I consider the Web as a whole potentially connected to everything like a utopia that gives us a freedom never before seen

Sir Tim Berners Lee - 1999

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ANNUAL REPORT & ACCOUNTS 2011

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

MANAGEMENT REPORT

BASICNET GROUP - CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

BASICNET S.p.A. – SEPARATE FINANCIAL STATEMENTS AND NOTES

THE ANNUAL REPORT & ACCOUNTS 2011 HAS BEEN TRANSLATED INTO ENGLISH FROM THE ORIGINAL VERSION IN ITALIAN

Capitale Sociale Euro 31.716.672,04 i.v.
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CONTENTS

BasicNet S.p.A. Board of Directors, Board of Statutory Auditors, and Independent Auditors

Board of Directors

Marco Daniele Boglione	**Chairman**
Daniela Ovazza *	**Deputy Chairman**
Franco Spalla	**Managing Director**
Paola Bruschi ** Paolo Cafasso Giovanni Crespi ** (1) Alessandro Gabetti Davicini ** Adriano Marconetto * (1) Carlo Pavesio *	**Directors**

* Member of the Remuneration Committee

** Member of the Internal Audit Committee

(1) Independent Directors

Board of the Statutory Auditors

Massimo Boidi	**Chairman**
Carola Alberti Maurizio Ferrero	**Standing Auditors**
Fabio Pasquini Alessandra Vasconi	**Alternate Auditors**

Independent Auditors

PricewaterhouseCoopers S.p.A.

"*We draw together a huge number of businessmen worldwide for a common scope. We manage all the critical data along the offering chain. We earn service commissions for about one-third of the added value generated by the entire process, capitalizing all the enhanced value of the trademarks resulting from the development of sales. While doing so, we continue to seek out state-of-the-art computing technologies and peerless Internet integration in managing all the processes of our business.*"

Marco Boglione

NOTICE OF ANNUAL GENERAL MEETING 2012

Notice is hereby given that an Ordinary and Extraordinary Annual General Meeting of BasicNet S.p.A. will be held on the first call, and only on the first call, at 11.30 a.m. on April 27, 2012 in the registered office of BasicNet S.p.A. in Turin at 1 Largo Maurizio Vitale to consider and pass resolution on the following:

Ordinary Business:

1. To receive and adopt the Directors' Report and Annual Accounts for the year ended December 31, 2011. Related resolutions proposed as Ordinary Resolutions resulting therefrom.
2. To receive the Remuneration Report regarding the remuneration of the members of the Board of Directors, the Members of the Board of Statutory Auditors, and the Executives vested with strategic responsibilities, in accordance Section 123–*ter* of the Consolidated Finance Act.
3. To grant the authority to make market purchases or market disposals of treasury shares. Powers conferred and related resolutions proposed as Ordinary Resolutions resulting therefrom.

Extraordinary Business:

To amend Article 13 (Board of Directors, Board Committees and Delegated Officers) and Article 17 (Board of Statutory Auditors) of the BasicNet By-laws, in response to a mandatory gender quota legal and regulatory requirement. Related resolutions proposed as Extraordinary Resolutions resulting therefrom.

Right to Attend and Representation at Annual General Meeting (AGM)

Only those shareholders registered in the Register of Members of the Company at 6.00 p.m. on April 18, 2012 (the 'Record Date') and who have lodged the proof of ownership certificate released by their broker, trust or other holder of record at the Company's registered office shall be entitled to attend and/or vote at the AGM. Changes to entries on the Register of Members after that time on April 18, 2012 shall be disregarded in determining the rights of any person to attend or vote at the AGM.

A shareholder entitled to attend and vote at the AGM is entitled to appoint pursuant to law a proxy to attend, speak and vote instead of him or her. For this purpose, the Form of Proxy to be completed and returned may be accessed through the Company's website (www.basicnet.com under AGM 2012). As duly completed, the Form of Proxy can be e-mailed to the Company at basicnet@legalmail.it.

Other Rights of Shareholders

Shareholders who wish to pre-register questions to be asked at the AGM can do so using the procedures and observing the timelines published on the Company's website (www.basicnet.com under AGM 2012).

