)	(10)
Total	134,799	18,277

Long term financial payables include fixed interest loans (96% of total) and variable interest loans (4% of total). The financial instruments used to hedge the interest rate risk – interest rate swaps and collars – convert the variable rates of interest due on loans into fixed rates or rates within an agreed range.

Long-term financial payables at January 31, 2014 are analyzed below:

Amounts in Euro/000	Principal	Loan currency	Lender	Maturity date	Interest rate (1)
PRADA spa	130,000	Euro	Bonds	August 2018	2.750%
PRADA spa	600	Euro	Monte dei Paschi di Siena	July 2015	3.310%
PRADA spa	5,202	Euro	Cariparma	August 2015	1.290%
Total	135,802				

(1) Interest rates include the effect of any interest rate risk hedging transactions

Long-term financial payables at January 31, 2013 are analyzed below:

Amounts in Euro/000	Principal	Loan currency	Lender	Maturity date	Interest rate (1)
PRADA spa	1,800	Euro	Monte dei Paschi di Siena	July 2015	3.310%
PRADA spa	3,750	Euro	IntesaSanPaolo	June 2014	2.145%
PRADA spa	2,400	Euro	Unicredit	May 2014	0.953%
PRADA spa	10,338	Euro	Cariparma	August 2015	1.575%
Total	18,288				

(1) Interest rates include the effect of any interest rate risk hedging transactions

An analysis of these payables by maturity date is provided in Note 4.

On May 6, 2013, PRADA spa signed a contract with a pool of foreign banks for a revolving line of credit for a total amount of Euro 170 million. The loan will expire in May 2016. In case of utilization, the line of credit is subject to interest at the Euribor period rate plus an initial margin of 100 basis points which varies in relation to the ratio between consolidated net financial indebtedness and consolidated EBITDA. At January 31, 2014, the entire revolving line of credit was unutilized. The related transaction costs are classified as Other current assets.

On July 29, 2013, PRADA spa issued bonds totaling Euro 130 million which were listed on the Irish Stock Exchange and settled on 1 August 2013. The issue price was 99.641%. The bond matures in 2018 and the coupon rate has been set at 2.75% per annum.

At January 31, 2014, the bonds were disclosed entirely under long-term financial, net of costs related to the transaction.

The long-term loan made by Banca Monte dei Paschi di Siena in 2008 – outstanding amount of Euro 1.8 million reported at January 31, 2014 (including current portion of Euro 1.2 million) - is secured by a mortgage on a building in Tuscany that houses offices and research and development workshops.

The long-term loan made by Cassa di Risparmio Parma e Piacenza in 2008 – outstanding amount of Euro 10.3 million reported at January 31, 2014 (including current portion of Euro 5.1 million) - is secured by a mortgage on a building in Tuscany where the Company has concentrated the logistics activities of the leather goods divisions.

18. Long-term employee benefits

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Post-employment benefits	20,329	20,446
Other long term employee benefits	19,784	5,314
Total	40,113	25,760

Post-employment benefits

Liabilities for post-employment benefits totaled Euro 20.3 million at January 31, 2014 and were all classified as defined benefit plans.

The TFR liability was determined using the "Projected Unit Credit Method" by independent expert Federica Zappari, an Italian registered actuary (no 1134) of *Ordine Nazionale degli Attuari*. The main actuarial assumptions made in the years of appraisal shown were as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Average duration of plan (years)	11.1	11.9
Discount rate	2.5%	2.8%
Inflation rate	1.5%	1.5%

The discount rate used to value the defined benefit plans was determined on the basis of the yield on bonds with an AA rating and a maturity date similar to that of the plans in question.

The sensitivity analysis performed on the main actuarial assumptions applied at January 31, 2014 highlighted that an increase or decrease of 50 basis points would have an impact of less than 5% on the total amount of the obligations. Consequently, the result of the test was considered not material in terms of possible impact on the financial statements.

Payments expected in relation to the TFR liability in the years following these financial statements are shown below:

(amounts in thousands of Euro)	2014	2015	2016	2017	After 2017
Defined Benefit Plans (TFR)	1,506	975	1,012	946	23,274

Finally, the following table shows movements on liabilities for post-employment benefits in the period ended January 31, 2014:

(amounts in thousands of Euro)	
Balance at January 31 2013	20,446
Current service costs	38
Financial expenses	94
Actuarial (gains)/losses from changes in financial assumptions	959
Actuarial (gains)/losses from changes in other assumptions	36
Other actuarial (gains)/losses	(101)
Indemnities paid	(1,143)
Balance at January 31 2014	20,329

Other long-term employee benefits

Other long-term employee benefits were qualified into the IAS 19 category "Other long-term employee benefits" and relate to long-term retention and performance plans recognized in favor of Company employees. As at January 31, 2014, their actuarial valuation, obtained using the Projected Unit Cost Method, was Euro 19.8 million (Euro 5.3 million as at January 31, 2013). This valuation was performed by independent actuary Federica Zappari.

Movements on other long-term employee benefits in the twelve months ended January 31, 2014 are shown below:

(amounts in thousands of Euro)	Other long-term benefits
Balance at January 31 2013	5,314
Increases	15,915
Disbursements	(1,444)
Balance at January 31 2014	19,784

Some Euro 8.9 million of the long-term employee benefits accumulated at January 31, 2014 were in favor of member of the Board of Directors.

19. Provisions for risks and charges

Movements on provisions for risks and charges are summarized as follows:

(amounts in thousands of Euro)	Provision for litigation	Provision for tax disputes	Other provisions	Total
Balance at January 31, 2013	351	22,117	1,257	23,726
Reversals	-	(360)	(60)	(420)
Utilized	-	(192)	(60)	(252)
Increases	-	168	45	213
Balance at January 31, 2014	351	21,733	1,182	23,266

Provisions for risks and charges represent the Directors' best estimate of 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 reporting date, the total amount provided for risks and charges was reasonable considering the contingent liabilities that might arise.

Provision for tax disputes

On December 30, 2005, PRADA spa (for companies incorporated into PRADA spa, Genny Spa and Byblos Spa, the respective sellers of the "Genny" and "Byblos" businesses) received two notices of tax assessment for VAT purposes for the 2002 fiscal year. The assessments regarded the sales of the "Genny" and "Byblos" businesses which the authorities sought to treat as sales of the respective brands. The amount assessed was about Euro 21 million. The Company successfully appealed at the first and second levels of appeal. The Tax Authority then announced its appeal to the Supreme Court of Cassation against which the Company submitted a counter appeal. No further developments took place in 2013.

