Separate Financial Statements 2014

PRADA spa
(Hong Kong Stock code: 1913)

Separate Financial Statements 2014

Index

Patrizio Bertelli

Miuccia Prada

Corporate Information

Corporate Information

Registered office	Via A. Fogazzaro, 28 20135 Milan, Italy
Head 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 web site	www.pradagroup.com
Hong Kong Stock Exchange Identification Number	1913
Board of Directors	Carlo Mazzi (Chairman) Miuccia Prada Bianchi (Chief Executive Officer) Patrizio Bertelli (Chief Executive Officer) Donatello Galli (Executive Director) Alessandra Cozzani (Executive Director) 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)
Audit Committee	Gian Franco Oliviero Mattei (Chairman) Giancarlo Forestieri Sing Cheong Liu
Remuneration Committee	Gian Franco Oliviero Mattei (Chairman) Carlo Mazzi Giancarlo Forestieri
Appointments 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 (Leg. Decr. 231/2001)	David Terracina (Chairman) Gian Franco Oliviero Mattei Franco Bertoli

Main Shareholder	PRADA Holding S.p.A. Via A. Fogazzaro, 28 20135 Milan, Italy
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 to Carlo Mazzi in Hong Kong	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 S.p.A. 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, Miu Miu and Car Shoe 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;
  - 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, 2015 (financial year 2014), as prepared in accordance with IFRS adopted by the European Union. The Financial review must be read together with the Financial statements and the Explanatory notes which form an integral part of the Separate Financial Statements.

2014 highlights

The international economic environment in which the Group operated in 2014 was particularly challenging because of the ongoing economic uncertainty and the political and social tension that affected several important markets. Against this background, there was, generally, a lower contribution from flows of tourists while local demand followed different trends on the various markets: there was growth in Japan and the Americas and decreases in Europe, Italy and Asia Pacific. Nonetheless, Prada Group has continued to invest resources in pursuit of its medium/long-term objectives: it has confirmed the opening of new stores on markets not considered sufficiently covered although some have been postponed until 2015; it has also launched a number of communications initiatives in order to strengthen brand image and reinforce the link between customers and the Prada universe. At the same time, in order to safeguard industrial margins and further increase production know-how, there has been a major overhaul of certain internal production processes, the effects of which will be visible from next year. However, as the general situation during the year gradually became more complicated than could have been expected, management concluded that it was essential to implement a series of measures aimed at containing costs at various income statement levels.

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

(amounts in thousands of Euro)	January 31 2015	%	January 31 2014	%
Net revenues	2,027,507	100.0%	2,004,115	100.0%
Cost of goods sold	(941,628)	-46.4%	(898,150)	-44.8%
Gross margin	1,085,879	53.6%	1,105,965	55.2%
Operating expenses	(572,899)	-28.3%	(541,635)	-27.0%
Interest and other financial income (expenses), net	34,582	1.7%	27,605	1.4%
Income before tax	547,562	27.0%	591,935	29.5%
Income tax	(162,133)	-8.0%	(196,361)	-9.8%
Net income for the year	385,429	19.0%	395,574	19.7%
ROE	25,01%		28,39%	
ROI	28,60%		33,84%	
ROS	25,30%		28,16%	
Depreciation, amortization and impairment	32,444	1.6%	25,911	1.3%
EBIT	512,980	25.3%	564,330	28.2%
EBITDA	545,424	26.9%	590,241	29.5%

Net revenues for the twelve months ended January 31, 2015 amounted to Euro 2,027.5 million, a 1.2% increase compared to the Euro 2,004.1 million reported for prior year. The increase is thanks to royalties income of Euro 36.8 million, recognized in the Company's favor by Fragrance&Skincare SL and Luxottica Group on sales of cosmetics and eyewear, respectively.

The increase in operating expenses is detailed in the Notes to the Financial Statements, under Note 24.

EBITDA for the year amounted to Euro 545.4 million, 7.59% down on 2013. The fall in EBITDA was driven by a decrease in Gross margin and by higher operating expenses.

Net financial income totaled Euro 34.5 million and mainly comprised the following income and expenses:

- dividend income of Euro 93 million;
- net exchange losses of Euro 29.6 million;
- net interest income of Euro 5.1 million;
- impairment adjustments to investments in subsidiaries for Euro 32 million;
- other financial expenses of Euro 2 million;

The tax charge for the year, represented as a percentage of income before taxation, was 32% against 33.2% last year. It should be recalled that the 2013 tax rate was affected by an extraordinary tax charge of around Euro 22 million and relating to the years 2012, while extraordinary tax charges of around Euro 3 million relating to the year 2013 were accounted for in 2014.

During the year, the Company did not carry out any unusual operation.

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 2015	January 31 2014
Non-current assets excluding financial items	1,600,689	1,382,385
Current assets excluding financial assets	1,175,217	886,771
Current liabilities excluding financial liabilities	863,256	542,031
Net working capital	311,961	344,740
Long-term liabilities, including deferred taxation	40,719	26,898
Employee benefits	55,878	40,112
Provisions for risks	22,855	23,266
Net invested capital	1,793,199	1,636,846
Shareholders' equity	1,607,323	1,541,141
Long-term financial payables	(133,200)	117,433
Short-term financial payables (net of cash and cash equivalents)	319,076	(21,728)
Net financial indebtedness	185,876	95,705
Shareholders' equity and net financial indebtedness	1,793,199	1,636,846
Ratios		
Net financial indebtedness/Shareholders' equity	0.12	0.06
Current assets/Current liabilities	1.36	1.64

Net invested capital increased by Euro 156 million (9.6%) because of a Euro 219 million increase in non-current assets as partially countered by the contrasting effects of a Euro 33 million decrease in net working capital and a Euro 14 million increase in long-term liabilities. A breakdown of non-current assets, excluding financial items is provided below:

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Property, plant and equipment	462,270	317,996
Intangible assets	119,103	114,188
Investments in subsidiaries and associated undertakings	931,599	908,286
Deferred tax assets	50,145	33,009
Other non-current assets	11,340	5,988
Derivative financial instruments, non-current	9,544	1,430
Financial receivables and other receivables from parent companies, subsidiaries, associates and related parties	16,688	1,488
Total non-current assets, excluding financial items	1,600,689	1,382,385
Percentage of tangible assets already depreciated	0.66	0.59

Property, plant and equipment and Intangible assets show a net increase of around Euro 149 million. Details of capital expenditure for the period are provided in Notes 7 and 8.

Investments in subsidiaries and associated undertakings show a net increase of Euro 23 million, mainly because of capital injections and acquisitions, as highlighted in Note 9.

The following table contains a breakdown of Net working capital.

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Trade receivables	741,907	621,096
Inventories	312,797	187,067
Trade payables	(640,984)	(436,357)
Net operating working capital	413,720	371,806
Derivative financial instruments	(46,229)	8,793
Other receivables from parent, subsidiary, associated companies and related parties	6,357	5,609
Other current assets	35,982	28,380
Current tax receivables (payables)	62,642	12,427
Other liabilities to parent, subsidiary, associated companies and related parties	(3,768)	(7,067)
Other current liabilities	(156,743)	(75,208)
Other current assets (liabilities), net	(101,758)	(27,066)
Net working capital	311,961	344,740

The overall decrease in net working capital of Euro 32.8 million is due to a Euro 41.9 million increase in net operating working capital, offset by a Euro 74.7 million increase in other current liabilities, net. In more detail, the fair value of derivative instruments has passed from a positive figure of Euro 8.8 million to a negative amount of Euro 46.2 million while other current liabilities have increased by Euro 81.5 million. The increase in other current liabilities is due to the increase in payables for investments/capex.

The increase in net operating working capital is due to increases in trade receivables (+Euro 120.8 million) and inventories (+Euro 125.7 million), partially offset by a Euro 204.6 million increase in trade payables.

Net financial position

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Long term financial payables	129,209	134,799
Net financial receivables from parent companies, subsidiaries, associates and related parties	(262,409)	(17,366)
Long term financial payables /(receivables)	(133,200)	117,433
Bank overdraft and short term loans	157,972	14,483
Financial payables to parent company, subsidiaries, associates and related parties	335,283	342,031
Financial receivables from parent company, subsidiaries, associates and related parties	(46,391)	(252,616)
Obligations under finance leases	-	498
Cash and cash equivalents	(127,788)	(126,124)
Short-term financial (receivables) debt	319,076	(21,728)
Net financial debt	185,876	95,705
Net financial position, net of payables to parent company and other Group companies	159,393	23,656

As at January 31, 2015, the net financial position shows net debt of Euro 185.9 million, an increase of Euro 90.2 million compared to the previous year.

Net financial receivables long-term from Group companies have increased by Euro 245 million. The increase is due to new intercompany loans and the renegotiation of existing ones which saw some short-term loans transformed into long-term, resulting in reclassification of the balances in question.

Net short-term third party debt has increased due to utilization of Euro 150 million of a new revolving line of credit arranged with a syndicate of banks on 1 December 2014. See Note 11 "Bank overdrafts and short-term loans" for further information about the operation.

At the reporting date, the Company had additional available lines of credit totaling Euro 397 million (Euro 387 million at January 31 2014).

As shown in the Statement of cash flows, cash flows from operating activities amounted to Euro 272 million and wholly funded all investing activities for the period (Euro 69 million) as well as contributing towards payment of dividends to shareholders (Euro 281.5 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, 2015, the Company did not hold any treasury stock.

Significant events during the reporting period

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

Significant events after the reporting period

There are no significant events to report.

Outlook for 2015

In the first few months of 2015, the financial markets have reacted positively to monetary policy stimulus, hardening expectations of growth for the real economy. However, there is still uncertainty on the international luxury goods market because of local issues on certain markets and the new conditions dictated by the weakening of the Euro. In this context, the Company is working to contain costs in the short-term and on broader measures that will increase the overall efficiency of the business in terms of both the supply chain and productivity.

Proposed allocation of net income for the year

The Board of Directors proposes that the net income for the period of Euro 385,429,083 be allocated as follows:

- Euro 281,470,640 to the shareholders as dividends;
- Euro 103,958,443 to Retained earnings.

Chief Executive Officer

Patrizio Bertelli

Milan, March 27, 2015

Corporate Governance

Corporate governance practices

The Company is committed to maintaining a high standard of corporate governance practices as part of its commitment to effective corporate governance. The corporate governance model adopted by the Company consists of a set of rules and standards aimed toward 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 for the entire year ended January 31, 2015 (the "Reviewed Period").

Directors' securities transactions

The Company has adopted written procedures governing Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Specific written acknowledgments have been obtained from each Director to confirm his/her compliance with the required standard set out in the Model Code and the Company's relevant procedures regarding directors' securities transactions for the duration of the Reviewed Period. There were no incidents 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 a Non-Executive Director and three are Independent Non-Executive Directors. All Directors have distinguished themselves in their field of expertise and have advised the Board in the area of their respective specialty, where this is relevant to the business activities and strategic development of the Company and the Group. The Company has maintained both on its own website and on the website of The Stock Exchange of Hong Kong Limited (the "HKSE") an updated list of its Directors, identifying their respective roles and functions and also specifying if they are an Independent Non-Executive Director.

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 based on an objective criteria, with due regard for the benefits of diversity within the Board. Diversity in this sense encompasses a wide range of factors, 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 which the candidates can bring to the Board.

The Nomination Committee has been delegated 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 its 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 six meetings to discuss the Group's overall corporate strategic direction and objectives, assess its operational and financial performance (including the annual budget, as well as the annual, interim and quarterly results), and to approve connected transactions and the Group's main investments and corporate reorganization plans. The average attendance rate of the Directors for these six meetings either in person or through electronic means was 83.3%.

Minutes of the Board meetings are kept by the Group's Corporate Affairs Director and Joint Company Secretary, Ms. Patrizia Albano. Minutes of the Board meetings and all the Board Committees meetings are available for inspection by any Director 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	Remunera-tion Committee	Nomination Committee	Shareholder's Meeting
Executive Directors					
Mr. Carlo MAZZI (Chairman)	6/6		2/2	2/2	1/1
Ms. Miuccia PRADA BIANCHI (Chief Executive Officer)	2/6				0/1
Mr. Patrizio BERTELLI (Chief Executive Officer)	5/6				0/1
Mr. Donatello GALLI (Chief Financial Officer)	6/6				1/1
Ms. Alessandra COZZANI	6/6				1/1
Non-Executive Director					
Mr. Gaetano MICCICHÉ	2/6				0/1
Independent Non-Executive Directors					
Mr. Gian Franco Oliviero MATTEI 1	6/6	6/6	2/2	2/2	1/1
Mr. Giancarlo FORESTIERI 2	6/6	6/6	2/2		1/1
Mr. Sing Cheong LIU 3	6/6	6/6		2/2	1/1
Statutory Auditors					
Mr. Antonino PARISI (Chairman)	6/6	6/6			1/1
Mr. Roberto SPADA	4/6	1/6			1/1
Mr. David TERRACINA	5/6	5/6			1/1
Date(s) of Meeting	Feb 14, 2014	Feb 14, 2014	Apr 1, 2014	Feb 14, 2014	May 22, 2014
	Apr 2, 2014	Apr 1, 2014	Jun 5, 2014	Apr 1, 2014	
	Jun 5, 2014	Jun 5, 2014			
	Sept 19, 2014	Sept 19, 2014			
	Nov 6, 2014	Nov 12, 2014			
	Dec 5, 2014	Dec 5, 2014			
Average Attendance Rate of Directors	83.3%	100%	100%	100%	66.7%

Notes:
1: Chairman of Audit Committee, Remuneration Committee and Nomination Committee
2: Member of Audit Committee and Remuneration Committee
3: Member of Audit Committee and Nomination Committee

Ms. Miuccia Prada Bianchi, Chief Executive Officer of the Company, was absent for four of the Board meetings due to prior commitments concerning fashion shows. Prior to the relevant Board meeting being held, she rendered her views and comments to all the Board members through the Chairman.

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 successful implementation and attainment of the Company's 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 reserves for its own consideration and decision all matters concerning the overall Group strategy, major acquisitions and disposals, annual budgets, as well as annual, interim and quarterly results, approval of major transactions, connected transactions and any 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 in order to give a balanced and comprehensive assessment of the performance, position and prospects of both the Company and the Group, in sufficient detail to enable the Board as a whole and each Director to discharge his/her duties.

The Executive Directors are responsible for the day-to-day management of the Company and to make operational and business decisions within the control and delegation framework of the Company.