Shareholders who, separately or jointly, represent one-fortieth or more of share capital have the right to require the Company, no later than 10 days from the date of publication of this Notice, to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business. Such a request must be made in writing.

Details about such rights and related exercise thereof can be found on the Company's website (www.basicnet.com under AGM 2012).

Documentation

The integral text of the resolutions to be proposed, accompanied by the Explanatory Notes, and the documents to be submitted to the AGM, as well as the Corporate Governance Annual Report, are available for inspection at the registered office of BasicNet S.p.A., at Borsa Italiana S.p.A. and on the Company's website (www.basicnet.com under AGM 2012), within the legally required timescale.

Turin, 21st March 2012

Marco Daniele Boglione

Chairman of the Board of Directors

To the Shareholders:

In 2011, the Group continued to deliver successfully its strategic development strategy across the international marketplace, building up its global licensee network and, across the homeland, carrying forward with determination its programmed distribution channel reshaping. Honed as a result of the forceful developed were commercial results of excellence, which can be even more appreciated when viewed against the national and international market backdrop harshly dented, since the past four years, by anemic and evaporating consumption. In a nutshell, the key operational and financial performance indicators for 2011:

- as developed around the globe, Licensee Aggregate Sales up 15% year-over-year to Euro 422 million (FY10: Euro 367 million);
- performance of excellence echoing across the international marketplace, with standouts being Asia and Oceania (+78%) and the Middle East and Africa (+19%);
- royalty income and sourcing commission up 17.2% year-over-year to Euro 38 million (FY10: Euro 33 million);
- 77 new sales outlets unveiled in Italy over the course of FY11. Upbeat sales (+20% year-over-year) at single-branded shops and stores across the homeland (with Same-Stores Sales steady);
- Group net financial indebtedness mirrors a bolt-on 9.6% improvement. Reflecting growth at Euro 41.5 million are BasicNet, the parent company, available funds.

International commercial growth echoed pleasingly across the revenue-producing component, which mirrors ***royalty income and sourcing commission*** up 17.2% from the year before, stretching forward from Euro 33 million at year-end 2010 to Euro 38 million at year-end 2011, whether due to portfolio new brands spiking bolt-on territorial reach or historic brand sales volumes harnessing organic growth.

Consolidated direct sales, mainly from the homeland, amount to Euro 122 million (FY10: Euro 132 million). Primarily denting the aggregate was the crushing reality of constrained consumption and resultant financial turmoil across the distribution section in Italy, as sharpening over the course of FY11. Against this backdrop, the Group carried forward with determination its programmed distribution channel reshaping, with a keen eye steered toward switching from small-sized multi-branded shops and stores to Group-banner single-branded shops and stores. As a result of the new sales outlets unveiled over the course of the year, the total number of Group-banner single-branded shops and stores operating across the homeland stretched out to reach 257 at year-end 2011, thereby churning out franchising channel sales revenue growth in the range of 20% or more year-over-year and a substantially steady volume of Same-Stores Sales on a constant perimeter basis. The increased volumes delivered by the Group-banner shops and stores helped to recuperate to some extent only the sales revenue lost by the multi-branded sales outlets, due to some sales revenue having to be forsaken insofar as mired in multi-pronged and excessive credit risk.

The key performance indicators place in evidence trading profit allied by a consistently stronger operational and financial base.

As delivered by the parent company, **Trading Profit** reflects 72% growth, moving from Euro 4.7 million at year-end 2010 to Euro 8.2 million at year-end 2011. As at December 31, 2011, Adjusted Net Income (before the Euro 4.5 million investee impairment recorded for reasons of prudence) amounts to Euro 12.7 million (December 31, 2010: Euro 10.4 million).

Detailed below are the financial performance indicators as adopted herein:

Direct sales revenue: direct sales revenue plus royalty income and sourcing commission on purchasing
EBITDA: operating margin before depreciation and amortization
EBIT: operating margin

FY2011 BUSINESS DEVELOPMENT AT A GLANCE

The International Marketplace

The quantum leap taken by business across the international marketplace created a stronger platform from which to forge significant commercial arrangements for new territories and, not least, to evolve a number of existing partnerships for strategic-embedded territories, delivering important commercial results and earnings and, above all, compounding brand development both on the shorter or longer horizon.