On August 4, 2006, PRADA spa (for IPI Italia spa, a company incorporated into it and the seller of the "Genny" business), received a demand for VAT penalties totaling Euro 5.7 million for the year 2002 in relation to its alleged failure to issue a "self-invoice" for the value of the "Genny" brand. Even though it submitted its defensive arguments against this claim, on October 9, 2007, the Company received a request for penalties against which it filed appeals at two levels but was unsuccessful with both. Finally, the Company then made a further appeal to the Supreme Court of Cassation against which the Tax Authority filed its own counter appeal. No further developments took place in 2013.

In October 2012 and October 2013, the Italian Tax Authorities rejected PRADA spa's request not to apply the Italian Controlled Foreign Companies rules (CFC) to its Dutch subsidiary PRADA Far East bv for the 2010 and 2012 tax years. In order to reduce the risk of application of additional penalties in case of assessment, Prada SpA paid some Euro 64 million, including Euro 42 million recorded in the 2012 income statement and Euro 22 million in the 2013 income statement. The amounts paid, followed the "ravvedimento operoso" procedure (or voluntary settlement of dispute) and represented the taxes due in Italy by PRADA spa on the taxable income of PRADA Far East bv – a total of Euro 42 million for 2010 and 2011 and a total of Euro 22 million for 2012. In October 2012 and October 2013, the Italian tax authorities also declared inadmissible the requests filed by PRADA spa for 2010 and 2012 not to apply CFC rules to other Group countries operating in countries on the fiscal black list. In January 2013 and January 2014, PRADA spa filed appeals to the Rome Provincial Tax Commission in relation to the rejection of its requests regarding PRADA Far East bv and the declaration of inadmissibility of its petitions regarding the other "black list" companies; it also requested the reimbursement of the amounts paid in relation to PRADA Far East bv.

In May 2012, the Italian Customs Authority began an audit of PRADA spa on the 2007-2011 and with reference to the method used to value imported products in specific circumstances. This audit led to the detection of customs irregularities subject to administrative and criminal penalties; PRADA spa provided all of the documentation requested. It is worth noting that, in March 2012 the Company applied to the Central Italian Customs Authority in Rome for a ruling on the same issue and, in 2013, it submitted two explanatory statements to the Public Prosecutor and the Customs Head Office. The customs authorities have suspended their judgment until the criminal proceedings have been completed.

On December 20, 2013, PRADA spa published on its website an Announcement titled "Arrangements of Controlling Shareholder with the Italian Tax Authorities" to communicate the completion by PRADA Holding bv, together with its ultimate shareholders and other companies in the chain of control, of a voluntary disclosure process with the Italian Tax Authorities. The main aim of this process was to transfer the residency of the companies in the chain of control of PRADA Holding bv from Luxembourg and the Netherlands to Italy.

As this process did not lead to any negative consequences for the PRADA spa, also because of an agreement between PRADA Holding bv and the Italian Tax Authorities, the voluntary disclosure did not have any financial impact on PRADA spa nor did it generate any liabilities for the Company at January 31, 2014.

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 21.7 million carried at January 31, 2014 in respect of the tax disputes described above represent the best estimate of the obligations that the Group could be called upon to fulfill.

Provision for litigation

This provision represents the Directors' assessment of litigation risks at the end of financial year 2013. There was no significant evolution of these disputes in the current year.

Other provisions

Other provisions for risks amounted to Euro 1.2 million as at January 31, 2014 and related to obligations to return premises under lease agreements in their original state.

20. Other non-current liabilities

Other non-current liabilities amount to Euro 3.1 million and regard liabilities to be recognized on a straight-line basis in relation to concession fees for the premises in Galleria Vittorio Emanuele II in Milan and rental costs for stores in S. Elpidio a Mare and Noventa di Piave.

21. Shareholders' equity

Shareholders' equity is analyzed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Share capital	255,882	255,882
Other reserves	889,685	849,055
Net income for the period	395,574	288,297
Total shareholders' equity	1,541,141	1,393,234

Share capital

At January 31, 2014, some 80% of the share capital of PRADA spa was held by PRADA Holding bv while the remainder was floating on the Main Board of the Hong Kong Stock Exchange.

Share premium reserve

The share premium reserve is unchanged compared to January 31, 2013.

Dividends

During the period ended January 31, 2014, the Company distributed dividends of Euro 230.3 million, as approved by the Annual General Meeting held on May 23, 2013 to approve the financial statements for the year ended January 31, 2013. Payment of the dividends was completed by January 31, 2014.

Availability of shareholders' equity

(amounts in thousands of Euro)	January 31 2014	Possible utilization	Amount distributable	Summary of utilization in the last three years	
				Coverage of losses	Distribution of dividends
Share capital	255,882				
Share premium reserve	410,047	A, B, C	410,047		
Legal reserve	51,177	B			
Other reserves	182,899	A, B, C	182,899		
Retained earnings	241.883	A, B, C	221,367	-	273,941
Cash flow hedge reserve	3,679				
Distributable amount			814,312		273,941

A share capital increase
B coverage of losses
C distributable to shareholders

Pursuant to Article 2431 of the Italian Civil Code, the share premium reserve is fully distributable as the legal reserve reached an amount equal to 20% of share capital.

The non-distributable portion of Retained earnings, Euro 20,516 million, refers to restricted reserves under Article 7 of Legislative Decree 38/2005.

Income statement

22. Net revenues

Net revenues are mainly generated by sales of finished products and are stated net of returns and discounts. Net revenues for the year ended January 31, 2014 amounted to Euro 2,004 million, 15.7% more than in prior year (Euro 1,732 million in 2012).

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Net sales	2,000,827	1,729,500
Royalties	3,287	2,611
Net revenues	2,004,115	1,732,111

23. Cost of goods sold

Cost of goods sold is analyzed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Purchases of raw materials and production costs	817,173	708,350
Logistics costs, duties and insurance	104,241	88,139
Change in inventories	(23,264)	39,928
Total	898,150	836,417

Cost of goods sold has increased by Euro 61.7 million in absolute terms because of the higher volume of business. Compared to prior year, cost of goods sold has fallen from 48.3% of net revenues to 44.9%.

24. Operating expenses

Operating expenses are analyzed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Advertising and communications costs	76,915	74,870
Product design and development costs	118,511	100,605
Selling costs	281,723	246,984
General and administrative costs	64,486	66,306
Operating expenses	541,635	488,765

Advertising and communications costs include expenses incurred to develop advertising campaigns and organize fashion shows and other events plus overheads attributable to this area of the business. This item is broadly in line with prior year.

Product design and development costs include both the design phase – i.e. research and testing of shapes, fabrics, leather and production techniques plus definition of the design concept - and the product development phase, involving planning of products, production of prototypes and manufacture of the products themselves. Product design and development costs increased by Euro 18 million compared to 2012, primarily in order to improve and consolidate the existing structure.