The types of decisions delegated by the Board to the management include:

- the preparation of annual, interim and quarterly results for the approval of the Board prior to 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, qualifications as well as varied backgrounds and perspectives. They participate in the Board and Board Committees (including Audit Committee, Remuneration Committee and Nomination Committee) meetings to bring independent and objective opinions, 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 shareholders' 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 provided the Company with the annual confirmation as to his independence. This was further confirmed by the review of the Nomination Committee made on March 26, 2015. None of the Independent Non-Executive Directors of the Company has any business or financial interest in the Company or its subsidiaries and they continue to be considered independent by the Company.

g. Liability Insurance for the Directors

The Company has arranged appropriate liability insurance to indemnify its Directors for their liabilities arising out of all 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 to and developments of the Group's business and on the latest development of the laws, rules and/or regulations relating to Directors' duties and responsibilities. In addition, all Directors attended an in-house seminar conducted by the Joint Company Secretaries covering primarily the new regime of connected transactions. 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 Joint Company Secretary, Ms. Patrizia Albano.

Chairman and Chief Executive Officers

The Chairman is Mr. Carlo Mazzi and the Chief Executive Officers are Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli. The role of the Chairman is separate from that of the Chief Executive Officers. The Chairman is vested with the power to represent the Company and is responsible for ensuring that the Board is functioning properly and adhering to 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 all the current Directors will lapse on the date of the forthcoming shareholders' general meeting called to approve the financial statements of the Company for the year ended January 31, 2015.

As per 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 the Company's appropriate corporate governance policies and ensuring its compliance 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 regarding compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the Code of Conduct, the Organization, Management and Control Model (adopted pursuant to Italian Legislative decree no. 231 of June 8, 2001) and the Company's procedures applicable to employees and directors;

(v) to review the Company's compliance with the Code and disclosure of such 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) reviewed connected transactions of the Company;

(ii) reviewed the level of compliance with the Code;

(iii) reviewed the effectiveness of the internal control and risk management systems of the Company through the Internal Control Department and the Audit Committee;

(iv) approved the Group's main investments and corporate reorganization plans.

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 both the website of Company and the Stock Exchange. The terms of reference in respect of each Committee are of no less exacting than those terms set out in the Code.

In addition, the Board has established a supervisory body under the Italian Legislative Decree no. 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 possesses 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 its internal control and risk management systems, to oversee the external audit process, the internal audit process and to perform any other duties and responsibilities as are assigned to it by the Board.

During the Reviewed Period, the Audit Committee held six meetings (with an attendance rate of 100%) mainly to review with senior management 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 audit plans as well as the findings of both the internal and the external auditors, internal controls, risk assessment, annual review of the continuing connected transactions of the Group, tax updates and financial reporting matters (including the annual results for the year ended January 31, 2014, the first quarter results as of April 30, 2014, the interim financial results as of July 31, 2014 and third quarter results as of October 31, 2014, before recommending them to the Board for approval).

The Audit Committee has also held a meeting on March 26, 2015 to review the annual results for the year ended January 31, 2015 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 ended January 31, 2015, together with non-audit services, are illustrated below:

Type of service	Audit Firm	Fees in thousands of Euro
Audit services	Deloitte & Touche spa	480
Other services	Deloitte Network	54
Out of pocket expenses		3
Total fees of audit firm for period ended January 31, 2015		537

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 package of Directors and senior management and the establishment of a formal and transparent procedure for developing policies 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.

During the Reviewed Period, the Remuneration Committee held two meetings (with an attendance rate of 100%) mainly to recommend certain updates to the long-term incentive plan connected to the Group's results and an increase of the overall amount of the Board's remuneration. On March 17, 2015, the Remuneration Committee held one meeting to recommend the Directors' fee and the Statutory Auditors' fee to be approved at the forthcoming shareholders' general meeting.

Remuneration Policy

The Company compensation policy is aimed at attracting, rewarding and protecting personnel, who are considered to be key to the success of the Company business.

The Company has an incentive system that links compensation with the annual performance of the Group, taking into account the Group's objectives in net sales, as well as the objectives of each department.

The Company has adopted long term cash incentive plans for senior managers and key managers for retention purposes, under which the benefit to 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 basic remuneration of the Board is approved by the shareholders in a general meeting. The additional remuneration of each Director vested with special authorities (that is to the Executive Directors and members of the Board's Committees) is determined by the Board - having considered the recommendation of the Remuneration Committee and the opinion of the Board of Statutory Auditors. As an alternative, the shareholders in a general meeting can determine the aggregate additional remuneration of Directors vested with special authorities and the individual allocation to each Director will then be decided by the Board.

Under the current compensation arrangements, the Executive Directors receive compensation in the form of fees, salaries and other benefits, discretionary bonuses and/or other incentives, including non-monetary benefits and other allowances and contributions such as 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 determine the policy for the nomination of Directors and to make recommendations to the Board regarding the structure, size and composition of the Board itself, 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, where appropriate, adoption. 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.

During the Reviewed Period, the Nomination Committee held two meetings on February 14, 2014 and April 1, 2014 (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 appointment of Mr. Carlo Mazzi as Chairman in replacement of Ms. Miuccia Prada Bianchi and the re-election of Ms. Alessandra Cozzani as Director. In addition, the Nomination Committee held one meeting on March 26, 2015 to assess and confirm the independence of the Independent Non-Executive Directors of the Company during the Reviewed Period and to recommend to the shareholders the current structure of the Board and the election of nine directors at the forthcoming shareholders' general meeting.

d. Supervisory Body

In compliance with Italian Legislative Decree no. 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, as well as on 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 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 the board of statutory auditors will expire at the forthcoming shareholders' general meeting called to approve the financial statements of the Company for the year ended 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, 2015 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.

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 throughout the Reviewed Period and is adequate for the Company and the Group as a whole.

Joint Company Secretaries

The Company has appointed Ms. Patrizia Albano and Ms. Yuen Ying Kwai as joint company secretaries.

Given that the headquarter of the Company is located outside Hong Kong and the Company is incorporated in Italy, the Company is of the view that it is in the best interests of the Company and is of good corporate governance to maintain Ms. Patrizia Albano and Ms. Yuen Ying Kwai as the joint company secretaries.

During the Reviewed Period each of Ms. Patrizia Albano and Ms. Yuen Ying Kwai, respectively, undertook over 15 hours of relevant professional training to update their skills and knowledge. In addition, both Ms. Albano and Ms. Yuen have attended a training session held by the Company's legal advisor (Slaughter and May) relating to the Listing Rules which lasted for two hours.

Shareholders' Rights

a. Convening of the shareholders' general meeting at the shareholders' request

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 from the notice of call for a shareholders' general meeting, by setting out the proposed additions (five days in advance 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 an 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 a shareholders' to propose a person for election as Director

The procedures for a shareholder to nominate a person for election as a 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 to the Company's constitutional documents.

Communication with Shareholders

a. Investor relations and communications

The Company endeavors to maintain a high level of transparency when communicating with the 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 and results briefings 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 regularly review 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 the 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 22, 2014 at the Company's registered office at Via A. Fogazzaro n. 28, Milan, Italy with a 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 "2014 Shareholders' General Meeting"). The Directors, including the Chairman of the Board, the Chairman of the Board Committees and the auditor of the Company, Deloitte & Touche S.p.A., attended the 2014 Shareholders' General Meeting.

Separate resolutions were proposed at the 2014 Shareholders' General Meeting relating to each issue and the voting results of such resolutions were disclosed in the announcement of the Company dated May 22, 2014. The number of votes cast in favour of each resolution (and the corresponding percentage level) is set out below:

Ordinary Resolutions proposed at the 2014 Shareholders' General Meeting	Number of Votes cast in favour (%)
1. To approve the Audited Separate Financial Statements, which show a net income of Euro 395,574,305, and the Audited Consolidated Financial Statements of the Company for the year ended January 31, 2014 together with the Reports of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors.	2,380,461,306 (100%)
2. To approve the allocation of the net income for the year ended January 31, 2014 as follows: (i) Euro 281,470,640 to Shareholders as a final dividend, in particular to declare and distribute a final dividend of Euro/cents 11 per share to be paid on or about Friday, June 20, 2014; (ii) Euro 114,103,665 to retained earnings.	2,380,367,806 (100%)
3. To elect Ms. Alessandra COZZANI as a Director of the Company for a term expiring on the date of the shareholders' general meeting called to approve the financial statements for the year ending January 31, 2015.	2,374,261,773 (99.74%)
4. To approve the aggregate compensation of the Directors for the financial year ending January 31, 2015 in the overall amount of Euro 3,400,000, of which: Euro 360,000 will be Directors' fee, Euro 2,880,000 will be additional fees to be paid to Executive Directors and Euro 160,000 will be fees for members of the Board's committees.	2,175,379,270 (91.38%)

All resolutions put to the shareholders at the 2014 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 2014 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 from 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 2015	January 31 2014
Assets			
Current assets			
Cash and cash equivalents	1	127,787,969	126,123,838
Trade receivables, net	2	741,906,807	621,096,222
Inventories	3	312,796,775	187,066,861
Derivative financial instruments	4	6,478,732	12,105,390
Financial and other receivables from parent company, subsidiaries, associates and related parties	5	52,747,407	258,225,715
Other current assets	6	107,677,969	60,893,239
Total current assets		1,349,395,659	1,265,511,265
Non-current assets			
Property, plant and equipment	7	462,269,754	317,995,502
Intangible assets	8	119,103,441	114,188,467
Investments in subsidiaries and associated undertakings	9	931,598,587	908,286,484
Deferred tax assets	26	50,145,019	33,008,969
Other non-current assets	10	11,340,219	5,987,930
Derivative financial instruments - non current	4	9,544,294	1,429,929
Financial and other receivables from parent company, subsidiaries, associates and related parties	5	309,564,076	18,853,083
Total non-current assets		1,893,565,389	1,399,750,364
Total assets		3,242,961,048	2,665,261,630
Liabilities and Shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans	11	157,971,753	14,483,151
Financial and other payables to parent company, subsidiaries, associates and related parties	12	339,050,737	349,099,419
Trade payables	13	640,984,035	436,357,053
Current tax liabilities	14	9,053,188	20,086,273
Derivative financial instruments	4	52,707,897	3,312,049
Obligations under finance leases	15	-	497,996
Other current liabilities	16	156,742,674	75,207,611
Total current liabilities		1,356,510,283	899,043,552
Non-current liabilities			
Long-term financial payables	17	129,209,196	134,798,714
Employee benefits	18	55,877,874	40,113,358
Provisions	19	22,854,586	23,266,336
Deferred tax liabilities	26	7,612,430	8,026,936
Other non-current liabilities	20	5,844,170	3,134,227
Derivative financial instruments - non current	4	13,878,544	2,490,485
Financial and other payables to parent company, subsidiaries, associates and related parties	12	43,850,938	13,246,795
Total non-current liabilities		279,127,738	225,076,851
Total liabilities		1,635,638,021	1,124,120,403
Share capital		255,882,400	255,882,400
Other reserves		966,011,544	889,684,522
Net income/(loss) of the year		385,429,083	395,574,305
Shareholders' equity	21	1,607,323,027	1,541,141,227
Total liabilities and shareholders' equity		3,242,961,048	2,665,261,630

Income statement

(amounts in Euro)	Note	January 31 2015	January 31 2014
Net revenues	22	2,027,507,034	2,004,114,705
Cost of goods sold	23	(941,628,037)	(898,149,896)
Gross Margin		1,085,878,997	1,105,964,809
Operating expenses	24	(572,898,684)	(541,635,323)
Interest and other financial income (expenses), net	25	34,582,059	27,605,240
Income before taxation		547,562,372	591,934,726
Income taxes	26	(162,133,289)	(196,360,421)
Net income for the year		385,429,083	395,574,305

Statement of comprehensive income

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Net income for the year	385,429	395,574
Items recycled to P&L:		
Fair value movements recognized in cash flow hedge reserve	(43,658)	(22,930)
Tax impact of above item	12,006	6,306
Change in Cash Flow Hedge reserve less tax impact	(31,652)	(16,625)
Items not recycled to P&L:		
Gains/ (losses) recognized in actuarial gains/(losses) reserve	(2,950)	(894)
Tax impact of above item	340	146
Change in Actuarial reserve less tax impact	(2,610)	(748)
Net gains (losses) recognized directly in equity	(34,262)	(17,373)
Total comprehensive income for the year	351,167	378,201

Statement of cash flows

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Cash flows generated from operations:		
Income before taxation	547,562	591,935
Adjustments for:		
Depreciation and amortization	32,317	25,911
Impairment of fixed assets	127	-
Losses/(gains) on disposal of fixed assets	2,140	(69)
Impairment of investments	32,417	-
Non-monetary financial (income)expenses	(98,110)	(44,367)
Provisions and other non-monetary charges	40,053	21,321
Changes in statement of financial position:		
Trade receivables, net	(115,213)	(157,831)
Inventories, net	(124,724)	(33,423)
Trade payables	202,594	42,817
Other current assets and liabilities	(15,803)	3,097
Other non-current assets and liabilities	(19,421)	(3,474)
Cash flows generated from operations	483,939	445,917
Interest paid, net	(6,988)	(4,482)
Income taxes paid, net	(204,745)	(189,909)
Net cash flows generated from operations	272,206	251,526
Cash flow generated (used) from investing activities:		
Purchase of property, plant and equipment	(100,331)	(60,375)
Disposal of property, plant and equipment	3,355	142
Purchase of intangible assets	(11,588)	(11,757)
Disposal of intangible assets	1,318	-
Investments in subsidiaries	(54,861)	(20,336)
Dividends received	92,982	46,515
Cash flows generated (used) by investing activities	(69,125)	(45,811)
Cash flows generated (used) by financing activities		
Dividends paid	(281,470)	(230,294)
Change in short-term bank loans	161,476	-
Change in short-term intercompany loans	3,212	31,557
Repayment of loans from subsidiaries	89,981	28,265
Disbursement of loans to subsidiaries	(160,973)	(60,400)
New long-term loans to related parties	(741)	-
Repayment of short-term portion of long-term borrowings	(12,984)	(119,136)
New long term borrowings arranged	-	130,000
Cash flow generated (used) by financing activities	(201,499)	(220,008)
Change in cash and cash equivalents net of bank overdraft	1,582	(14,293)
Exchange differences	2	(2)
Opening cash and cash equivalents, net of bank overdraft	126,115	140,411
Closing cash and cash equivalents, net of bank overdraft	127,699	126,115
Cash and bank balances	127,788	126,123
Bank overdraft	(89)	(8)
Closing cash and cash equivalents, net of bank overdraft	127,699	126,115

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 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
Allocation of 2013 net income	-	-	-	-	-	395,574	-	(395,574)	-
Other movements						(3,514)	-	-	(3,514)
Dividends paid	-	-	-	-	-	(281,471)	-	-	(281,471)
Comprehensive income for the year (recycled to P&L)	-	-	-	-	-	-	(31,652)	385,429	353,777
Comprehensive income for the year (not recycled to P&L)	-	-	-	-	-	(2,610)	-	-	(2,610)
Balance at January 31 2015	2,558,824,000	255,882	410,047	51,177	182,899	349,862	(27,973)	385,429	1,607,323

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, 2015, 79.98% of the share capital was owned by PRADA Holding spa, an Italian company, while the remaining shares were floating on the Main Board of the Hong Kong Stock Exchange.