Inked in respect of Kappa® brand and the Robe di Kappa® brand was an all-new licensing agreement for the territorial landscape embracing Russia, the Ukraine, Byelorussia and Kazakistan. Also inked in respect of those brands was an all-new licensing agreement for the Philippines whilst a branded underwear distribution licensing agreement was assigned for the European territorial landscape. Also seeing renewal in 2011 were brand licensing agreements for the Middle East, Hong Kong, Malta and Czech Republic territories, whilst distribution for the United States, Canada, Brazil, Panama, Peru, Colombia, Chile, Australia and New Zealand was repositioned through primary partners.

Inked in 1H2011 was an all-new Superga® brand licensing agreement for the North American markets. Also signed and sealed for that brand were licensing agreements across the territorial landscape embracing Singapore, Malaysia, Vietnam, Argentina, Paraguay, Uruguay, Bolivia, China and Hong Kong, whilst seeing renewal, through a newly identified licensee, were brand licensing arrangements for Brazil.

Looking at the K-Way® brand, renewed in 2011 was its licensing agreement for the territorial landscape embracing North America and Canada, where sales continued to spike out-performance alongside bolt-on brand breadth and depth, with an all-new licensing agreement being inked for Switzerland. Also forged in 2011 were arrangements built around creating and distributing a new line of K-Way® branded luggage.

Looking at the Lanzera® brand, seeing renewal for a three-year period was its licensing agreement for the North America and Canadian territorial landscape, across which sales were driven unrelentingly upward by the continued momentum of the brand.

Revisited over the course of 2011 were commercial relations with the Moscow-based Bosco dei Ciliegi Group, which provide for agreements built around developing the Bosco apparel collections, whether in terms of the Russian teams set to compete at the London Olympic Games 2012 and the Sochi (Russia) Olympics 2014 or the collection earmarked for the Bosco shops and stores scattered across the Russian territorial landscape.

The Italian Marketplace

Locked into a self-defeating cycle of austerity, the Italian marketplace in 2011 came face to face with higher commodity prices and rising pressure on consumers' disposable incomes, which continued to evaporate up to 4Q2011 when political events and the draconian nature of the initiatives introduced to redress public finance imbalances, compelled consumers already reluctant to spend to bend to the need for harsher frugality. Against this backdrop, BasicNet's strategy was crafted around stretching out to consumers primarily through its Group-banner shops and stores, staying one step ahead of distribution channel evolution and reaching the end-customer directly.

Accordingly, the Group remained strongly committed to unveiling *Plug@Sell®* sales outlets, which offer to multi-brand small shopkeepers an ideal solution for staying one-step ahead of evolution, with the attendant consequence being more keenly matched distribution and production resources, coupled with clear focus on the flexibility and standards set by the BasicNet business model. Ringed around powerful technological and computer-system platforms, the business model is primed toward offering a "business-in-a-box" opportunity to shopkeepers. An opportunity that enables a shopkeeper to remain more tightly focused on sales, all f which to the benefit of supporting commercial development without having to worry about investing or contending with working capital risk.

The BasicNet business model also sets its sights on investing toward product fit-out at sales outlets and, where operated and managed directly, investing toward fixed assets and human resources. Capital investment ploughed into financing the new sales outlets unveiled in 2011 amounted to some Euro 2.4 million, as well as investing toward computer-system solutions built around creating a centralized operating management platform.

Unveiled across the homeland in 2011 were 77 Group-banner shops and stores, and one Group-banner maiden store in Greece, with the attendant consequence being a capillary presence of the shops and stores flying Group banners at December 31, 2011 stretching out to reach 257 in number.

Given the economic environment currently prevailing, this strategy led to some earnings having to be forsaken also in relation to more aggressive competitive selling prices. At the same time, however, this strategy worked toward retaining market share and market foothold, thereby churning sales revenue growth in the range of 20% or more year-over-year and a substantial steady volume of Same-Stores Sales.