Selling costs increased by Euro 34.7 million mainly because of higher royalties.

The Additional information section contains an Income Statement reclassified by nature of expense.

25. Interest and other financial income/(expenses), net

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Interest income / (expenses), net	(2,149)	(5,850)
Exchange gains / (losses) - realized	(7,583)	5,747
Exchange gains / (losses) – unrealized	(7,647)	5,248
Dividends	46,515	46,002
Other financial income / (expenses)	(1,531)	(1,928)
Total	27,605	49,219

Net interest expenses, amounting to Euro 2.1 million (Euro 5.9 million in 2012), represent the difference between total interest income of Euro 6.7 million (Euro 6.9 million in 2012) and interest expenses of Euro 8.9 million (Euro 12.8 million in 2012).

The reduction in net interest expenses is consistent with the trend of financial indebtedness.

The net exchange losses for the twelve months ended January 31, 2014 were due to exchange rate volatility, as already described in the Financial Review.

26. Income taxes

Income taxes for the twelve months ended January 31, 2014 and January 31, 2013 are analyzed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Current taxation	174,095	138,325
Prior year taxation	22,356	33,774
Deferred taxation	(90)	(4,248)
Total	196,360	167,851

The increase in current income taxes in absolute terms is essentially due to growth of the business in general and the higher level of income before taxation. As a percentage of income before taxation, the tax burden decreased from 36.8% to 33.2%. We recall that income taxes include the extraordinary tax charges of Euro 22 million in 2013 and Euro 42 million in 2012, as described in Note 19 and regarding the rejection by the Italian Tax Authorities of PRADA spa's request not to apply the Italian Controlled Foreign Companies rules (CFC) to its Dutch subsidiary PRADA Far East bv.

Movements on net deferred tax assets and deferred tax liabilities are shown below:

(amounts in thousands of Euro)	January 31 2014
Opening balance, net	18,339
Deferred taxes for the period	6,643
Closing balance, net	24,982

The deferred tax assets and deferred tax liabilities recorded at the end of the reporting period and at the end of the prior period are shown below and classified based on the nature of the line item to which they relate:

(amounts in thousands of Euro)	Deferred tax assets, net		Income Statement effect	Share-holders' equity effect
	January 31 2014	January 31 2013		
Employee benefits – defined benefit plans	(151)	(313)	16	146
Inventories	20,767	22,965	(2,198)	-
Property, plant and equipment	(4,890)	(5,420)	530	-
Intangible assets	(8)	60	(68)	-
Provisions for risks and charges	8,908	8,220	688	-
Allowance for doubtful debts	(1,378)	(1,350)	(28)	-
Derivative instruments	(1,396)	(7,702)	-	6,306
Other temporary differences	3,130	1,980	1,150	
Long term IRAP (Regional Tax) liabilities	-	(101)	-	-
Total	24,982	18,339	90	6,452

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

(amounts in thousands of Euro)	IRES	Eff. IRES rate	IRAP	Eff. IRAP rate	Total tax	Total Eff. rate
Theoretical tax on pre-tax income	162,782	27.50%	23,251	3.93%	186,033	31.43%
Rejection of request not to apply CFC rules	22,591	3.82%			22,591	3.82%
Exempt dividends	-12,152	-2.05%	-		-12,152	-2.05%
Aid to economic growth (ACE)	-3,495	-0.59%	-		-3,495	-0.59%
Request for IRES rebate for deduction of IRAP	5	0.00%			5	0.00%
Deduction of costs allocated to Other Comprehensive Income	-100	-0.02%	-		-100	-0.02%
Other permanent differences	-794	-0.13%	61	0.01%	-733	-0.12%
Adjustments in UNICO tax return	-144	-0.02%	-215	-0.04%	-360	-0.06%
Differences between pre-tax income and net value of production			4,571	0.77%	4,573	0.77%
Taxation for period	168,692	28.50%	27,669	4.67%	196,361	33.17%
Temporary differences	169	0.07%	-79	-0.01%	90	0.06%
Current taxation	168,860	28.57%	27,590	4.66%	196,451	33.23%

27. Transactions with parent, subsidiary and associated companies and related parties

The Company enters into commercial and financial transactions with companies owned by entities that directly or indirectly control PRADA spa (related parties). Details of the amounts reported in the financial statements resulting from transactions with related parties are summarized in the table below.

The said transactions mainly refer to the sale of goods, commercial services, loans granted and received. These transactions take place on an arm's length basis on the same economic terms as transactions with third parties.

The transactions with related party "Fratelli Prada spa – Galleria" refer to the transactions between the Prada spa and Fratelli Prada spa in relation to the business management agreement over the use by the latter of part of the Galleria Vittorio Emanuele II property in Milan to conduct retail business. The transactions reported for the twelve months ended January 31, 2014 fall within the scope of application of Chapter 14A of the Hong Kong Stock Exchange Listing Rules as they were qualified as continuing connected transactions subject to reporting and disclosure but exempted from independent shareholders' approval requirements. As requested by the Listing Rules, comprehensive disclosure of these continuing connected transactions was included in the PRADA spa Announcement dated January 29, 2013 while a summary update is reported in the Corporate Governance section of this Annual Report.

The transactions with related party "Progetto Prada Arte srl - Galleria" refer to the transactions between the Prada spa and Progetto Prada Arte srl in relation to the temporary business partnership agreement regarding the use by the latter of part of the Galleria Vittorio Emanuele II property in Milan to carry out cultural activities. The transactions reported for the twelve months ended January 31, 2014 and January 31, 2013 fall within the scope of application of Chapter 14A of the Hong Kong Stock Exchange Listing Rules as they were qualified as continuing connected transactions subject to reporting and disclosure but exempted from independent shareholders' approval requirements. As requested by the Listing Rules, comprehensive disclosure of these continuing connected transactions was included in the PRADA spa Announcement dated January 29, 2013 while a summary update is reported in the Corporate Governance section of this Annual Report.