The ultimate indirect shareholders of PRADA Holding spa 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 March 27, 2015.

Basis of preparation

The Financial Statements, comprising 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, 2014

The following new IFRS and amendments to existing IFRS have been endorsed by the European Union and are applicable to PRADA spa effective from February 1, 2014. These changes do not have any significant impact to the Company as of the date of these separate financial statements:

– "IFRIC Interpretation 21 Levies". This interpretation, effective from annual periods beginning on or after January 1, 2014, provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with "IAS 37 Provisions, Contingent Liabilities and Contingent Assets" and those where the timing and amount of the levy is certain.

– Amendments to "IAS 36 Impairment of Assets". The objective of the amendments made to this standard, effective from annual periods beginning on or after January 1, 2014, is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets. The amendments also requires more disclosure about the recoverable amount of any cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives.

– Amendments to "IAS 39 Financial Instruments: Recognition and Measurement". Such amendments provides relief from discontinuing hedge accounting when novation to a central counterparty following the introduction of a new law or regulation of a derivative designated as a hedging instrument meets certain criteria. Such amendments are required to apply for annual periods beginning on or after January 1, 2014.

- "Investment Entities", meant as a group of amendments to IFRS 10, IFRS 12 and IAS 27. "IFRS 10 Consolidated Financial Statements" has been amended in order to better reflect the business model of investment entities. It requires that investment entities measure their subsidiaries at fair value through profit or loss account rather than consolidate them. "IFRS 12 Disclosure of Interests in Other Entities" has been amended in order to require specific disclosure about such subsidiaries of investment entities. The amendments to "IAS 27 Separate Financial Statements" also removed the option for investment entities to measure investments in certain subsidiaries either at cost or at fair value in their separate financial statements. The Amendments are applicable to PRADA spa at the latest as from the commencement date of a financial year starting on January 1, 2014.

- Transition Guidance (amendments to IFRS 10, IFRS 11 and IFRS 12). The objective of the amendments is to clarify the IASB's intention when first issuing the transition guidance in "IFRS 10 Consolidated Financial Statements". The amendments also provide additional transition relief in IFRS 10, "IFRS 11 Joint Arrangements" and "IFRS 12 Disclosure of Interests in Other Entities", limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied. The Amendments are applicable to PRADA spa at the latest as from the commencement date of a financial year starting on January 1, 2014.

- "IFRS 10 Consolidated Financial Statements". This new Standard, applicable to PRADA spa at the latest as from the commencement date of a financial year starting on January 1, 2014, grounds on previous version of "IAS 27 Consolidated and Separate Financial Statements" and provides more guidance for the presentation and preparation of consolidated financial statements. It enforces the definition of control as basis for determining which entities have to be consolidated. It also supersedes "IAS 27 Consolidated and Separate Financial Statements" and "SIC 12 Consolidation – Special Purpose Entities".

- "IFRS 11 Joint Arrangements". This new Standard, applicable to PRADA spa at the latest as from the commencement date of a financial year starting on January 1, 2014, establishes principles for financial reporting to entities that are parties to a joint arrangement and supersedes "IAS 31 Interests in Joint Ventures" and "SIC 13 Jointly Controlled Entities - Non-monetary Contributions by Ventures'". The IFRS 11 provides guidelines to determine the type of joint arrangement in which an entity is involved (joint operation or joint venture) by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

- "IFRS 12 Disclosure of Interests in Other Entities". This new standard, applicable to PRADA spa at the latest as from the commencement date of a financial year starting on January 1, 2014, applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It requires the entity to disclose information that enable users of its financial statements to evaluate the nature of, and risks associated with, its interests in other entities as well as the effects of those interests on its financial position, financial performance and cash flows.

- Amendments to "IAS 28 Investment in Associates and Joint Ventures". The amendments to this Standard, effective at the latest as from the commencement date of a financial year starting on January 1, 2014, have to be read together with "IFRS 11 Joint Arrangements" and "IAS 27 Separate Financial Statements". The standard (as amended in 2011) is to be applied by all entities that are investors with joint control of, or significant influence over, an investee and defines the equity method as a 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.

– Amendments to "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" and prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. Such amendments are applicable to PRADA spa at the latest as from the commencement date of a financial year starting on January 1, 2014.

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

New standards and amendments issued by the IASB, endorsed by the European Union, but not yet applicable to PRADA spa as effective from annual periods beginning on or after January 1, 2015

– Annual improvements to IFRS (2011–2013 Cycle). Such improvements impacted:
  – "IFRS 1 First-time Adoption of IFRS", clarifying the meaning of "effective IFRS";
  – "IFRS 3 Business Combinations", clarifying that the IFRS does not apply to the accounting for the formation of a joint arrangement;
  – "IFRS 13 Fair Value Measurement", clarifying the application of the IFRS to financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk;
  – "IAS 40 Investment Property", clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

– Amendments to "IAS 19 Employee Benefits". IASB has amended the requirements in IAS 19 for contributions from employees or third parties that are linked to a service. If the amount of the contributions is independent from the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. If the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by paragraph 70 of IAS 19 for the gross benefit (i.e. either using the plan's contribution formula or on a straight-line basis). An entity shall apply those amendments for annual periods beginning on or after July 1, 2014, retrospectively in accordance with "IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors". Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

– Annual improvements to IFRS (2010–2012 Cycle). Such improvements, effective for annual periods beginning on or after July 1, 2014, impacted:
  – "IFRS 2 Share-based Payment", amending the definition of vesting condition;
  – "IFRS 3 Business Combinations", amending the accounting for contingent consideration in a business combination;
  – "IFRS 8 Operating Segments", requesting more disclosure when aggregating operating segments and requiring the reconciliation of the total of the reportable segments' assets to the entity's assets;

- "IFRS 13 Fair Value Measurement", clarifying the impact of the standard on the measurement of short-term receivables and payables;
- "IAS 16 Property, Plant and Equipment", amending the revaluation method;
- "IAS 24 Related Party Disclosure", amending the definition of key management personnel;
- "IAS 38 Intangible Assets", amending the revaluation method.

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

- "IFRS 9 Financial instruments". This Standard will replace "IAS 39 Financial Instruments: Recognition and Measurement" in its entirety. An entity shall apply this Standard for annual periods beginning on or after 1 January 2018, with earlier application permitted. Such replacement project has been divided into three main phases, namely the measurement of financial assets and financial liabilities, the impairment methodology and the hedge accounting.

- "IFRS 14 Regulatory Deferral Accounts". This Standard, effective for annual periods beginning on or after January 1, 2016, permits an entity that adopts IFRS to continue to use, in its first and subsequent IFRS financial statements, its previous GAAP accounting policies for the recognition, measurement, impairment and de-recognition of regulatory deferral account balances without specifically considering the requirements of paragraph 11 of IAS 8. This new IFRS describes regulatory deferral account balances as amounts of expense or income that would not be recognized as assets or liabilities in accordance with other Standards, but that qualify to be deferred in accordance with this Standard because the amount is included, or is expected to be included, by the rate regulator in establishing the price that an entity can charge to customers for rate-regulated goods or services.

- "IFRS 15 Revenue from contracts with Customers". The core principle of IFRS 15, effective for annual periods beginning on or after January 1, 2017 (earlier application is permitted), is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps: identify the contract, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when the entity satisfies a performance obligation.

- Amendment to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization". The IASB amended "IAS 16 Property, Plant and Equipment" and "IAS 38 Intangible assets" clarifying that, even though the selection of an amortisation methodology involves the use of judgement, a revenue-based method is not considered to be an appropriate manifestation of consumption for depreciating an asset. An entity shall apply those amendments prospectively for annual periods beginning on or after January 1, 2016.

- Amendment to "IFRS 11 Accounting for Acquisitions of Interests in Joint Operations". This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in "IFRS 3 Business Combinations", to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in IFRS 11 Joint Arrangements. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. An entity shall apply that amendment to annual periods beginning on or after January 1, 2016.

- Amendments to IFRS 10, IFRS 12 and IAS 28. "IFRS 10 Consolidated Financial Statements" has been amended to confirm that the exemption from preparing consolidated financial statements set out in paragraph 4(a) of IFRS 10 is available to a parent entity that is a subsidiary of an investment entity. This because an investment entity may measure all of its subsidiaries at fair value through profit or loss in accordance with paragraph 31 of IFRS 10. Those amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted, providing disclosure.

- Disclosure Initiative: Amendments to "IAS 1 Presentation of Financial Statements". This project is part of the IASB's overall disclosure initiative and it considers proposals such as:
  - adding an explanation in IAS 1 similar to more recent standards explaining that too much detail can obscure useful information;
  - clarifying that materiality applies to the whole financial statements and that information which is not material need not be presented in the primary financial statements or disclosed in the notes;
  - clarifying that some disclosures specified in standards are simply not important enough to justify separate disclosure for a particular entity;
  - making it clear that preparers should exercise professional judgment in presenting their financial reports;
  - remove the perception of a "normal order of presentation" of financial statements, making it easier for entities to provide more contextual information;
  - reducing restrictions on how accounting policies should be presented, allowing important accounting policies to be given greater prominence in financial reports;
  - adding additional explanations with examples of how IAS 1 requirements are designed to shape financial statements instead of specifying precise terms that must be used, including whether subtotals of IFRS numbers such as earnings before interest and tax (EBIT) and earnings before interest, tax, depreciation and amortisation (EBITDA) should be acknowledged in IAS 1;
  - adding a requirement that entities disclose and explain their net debt reconciliation.

  The amendment will be applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

- Annual Improvements to IFRSs (2012–2014 Cycle). Such improvements, effective for annual periods beginning on or after January 1, 2016, impacted:
  - "IFRS 5 Non-current Assets Held for Sale and Discontinued Operations", changing the methods of disposal.
  - "IFRS 7 Financial Instruments: Disclosures", applying disclosure requirements to a servicing contract.
  - "IAS 19 Employee Benefits", clarifying the discount rate to be used for actuarial assumption.
  - "IAS 34 Interim Financial Reporting"

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments address a conflict between the requirements of "IAS 28 Investments in Associates and Joint Ventures" and "IFRS 10 Consolidated Financial Statements" and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed to constitute a business. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

- Amendments to "IAS 27 Separate Financial Statements". The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

As at the date these separate financial statements were prepared, the European Union has not completed yet the endorsement of the new standards and amendments as described 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, is 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 in 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 might be 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 had no impairment loss 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 brands, 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 balance sheet 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 determinate 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 at 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 amount 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 expenses.

Dividends are booked in the income statement when the shareholders' become entitled to receive payment.

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 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. 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 and when valuing 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 27, 2014, PRM Services S. de RL de CV, a 100% owned subsidiary, was incorporated in order to sustain commercial activities in Mexico.

On March 14, 2014, PRADA spa acquired 80% of Angelo Marchesi srl, the company that owns an historic Milanese patisserie founded in 1824. This acquisition was made in order to promote and guarantee the strategic strengthening of the brand, synonymous with quality in the Italian food segment, together with the Prada and Miu Miu brands, leaders on the luxury goods market, as part of the Group's global development program.

On July 2, 2014, PRADA Saudi Arabia was incorporated in order to develop commercial activities in that country. Prada spa owns 75% of the company.

On August 6, 2014, PRADA Retail South Africa (Pty) ltd, a 100% owned subsidiary, was incorporated in order to develop commercial activities in that country.

On September 15, 2014, 100% control of PRADA Panama sa was acquired. The company will operate the retail business in Panama.

On September 25, 2014, 100% control of PRADA Retail Aruba nv was acquired. The company will operate the retail business in Aruba.

On August 19, 2014, in order to develop industrial activities in Limoges, PRADA spa and third party Conceria Superior spa incorporated PSC sas with respective interests of 60% and 40%. After the reporting date, PSC sas changed its name to Tannerié Limoges sas.

Statement of financial position

1. Cash and cash equivalents

The following table details the balance at January 31, 2015 and 2014:

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Cash on hand	2,176	1,013
Bank deposit accounts	1	40,002
Bank current accounts	125,611	85,109
Total cash and cash equivalents	127,788	126,124

See the Statement of cash flows and Financial review for details of cash flows for the year.

2. Trade receivables

Trade receivables may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Trade receivables - Third parties	176,102	155,550
Trade receivables - Parent company	140	180
Trade receivables - Subsidiaries and associates	529,255	433,354
Trade receivables - Companies controlled by PRADA Holding spa	-	10
Trade receivables - Related companies	36,410	32,002
Total trade receivables	741,907	621,096

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 spa.

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 date the financial statements were prepared in order to bring receivables in line with their fair value.

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Trade receivables, gross	180,290	160,434
Allowance for bad and doubtful debts	(4,188)	(4,884)
Trade receivables, net	176,102	155,550

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

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Opening balance	4,884	6,106
Contributed upon merger	232	
Increases	-	600
Utilized	(927)	(1,822)
Closing amount	4,188	4,884

Gross trade receivables at January 31, 2015 are analyzed by maturity date as follows:

(amounts in thousands of Euro)	January 31 2015	Current	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables, third parties	180,290	153,643	10,542	3,827	3,966	2,064	6,248
Trade receivables, parent, subsidiary and related companies	565,805	372,879	30,615	34,849	22,344	15,479	89,638
Total	746,095	526,522	41,158	38,677	26,309	17,543	95,887

(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	160,434	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	625,979	480,806	23,209	35,419	23,485	11,965	51,095

3. Inventories

Inventories may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Raw materials	101,425	81,177
Work in progress	36,199	22,831
Finished products	238,690	149,683
Allowance for obsolete and slow-moving inventories	(63,518)	(66,624)
Inventories, net	312,797	187,067

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, 2014	29,374	37,250	66,624
Reversed as unnecessary	(3,000)	-	(3,000)
Utilized	-	(106)	(106)
Balance at January 31, 2015	26,374	37,144	63,518

Changes in the allowance for obsolete and slow moving inventories have been recorded to bring the carrying amount of certain inventory categories into line with their 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 2015	January 31 2014
Financial assets regarding derivative instruments, current	6,479	12,105
Financial liabilities regarding derivative instruments, current	(52,708)	(3,312)
Net carrying amount	(46,229)	8,793

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

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Financial assets regarding derivative instruments, non-current	9,544	1,430
Financial liabilities regarding derivative instruments, non-current	(13,879)	(2,490)
Net carrying amount	(4,334)	(1,060)

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 2015	January 31 2014	IFRS7 Category
Forward contracts	5,864	5,039	Level II
Options	38	5,402	Level II
Interest rate swap – cash flow hedge	-	-	Level II
Interest rate swap – fair value to profit and loss	10,121	3,094	Level II
Positive fair value	16,023	13,535	
Forward contracts	(19,570)	(1,633)	Level II
Options	(34,287)	(1,364)	Level II
Interest rate swap – cash flow hedge	(2,965)	(55)	Level II
Interest rate swap – fair value to profit and loss	(9,764)	(2,750)	Level II
Negative fair value	(66,586)	(5,802)	
Net carrying amount	(50,563)	7,733	

All of the derivative instruments reported in the financial statements at January 31, 2015 can be classified as Level II of the fair value hierarchy proposed by IFRS 7. The Company has not entered into any derivative contracts that may be classed 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, Swiss Franc, 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, 2015), are stated below.