Sponsorships & Communication

Bolding stepping ahead throughout the review period was brand promotion nurtured by press campaigns and sponsorships. Stirring exciting acclaim across the international and national press was the cooperation forged between BasicNet and the American stylist Marc Jacobs, which led to a co-branded innovative K-Way Classic, distributed around the globe in Marc Jacobs premium stores, as well as the arrangements reached with New Balance in respect of launching the famous NB 402 model in co-branding with K-Way®.

Looking at the world of sport at the national level, other than the individual yachting events and an *ad hoc* collection created for the staff of the Tour of Italy 2011, forged over the course of the year were arrangements in respect of the technical sponsorship of the F.C. Cagliari football team. A landmark event unfolding into the onset of a collaboration that stretches beyond the customary supply of merchandize to encompass Group-branded franchising development across the territory. Also signed and sealed in 2011 was a sponsorship contract with FISI (Winter Sports Italian Federation). By way of attendant consequence thereof, Group-branded technical clothing will be supplied to all the teams competing in the differing winter sports disciplines, thereby driving through particularly significant brand visibility at the forthcoming Winter Olympics in Sochi (Russia) and, not least, the Olympic Games to be held successively in South Korea.

At the international level, seeing onset were important football team sponsorships with the Toulouse Football Club (France), the Sporting Gijon (Spain), the Black Leopard FC (South Africa), the Bulgarian National Football Team and the Jamaican National Football Team, as well as with countless football teams in Thailand, South Korea and the Arab Emirates.

Looking at events correlated to the K-Way Gallery, regaining breath of life in May 2011 at Turin Polytechnic University, after 35 years from its market debut, was the Apple 1. Unveiled in December 2011 at Turin was the "Steve Jobs 1955-2011" exhibition, the first cultural insight in Italy dedicated to the inventor and co-founder of the Apple.

New Brands

In October, BasicNet subscribed to a share capital increase in Fashion S.p.A., the titleholder to the Sabelt® brand for the fashion merchandize categories (apparel and footwear), partaking with a 50% stakeholding. Insofar as the brand's exclusive world licensee, BasicNet S.p.A. will make available its business model and all the specific applications resulting therefrom, as already made available in the past for the other more recently acquired brands.

Joining forces with K-Way® and Jesus®, the latter relaunched through a toxic-free Denim Collection, the Sabelt® brand helps to shine a light on the BasicNet Group's all-new Fashion segment.

ANALYSIS AND DISCUSSION OF KEY FINANCIAL PERFORMANCE INDICATORS FOR 2011

THE GROUP

BasicNet Group Financial Highlights

In order to ensure a more immediate grasp of the financial performance tracked over the last twelve months, the following summary table places in evidence, on a comparative basis with the year before, the key financial performance indicators of the Group:

(Accounts in Euro/'000)	**December 31, 2011**	**December 31, 2010**	**Change**	
Licensee aggregate sales *	421,795	367,491	54,304	*14.8%*
Royalty income and sourcing commission	38,086	32,508	5,578	*17.2%*
Consolidated sales revenue	121,932	132,383	(10,451)	*(7.9%)*
EBITDA	20,394	23,100	(2,706)	*(11.7%)*
EBIT	14,494	16,677	(2,183)	*(13.1%)*
Consolidated net result	8,147	8,504	(357)	*(4.2%)*
Cash flow (net result - depreciation and amortization)	14,047	14,926	(879)	*(5.9%)*
Earnings Per Share	0.1391	0.1445	(0.005)	*(3.7%)*

**Unaudited*

As developed by the Licensee Network, the breakdown of Licensee Aggregate Sales is set out below by geographic area:

	FY2011		**FY2010**		**Change**	
Licensee Aggregate Sales *(Accounts in Euro/'000))*	**Total**	**%**	**Total**	**%**	**Total**	**%**
Europe	288,655	*68.43%*	279,241	*75.98%*	9,414	*3.37%*
The Americas	11,597	*2.75%*	11,317	*3.08%*	280	*2.47%*
Asia and Oceania	90,592	*21.48%*	50,894	*13.85%*	39,698	*78.00%*
Middle East and Africa	30,951	*7.34%*	26,039	*7.09%*	4,912	*18.86%*
Total	**421,795**	***100.00%***	**367,491**	***100.00%***	**54,304**	***14.78%***