Statement of financial position

(amounts in thousands of Euro)	Trade receivables Jan 31, 2014	Trade receivables Jan 31, 2013	Trade payables Jan 31, 2014	Trade payables Jan 31, 2013
Parent company	**180**	**124**	**1**	**-**
PRADA Holding bv	180	124	1	-
Subsidiaries and associates	**433,354**	**313,169**	**200,257**	**171,388**
Artisans Shoes Srl	570	873	18,970	13,698
Car Shoe Hong Kong Ltd	68	60	-	-
Car Shoe Italia Srl	9,845	7,136	48	191
Car Shoe Sa	0	141	-	-
Car Shoe Singapore Pte. Ltd	24	10	-	-
Car Shoe UK Ltd	35	23	21	0
Church Footwear (Shanghai) Co. Ltd	83	40	-	-
Church & Co. (USA) Ltd	82	2	-	-
Church & Co. Plc	13,152	12,097	670	356
Church Austria Gmbh	66	47	-	-
Church English shoes Sa	4	1	-	-
Church Footwear Ab	135	17	-	-
Church France Sa	62	34	-	1
Church Holding UK Plc	-	-	-	-
Church Holding UK Plc	366	316	-	-
Church Hong Kong Retail Ltd	114	36	-	-
Church Ireland Retail Ltd	3	40	-	-
Church Italia Srl	715	2,335	12	8
Church Japan Co., Ltd	43	1	-	-
Church Netherlands Bv	165	47	-	-
Church Singapore Pte Ltd	116	101	-	-
Church Spain Sl	27	25	-	-
Church UK Retail Ltd	797	1,131	0	0
Church's English Shoes Sw.Sa	36	5	-	-
IPI Logistica Srl	890	376	13,350	10,172
Kenon Ltd.	7	-	-	-
Pellettieri d'Italia Srl	15	-	264	-
Post Development Corp.	0	1	-	-
PRADA (Thailand) Co.,Ltd	973	323	28	8
PRADA Asia Pacific Ltd	55,854	26,262	2,906	6,096
PRADA Australia Pty. Ltd	476	935	62	360
PRADA Austria Gmbh	3,539	2,605	126	18
PRADA Bosphorus Deri Mamuller Limited Sirketi	7,431	2,936	174	189
PRADA Brasil Importaçao e Comercio de Artigos de Luxo Ltda	4,254	2,746	-	-
PRADA Canada Corp.	(2,609)	(2,481)	147	137
PRADA Company Sa	32	10	-	-
PRADA Czech Republic Sro	820	1,044	495	128
PRADA Dongguan Trading Co. Ltd	10	-	326	-
PRADA Emirates Llc (1)	1,144	840	35	93
PRADA Far East Bv	3,091	(373)	7	6
PRADA Fashion Commerce (Shanghai) Co. Ltd	13,446	6,371	252	94
PRADA Germany Gmbh	9,189	10,828	1,658	679
PRADA Hellas S. Ltd	1,515	1,637	67	7
PRADA Hong Kong P.D. Ltd	126	119	348	740
PRADA Japan Co., Ltd	48,921	27,483	726	993
PRADA Kazakhstan Llp	4,671	-	15	-
PRADA Korea Ltd	1,095	810	66	104
PRADA Kuwaitt Wll	415	749	3	-
PRADA Maroc Sarlau	3,129	4,200	540	584
PRADA Middle East Fzco	14,005	11,090	767	84

(amounts in thousands of Euro)	Trade receivables	Trade receivables	Trade payables	Trade payables
	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
PRADA Montecarlo Sam	1,946	997	214	42
PRADA New Zealand Pty ltd	112	-	-	-
PRADA Portugal, Unipessoal Lda	1,870	1,493	702	23
PRADA Retail France Sas	24,012	20,940	7,105	4,269
PRADA Retail Malaysia Sdn	233	216	(0)	-
PRADA Retail Mexico S. de r.l.	3,277	1,803	617	216
PRADA Retail Spc	843	-	-	-
PRADA Retail UK Ltd	20,290	27,548	3,013	3,366
PRADA Rus Llc	12,405	11,853	1,994	2,563
PRADA Sa	28,346	30,643	135,719	122,360
PRADA Singapore Pte, Ltd	686	893	11	1
PRADA Spain Sa	10,625	4,822	497	111
PRADA Stores Srl	57,947	41,660	2,101	930
PRADA Sweden Ab	1,513	52	170	-
PRADA Switzerland Sa	512	264	30	30
PRADA Taiwan Ltd Taipei	448	844	-	2
PRADA Ukraine Llc	3,094	1,802	(3)	13
PRADA Usa Corp.	47,474	38,531	3,885	1,408
Space Caffè Srl	16	(1)	1	0
Space Hong Kong Ltd	39	52	-	9
Space Sa	449	(265)	120	34
Space Usa Corp.	16,759	4,362	826	577
TRS Guam Boutique	142	95	-	-
TRS Hawaii Llc	615	859	922	417
TRS Hong Kong Ltd	4	-	-	-
TRS Hong Kong Ltd - Macau	174	239	-	-
TRS New Zealand Pty. Ltd	6	23	-	-
TRS Okinawa Kk	539	350	252	258
TRS Saipan Boutique	26	20	-	-
TRS Singapore Pte Limited	2	45	-	11
Controlled by PRADA Holding bv	10	3	-	-
EXHL Italia Srl	10	3	-	-
Related parties	32,002	30,501	6,190	2,815
Al Tayer Trends ReadyMade Garments Co.	-	308	-	-
Fin-Reta Srl	-	-	90	-
F.lli PRADA spa	25,434	28,055	2,363	1,238
F.lli PRADA spa – Galleria (2)	1,335	-	-	-
HMP Srl	8	8	-	-
Le Mazza Srl	71	42	511	36
Luna Rossa Challenge 2013 NZ Ltd	1,284	592	-	-
Luna Rossa Challenge Srl	164	117	154	-
Pelletteria Reta Srl	-	-	5	-
PRA 1 Srl	983	39	-	-
Progetto PRADA Arte Srl	1,038	840	19	18
Progetto PRADA Arte Srl –Galleria (3)	876	-	-	-
Secva Srl	-	-	2,707	1,392
Stiching Fondazione PRADA	810	501	-	-
Other (4)	-	-	341	131
Total	465,545	343,797	206,108	174,203

Note:
(1) Company consolidated on basis of definition of control expressed in IAS 27
(2) the receivable of Euro 1,335 thousand represents the business management fee to be paid by Fratelli Prada spa for the management of the retail business in Galleria Vittorio Emanuele II in Milan in accordance with the business management agreement between PRADA spa and Fratelli Prada spa.
(3) the receivable of Euro 876 thousand represents the recharged portion of rental costs for premises occupied by Progetto Prada Arte srl at Galleria Vittorio Emanuele II property in Milan in accordance with the business combination agreement between PRADA spa and Progetto Prada Arte srl.