Contracts in place at January 31, 2015 to hedge projected future trade cash flows:

(Amounts in thousands of Euro)	Options	Forward sale contracts	Forward purchase contracts	January 31 2015
Currency				
Hong Kong Dollar	182,117	28,661	-	210,778
US Dollar	197,258	-	(59,651)	137,607
Chinese Renmimbi	99,237	33,692	(24,349)	108,580
Japanese Yen	22,017	91,824	(5,493)	108,348
GB Pound	55,252	38,610	(11,290)	82,572
Korean Won	-	67,326	-	67,326
Swiss Franc	-	18,283	(8,063)	10,220
Other	17,749	67,984	(24,533)	61,200
Total	573,630	346,380	(133,379)	786,631

All contracts in place as at January 31, 2015 will mature by January 31, 2016.

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	78,524	82,692
Total	319,048	356,014	675,062

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

Contracts in place at January 31, 2015 and 2014 to hedge projected future financial cash flows:

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Forward Contracts		
Currency		
Brazilian Real	25,138	6,716
GB Pound	21,116	6,088
Swiss Franc	5,088	-
Russian Rouble	9,384	6,283
US Dollar	-	1,405
Total	60,725	20,493

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, 2015 and January 31, 2014 are summarized as follows:

Contract	Currency	Notional amount	Interest rate	Maturity date	January 31 2015	Hedged loan – lending institution	Amount	Expiry
					Fair value			
IRS	Euro/000	600	2.210%	01/07/2015	(6)	MPS	600	07/2015
IRS	Euro/000	55,000	1.46%	23/05/2030	2,959	Intesa-Sanpaolo	55,000	05/2030
Total IRS – Cash flow hedge					(2,953)			

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	(22)	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)			

The IRS 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 in place at the reporting date meet the requirements for designation as cash flow hedges.

During the previous year, the Company entered into an IRS agreement, in relation to loans arranged by a UK subsidiary and signed an IRS agreement with the same characteristics with said subsidiary. These contracts 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 2015	January 31 2014	Counter-party
						Fair value Euro/000	*Fair value Euro/000*	
IRS	GBP/000	60,000	2.778%	Libor GBP/365	31/01/2029	(9,764)	(198)	Unicredit
IRS	GBP/000	60,000	Libor GBP/365	2.83%	31/01/2029	10,121	541	Kenon Ltd
Total IRS – *Fair value to profit and loss*						357	343	

Movements on the cash flow hedge reserve included in shareholders' equity, before tax effects, since February 1, 2014, may be analyzed as follows:

(amounts in thousands of Euro)	
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
Change in fair value, recognized in Equity	(67,805)
Change in fair value, charged to Income Statement	24,147
Closing balance at January 31 2015	38,583

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 transaction.

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, 2015	Loans and receivables	Derivative financial instruments	Total	Note
Cash and cash equivalents	127,788		127,788	1
Trade receivables, net	741,907		741,907	2
Derivative financial instruments		16,023	16,023	4
Financial receivables from parent, subsidiary and associated companies and related parties	46,391		46,391	5
Total	916,085	16,023	932,108	

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	999,836	13,535	1,013,371	

Financial liabilities

Financial liabilities at January 31, 2015	Loans and receivables	Derivative financial instruments	Total	Note
Financial payables - third party	287,181		287,181	11, 17
Financial payables - parent, subsidiary and associated companies and related parties	335,283		335,283	12
Trade payables	640,984		640,984	13
Derivative financial instruments		66,586	66,586	4
Total	1,263,447	66,586	1,330,034	

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	

Fair Value

The reported amount of derivative instruments, where assets or liabilities, is equal to their fair value, as explained here in Note 4.

The reported amount of financial assets reasonably approximates their fair value.

The reported amount of financial liabilities, excluding the bonds, reasonably approximates their fair value.

The bonds, reported at an amount of Euro 129 million (nominal amount of Euro 130 million as adjusted by Euro 0.8 million under the amortized cost method), are included under financial liabilities. Their fair value, calculated based on the official Irish Stock Exchange listing as at January 31, 2015 is equal to Euro 136.3 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, 2015, the Company had unused and available bank borrowing facilities totaling Euro 397 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, 2015	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	(24,027)	(8,632)	(10,772)	(4,041)	(581)	-
Cash inflows	-	-	-	-	-	-
Other contracts designated as cash flow hedges						
Cash outflows	(31,887)	(18,059)	(13,828)	-	-	-
Cash inflows	-	-	-	-	-	-
Interest rate swaps	(2,848)	14	(345)	(642)	(548)	(1,327)
Net value	(58,762)	(26,678)	(24,945)	(4,682)	(1,130)	(1,327)

(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	1,648	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

Financial liabilities

(amounts in thousands of Euro)	Reported amount at January 31 2015	Future contractual cash flows at January 31 2015	upon request	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Financial payables to banks	287,972	363,921	89	153,472	8,428	7,995	7,985	137,984	47,968
Financial payables to subsidiaries parent company and related parties	365,750	368,850	99,454	804	237,335	353	16,943	13,962	-
Total	653,722	732,771	99,543	154,275	245,763	8,348	24,928	151,946	47,968

(amounts in thousands of Euro)	Reported amount at January 31 2014	Future contractual cash flows at January 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

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, Swiss Franc, 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, 2015.

(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	287	5,095	69	(7,276)
Hong Kong Dollar	10,267	21,450	(9,127)	(30,954)
Japanese Yen	(445)	7,823	1,916	(10,085)
Chinese Renminbi	553	9,849	(36)	(13,407)
US Dollar	(5,745)	2,027	9,629	(7,575)
Others	(2,895)	8,553	4,115	(10,805)
Total	2,022	54,797	6,566	(80,102)

The total impact on shareholders' equity (positive by Euro 54.8 million and negative by Euro 80.1 million) 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, 2015.

(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%	(486)	1,742	-0.50%	485	(1,860)
GB Pound	+ 0.50%	94	94	- 0.50%	(94)	(94)
Hong Kong Dollar	+ 0.50%	(496)	(496)	- 0.50%	496	496
US Dollar	+ 0.50%	59	59	- 0.50%	(59)	(59)
Other currencies	+ 0.50%	278	278	- 0.50%	(278)	(278)
Total		(550)	1,677		550	(1,796)

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 shareholders' equity. 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

Short term receivables from parent companies and other companies are analyzed as follows:

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Financial receivables	46,391	252,616
Other receivables	6,357	5,610
Financial receivables and other receivables – due within a year	52,747	258,226

Financial receivables include correspondence current accounts of Euro 16.6 million and short-term loans of Euro 29.8 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 2015	January 31 2014
Financial receivables	292,877	17,366
Prepaid Sponsorship expenses	12,379	-
Other receivables	4,309	1,487
Financial receivables and other receivables – due after more than a year	309,564	18,853

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

The increase compared to prior year is due to new intercompany loans and the renegotiation of existing ones, resulting in the transformation of some amounts from short-term to long-term and the reclassification of these balances.

Prepaid sponsorship expenses regard costs relating to future periods, already paid to Luna Rossa Challenge srl, for the participation of the Luna Rossa sailing team in America's Cup XXXV which will be held in Bermuda in 2017.

Other receivables refer to deferred rental income from Fratelli Prada spa and Progetto Prada in compliance with 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 2015	January 31 2014
VAT and other tax receivables	71,896	32,513
Other current assets	4,395	5,338
Prepayments and accrued income	31,387	23,042
Total other current assets	107,678	60,893

Tax receivables include VAT receivables of Euro 32.1 million and current income tax receivables of Euro 38.2 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 18 million; software assistance costs of Euro 3 million; industrial property rental costs of Euro 3.8 million; deferred costs on loans of Euro 1.1 million; insurance costs of Euro 0.8 million and other costs of Euro 4.5 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, 2015 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, 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
Additions	78,130	8,777	7,478	2,762	3,947	70,924	172,018
Disposals	(1,418)	(562)	(1,394)	(1,884)	(679)	(1,443)	(7,381)
Other movements	1,908	273	1,557	2,424	141	(3,136)	3,167
Impairment	-	(1)	(116)	-	-	(37)	(155)
Balance at January 31, 2015	277,532	118,948	62,433	45,651	66,993	133,057	704,614

Changes in accumulated depreciation of Property, plant and equipment during the year ended January 31, 2015 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, 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
Depreciation	5,665	8,138	4,422	2,732	4,120	25,076
Disposals	(746)	(531)	(812)	(1,422)	(622)	(4,132)
Other movements	-	115	676	1,614	96	2,500
Impairment	-	(1)	(68)	-	-	(69)
Balance at January 31, 2015	34,932	99,202	31,148	31,435	45,627	242,344

Changes in the net book value of Property, plant and equipment in the year ended January 31, 2015 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, 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
Additions	78,130	8,777	7,478	2,762	3,947	70,924	172,018
Depreciation	(5,665)	(8,138)	(4,422)	(2,732)	(4,120)	-	(25,076)
Disposals	(672)	(31)	(582)	(463)	(58)	(1,443)	(3,248)
Other movements	1,908	158	881	811	45	(3,136)	667
Impairment	-	-	(48)	-	-	(37)	(86)
Balance at January 31, 2015	242,600	19,746	31,285	14,215	21,366	133,057	462,270

At January 31, 2015, Land and buildings included capitalized interest expenses of Euro 1.2 million.

Additions to Land and buildings include around Euro 64 million for the purchase of a property in Milan used as offices and workshops and where the Company has its registered offices. On June 23, 2014, PRADA spa signed an agreement with Intesa SanPaolo Group for a long-term loan secured on said property. The loan will be disbursed during 2015 in the amount of Euro 55 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.

Additions to Assets under construction, totaling Euro 71 million, mainly include Euro 39 million of capex on a real estate property in Milan and Euro 11 million on properties in Tuscany that were purchased during the year but are not yet ready for use.

8. Intangible assets

Changes in the historical cost of Intangible assets during the year ended January 31, 2015 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, 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
Additions	168	-	7,630	2,782	-	1,513	12,093
Disposals	(273)	-	(1,400)	(16)	(671)	-	(2,360)
Other movements	273	-	1,400	633	671	(628)	2,348
Impairment	-	-	-	-	-	(41)	(41)
Balance at January 31, 2015	26,001	2,102	10,835	65,887	85,425	1,791	192,041

Changes in the accumulated amortization of Intangible assets during the year ended January 31, 2015 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, 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
Amortization	2,125	1	1,789	3,325	-	7,240
Disposals	(174)	-	(187)	(10)	(671)	(1,042)
Other movements	161	-	93	3	671	928
Balance at January 31, 2015	9,692	2,100	2,101	55,742	3,303	72,938

Changes in the net book value of Intangible assets during the year ended January 31, 2015 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, 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)	-	-	(4,697)
Other movements	-	-	-	2,236	-	(2,236)	-
Balance at January 31, 2014	18,253	3	2,800	10,064	82,122	946	114,188
Additions	168	-	7,630	2,782	-	1,513	12,093
Amortization	(2,125)	(1)	(1,789)	(3,325)	-	-	(7,240)
Disposals	(98)	-	(1,213)	(6)	-	-	(1,317)
Other movements	112	-	1,306	630	-	(628)	1,420
Impairment	-	-	-	-	-	(41)	(41)
Balance at January 31, 2015	16,310	2	8,734	10,145	82,123	1,790	119,103

The increase in store lease acquisitions ("key money") regards the consideration paid to Librerie Feltrinelli srl to take over the lease for premises in Galleria Vittorio Emanuele II, adjacent to those already used under a concession from the Municipality of Milan.

Other movements and the disposals for the year represent, respectively, the amounts contributed upon the merger with Car Shoe Italia on February 1, 2014 and the transfer of the retail business by Car Shoe Italia to PRADA Stores, at carrying amounts, prior to the merger with PRADA spa.

Goodwill

Goodwill amounted to Euro 82.1 million at January 31, 2015 and included Euro 78.3 million relating to sales and distribution activities in Italy. As required by IAS 36, goodwill 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 9.77%. 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, 2015 did not identify any impairment losses.