Taken as a whole, ***Licensee Aggregate Sales*** grew some 15% year-over-year. The aggregate echoes robust growth by the Asian markets, with sales revenue stretching out to reach Euro 90 million, or 78% more than the year before. Echoing across the territorial landscape embracing the Middle East and Africa was 19% growth, despite the impact caused by political disruption across the North African territory in 2011, hence confirming its role as the new business development hub. Reflecting 3% growth from the year before was the territorial landscape embracing North and South America, where distribution repositioning reached completion part way 2011 through new partners, whether for the United States and Canada or for Brazil.

International commercial growth echoed pleasingly on the earnings component, with ***Royalty Income and Sourcing Commission*** gaining 17% headway from the year before, moving from Euro 32.5 at December 31, 2010 to Euro 38 million at December 31, 2011. Largely contributing to the year-on-year increase was royalty income inasmuch as sourcing commission streams were less vibrant year-over-year, due to destocking by certain European licensees who, in consequence, downsized their sourcing and procurement.

Consolidated Sales Revenue delivered for FY11 amounts to Euro 122 million (FY10: Euro 132 million). As placed in evidence earlier, ***Consolidated Sales Revenue*** bears the brunt of anemic consumer spending and testing financial conditions across the distribution sector in Italy, as sharpening throughout the year under review. Indeed, mirroring a decline was sales revenue from multi-branded shops and stores, continuing to be adopted in respect of which was a selective credit concentration policy, which, for reasons of prudence, involves relinquishing portions of turnover growth mired by excessive credit risk. As far as sales at single-branded shops and stores are concerned, sales revenue instead gained 20% headway from the year before, also as a result of the new shops and stores unveiled in the review period.

Over the last twelve months, the ***Trading Margin on Direct Sales*** retreated from Euro 52.8 million at December 31, 2010 to Euro 45.4 million at December 31, 2011. The year-on-year decline results, particularly in 1H2011, from the unfavorable foreign followed by currencies and by sourcing costs due to surges in the cost of merchandize and/or the cost of labor. As from 2H2011, the Group remains committed to sourcing center reshaping to the benefit of licensees. Expressed in terms of percentage on the value of the sales put in place by the Italian licensee, marginality staged, moreover, a recovery in the year under review, climbing from 36.3% at March 31, 2011 to 37.2% at December 31, 2011.

Other income at December 31, 2011 came to Euro 3.3 million (December 31, 2010: some Euro 3.5 million) and relates to income delivered through marketing contributions and, not least, rental income and other fees and income received in respect of temporary licenses.

Looking at overhead, ***Media and sponsorship costs*** grew from some Euro 16.9 million at December 31, 2010 to some Euro 18 million, or 7.5% more than the year before, being a reflection of the new sponsorships sealed in 2H2011.

Over the last twelve months, the ***Cost of labor*** moved forward from Euro 15 million to some Euro 16 million (or +9%), thereby rising upward to account for 13.4% (December 31, 2010: 11.5%) when taken as a percentage of sales revenue. As at December 31, 2011, the Group employed 458 people (December 31, 2010; 440 people), or 18 full-time equivalents more than the year before. Primarily pushing through organic growth year-over-year were new Group-banner shops and stores unveiled across the homeland and, not least, stronger operational structures at the parent company resulting from commercial and design & prototyping development also in relation to the new Fashion line to which the K-Way®, Sabelt® and Jesus Jeans® brand activity has been aggregated.

Selling expenses and general & administrative retreated from Euro 33.9 million at December 31, 2010 to Euro 32 million at December 31, 2011, or 5.8% less than the year before. In line with the prior year, the reserve for the write-down of receivables, provisioned in the amount of Euro 2.2 million, increases on a percentage basis by reference to the value of the receivables in portfolio, insofar as having provided, on a comparative basis with the year-earlier period, a greater amount to cover exposure to any insolvency risk driven through by the current liquidity crunch also denting the shopkeeper system in Italy.

EBITDA at December 31, 2011 was Euro 20.4 million (December 31, 2010: Euro 23.1 million).