(amounts in thousands of Euro)	Financial receivables	Other receivables	Financial receivables	Other receivables
	Jan 31, 2014	Jan 31, 2014	Jan 31, 2013	Jan 31, 2013
Parent company	-	48	-	48
PRADA Holding bv	-	48	-	48
Subsidiaries and associates	269,982	5,378	218,936	3,843
Artisans Shoes srl	2,305	1,703	591	361
Car Shoe Italia srl	-	1	-	5
Church & Co. plc	2,207	-	2,298	-
Church Holding UK plc	1,620	-	1,532	-
Church Italia srl	-	2,452	-	2,225
Church's Eng. Shoes Sw. sa	-	-	38	-
IPI Logistica srl	-	596	-	197
PAC Srl in liquidation	-	-	1,397	-
PRADA Asia Pacific ltd	-	1	-	1
PRADA Australia Pty. ltd	-	-	777	1
PRADA Bosphorus Deri Mamuller Limited Sirketi	5,688	-	8,082	6
PRADA Brasil Importaçao e Comercio de Artigos de Luxo Ltda	14,768	-	6,547	-
PRADA Canada Corp.	-	-	3	-
PRADA Czech Republic sro	1,569	-	1,684	-
PRADA Fashion Commerce (Shanghai) Co. Ltd	-	-	-	3
PRADA Germany gmbh	7,305	-	1,030	-
PRADA Hellas S. ltd	2,287	-	3,102	-
Prada Hong Kong P.D. Ltd.	1,149	80	-	3
PRADA Japan Co., ltd	-	-	114	3
PRADA Kazakhstan Llp	-	478	-	-
PRADA Maroc Sarlau	5,679	-	5,614	2
PRADA Middle East Fzco	6,195	-	7,528	6
PRADA Montecarlo sam.	702	-	1,106	-
PRADA Portugal, Unipessoal lda	1,867	-	1,662	-
PRADA Retail France sas	26,206	-	11,542	1
PRADA Retail Spc	2,436	47	-	-
PRADA Retail UK	6,954	-	6,778	
PRADA Rus LLC	24,220	-	10,994	1
PRADA Sa	9,344	2	11,937	587
PRADA Spain sa	15,923	-	14,316	18
PRADA Stores srl	125,284	8	116,531	127
PRADA Ukraine Llc.	3,587	1	3,527	281
PRADA USA Corp.	-	7	72	11
Space Caffè srl	64	-	135	1
Space sa	2,624	-	-	-

(amounts in thousands of Euro)	Financial receivables	Other receivables	Financial receivables	Other receivables
	Jan 31, 2014	Jan 31, 2014	Jan 31, 2013	Jan 31, 2013
Related parties	-	1,644	16	1,267
F.lli PRADA spa	-	1	-	3
F.lli PRADA spa - Galleria (1)	-	851	-	-
HMP srl	-	-	16	62
Peschiera Immobiliare srl	-	81	-	81
PRA 1 Srl	-	-	-	1,041
Progetto PRADA Arte srl	-	74	-	80
Progetto PRADA Arte srl – Galleria (2)	-	637	-	-
Controlled by PRADA Holding bv	-	27	-	-
EXHL Italia srl	-	27	-	-
Total	269,982	7,097	218,952	5,159

Note:
(1) This amount contains non-monetary income in the form of deferred rental income of Euro 851 thousand recognized in relation to Fratelli Prada spa in application of "IAS 17 Leases" to the business management agreement between PRADA spa and Fratelli Prada spa
(2) This amount includes non-monetary income in the form of deferred rental income of Euro 637 thousand recognized in relation to Progetto Prada Arte srl in application of "IAS 17 Leases" to the temporary business partnership contract between PRADA spa and Progetto Prada Arte srl

(amounts in thousands of Euro)	Financial payables	Other payables	Financial payables	Other payables
	Jan 31, 2014	Jan 31, 2014	Jan 31, 2013	Jan 31, 2013
Subsidiaries and associates	342,031	6,950	312,324	5,518
Artisans Shoes srl	-	312	1	364
Car Shoe Italia srl	-	1,795	1	615
Church Italia srl	-	190	-	292
IPI Logistica srl	1,367	24	1,292	28
Post Development Corp.	21,855	107	21,664	-
PRADA Austria Gmbh	50	-	1,139	-
PRADA Canada Corp.	-	-	32	-
PRADA Far East bv	223,786	4	229,218	4
PRADA Germany gmbh	1,996	-	-	-
PRADA Retail France sas	1,487	-	660	9
PRADA Retail UK	28	-	-	-
PRADA sa	91,279	1,572	58,134	1,560
PRADA Stores srl	-	2,921	-	2,551
PRADA USA Corp.	166	10	165	-
Space Caffè srl	-	14	-	95
Space sa	18	-	18	-
Related parties	-	13,365	-	29
Fin-Reta Srl	-	13,247	-	-
F.lli PRADA spa	-	8	-	8
Luna Rossa Challenge srl	-	21	-	-
Progetto PRADA Arte srl	-	59	-	19
Stiching Fondazione PRADA	-	30	-	3
Total	342,031	20,315	312,324	5,547

(amounts in thousands of Euro)	Other current liabilities	
	January 31, 2014	January 31, 2013
Members of the Board of Directors	143	87

Income Statement

(amounts in thousands of Euro)	Net Revenues Jan 31, 2014	Net Revenues Jan 31, 2013	Cost of goods sold Jan 31, 2014	Cost of goods sold Jan 31, 2013
Subsidiaries and associates	**1,452,483**	**1,194,121**	**106,171**	**81,824**
Artisans Shoes Srl	-	5	64,042	50,716
Car Shoe Italia Srl	7,474	9,862	(258)	(257)
Church & Co. Plc	4,432	5,346	1,517	1,077
Church Italia Srl	1,846	1,914	-	-
IPI Logistica Srl	-	-	35,197	27,202
Pellettieri d'Italia Srl	-	-	1,480	-
PRADA Asia Pacific Ltd	555,126	443,528	1,062	1,748
PRADA Australia Pty. Ltd	-	-	2	-
PRADA Austria Gmbh	19,621	13,638	-	-
PRADA Bosphorus Deri Mamuller Limited Sirketi	9,479	6,695	-	-
PRADA Canada Corp.	17,359	16,094	-	-
PRADA Czech Republic Sro	4,311	3,314	-	-
PRADA Dongguan Trading Co. Ltd	-	-	326	-
PRADA Emirates Llc (*)	1,018	715	-	-
PRADA Far East Bv	17,826	14,240	-	-
PRADA Fashion Commerce (Shanghai) Co. Ltd	-	-	7	18
PRADA Germany Gmbh	43,999	32,502	(1)	1
PRADA Hellas S. Ltd	2,666	2,102	-	-
PRADA Hong Kong P.D. Ltd.	-	-	1,719	(51)
PRADA Japan Co., Ltd	116,940	90,441	513	613
PRADA Kazakhstan Llp	2,823	-	-	-
PRADA Korea Ltd	-	-	238	237
PRADA Kuwait Wll	408	196	-	-
PRADA Maroc Sarlau	1,066	1,988	-	(1)
PRADA Middle East Fzco	41,123	23,103	(21)	(13)
PRADA Montecarlo Sam	4,981	3,588	-	-
PRADA Portugal, Unipessoal Lda	5,495	4,201	-	6
PRADA Retail France Sas	97,883	81,176	(1)	2
PRADA Retail Mexico S. de r.l.	943	941	-	-
PRADA Retail UK Ltd	105,116	91,171	(2)	-
PRADA Rus Llc	14,790	12,854	8	(12)
PRADA Sa	-	7	-	-
PRADA Singapore Pte, Ltd	-	-	(20)	(47)
PRADA Spain Sa	15,189	10,996	-	13
PRADA Stores Srl	66,348	63,975	11	65
PRADA Sweden Ab	1,870	-	-	-
PRADA Switzerland Sa	-	(61)	-	-
PRADA Ukraine Llc	1,275	2,117	-	-
PRADA Usa Corp.	197,367	195,431	352	497
Space Caffè Srl	-	-	1	-
Space Hong Kong Ltd	-	-	-	9
Space Sa	12,609	11,547	-	-
Space USa Corp.	69,219	41,050	-	-
TRS Hawaii Llc	7,945	6,411	-	-
TRS Okinawa Kk	3,936	3,033	-	-
Related parties	**48,132**	**44,049**	**1,858**	**576**
F.lli PRADA spa	48,247	44,049	1	-
Le Mazza Srl	-	-	1,744	575
Luna Rossa Challenge 2013 NZ	1	-	-	-
Luna Rossa Challenge Srl	(115)	-	-	-
Pelletteria Reta Srl	-	-	113	-
Total	**1,500,616**	**1,238,170**	**108,029**	**82,400**