9. Investments

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Investments in subsidiaries and associated undertakings	931,586	908,274
Other investments	13	13
Total	931,599	908,286

Investments in subsidiaries and associated undertakings at January 31, 2015 and 2014 are analyzed as follows:

(amounts in thousands of Euro)	Note	January 31 2014	Increases	Decreases	January 31 2015
Investments in subsidiaries:					
Artisans Shoes srl		2,706	0		2,706
Car Shoe Italia srl	(1)	2,000	-	2,000	-
Church Holding UK plc		108,828	0		108,828
IPI Logistica srl		1,798	0		1,798
Marchesi Angelo Srl	(2)	0	8,617		8,617
Pellettieri d'Italia srl	(3)	164	437		601
Post Development Corp.		54,807	-		54,807
PRADA Bosphorus Deri Mamuller Limited Sirketi		17,592	-	4,056	13,536
PRADA Brazil Importaçao e Comercio de Artigos de Luxo ltda	(4)	17,583	12,996	12,726	17,853
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	2,979	-	5,390
PRADA Maroc sarlau	(6)	7,535	2,426	6,295	3,667
PRADA Middle East Fzco		2,069	-	-	2,069
Prada Panama sa	(7)	-	1,760	-	1,760
PRADA Portugal. Unipessoal lda		955	-	-	955
Prada Retail Aruba nv	(8)	-	1,623	-	1,623
Prada Retail South Africa pty ltd	(9)	-	1,794	-	1,794
Prada Retail SPC	(10)	3,041	-	-	3,041
PRADA Rus llc		23,267	-	6,466	16,801
PRADA sa		23,315	-	-	23,315
PRADA Saudi Arabia ltd	(11)	0	3,935	-	3,935
PRADA Stores srl		80,237	-	-	80,237
PRADA Switzerland sa	(12)	16,147	20,030	-	36,177
PRADA Ukraine llc		2,868	-	2,868	-
PRADA USA Corp.		145,759	-		145,759
PRM Services S. De R.L. de CV	(13)	-	407		407
Tannerie Limoges sas	(14)	-	720		720
Space Caffè srl	(15)	-	-		-
Investments in associated undertakings:					
PAC srl - in liquidation		1,738			1,738
Investments in other entities		13		-	13
Total		908,286	57,724	34,411	931,599

Investments were tested for impairment and impairment losses of Euro 32 million were identified at January 31, 2015, as follows:

(amounts in thousands of Euro)	January 31 2015
PRADA Bosphorus Deri Mamuller Limited Sirketi	(4,056)
PRADA Brazil Importaçao e Comercio de Artigos de Luxo ltda	(12,726)
PRADA Ukraine llc	(2,868)
PRADA Rus llc	(6,466)
PRADA Maroc sarlau	(6,295)
Total	(32,411)

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

Note:

(1) on November 1, 2014, the Company absorbed subsidiary Car Shoe Italia srl with backdated effect from February 1, 2014;

(2) on March 14, 2014, the Company acquired 80% of Marchesi Angelo srl, owner of the historic Milanese patisserie which was founded in 1824. This acquisition was made in order to promote and guarantee the strategic strengthening of the brand, synonymous with quality in the Italian food segment, together with the Prada and Miu Miu brands, leaders on the luxury goods market, as part of the Group's global development program.

(3) this amount relates to the injection of capital into the subsidiary by waiving receivables of Euro 437 thousand;

(4) during the year, share capital increases of Brazilian Real 40 million (Euro 12,996 thousand) were subscribed and paid;

(5) during the year, a share capital increase of Euro 2,979 thousand was paid;

(6) this amount regards the recapitalization of the subsidiary in December by waiving receivables of Euro 2,426 thousand;

(7) Panamanian company Sederia El Dragon was acquired on August 4, 2014 (and renamed PRADA Panama sa) in order to develop the retail business in Panama;

(8) Prada Retail Aruba nv was incorporated on September 12, 2014 in order to develop the retail business in Aruba; the amount of Euro 1,623 thousand represents capital injections paid;

(9) PRADA Retail South Africa pty ltd was incorporated during the year. The amount represents share capital of 25 million Rand that was subscribed and paid;

(10) the amount represents the injection of capital during the year into PRADA Retail spc, a 100% owned subsidiary based in Doha;

(11) 75% owned subsidiary PRADA Saudi Arabia was incorporated on July 2, 2014 with its registered office in Jeddah. The remaining 25% is held by Rubaiyat Company for Industry & Trade Ltd;

(12) this amount mainly regards the recapitalization of PRADA Switzerland sa in November with the waiver of receivables of CHF 24,100 thousand;

(13) 100% owned subsidiary PRM Services S. De R.L. de CV was incorporated during the year in Mexico;

(14) French company PSC sas, owned 60% by PRADA spa and 40% by Conceria Superior spa, was incorporated on August 19. The company, since renamed Tannerie Limoges SAS, will acquire the business of long-established tanner Tannerie Mégisserie Hervy in Isle, near Limoges;

(15) by means of a notarial deed dated December 17, 2014, Space Caffè srl was merged through incorporation into the Company with accounting effects backdated to February 1, 2014.

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	3,064	9,990	66.70%
Church Holding UK plc	108,828	GBP	78,126	546	122,408	100.00%
IPI Logistica srl	1,798	EURO	600	28	2,560	100.00%
Marchesi Angelo Srl	8,617	EURO	23	212	744	80.00%
Pellettieri d'Italia srl	601	EURO	100	(1,021)	(926)	60.00%
Post Development Corp.	54,807	USD	45,138	(1,337)	78,020	100.00%
PRADA Bosphorus Deri Mamuller Limited Sirketi	13,536	TRY	41,000	(2,146)	24,627	100.00%
PRADA Brazil Importaçao e Comercio de Artigos de Luxo ltda	17,853	BRL	87,000	(1,478)	35,642	100.00%
Prada Canada Corp.	5,086	CAD	300	2,706	36,644	100.00%
PRADA Czech Republic sro	1,894	CZK	2,500	200	24,763	100.00%
PRADA Far East bv	383,590	EURO	20	78,310	457,864	100.00%
PRADA Hellas Single Partner Limited Liability Company	1,764	EURO	2,850	(25)	973	100.00%
PRADA Hong Kong P.D. limited	1,120	HKD	11,000	1,495	14,128	100.00%
PRADA Kazakhstan llp	5,390	KZT	1,130,000	(144,820)	743,404	100.00%
PRADA Maroc sarlau	3,667	MAD	95,000	(5,976)	37,175	100.00%
PRADA Middle East Fzco	2,069	AED	18,000	33,639	115,039	60.00%
Prada Panama sa	1,760	USD	30	96	2,096	100.00%
PRADA Portugal. Unipessoal lda	955	EURO	5	232	2,119	100.00%
Prada Retail Aruba nv	1,623	AWG	2,011	61	2,072	100.00%
Prada Retail South Africa pty ltd	1,794	ZAR	25,000	(1,428)	23,572	100.00%
Prada Retail SPC	3,041	QAR	15,000	5,995	17,662	100.00%
PRADA Rus llc	16,801	RUB	250	(152,505)	87,981	99.90%
PRADA sa	23,315	EURO	31	15,615	276,331	100.00%
Prada Saudi Arabia ltd	3,935	SAR	26,666	(3,233)	23,433	75.00%
PRADA Stores srl	80,237	EURO	520	18,779	27,709	100.00%
PRADA Switzerland sa	36,177	CHF	24,000	(2,424)	20,069	100.00%
PRADA Ukraine llc	-	UAH	30,000	(46,781)	(54,451)	100.00%
PRADA USA Corp.	145,759	USD	152,211	16,381	243,479	100.00%
PRM Services S. De R.L. de CV	407	MXN	7,203	3,954	11,157	100.00%
Tannerie Limoges sas	720	EURO	60	(426)	774	60.00%
PAC srl - in liquidation (1)	1,738	EURO	31	(9)	3,839	49.00%
	931,586					

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 2015	January 31 2014
Advances and payments on account	2,831	1,962
Long-term prepaid expenses	2,720	2,619
Other financial receivables	3,900	-
Other tax receivables	700	558
Sundry other long-term receivables	652	571
Long-term guarantee deposits	537	278
Total	11,340	5,988

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 2015	January 31 2014
Bank overdrafts	89	8
Short-term loans	150,106	123
Current portion of long term loans	7,777	14,361
Deferred costs on loans	(1)	(9)
Bank overdrafts and short-term loans	157,972	14,483

On December 1, 2014, PRADA spa arranged a new revolving line of credit of Euro 315 million – expiring in December 2019 – with a syndicate of banks. This loan replaced the previous revolving facility which was due to expire in May 2016 and was arranged in order to sustain the business's financial cycle, taking advantage of favorable conditions available on the credit market while guaranteeing the Group financial flexibility for a longer period. At January 31, 2015, the outstanding amount on the loan facility was Euro 150 million and it was reported under "Short-term bank loans".

The syndicated Euro loan is subject to compliance with several covenants determined based on the PRADA spa consolidated financial statements. Specifically, the ratio between total net bank borrowing and EBITDA cannot exceed 3 and the ratio between EBITDA and total net interest expenses must not exceed 4. Loans are stated net of costs incurred to arrange new loans.

The current portion of long-term borrowings is analyzed as follows:

Monte dei Paschi di Siena	600	Euro/000	July 2015	3.310%
Cariparma	5,202	Euro/000	August 2015	1.290%
Interests accrued	1,975	Euro/000	July-August 2015	

The long-term loan received from Banca Monte dei Paschi di Siena in 2008 is secured by a mortgage on a property in Tuscany used as offices and R&D workshops.
The long-term loan received from Cassa di Risparmio Parma e Piacenza in 2008 is secured by a mortage on a property in Tuscany where the Company is centralizing its leather goods division logistics activities.

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 2015	January 31 2014
Financial payables	335,283	342,031
Other payables	3,768	7,068
Total payables due within a year	339,051	349,099

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 2015	January 31 2014
Financial payables	30,467	-
Payables to related parties for investments	13,384	13,247
Total payables due after more than a year	43,851	13,247

Payables to related parties for investments 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 unit.

13. Trade payables

Trade payables may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Trade payables - third parties	301,457	229,909
Trade payables - related parties	318,494	200,257
Trade payables – subsidiary and associated companies	21,033	6,190
Total	640,984	436,356

The increase in trade payables is essentially due to the intensification of manufacturing activity in the last few months of the year in order to sustain the strategy of retail channel replenishment.

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

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 2015	Current	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables - third parties	301,457	275,618	16,259	4,516	1,038	463	3,563
Trade payables - related parties	21,033	20,550	68	194	13	0	208
Trade payables - subsidiary and associated companies	318,494	296,346	3,326	3,264	1,668	3,616	10,274
Total	640,984	592,513	19,653	7,974	2,720	4,079	14,045

(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	11,084	4,859	1,463	435	2,887
Trade payables - related parties	6,190	6,019	-	140	-	-	31
Trade payables - subsidiary and associated companies	200,257	172,048	7,805	4,060	2,572	1,355	12,417
Total	436,356	387,248	18,889	9,059	4,035	1,790	15,335

14. Current tax liabilities

Current tax liabilities are detailed as follows:

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Current taxes on income	-	8,463
VAT and other taxes	4,178	4,196
Social security and pension contribution liabilities	4,875	7,427
Total	9,053	20,086

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

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 2015	January 31 2014
Payables to employees	28,618	29,226
Provision for returned goods	34,336	26,942
Payables for capex	92,784	18,316
Other payables	382	490
Deferred income	622	233
Total	156,743	75,208

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, 2015 for capital expenditure described in Notes 7 and 8 on Property, plant and equipment and Intangible assets. The amount includes Euro 55 million, due to Beni Stabili for the balance of the purchase price of the property in Milan used as the Company's headquarters offices. On June 23, 2014, PRADA spa signed a long term loan agreement with Intesa Sanpaolo for the aforementioned amount; the loan will be disbursed in 2015.

Other payables includes advances of Euro 0.2 million received from customers and sundry payables of Euro 0.1 million.

17. Long-term financial payables

Long-term financial payables are analyzed below.

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Bonds	130,000	130,000
Long term bank borrowings	-	5,802
Deferred costs on long term loans	(791)	(1,003)
Total	129,209	134,799

Long-term financial payables at January 31, 2015 are analyzed as follows:

Amounts in Euro/000	Principal	Loan currency	Lender	Maturity date	Interest rate (1)
PRADA spa	130,000	Euro	Bonds	August 2018	2.750%
Total	130,000				

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

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

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

The bonds are listed on the Irish Stock Exchange and mature interest at a fixed rate. At January 31, 2015, the fair value of the bonds payable was Euro 136.3 million while the carrying amount was Euro 129 million i.e. the amortized cost.

On June 23, 2014, PRADA spa arranged with Intesa-Sanpaolo Group a long-term loan secured by a mortgage on the property in Milan used as the Group Head Office. The loan will be disbursed in 2015 in the amount of Euro 55 million and will be repayable in equal installments from November 2015.

18. Employee benefits

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Post-employment benefits	22,214	20,329
Other long term employee benefits	33,664	19,784
Total	55,878	40,113

Post-employment benefits

Liabilities for post-employment benefits totaled Euro 22.2 million at January 31, 2015, regarded the TFR liability 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 2015	January 31 2014
Average duration of plan (years)	11.1	11.1
Discount rate	0.9%	2.5%
Inflation rate	1.0%	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 actuarial gains and losses are determined as follows:

	Defined Benefit Plans (TFR)
Actuarial adjustments due to	
(a) Changes in financial assumptions	3,090
(b) Changes in other assumptions (e,g, demographic assumptions, remuneration increases)	89
(c) Other	(229)
Actuarial (Gains)/losses	2,950

The sensitivity analysis performed on the main actuarial assumptions applied at January 31, 2015 highlighted that an increase or decrease of 50 basis points in the parameters (discount rate, rate of inflation, likelihood of termination of employment relationship and percentage of advances on TFR) 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)	2015	2016	2017	2018	After 2018
Defined Benefit Plans (TFR)	1,558	1,203	1,002	1,017	19,822

Finally, the following table shows movements on liabilities for post-employment benefits in the period ended January 31, 2015:

(amounts in thousands of Euro)	
Balance at January 31 2014	20,329
Current service costs	53
Financial expenses	64
Increase due to merger	223
Transfers	(86)
Actuarial (Gains)/Losses	2,950
Indemnities paid	(1,319)
Balance at January 31 2015	22,214

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, 2015, their actuarial valuation, obtained using the Projected Unit Cost Method, was Euro 33.7 million (Euro 19.8 million as at January 31, 2014). This valuation was performed by independent actuary Federica Zappari.

Movements on other long-term employee benefits in the twelve months ended January 31, 2015 are shown below:

(amounts in thousands of Euro)	Other long-term benefits
Balance at January 31 2014	19,784
Increases	14,278
Utilization for payments	(506)
Employee transfers	108
Balance at January 31 2015	33,664

Some Euro 8.3 million of the long-term benefits reported at January 31, 2015 relates to the Directors of the Company.

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 2014	351	21,733	1,182	23,266
Increases		204	32	236
Increases due to mergers		359	-	359
Utilization		-	-	-
Reversals		(530)	(477)	(1,007)
Balance at January 31 2015	351	21,766	737	22,855

Provisions 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 is 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 2014.

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 2014.

In October 2012, October 2013 and October 2014, the Italian Tax Authorities rejected PRADA spa's request not to apply the Italian Controlled Foreign Companies rules (CFC) to its Dutch sub-holding company PRADA Far East bv for the tax years from 2010 to 2013. 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. The tax due for 2013 was not paid due to the credit arising from payments made on account. In October 2012, October 2013, May 2014 and October 2014, the Italian tax authorities also declared inadmissible the requests filed by PRADA spa for the tax years from 2010 to 2014 not to apply CFC rules to other Group countries operating in countries on the fiscal black list. In January 2013, January 2014 and January 2015, 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 tax years 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. Even though, in August and September 2014, PRADA spa received two amended notices of assessment from the customs authorities in relation to 2010 and, after January 31, 2015, it also received demands for payment of the additional duties assessed in relation to the said tax year, the Directors do not believe that any provision need be made. Indeed, the company has submitted its comments in relation to the amended notices of assessment and has filed a request for suspension of collection of the demand for payment. It shall also file an appeal by the legally required deadline.