Amounting to some Euro 5.9 million at December 31, 2011, ***Depreciation and Amortization***, including therein the depreciation of equipment and other assets held under finance lease, retreated 8.4% from the year before. Also reflected under this account line is the Euro 242 thousand impairment adjustment recorded for reasons of prudence in relation to the items of key money recognized to unrelated parties in respect of the Italian market sales outlets.

EBIT at December 31, 2011 was Euro 14.5 million (December 31, 2010: Euro 16.7 million).

Over the last twelve months, ***Finance income/(expenses), Net***, including therein foreign exchange gains/(losses), moved from Euro 4.2 million at December 31, 2010 to Euro 3.8 million at December 31, 2011. Driving through the meaningful improvement was the substantially breakeven net foreign exchange balance recorded for the year (December 31, 2010: Euro 0.6 foreign exchange loss). The result reported is correlated to the hedging transactions entered over the course of 2H2010 and replicated in respect of maturity profiles relative to the current period. Conversely, the balance on finance expenses from the servicing of debt, and only from the servicing of debt, increased Euro 03 million, as a result of the change in the interest rate spreads occurring in the review period.

The ***Result before Taxation*** at December 31, 2011 was Euro 10.7 million, whilst ***Group Net Profit*** stretched beyond Euro 8 million (Euro 8.1 million as opposed to Euro 8.5 million in 2010).

Income taxes include current income tax and deferred income tax. The deferred tax assets relate to significant timing differences arising on the provisions recorded for reasons of prudence primarily in respect of receivables and inventory and for sales revenue restated under IFRS, totaling some Euro 13 million, which will be recovered financially in future accounting periods, as discussed in the Notes.

The Operating and Financial Highlights for the year under review are set out below on a comparative basis with the year before:

BasicNet Group Operating Highlights

(Accounts in Euro/'000)	**December 31, 2011**	**December 31, 2010**	**Change**
Proprietary property	25,177	25,980	(803)
Trademarks	32,142	31,607	535
Non-current assets	28,687	28,152	535
Current assets	124,262	135,946	(11,684)
Total Assets	**210,268**	**221,685**	**(11,417)**
Equity attributable to Group	84,880	80,240	4,640
Non-current liabilities	28,366	32,048	(3,682)
Current liabilities	97,022	109,397	(12,375)
Total Equity and Liabilities	**210,268**	**221,685**	**(11,417)**

BasicNet Group – Summary Net Financial Position (Net Financial Indebtedness)

(Accounts in Euro/'000)	**December 31, 2011**	**December 31, 2010**	**Change**
Current net financial indebtedness	(47,276)	(50,834)	3,558
Medium-term financial payables	(22,604)	(26,586)	3,982
Finance leases	(1,726)	(1,776)	50
Consolidated net financial indebtedness	**(71,606)**	**(79,196)**	**7,590**
Net Debt/Equity ratio	0.84	0.99	(0.15)

BasicNet S.p.A. – Summary Net Financial Position (Net Financial Indebtedness)

(Accounts in Euro/'000)	**December 31, 2011**	**December 31, 2010**	**Change**
Current net financial indebtedness	(8,810)	(7,735)	(1,075)
Medium-term financial payables	(6,531)	(8,906)	2,375
Finance leases	-	(3)	3
Net financial indebtedness vs. third parties	**(15,341)**	**(16,644)**	**1,303**
Financial receivables (payables) vs. Group	56,847	55,654	1,193
Net financial position vs. Group	**56,847**	**55,654**	**1,193**
Total Net financial position	**41,506**	**39,010**	**2,496**

At the consolidated balance sheet level (Statement of Financial Position), consolidated net financial indebtedness declined Euro 7.6 million, reflecting a 9.6% improvement from the prior year, with the ***Net Debt/Equity ratio*** retreating from 0.99 to 0.84. Also reflecting an improvement was the net financial position of the parent company, with available funds increasing from Euro 39 million to Euro 41.5 million, confirming a solid liquidity base.