(amounts in thousands of Euro)	Operating expenses	Operating expenses	Interest and other financial income (expenses), net	Interest and other financial income (expenses), net
	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
Parent company	(55)	(124)	-	-
PRADA Holding Bv	(55)	(124)	-	-
Subsidiaries and associates	136,523	119,769	36,932	35,828
Artisans Shoes Srl	2,647	2,806	19	(4)
Artisans Shoes Srl - dividends			705	1,002
Car Shoe Hong Kong Ltd	(12)	(15)	-	--
Car Shoe Italia Srl	(2,234)	(1,866)	-	-
Car Shoe Sa	-	(15)	-	-
Car Shoe Singapore Pte. Ltd	(42)	(27)	-	-
Car Shoe UK Ltd	(29)	(30)	-	-
Church & Co. (USa) Ltd	(86)	(18)	-	-
Church & Co. Plc	(1,036)	(784)	25	29
Church Austria Gmbh	(19)	(23)	-	-
Church English shoes Sa	(8)	(7)	-	-
Church Footwear (Shanghai) Co. Ltd	(119)	(40)	-	-
Church Footwear Ab	(118)	(17)	-	-
Church France Sa	(118)	(45)	-	-
Church Holding UK Plc	(50)	(85)	87	(16)
Church Hong Kong Retail	(78)	(17)	-	-
Church Japan Co., Ltd	(81)	-	-	-
Church Ireland Retail Ltd	(9)	(13)	-	-
Church Italia Srl	(629)	(410)	-	-
Church Netherlands Bv	(118)	(32)	-	-
Church Singapore Pte Ltd	(15)	(7)	-	-
Church Spain Sl	(2)	(17)	-	-
Church UK Retail Ltd	(222)	(373)	-	-
Church's Eng. Shoes Sw.Sa	(49)	(19)	-	2
IPI Logistica Srl	312	607	(1)	(1)
IPI Logistica Srl - dividends			810	-
Kenon Ltd	(7)	-	-	-
Post Development Corp.	-	-	(191)	(251)
PRADA (Thailand) Co.,Ltd	(800)	(368)	-	-
PRADA Asia Pacific Ltd	(8,799)	(5,779)	(261)	(1,712)
PRADA Australia Pty. Ltd	(829)	(1,117)	7	2
PRADA Austria Gmbh	(772)	(822)	(10)	(14)
PRADA Bosphorus Deri Mamuller Limited Sirketi	(2,147)	(1,049)	(1,960)	201
PRADA Brasil Importaçao e Comercio de Artigos de Luxo Ltda	(1,481)	(2,034)	(1,276)	(75)
PRADA Canada Corp.	(588)	(265)	13	(72)
PRADA Company Sa	(20)	(5)	-	-
PRADA Czech Republic Sro	(217)	(240)	(163)	(14)
PRADA Dongguan Trading Co. Ltd	(10)	-	-	-
PRADA Emitates Llc (1)	(875)	(1,256)	12	(9)
PRADA Far East Bv	(535)	(310)	(3,256)	106
PRADA Fashion Commerce (Shanghai) Co. Ltd	(8,482)	(7,236)	-	(44)
PRADA Germany Gmbh	(1,490)	(1,397)	12	115
PRADA Hellas S. Ltd	(574)	(654)	29	2
PRADA Hong Kong P.D. Ltd	1,636	2,119	2	14
PRADA Japan Co., Ltd	(7,539)	(5,743)	(2,304)	(6,172)
PRADA Kazakhstan Llp	(1,312)	-	(5)	-
PRADA Korea Ltd	(2,854)	(2,092)	-	5
PRADA Kuwait Wll	(264)	(841)	12	(8)
PRADA Maroc Sarlau	(742)	(1,824)	78	23

(amounts in thousands of Euro)	Operating expenses	Operating expenses	Interest and other financial income (expenses), net	Interest and other financial income (expenses), net
	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
PRADA Middle East Fzco	(1,225)	(660)	63	(822)
PRADA Montecarlo Sam	(254)	(458)	10	14
PRADA New Zealand Pty Ltd	(88)	-	-	-
PRADA Portugal, Unipessoal Lda	(614)	(814)	29	8
PRADA Retail France Sas	2,344	2,736	77	207
PRADA Retail Malaysia Sdn	(563)	(258)	-	-
PRADA Retail Mexico S. de r.l.	(248)	(277)	(118)	(26)
Prada Retail Spc	(746)	-	(5)	-
PRADA Retail UK	(2,728)	(766)	1,495	(1,158)
PRADA Rus Llc	(2,368)	(2,648)	(3,999)	140
PRADA Sa	214,278	181,845	(164)	(201)
PRADA Sa - dividends			45,000	45,000
PRADA Singapore Pte, Ltd	(1,323)	(1,576)	-	-
PRADA Spain Sa	(2,244)	(1,315)	170	214
PRADA Stores Srl	(10,534)	(7,935)	1,404	1,382
PRADA Sweden Ab	(959)	(52)	(17)	-
PRADA Switzerland Sa	(578)	(294)	-	-
PRADA Taiwan Ltd Taipei	(944)	(1,556)	-	-
PRADA Ukraine Llc	(424)	(1,123)	67	16
PRADA Usa Corp.	(11,171)	(12,315)	654	(1,601)
Space Caffè Srl	(20)	(16)	1	1
Space Hong Kong Ltd	(67)	(59)	-	(7)
Space Sa	(352)	(216)	54	(57)
Space USa Corp.	(955)	(449)	(89)	(281)
TRS Australia Ltd	-	-	-	4
TRS Guam Boutique	(191)	(105)	-	-
TRS Hawaii Llc	(239)	(173)	(32)	(23)
TRS Hong Kong Ltd	(4)	-	-	-
TRS Hong Kong Ltd - Macau	(319)	(283)	-	-
TRS New Zealand Pty. Ltd	(22)	(24)	-	-
TRS Okinawa Kk	(55)	(19)	(53)	(91)
TRS Saipan Boutique	(26)	(22)	-	-
TRS Singapore Pte Limited	(19)	(40)	-	-
Controlled by da PRADA Holding Bv	(6)	(6)	-	-
EXHL Italia Srl	(6)	(6)	-	-