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, 2015 in respect of the tax disputes described above represents the best estimate of the obligations that the Company could be called upon to fulfill.

Provision for litigation

This provision represents the Directors' assessment of litigation risks at the end of financial year 2014.

There were no significant developments in relation to ongoing litigation during 2014.

Other provisions

Other provisions for risks amounted to Euro 0.7 million as at January 31, 2015 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 5.8 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 2015	January 31 2014
Share capital	255,882	255,882
Other reserves	966,012	889,685
Net income for the period	385,429	395,574
Total shareholders' equity	1,607,323	1,541,141

Share capital

At January 31, 2015, some 80% of the share capital of PRADA spa was held by PRADA Holding spa 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, 2014.

Dividends

During the twelve months ended January 31, 2015, the Company distributed dividends of Euro 281.5 million, as approved by the Annual General Meeting held on May 22, 2014 to approve the financial statements for the year ended January 31, 2014. Payment of the dividends was completed by January 31, 2015.

Retained earnings

As shown in the "Statement of changes in shareholders' equity", retained earnings decreased by Euro 3.5 million as a result of the merger with Car Shoe Italia srl which was accounted for as a "business combination under common control", excluding application of IFRS3. This amount represents the difference between the acquisition cost of the investment as at January 31, 2014 of Euro 2 million and the negative shareholders' equity of the merged company of Euro 1.5 million.

Availability of shareholders' equity

(amounts in thousands of Euro)	January 31 2015	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	349,862	A, B, C	301,373	-	393,235
Cash flow hedge reserve	(27,973)				
Distributable amount			894,319		393,235

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 only when the legal reserve reaches an amount equal to 20% of share capital.

A non-distributable portion of retained earnings amounting to Euro 20,516 million refers to restricted reserves under Art. 7 of Legislative Decree 38/2005 while a further decrease of Euro 27,973 million is equal to the negative value of the Cash flow hedge reserve.

Income statement

22. Net revenues

Net revenues are mainly generated by sales of finished products and are stated net of returns and discounts. Net sales for the year ended January 31, 2015 amounted to Euro 1,988 million, 0.64% less than in prior year (Euro 2,001 million in 2013).

Royalties income of Euro 36.8 million was earned by the Company from *Fragrance and Skincare sl* and Luxottica Group on sales of cosmetics and eyewear, respectively. See the Financial Review for comments on the effects of the contracts.

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Net sales	1,987,923	2,000,828
Royalties	39,584	3,287
Net revenues	2,027,507	2,004,115

23. Cost of goods sold

Cost of goods sold is analyzed as follows:

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Purchases of raw materials and production costs	942,289	817,173
Logistics costs, duties and insurance	110,128	104,241
Change in inventories	(110,790)	(23,264)
Total	941,628	898,150

Cost of goods sold has increased by Euro 43.5 million in absolute terms because of a different product mix and unfavorable average foreign exchange trends. Compared to prior year, cost of goods sold has increased from 44.8% of net revenues to 46.4%.

24. Operating expenses

Operating expenses may be summarized as follows:

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Advertising and communications costs	122,895	76,915
Product design and development costs	116,207	118,511
Selling costs	264,070	281,723
General and administrative costs	69,727	64,486
Operating expenses	572,899	541,635

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. The increase compared to prior year mainly relates to the cost of sponsorship of Luna Rossa Challenge Srl and Project Prada Arte, as well as to donations to various entities including Stiching Fondazione Prada.

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 decreased by Euro 2.3 million compared to 2013.

Selling costs decreased by Euro 17.7 million mainly as a result of two factors:

- a decrease of Euro 188 million in royalties due to PRADA sa for brand licences;
- net expenses of Euro 145 million resulting from participation in the profits and losses of the retail companies.

See the Financial review for more comments.

The "Additional information" section contains an income statement reclassified by nature.

25. Net interest and other financial income/(expenses)

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Interest income / (expenses), net	5,129	(2,149)
Exchange gains / (losses) - realized	(2,209)	(7,583)
Exchange gains / (losses) – unrealized	(27,379)	(7,647)
Dividends	92,982	46,515
Other financial income / (expenses)	(33,940)	(1,531)
Total	34,582	27,605

Net interest income, amounting to Euro 5.1 million represents the difference between total interest income of Euro 15.3 million (Euro 6.7 million in 2013) and interest expenses of Euro 10.2 million (Euro 8.9 million in 2013).

The increase in net interest income is consistent with the reduction in debt.

Other financial expenses represent impairment adjustments to investments in subsidiaries, following impairment tests.

The net exchange losses for the twelve months ended January 31, 2015 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, 2015 and January 31, 2014 are analyzed as follows:

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Current taxation	163,070	174,095
Prior year taxation	3,423	22,355
Deferred taxation	(4,360)	(90)
Total	162,133	196,360

The decrease in current income taxes in absolute terms is essentially due to the reduction in income before taxation. As a percentage of income before taxation, the tax burden decreased from 33.2% to 32%. We recall that income taxes include the extraordinary tax charges of Euro 3 million in 2014 and Euro 22 million in 2013, 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 sub-holding company PRADA Far East bv.

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

(amounts in thousands of Euro)	January 31 2015
Opening balance, net	24,982
Deferred taxes for the period	17,550
Closing balance, net	42,532

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	Effect from merger	Equity effect
	January 31 2015	January 31 2014			
Employee benefits – defined benefit plans	607	(151)	(418)	-	(340)
Inventories	19,791	20,767	976	-	-
Property, plant and equipment	(4,482)	(4,890)	(408)		-
Intangible assets	(100)	(8)	155	(62)	-
Provisions for risks and charges	11,188	8,908	(1,560)	(719)	-
Allowance for doubtful debts	(1,331)	(1,378)	13	(60)	-
Derivative instruments	10,610	(1,396)	-	-	(12,006)
Other temporary differences	6,248	3,130	(3,118)		
Total	42,532	24,982	(4,360)	(841)	(12,346)

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 income before taxation	150,579	27.50%	21,507	3.93%	172,086	31.43%
Dividends exempted	(24,292)	-4.44%	-		(24,292)	-4.44%
Impairment of investments	8,913	1.63%			8,913	1.63%
Aid to economic growth (ACE)	(5,800)	-1.06%	-		(5,800)	-1.06%
Rejection of petition not to apply rules on CFC	3,232	0.59%			3,232	0.59%
Non-deductible donations	2,349	0.43%			2,349	0.43%
Deduction of costs allocated to OCI	(80)	-0.01%	-		(80)	-0.01%
Other permanent differences	80	1.62%	150	0.04%	230	1.67%
Adjustments in annual tax return/"UNICO"	506	0.09%	(314)	-0.06%	192	0.04%
Differences between pre-tax income and net value of production		0	5,303	0.97%	5,303	0.97%
Taxes for period	135,487	26.35%	26,646	4.88%	162,133	31.23%
Temporary differences	4,195	0.78%	165	0.03%	4,360	0.81%
Current taxation	139,682	27.13%	26,811	4.91%	166,493	32.05%

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 include transactions between PRADA spa and Fratelli Prada spa in relation to the franchising agreement regarding the Prada stores in Milan. The transactions reported for the twelve months ended January 31, 2015 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 is contained in the PRADA spa Announcement dated January 29, 2014 while a summary update is reported in the Corporate Governance section.

The transactions with related party "Fratelli Prada spa – Galleria" refer to the transactions between 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, 2015 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.

The transactions with related party "Progetto Prada Arte srl - Galleria" refer to the transactions between 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, 2015 and 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.

The transactions with related party "Progetto Prada Arte srl" include the transactions between PRADA spa and Progetto Prada Arte srl in relation to the sponsorship agreement for cultural activities to be carried out by the latter. The transactions reported for the twelve months ended January 31, 2015 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 February 27, 2014 while a summary update is reported in the Corporate Governance section.

The transactions with related party Luna Rossa Challenge 2013 srl reported for the twelve months ended January 31, 2015 refer to sponsorship of the Luna Rossa sailing team and its participation in the America's Cup Edition XXXV. They 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 February 27, 2014 while a summary update is reported in the Corporate Governance section.

Unlike the "non-exempt continuing connected transactions" and "non-exempt connected transactions" described above, no other transaction reported in these Financial Statements falls under the definition of "connected transaction" or "continuing connected transaction" provided by Chapter 14A of the Hong Kong Stock Exchange Listing Rules or, if it does fall under the definition of "connected transaction" or "continuing connected transaction" in terms of said Chapter 14A, is exempt from reporting, disclosure and independent shareholders' approval requirements again under Chapter 14A.

Statement of financial position

(amounts in thousands of Euro)	Trade receivables Jan 31, 2015	Trade receivables Jan 31, 2014	Trade payables Jan 31, 2015	Trade payables Jan 31, 2014
Parent company	140	180	-	-
PRADA Holding bv	-	180	-	-
PRADA Holding spa	140	-	-	-
Subsidiaries and associates	529,255	433,354	318,494	200,257
Artisans Shoes Srl	477	570	27,241	18,970
Car Shoe Hong Kong Ltd	0	68	-	-
Car Shoe Italia Srl	-	9,845	-	48
Car Shoe Sa	-	0	-	-
Car Shoe Singapore Pte. Ltd	-	24	-	-
Car Shoe UK Ltd	0	35	(0)	21
Church Footwear (Shanghai) Co. Ltd	7	83	-	-
Church & Co. (USa) Ltd	20	82	1	-
Church & Co. Plc	19,369	13,152	1,101	670
Church Austria Gmbh	129	66	-	-
Church Denmark Aps	46	-	-	-
Church English shoes Sa	2	4	-	-
Church Footwear Ab	159	135	-	-
Church France Sa	122	62	-	-
Church Holding UK Plc	367	366	-	-
Church Hong Kong Retail Ltd	186	114	-	-
Church Ireland Retail Ltd	1	3	-	-
Church Italia Srl	1,458	715	45	12
Church Japan Co., Ltd	5	43	-	-
Church Netherlands Bv	183	165	-	-
Church Singapore Pte Ltd	167	116	-	-
Church Spain Sl	38	27	-	-
Church UK Retail Ltd	1,005	797	8	0
Church's English Shoes Sw.Sa	28	36	6	-
IPI Logistica Srl	594	890	3,162	13,350
Kenon Ltd.	(1)	7	-	-
Marchesi Angelo srl	-	-	10	-
Pellettieri d'Italia Srl	37	15	1,248	264
Post Development Corp.	3	0	-	-
PRADA (Thailand) Co.,Ltd	688	973	214	28
PRADA Asia Pacific Ltd	111,029	55,854	11,587	2,906
PRADA Australia Pty. Ltd	524	476	663	62
PRADA Austria Gmbh	3,421	3,539	1,059	126
PRADA Bosphorus Deri Mamuller Limited Sirketi	3,137	7,431	5,224	174
PRADA Brasil Importaçao e Comercio de Artigos de Luxo Ltda	4,789	4,254	16,337	-
PRADA Canada Corp.	2,350	(2,609)	2,674	147
PRADA Company Sa	(10)	32	-	-
PRADA Czech Republic Sro	755	820	611	495
PRADA Dongguan Trading Co. Ltd	57	10	349	326
PRADA Emirates Llc (1)	1,153	1,144	23	35
PRADA Far East Bv	3,139	3,091	1,058	7
PRADA Fashion Commerce (Shanghai) Co. Ltd	17,363	13,446	31,431	252
PRADA Germany Gmbh	15,120	9,189	3,050	1,658
PRADA Hellas S. Ltd	126	1,515	122	67
PRADA Hong Kong P.D. Ltd	201	126	280	348
PRADA India Fashion Private Ltd.	19	0	-	-
PRADA Japan Co., Ltd	22,485	48,921	1,208	726
PRADA Kazakhstan Llp	5,613	4,671	556	15

(amounts in thousands of Euro)	Trade receivables Jan 31, 2015	Trade receivables Jan 31, 2014	Trade payables Jan 31, 2015	Trade payables Jan 31, 2014
PRADA Korea Ltd	15,848	1,095	394	66
PRADA Kuwaitt Wll	559	415	-	3
PRADA Maroc Sarlau	2,599	3,129	3,675	540
PRADA Middle East Fzco	21,294	14,005	1,069	767
PRADA Montecarlo Sam	(376)	1,946	1,816	214
PRADA New Zealand Pty ltd	260	112	375	-
PRADA Panama, S.a.	279	-	268	-
PRADA Portugal, Unipessoal Lda	2,612	1,870	249	702
PRADA Retail Aruba N.v.	2,165	-	380	-
PRADA Retail France Sas	20,585	24,012	14,598	7,105
PRADA Retail Malaysia Sdn	101	233	71	(0)
PRADA Retail Mexico S. de r.l.	6,970	3,277	4,967	617
PRADA Retail South Africa (Pty) Ltd	312	-	222	-
PRADA Retail Spc	2,954	843	27	-
PRADA Retail UK Ltd	28,584	20,290	6,742	3,013
PRADA Rus Llc	8,312	12,405	4,088	1,994
PRADA Sa	15,903	28,346	29,204	135,719
PRADA Saudi Arabia Ltd.	199	-	-	-
PRADA Singapore Pte, Ltd	275	686	14,816	11
PRADA Spain Sa	10,461	10,625	420	497
PRADA Stores Srl	44,450	57,947	7,964	2,101
PRADA Sweden Ab	(762)	1,513	262	170
PRADA Switzerland Sa	5,252	512	1,381	30
PRADA Taiwan Ltd Taipei	564	448	5,038	-
PRADA Ukraine Llc	3,261	3,094	991	(3)
PRADA Usa Corp.	91,734	47,474	101,632	3,885
PRADA Vietnam Limited Liability Company	822	-	858	-
Prm Services, S. de R.l. de CV	133	-	-	-
Tannerie Limoges sas	425	-	-	-
Space Caffè Srl	-	16	-	1
Space Hong Kong Ltd	24	39	0	-
Space Sa	-	449	-	120
Space Usa Corp.	24,507	16,759	5,947	826
TRS Guam Boutique	136	142	-	-
TRS Hawaii Llc	1,190	615	1,669	922
TRS Hong Kong Ltd	10	4	-	-
TRS Hong Kong Ltd - Macau	366	174	0	-
TRS New Zealand Pty. Ltd	28	6	-	-
TRS Okinawa Kk	746	539	103	252
TRS Saipan Boutique	55	26	-	-
TRS Singapore Pte Limited	57	2	-	-
Company controlled by PRADA Holding spa	-	10	-	-
EXHL Italia Srl	-	10	-	-

(amounts in thousands of Euro)	Trade receivables Jan 31, 2015	Trade receivables Jan 31, 2014	Trade payables Jan 31, 2015	Trade payables Jan 31, 2014
Related parties	**36,410**	**32,002**	**21,033**	**6,191**
Chora Srl	-	-	3,233	2,707
Conceria Superior spa	1	-	12,226	-
Fin-Reta Srl	-	(0)	-	90
F.lli Prada spa	29,261	25,434	2,617	2,363
F.lli Prada spa - Galleria (2)	912	1,335	-	-
Gran Caffè snc	-	-	2	-
HMP Srl	8	8	-	-
Le Mazza Srl	105	71	867	511
Luna Rossa Challenge 2013 NZ Ltd	1,278	1,284	-	-
Luna Rossa Challenge Srl	721	164	154	154
Pelletteria Reta Srl	-	-	-	5
PRA 1 Srl	-	983	75	-
Progetto Prada Arte Srl	336	1,008	1,781	19
Progetto Prada Arte Srl – Galleria (3)	566	906	-	-
Rubaiyat Modern Lux. Prod. Ltd	2,342	-	-	-
Stiching Fondazione PRADA	880	810	-	-
Others (4)	-	-	78	341
Total	**565,805**	**465,545**	**339,527**	**206,449**

Note:
(1) Company consolidated on basis of definition of control expressed in IFRS 10
(2) Amount represents consideration for premises occupied by Fratelli Prada spa in the property in Galleria Vittorio Emanuele II, Milan, under the business management agreement between PRADA spa and Fratelli Prada spa.
(3) Amount represents recharged portion of rental costs for premises occupied by Progetto Prada Arte srl at Galleria Vittorio Emanuele II in Milan, on the basis of temporary business partnership agreement between PRADA spa and Progetto Prada Arte srl.
(4) Relative of a director.