(amounts in thousands of Euro)	Operating expenses	Operating expenses	Interest and other financial income (expenses), net	Interest and other financial income (expenses), net
	Jan 31, 2014	Jan 31, 2013	Jan 31, 2014	Jan 31, 2013
Related parties	(3,124)	939	(61)	(16)
Al Tayer Trends ReadyMade Garments Co.	-	(324)	16	(16)
Fin-Reta Srl (2)	58	-	(68)	-
F.lli PRADA spa	(1,731)	(995)	-	-
F.lli PRADA spa - Galleria (3)	(2,186)	-	-	-
HMP Srl	242	494	2	3
Le Mazza Srl	3	36	-	-
Luna Rossa Challenge 2007 Sl	-	22	-	-
Luna Rossa Challenge Srl	(39)	(87)	-	-
Pelletteria Reta Srl	1	-	-	-
Peschiera Immobiliare Srl	497	165	-	-
PRA 1 Srl	354	(39)	-	-
Premiata Srl	-	1	-	-
Progetto PRADA Arte Srl	(495)	(306)	-	(2)
Progetto PRADA Arte Srl – Galleria (4)	(1,509)	-	-	-
Secva Srl (5)	2,734	2,272	(11)	-
Stiching Fondazione PRADA	(368)	(178)	-	-
Others (6)	734	445	-	-
Total	133,337	120,577	36,871	35,812

Notes:
(1) Company consolidated on basis of definition of control expressed in IAS 27
(2) The interest expense represents the expense for the year as calculated with the effective interest rate applied to the discounted long-term liability agreed to establish the right of usufruct
(3) Amount includes non-monetary deferred rental income of Euro 851 thousand recognized in relation to Fratelli Prada spa following application of “IAS 17 Leases” to the business management agreement between PRADA spa and Fratelli Prada spa
(4) Amount includes non-monetary deferred rental income of Euro 637 thousand recognized in relation to Progetto Prada Arte srl following application of “IAS 17 Leases” to the temporary business partnership agreement between PRADA spa and Progetto Prada Arte srl
(5) The interest expense represents the expense for the year resulting from discounting of the liability for deferred fees due after more than a year
(6) Relative of a Director

Commitments

Guarantees

Guarantees given relate to:

– sureties of Euro 21.5 million in favor of third parties on behalf of Group companies

– comfort letters of Euro 241 million issued to banks on behalf of subsidiaries.

Operating leases

As at January 31, 2014, operating lease and concession fee commitments were broken down by due date as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Due within a year	20,799	18,753
Due between one and five years	74,962	61,256
Due after more than five years	111,981	124,424
Total commitments for operating lease/concession fees	207,742	204,433

Future rental income are shown by due date as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Due within a year	8,726	817
Due between one and five years	33,025	1,372
Due after more than five years	95,369	-
Total future rental income	137,120	2,189

The increase in future rental income is mainly due to signature with related company Fratelli Prada Spa and Progetto Prada Arte srl of the business management agreements, as described in Note 27.

Other commitments

As at January 31, 2014, the Company had commitments for the purchase of fixed assets for a total amount of some Euro 15 million, wholly due by January 31, 2015.

The Shareholders' agreement signed between PRADA spa and Al Tayer Insignia llc for the development of a Prada and Miu Miu DOS network in the Middle East provides that the parties may exercise an option whereby PRADA spa will buy back up to 20% of PRADA Middle East fzco shares. The Directors maintain that the fair value of this clause cannot be reliably measured.

Additional information

Remuneration of the Board of Directors

(amounts in thousands of Euro)	January 31 2014
Directors' fees	2,700
Remuneration and other benefits	16,177
Bonuses and other incentives	12,361
Benefits in kind	133
Pension, healthcare and TFR contributions	358
Total	31,729

Fees of Deloitte & Touche Spa

The fees of independent audit firm Deloitte & Touche spa for the statutory audit of PRADA spa (audit of the Separate and Consolidated Financial Statements, checks that the accounting records are properly maintained and operations are correctly reflected in the accounting records) amounted to Euro 0.7 million.

The following table shows the fees paid to Deloitte & Touche spa and its network for the audit of the financial statements for the period ended January 31 2014 and for other non-audit services:

Type of service	Audit Firm	Fees in thousands of Euro
Audit services	Deloitte & Touche spa	468
Certification services	Deloitte & Touche spa	10
Other services	Deloitte & Touche spa/ Deloitte network	190
Out of pocket expenses		33
Total fees of audit firm for period ended January 31, 2014		701

Income statement by nature

(amounts in thousands of Euro)	January 31 2014
Net revenues	2,232,962
Change in inventories	25,951
Purchases of raw materials and finished goods	651,286
Labor costs	218,549
Amortization, depreciation and impairment	25,911
Other operating expenses	798,839
EBIT	564,329
Interest income (expenses), net	(2,149)
Exchange gains (losses) - realized	(7,583)
Exchange gains (losses) - unrealized	(7,647)
Dividends	46,515
Other financial income (expenses)	(1,531)
Interest and other financial income (expenses)	27,605
Income before taxation	591,935
Taxation	196,360
Net income for the period	395,574

Headcount

The average headcount by business division at January 31, 2014 and 2013 is shown below:

(no of employees)	January 31 2014	January 31 2013
Production	1,302	1,196
Product design and development	872	809
Communications	56	58
Selling	573	514
General and administrative services	506	482
Total	3,309	3,059

Employee remuneration

Employee remuneration in the periods ended January 31, 2014 and January 31, 2013 is analyzed by business division as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Production	67,600	60,977
Product design and development	58,836	53,394
Communications	6,933	6,458
Selling	38,752	35,399
General and administrative services	46,428	43,697
Total	218,549	199,925

Independent Auditors' Report

Deloitte.

Deloitte & Touche S.p.A.
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AUDITORS' REPORT
PURSUANT TO ART. 14 OF LEGISLATIVE DECREE No. 39
OF JANUARY 27, 2010

To the Shareholders of
PRADA S.p.A.

1. We have audited the financial statements of PRADA S.p.A., which comprise the statement of financial position as of January 31, 2014, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and the related notes to the financial statements. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with Auditing Standards issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on April 5, 2013.

3. In our opinion, the financial statements give a true and fair view of the financial position of PRADA S.p.A. as of January 31, 2014, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

4. The directors of PRADA S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion the Report on Operations is consistent with the financial statements of PRADA S.p.A. as of January 31, 2014.

DELOITTE & TOUCHE S.p.A.

Stefano Marnati

Stefano Marnati
Partner

Milan, Italy
April 2, 2014

Statutory Auditors' Report

PRADA Spa

Registered Office - Via A. Fogazzaro, no 28, 20135 Milan

R.E.A. (Business Register) no 1343952

Tax Number, VAT Number 10115350158

Report of the Board of Statutory Auditors to the Shareholders' General Meeting in terms of Article 2429 (2) of the Italian Civil Code

Dear Shareholders,

During the year ended January 31, 2014, we performed the activities required by law, also taking account of the "Code of Conduct for Statutory Auditors" recommended by the Italian Accounting Profession ("*il Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*").

In more detail, we report the following.

The Statutory Auditors checked on compliance with the law and the articles of association and on respect for principles of proper business management. We have no particular observations to make in this regard.

During the year, the Board of Statutory Auditors met six times. The Statutory Auditors also attended all Shareholders' General Meetings, Board of Directors' Meetings and Executive Committee meetings, as held in accordance with the articles of association, legislative requirements and other applicable regulations. We can provide reasonable assurance that the actions approved by these meetings are consistent with the law and the articles of association, are not manifestly imprudent or hazardous, do not involve a potential conflict of interests and do not put the integrity of the Company assets at risk.

As required by the articles of association, the Statutory Auditors obtained from the Directors general information on the performance of the business and on the outlook for the future. We also obtained details of the most significant operations – in terms of size or characteristics – carried out by the Company and believe that these operations were consistent with the law and the articles of association, were not manifestly imprudent or hazardous, did not involve a potential conflict of interests, did not clash with resolutions approved by the Shareholders' General Meeting and did not put the integrity of the Company assets at risk.

The Statutory Auditors obtained information about the Company's organizational structure and it did not reveal any apparent weaknesses.

During the year, the Board of Statutory Auditors held regular meetings with the Company's Supervisory Board. These meetings provided an occasion for an exchange of information and the Board of Statutory Auditors took note of the content of the reports prepared by the Supervisory Board on its activities.

The Board of Statutory Auditors also attended meetings of the Internal Control Committee during which information was shared by both bodies, the control plan activities was agreed with the Committee members and feedback was obtained from the Internal Audit Division in relation to its work.

The fact that some of the Prada S.p.A. Statutory Auditors are also on the Boards of Statutory Auditors of subsidiary companies facilitated a regular and constant exchange of information between the respective Boards of Statutory Auditors. No issues or anomalies requiring mention in this report came to light during the activities of the Statutory Auditors.

The Board of Statutory Auditors evaluated and controlled the adequacy of the administrative and accounting system and its reliability in accurately reflecting operating events. It did so by obtaining information from divisional managers and reviewing Company documents and has no particular observations to make in this regard.

During the year ended 31.01.2014 and up to the date of this report, no reports in terms of Article 2408 of the Italian Civil Code have been received.

During our work, as described above, we did not identify any other significant matters that require to be mentioned in this report.

The Board of Statutory Auditors has examined the financial statements for the year ended 31.01.2014 as prepared in accordance with IAS/IFRS and the related interpretations (SIC/IFRIC) approved by the European Commission and in force at the date of preparation of the financial statements.

As the Board of Statutory Auditors is not required to perform detailed testing of the content of the financial statements, we have checked their general layout and general compliance with legal requirements on its form and structure; we have no particular observations to make in this regard.

The Board of Statutory Auditors has checked compliance with legal requirements on preparation of the Directors' Report and that the financial statements reflect the facts and information of which we are aware; we have no particular observations to make in this regard.

As far as we are aware, when preparing the Financial Statements, the Directors did not make any deviations from legal requirements in terms of Article 2423 (4) of the Italian Civil Code.

The Board of Statutory Auditors has examined the impairment test method adopted by the Directors.

The Board of Statutory Auditors has checked that the financial statements represent the facts and information that have come to our attention in the course of our engagement; we have no particular observations to make in this regard.

During the year, the Board of Statutory Auditors met regularly with partners and managers from external auditors Deloitte & Touche S.p.A., as appointed in terms of Article 2409-*bis* of the Italian Civil Code, in order to discuss and exchange data and information of use in performance of our respective duties. During these meetings, no matters requiring disclosure in this report came to our attention.

Taking account of the above and what emerged during our meetings with the external auditors, the Board of Statutory Auditors has concluded that there are no issues regarding the independence of the external auditors.

On 2 April 2014, Deloitte & Touche S.p.A. issued its external auditors' report in terms of Article 14 of Legislative Decree no 39/2010 which confirms that the financial statements for the year ended 31.01.2014 are consistent with reporting requirements and have, therefore, been prepared clearly and provide a true and fair view of the balance sheet and financial position and the result of the Company for the year. The said report also confirms, in terms of Article 14(2)(e) of the said Decree that the Directors' Report is consistent with the statutory financial statements for the year ended 31.01.2014. The external auditors' report is unqualified and does not contain any emphases of matter.

The Company has prepared consolidated financial statements and the accompanying Directors' Report.

The Board of Statutory Auditors has also checked the general layout of these consolidated documents, ensuring that their form and structure complies with legal requirements. We have no particular observations to make in this regard.

On 2 April 2014, Deloitte & Touche S.p.A. issued its external auditors' report on the consolidated financial statements. The said report confirms that the consolidated financial statements of the Prada Group at 31 January 2014 are consistent with consolidated reporting requirements have, therefore, been prepared clearly and provide a true and fair view of the balance sheet and financial position and the result of the Group for the year. The said report also confirms that the Directors' Report is consistent with the consolidated financial statements of Prada Group for the year ended 31 January 2014.

In conclusion, based on the above and insofar as we are responsible, we have not identified any reasons not to approve the financial statements for the year ended 31 January 2014 which report a net profit of Euro 395,574,305 and agree with the Directors proposals for the allocation of net profit for the year.

Milan, 3 April 2014

The Board of Statutory Auditors

Antonino Parisi (Chairman) ______________

Roberto Spada (Statutory Auditor) ______________

David Terracina (Statutory Auditor) ______________