(amounts in thousands of Euro)	Financial receivables Jan 31, 2015	Other receivables Jan 31, 2015	Financial receivables Jan 31, 2014	Other receivables Jan 31, 2014
Parent company	-	-	-	48
PRADA Holding bv	-	-	-	48
PRADA Holding spa	-	-	-	-
Subsidiaries and associates	338,526	3,173	269,982	5,378
Artisans Shoes srl	5,420	1,304	2,305	1,703
Car Shoe Italia srl	-	-	-	1
Church & Co. plc	2,206	-	2,207	-
Church Holding UK plc	1,522	-	1,620	-
Church Italia srl	-	179	-	2,452
IPI Logistica srl	-	10	-	596
Pellettieri d'Italia srl	-	2	-	-
PRADA Asia Pacific ltd	-	65	-	1
PRADA Australia Pty. ltd	-	-	-	-
PRADA Austria gmbh	7,003	-	-	-
PRADA Bosphorus Deri Mamuller Limited Sirketi	12,793	-	5,688	-
PRADA Brasil Importaçao e Comercio de Artigos de Luxo Ltda	24,083	-	14,768	-
PRADA Czech Republic sro	1,571	-	1,569	-
PRADA Dongguan Trading Co. Ltd	-	3	-	-
PRADA Germany gmbh	17,345	116	7,305	-
PRADA Hellas S. ltd	2,003	-	2,287	-
Prada Hong Kong P.D. Ltd.	470	84	1,149	80
PRADA Kazakhstan Llp	-	-	-	478
PRADA Maroc Sarlau	5,667	-	5,679	-
PRADA Middle East Fzco	3,556	-	6,195	-
PRADA Montecarlo sam.	4,238	-	702	-
PRADA Portugal, Unipessoal lda	1,895	-	1,867	-
PRADA Retail Aruba N.v.	-	327	-	-
PRADA Retail France sas	60,684	-	26,206	-
PRADA Retail Mexico S. de r.l.	-	3	-	-
PRADA Retail South Africa (Pty) Ltd	-	45	-	-
PRADA Retail Spc	-	-	2,436	47
PRADA Retail UK	17,594	-	6,954	0
PRADA Rus LLC	17,205	-	24,220	0
PRADA Sa	-	125	9,344	2
PRADA Saudi Arabia Ltd.	-	6	-	-
PRADA Singapore Pte, ltd	-	24	-	0
PRADA Spain sa	16,141	-	15,923	0
PRADA Stores srl	127,357	795	125,284	8
PRADA Switzerland Sa	5,141	1	-	-
PRADA Ukraine Llc.	4,632	1	3,587	1
PRADA USA Corp.	-	18	-	7
Prm Services, S. de R.I. de CV	-	4	-	-
Tannerie Limoges sas	-	60	-	-
Space Caffè srl	-	-	64	0
Space sa	-	-	2,624	-
Controlled by PRADA Holding spa	-	-	-	27
EXHL Italia srl	-	-	-	27

(amounts in thousands of Euro)	Financial receivables Jan 31, 2015	Other receivables Jan 31, 2015	Financial receivables Jan 31, 2014	Other receivables Jan 31, 2014
Related parties	741	19,871	-	1,644
Chora srl	-	2,924	-	-
F.lli Prada spa	-	-	-	1
F.lli Prada spa - Galleria (1)	-	3,174	-	851
Luna Rossa Challenge Srl	-	12,379	-	-
Peschiera Immobiliare srl	-	82	-	81
PRA 1 Srl	-	90	-	-
Progetto Prada Arte srl	-	88	-	74
Progetto Prada Arte srl – Galleria (2)	741	1,134	-	637
Total	339,267	23,044	269,982	7,097

Note:
(1) This amount is a non monetary receivable for deferred rental income due from Fratelli Prada spa following application of "IAS 17 Leases" to the business management agreement between PRADA spa and Fratelli Prada spa
(2) Other receivables are non monetary receivable for deferred rental income due from Progetto Prada Arte srl following application of "IAS 17 Leases" to the temporary business partnership contract between PRADA spa and Progetto Prada Arte srl. Financial receivables, referred to the investment in the premises in Galleria Vittorio Emanuele II, earn interest at a rate of 2.5% and will last for the concession period.

(amounts in thousands of Euro)	Financial payables Jan 31, 2015	Other payables Jan 31, 2015	Financial payables Jan 31, 2014	Other payables Jan 31, 2014
Subsidiaries and associates	**365,690**	**3,497**	**342,031**	**6,950**
Artisans Shoes srl	-	161	-	312
Car Shoe Italia srl	-	-	-	1,795
Church Italia srl	-	57	-	190
IPI Logistica srl	465	3	1,367	24
Pellettieri d'Italia srl	-	372	-	-
Post Development Corp.	22,044	129	21,855	107
PRADA Austria Gmbh	-	-	50	-
PRADA Dongguan Trading Co. Ltd	-	61	-	-
PRADA Far East bv	236,625	-	223,786	4
PRADA Germany gmbh	2,689	-	1,996	-
PRADA Retail France sas	6,692	-	1,487	-
PRADA Retail UK	0	-	28	-
PRADA sa	96,959	1,573	91,279	1,572
PRADA Stores srl	-	1,140	-	2,921
PRADA Switzerland Sa	18	-	-	-
PRADA USA Corp.	198	-	166	10
Space Caffè srl	-	-	-	14
Space sa	-	-	18	-
Related parties	**-**	**13,655**	**-**	**13,365**
Fin-Reta Srl	-	13,384	-	13,247
F.lli Prada spa	-	8	-	8
Luna Rossa Challenge srl	-	21	-	21
Progetto Prada Arte srl	-	211	-	59
Stiching Fondazione PRADA	-	32	-	30
Total	**365,690**	**17,152**	**342,031**	**20,341**

(amounts in thousands of Euro)	Other liabilities	
	January 31, 2015	January 31, 2014
Members of the Board of Directors	143	143
Others (1)	354	263

Note:
(1) Relative of a Director

Income Statement

(amounts in thousands of Euro)	Net Revenues Jan 31, 2015	Net Revenues Jan 31, 2014	Cost of goods sold Jan 31, 2015	Cost of goods sold Jan 31, 2014
Subsidiaries and associates	**1,441,947**	**1,452,483**	**93,923**	**106,171**
Artisans Shoes Srl	-	-	75,012	64,042
Car Shoe Italia Srl	-	7,474	-	(258)
Church & Co. Plc	6,637	4,432	1,217	1,517
Church Italia Srl	2,488	1,846	-	-
IPI Logistica Srl	-	-	3,586	35,197
Pellettieri d'Italia Srl	-	-	7,238	1,480
PRADA (Thailand) Co.,Ltd	-	-	(1)	-
PRADA Asia Pacific Ltd	600,221	555,126	1,049	1,062
PRADA Australia Pty. Ltd	-	-	-	2
PRADA Austria Gmbh	15,963	19,621	6	(0)
PRADA Bosphorus Deri Mamuller Limited Sirketi	8,371	9,479	11	(0)
PRADA Canada Corp.	21,811	17,359	(0)	-
PRADA Czech Republic Sro	3,093	4,311	(0)	-
PRADA Dongguan Trading Co. Ltd	-	-	1,796	326
PRADA Emirates Llc (1)	921	1,018	7	(0)
PRADA Far East Bv	21,735	17,826	-	-
PRADA Fashion Commerce (Shanghai) Co. Ltd	-	-	10	7
PRADA Germany Gmbh	35,410	43,999	22	(1)
PRADA Hellas S. Ltd	1,528	2,666	6	(0)
PRADA Hong Kong P.D. Ltd.	-	-	1,618	1,719
PRADA Japan Co., Ltd	118,546	116,940	580	513
PRADA Kazakhstan Llp	2,507	2,823	-	-
PRADA Korea Ltd	-	-	386	238
PRADA Kuwait Wll	395	408	-	-
PRADA Maroc Sarlau	1,263	1,066	-	-
PRADA Middle East Fzco	43,142	41,123	(16)	(21)
PRADA Montecarlo Sam	2,010	4,981	-	-
PRADA Portugal, Unipessoal Lda	5,913	5,495	6	(0)
PRADA Retail Aruba N.v.	720	-	-	-
PRADA Retail France Sas	70,683	97,883	198	(1)
PRADA Retail Malaysia Sdn	-	-	16	-
PRADA Retail Mexico S. de r.l.	2,843	943	-	(0)
PRADA Retail Spc	(14)	-	(0)	(0)
PRADA Retail UK Ltd	105,053	105,116	390	(2)
PRADA Rus Llc	13,277	14,790	12	8
PRADA Singapore Pte, Ltd	539	-	60	(20)
PRADA Spain Sa	14,680	15,189	6	(0)
PRADA Stores Srl	25,347	66,348	22	11
PRADA Sweden Ab	89	1,870	(0)	(0)
PRADA Switzerland Sa	18,510	-	27	(0)
PRADA Taiwan Ltd Taipei	-	-	(2)	0
PRADA Ukraine Llc	1,065	1,275	-	-
PRADA Usa Corp.	215,072	197,367	662	352
PRADA Vietnam Limited Liability Company	623	-	-	-
Space Caffè Srl	-	-	-	1
Space Hong Kong Ltd	64	-	-	-
Space Sa	-	12,609	-	-
Space USa Corp.	67,932	69,219	-	-
TRS Hawaii Llc	8,639	7,945	-	-
TRS Okinawa Kk	4,871	3,936	-	-

(amounts in thousands of Euro)	Net Revenues Jan 31, 2015	Net Revenues Jan 31, 2014	Cost of goods sold Jan 31, 2015	Cost of goods sold Jan 31, 2014
Related parties	38,118	48,132	20,477	1,858
Conceria Superior spa	-	-	18,476	-
F.lli Prada spa	37,942	48,247	17	1
Le Mazza Srl	-	-	1,715	1,744
Luna Rossa Challenge 2013 NZ	-	1	-	-
Luna Rossa Challenge Srl	8	(115)	-	-
Pelletteria Reta Srl	-	-	9	113
Progetto Prada Arte Srl	1	-	260	-
Rubaiyat Modern Lux. Prod. Ltd	167	-	-	-
Total	1,480,066	1,500,616	114,400	108,029

(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, 2015	Jan 31, 2014	Jan 31, 2015	Jan 31, 2014
Parent company	(69)	(55)	-	-
PRADA Holding Bv	-	(55)	-	-
PRADA Holding spa	(69)	-	-	-
Subsidiaries and associates	144,058	136,523	105,501	47,973
Artisans Shoes Srl	2,990	2,647	22	19
Artisans Shoes Srl – dividends paid	-	-	1,022	705
Car Shoe Hong Kong Ltd	0	(12)	-	-
Car Shoe Italia Srl	-	(2,234)	-	-
Car Shoe Singapore Pte. Ltd	-	(42)	-	-
Car Shoe UK Ltd	-	(29)	-	-
Church & Co. (USa) Ltd	(28)	(86)	-	-
Church & Co. Plc	(1,086)	(1,036)	63	25
Church Austria Gmbh	(63)	(19)	-	-
Church Denmark Aps	(44)	-	-	-
Church English shoes Sa	(8)	(8)	-	-
Church Footwear (Shanghai) Co. Ltd	(18)	(119)	-	-
Church Footwear Ab	(25)	(118)	-	-
Church France Sa	(98)	(118)	-	-
Church Holding UK Plc	(1)	(50)	46	20
Church Hong Kong Retail	(64)	(78)	-	(78)
Church Japan Co., Ltd	(12)	(81)	-	(81)
Church Ireland Retail Ltd	(8)	(9)	-	-
Church Italia Srl	(783)	(629)	-	-
Church Netherlands Bv	(18)	(118)	-	-
Church Singapore Pte Ltd	(58)	(15)	-	-
Church Spain Sl	(11)	(2)	-	-
Church UK Retail Ltd	(200)	(222)	-	-
Church's Eng. Shoes Sw.Sa	(33)	(49)	-	-
IPI Logistica Srl	150	312	-	-
IPI Logistica Srl – dividends paid	-	-	959	809
Kenon Ltd	(2)	(7)	1,712	-
Marchesi Angelo Srl	9	-	-	-
Pellettieri d'Italia Srl	396	-	-	-
Post Development Corp.	(3)	-	(250)	(191)
PRADA (Thailand) Co.,Ltd	(662)	(800)	-	-
PRADA Asia Pacific Ltd	(16,305)	(8,799)	(8)	-
PRADA Australia Pty. Ltd	(217)	(829)	-	2
PRADA Austria Gmbh	(372)	(772)	3	(10)
PRADA Bosphorus Deri Mamuller Limited Sirketi	3,040	(2,147)	1,080	506
PRADA Brasil Importaçao e Comercio de Artigos de Luxo Ltda	14,463	(1,481)	2,948	832
PRADA Canada Corp.	(195)	(588)	-	-
PRADA Company Sa	(0)	(20)	-	-
PRADA Czech Republic Sro	(168)	(217)	56	21
PRADA Dongguan Trading Co. Ltd	(65)	(10)	-	-
PRADA Emirates Llc (1)	(835)	(875)	-	-
PRADA Far East Bv	(497)	(535)	67,777	(3,226)
PRADA Fashion Commerce (Shanghai) Co. Ltd	22,822	(8,482)	-	-
PRADA Germany Gmbh	(2,271)	(1,490)	124	12
PRADA Hellas S. Ltd	(447)	(574)	69	29
PRADA Hong Kong P.D. Ltd	1,514	1,636	63	6
PRADA India Fashion Private Ltd	(19)	(0)	-	-
PRADA Japan Co., Ltd	(7,269)	(7,539)	-	-

(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, 2015	Jan 31, 2014	Jan 31, 2015	Jan 31, 2014
PRADA Kazakhstan Llp	83	(1,312)	-	-
PRADA Korea Ltd	(17,060)	(2,854)	-	-
PRADA Kuwait Wll	(286)	(264)	-	-
PRADA Maroc Sarlau	1,850	(742)	78	65
PRADA Middle East Fzco	(1,142)	(1,225)	-	-
PRADA Montecarlo Sam	275	(254)	97	10
PRADA New Zealand Pty Ltd	227	(88)	-	-
PRADA Panama, S.a.	(6)	-	-	-
PRADA Portugal, Unipessoal Lda	(689)	(614)	35	29
PRADA Retail Aruba N.v.	(72)	-	-	-
PRADA Retail France Sas	9,008	2,344	1,001	76
PRADA Retail Malaysia Sdn	(223)	(563)	-	-
PRADA Retail Mexico S. de r.l.	3,537	(248)	-	-
PRADA Retail South Africa (Pty) Ltd	(80)	-	-	-
PRADA Retail Spc	(2,951)	(746)	95	15
PRADA Retail UK	5,872	(2,728)	224	100
PRADA Rus Llc	290	(2,368)	2,240	1,635
PRADA Sa	38,941	214,278	(155)	(161)
PRADA Sa – dividends paid	-	-	20,000	45,000
PRADA Saudi Arabia Ltd.	(196)	-	-	-
PRADA Singapore Pte, Ltd	12,949	(1,323)	-	-
PRADA Spain Sa	(1,481)	(2,244)	613	170
PRADA Stores Srl	(5,718)	-	4,550	-
PRADA Sweden Ab	(73)	(1,323)	-	-
PRADA Switzerland Sa	(2,585)	(2,244)	613	170
PRADA Taiwan Ltd Taipei	3,465	(944)	-	-
PRADA Ukraine Llc	655	(424)	222	61
PRADA Usa Corp.	87,327	(11,171)	-	-
PRADA Vietnam Limited Liability Company	698	-	-	-
Prm Services, S. de R.l. de CV	(156)	-	-	-
Tannerie Limoges sas	(17)	-	-	-
Space Caffè Srl	-	(20)	-	1
Space Hong Kong Ltd	(56)	(67)	-	-
Space Sa	-	(352)	-	8
Space USA Corp.	(731)	(955)	-	-
TRS Guam Boutique	(153)	(191)	-	-
TRS Hawaii Llc	(225)	(239)	-	-
TRS Hong Kong Ltd	(6)	(4)	-	-
TRS Hong Kong Ltd - Macau	(430)	(319)	-	-
TRS New Zealand Pty. Ltd	(29)	(22)	-	-
TRS Okinawa Kk	(130)	(55)	-	-
TRS Saipan Boutique	(57)	(26)	-	-
TRS Singapore Pte Limited	(66)	(19)	-	-
Companies controlled by PRADA Holding spa	(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, 2015	Jan 31, 2014	Jan 31, 2015	Jan 31, 2014
Related parties	22,890	(2,390)	(133)	(77)
Chora Srl	3,156	2,734	(15)	(11)
Conceria Superior spa	34	-	-	-
Fin-Reta Srl (2)	120	58	(137)	(68)
F.lli Prada spa	(362)	(1,731)	-	-
F.lli Prada spa - Galleria (3)	(4,645)	(2,186)	-	-
Gran Caffè snc	4	-	-	-
HMP Srl	35	242	-	2
Le Mazza Srl	3	3	-	-
Luna Rossa Challenge 2013 NZ Ltd	6	(686)	-	-
Luna Rossa Challenge Srl	12,157	(39)	-	-
Pelletteria Reta Srl	(0)	1	-	-
Peschiera Immobiliare Srl	505	497	-	-
PRA 1 Srl	797	354	-	-
Progetto Prada Arte Srl	7,506	(495)	-	-
Progetto Prada Arte Srl – Galleria (4)	(1,517)	(1,509)	19	-
Rubaiyat Modern Lux. Prod. Ltd	(2,172)	-	-	-
Stiching Fondazione PRADA	6,700	(368)	-	-
Others (5)	563	734	-	-
Total	166,874	134,071	105,368	47,896

Notes:
(1) Company consolidated on basis of definition of control expressed in IFRS 10
(2) The interest expense represents the expense for the year, calculated at the effective rate of interest, applied to the discounted long-term debt which relates to the acquisition of rights of usufruct
(3) Amount includes non-monetary deferred rental income of Euro 2,324 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 497 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. The interest is earned on the financial receivable relating to the investment in the premises in Galleria Vittorio Emanuele II.
(5) Relative of a Director

Commitments

Guarantees given

Guarantees given relate to:

- sureties of Euro 26 million in favor of third parties on behalf of Group companies
- comfort letters for Euro 241 million issued to banks on behalf of subsidiaries

Operating leases

As at January 31, 2015, operating lease and concession fee commitments were broken down by due date as follows:

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Due within a year	19,266	20,799
Due between one and five years	67,951	74,962
Due after more than five years	101,212	111,981
Total commitments for operating lease/concession fees	188,429	207,742

Rental/lease income commitments are shown by due date as follows:

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Due within a year	8,388	8,726
Due between one and five years	32,128	33,025
Due after more than five years	87,421	95,369
Total rental/lease income commitments	127,937	137,120

Other commitments

At January 31, 2015, PRADA spa and Al Tayer Insignia llc were party to an agreement signed in 2011 with the objective of developing the Prada and Miu Miu brands in the retail business in the Middle East. The agreement grants PRADA spa a call option on up to 20% of the share capital of PRADA Middle East Fzco. As indicated by Paragraph 46 of IAS 39, an entity must measure financial assets, including derivatives, at fair value, except for investments in equity instruments that do not have a market price listed on an active market and whose fair value cannot be reliably measured. PRADA SpA management believes that, at the reporting date, the above option fell under the circumstances described by IAS 39 and, consequently, its fair value cannot be reliably measured.

Additional information

Remuneration of the Board of Directors

(amounts in thousands of Euro)	January 31 2015
Directors' fees	3,400
Remuneration and other benefits	17,289
Bonuses and other incentives	8,981
Benefits in kind	135
Pension, healthcare and TFR contributions	389
Total	30,194

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 0.5 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 2015 and for other non-audit services:

Type of service	Audit Firm	Fees in thousands of Euro
Audit services	Deloitte & Touche spa	480
Other services	Deloitte network	54
Out of pocket expenses		3
Total fees of audit firm for period ended January 31, 2015		537

Income statement by nature

(amounts in thousands of Euro)	January 31 2015
Net revenues	2,282,447
Change in inventories	92,307
Purchases of raw materials and finished goods	762,374
Labor costs	227,700
Amortization, depreciation and impairment	32,444
Other operating expenses	839,256
EBIT	512,980
Interest income (expenses), net	5,129
Exchange gains (losses) - realized	(2,209)
Exchange gains (losses) - unrealized	(27,379)
Dividends	92,982
Other financial income (expenses)	(33,940)
Interest and other financial income (expenses)	34,582
Income before taxation	547,562
Taxation	162,133
Net income for the period	385,429

Headcount

The average headcount by business division at January 31, 2015 and 2014 is shown below:

(no of employees)	January 31 2015	January 31 2014
Production	1,349	1,302
Product design and development	932	872
Communications	54	56
Selling	595	573
General and administrative services	529	506
Total	3,458	3,309

Employee remuneration

Employee remuneration in the periods ended January 31, 2015 and January 31, 2014 is analyzed by business division as follows:

(amounts in thousands of Euro)	January 31 2015	January 31 2014
Production	70,907	67,600
Product design and development	63,481	58,836
Communications	6,453	6,933
Selling	41,009	38,752
General and administrative services	45,850	46,428
Total	227,700	218,549

Independent Auditors' Report

Deloitte.

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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, 2015, 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 2, 2014.

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, 2015, 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, 2015.

DELOITTE & TOUCHE S.p.A.

Stefano Marnati
Partner

Milan, Italy
March 27, 2015

Statutory Auditors' Report

PRADA Spa

Registered Offices at Via Antonio Fogazzaro, 28 – 20135 Milan

Registered with the Business Registry of Milan under no. 1343952

Taxpayer's code no. and VAT no. 10115350158

Report of the Board of Statutory Auditors to the Shareholders' Meeting pursuant to art. 2429, second paragraph of the Italian Civil Code.

Dear Shareholders,

during the financial year closed as at January 31st, 2015, the Board of Statutory Auditors carried out the supervisory activity set forth by the law, pursuant to the "Rules of conduct of the Board of Statutory Auditors" recommended by the Italian Board of Chartered Accountants and Accounting Consultants.

In particular, the following is reported.

The Board of Statutory Auditors supervised observance of the law and by-laws, as well as of fair management principles and we have no particular observations to make in this connection.

During the year, the Board of Statutory Auditors met seven times and took part in all the Shareholders' Meetings, Board of Directors' Meetings and Audit Committee's Meetings, held in compliance with the law and by-laws regulating them and for which it can be reasonably assured that the actions resolved are compliant with the law and the Company's by-laws and are not manifestly imprudent, hazardous, could not potentially determine a conflict of interest or compromise the integrity of the company's assets.

Pursuant to the Company's By-laws, the Board of Statutory Auditors received information from Directors on the company performance and its expected evolution, as well as on the most significant transactions in terms of size and characteristics implemented by the Company, verifying that such transactions have occurred according to the law and the Company's By-laws and they are not manifestly imprudent, hazardous, in potential conflict of interest, in contrast with the resolutions taken by the Shareholders' Meeting or such as to compromise the integrity of the Company's assets.

The Board of Statutory Auditors acquired information on the Company's organization structure which showed no inadequacy.

During the year the Board of Statutory Auditors attended periodical meetings with the Company's Supervisory Board during which the relevant information was exchanged, acknowledging the content of reports prepared by the Supervisory Board on implemented activities.

The Board of Statutory Auditors also took part in the Audit Committee's meetings, during which the two bodies exchanged the necessary information, sharing control planning activities with the Committee members, as well as the activities performed by the Internal Auditing structure.

The presence of some Statutory Auditors of the Parent Company in the Boards of Statutory Auditors of subsidiaries favour a constant exchange of information between the Board of Statutory Auditors and the corresponding control bodies of the above-mentioned subsidiaries. No facts or anomalies have emerged during the performance of this activity which need to be mentioned in this report.

The Board of Statutory Auditors evaluated and monitored the adequacy of the book-keeping and accounting system as well as its reliability for the representation of operating activities, by gathering information from the managers of functions and analysing corporate documents; no particular observation is made in this connection.

No complaints pursuant to art. 2408 of the Italian Civil Code was filed against the Company during the fiscal year closed as at January 31st, 2015.

No further significant fact to be mentioned in this report emerged during the supervising activity described herein above.

The Board of Statutory Auditors examined the financial statements as of January 31st, 2015 prepared in accordance with IAS/IFRS international accounting standards and relevant interpretation principles (SIC/IFRIC) adopted by the European Union and in force on the financial statements preparation date.

As the Board of Statutory Auditors is not required to make an analytical check of the content of the financial statements, the control body supervised over the general layout adopted and general compliance with the law of its preparation and structure, and we have no particular observations to make in this connection.

The Board of Statutory Auditors verified compliance with laws on the preparation of the Directors' Report as well as the correspondence of financial statements with the facts and information collected and no particular observations is to be made in this connection.

To the extent of our knowledge, Directors did not depart from the provisions of art. 2423, paragraph four of the Italian Civil Code.

The Board of Statutory Auditors examined the impairment test procedure adopted by directors.

The Board of Statutory Auditors verified compliance of the financial statements with the facts and information acquired during the performance of its office and we have nothing to report in this connection.

During the year, the Board of Statutory Auditors held periodical meetings with the management of the Audit Company Deloitte & Touche S.p.A., appointed to audit the Company's accounts pursuant to art. 2409-*bis* of the Italian Civil Code in order to exchange relevant data and information for the performance of their respective duties. These meetings did not give rise to any important matters requiring disclosure in this report.

In light of the above, as well as of what emerged during the meetings with the Independent Auditors, the Board of Statutory Auditors believes that no critical issue has emerged concerning the independence of the Audit Company..

On today's date, Deloitte & Touche S.p.A. issued an Independent Auditors' Report in accordance with art. 14 of Legislative Decree 39/2010, certifying that the financial statements as at January 31st, 2015 are compliant with the rules regulating their preparation criteria. They therefore give a true and fair view of the financial position of the Group and of its operations and cash flows of the period. Pursuant to art. 14, paragraph 2, letter e) of the above-mentioned Decree, the Independent Auditors' Report also certifies that the Directors' Report is consistent with the financial statements closed as at January 31st, 2015, and it does not contain any exceptions or requests for disclosures.

The Company also prepared the consolidated financial statements and consolidated directors' report.

Also with reference to these documents, the Board of Statutory Auditors monitored their general layout, their compliance with the law in terms of preparation and structure and we have no particular observations to make in this respect.

On today's date, Deloitte & Touche S.p.A. issued an Independent Auditors' Report on the consolidated financial statements certifying that the Prada Groups' consolidated financial statements as at January 31st, 2015 are compliant with the rules regulating presentation criteria and give a true and fair view of the financial position of the Group and of the results of its operations and its cash flows. Said report also certifies that the Directors' Report is consistent with the Prada Group's consolidated financial statements as at January 31st, 2015.

Lastly, after taking into account the foregoing and within the limits of our responsibility, we have not found any reasons hindering the approval of the financial statements as at January 31st, 2015, showing a net profit for the year of Euro 389,425,083, and to the appropriation of the net profit for the year as proposed by the Directors.

Milan, 27 March 2015

The Board of Statutory Auditors

The Chairman

Antonino Parisi