Driving through the improvement in consolidated net financial indebtedness was cash flow generated from core-business operating activities in the amount of Euro 17 million, of which Euro 14 million by way of cash flow generated from operating activities and Euro 3 million from working capital optimized management. Achieving all this was noticeable improvement both in accounts receivable, down Euro 7 million, and inventory, down Euro 6 million, absolute terms, with the attendant consequence being capital investments internally financed in the amount of Euro 6 million, dividends paid in the amount of Euro 2.9 million, treasury shares purchased in the amount of Euro 0.9 million and the current portion of medium-term financing repaid in the amount of some Euro 4 million, thereby drawing down current net financial indebtedness by Euro 3.6 million or more.

Totaling Euro 6.3 million, capital investments relate to: computer-system programs developed (Euro 2.4 million); electronic machinery, furniture and fixtures purchased (Euro 2 million); proprietary trademark management expenses (Euro 0.8 million); leasehold improvement costs (Euro 0.6 million), and; key money by way of paid goodwill on new shops and stores unveiled (Euro 0.5 million).

PARENT COMPANY

BasicNet S.p.A. Financial Highlights

Set forth below on a comparative basis with the year before are the Financial Highlights reported by BasicNet S.p.A. for the year ended December 31, 2011:

(Accounts in Euro/'000)	**December 31, 2011**	**December 31, 2010**	**Change**	
Royalty income and sourcing commission	19,230	17,788	1,442	*8.1%*
Direct sales revenue and other income	9,809	8,452	1,357	*16.1%*
EBITDA	9,644	6,401	3,243	*50.7%*
EBIT	8,161	4,740	3,421	*72.2%*
Dividends from subsidiaries	7,500	7,784	(284)	*(3.6%)*
Investee impairment	(4,500)	-	(4,500)	*100%*
Net result for the year	8,248	10,352	(2,104)	*(20.3%)*

The operating and financial data included in the separate financial statements of the parent company resonate the business development examined and discussed at the level of the consolidated financial statements and, more specifically, with regard to the operating segment built around trademark and license operational management.

Direct sales revenue and ***Other income*** gained 16% headway, increasing from Euro 8.4 million to Euro 9.8 million. ***Other income*** at December 31, 2011 came to Euro 6.8 million and includes intragroup support service fees charged to BasicItalia S.p.A., Basic Trademark S.A., Superga Trademark S.A. and Basic Village S.p.A. for an amount totaling Euro 6.6 million.

Overhead remains substantially in line with the year before. Amounting to Euro 9.6 million, ***EBITDA*** grew Euro 3.2 million from the year before (December 31, 2010: Euro 6.4 million), hence reflecting totally revenue growth. After provisioning ***depreciation and amortization*** in the amount of Euro 1.5 million, ***EBIT*** harnessed 72.2% sparkling growth year-over-year at Euro 8.2 million.

Distributed to BasicNet S.p.A. by the subsidiary BasicProperties B.V. were dividends in the amount of Euro 7.5 million as a result of the financial proceeds resulting from the dividends paid by the Group companies, as held by the latter.

As a result of testing for impairment the respective carrying amounts of the investees, the carrying amount of the investment in the subsidiary BasicItalia S.p.A. has been written down in the amount of Euro 4.5 million. As discussed earlier, the critical challenges posed by the Italian marketplace, the investee’s key market outlet, set the need for meaningful investment in terms of profitability relinquished in order to embed the commercial footprint goals and objectives linked to the market shares captured, waging at the same time a strategy crafted around reshaping the distribution channels, the beneficial effects of which are not expected to unfold on the immediate horizon. As performed in the manner discussed in the Notes, the impairment test culminated into the investee’s carrying amount being written down.

After provisioning current and deferred taxation in the amount of Euro 3.1 million, the **Net result** delivered for the year was some Euro 8.2 million positive (December 31, 2010: Euro 10.4 million).

BasicNet S.p.A. Operating Highlights

(Accounts in Euro/’000)	**December 31, 2011**	**December 31, 2010**	**Change**
Non-current assets	4,583	4,164	419
Brands	5,793	5,741	52
Investments	16,568	14,160	2,408
Current assets	71,813	74,615	(2,802)
Total Assets	**98,757**	**98,680**	**77**
Equity	69,711	65,158	4,553
Non-current liabilities	8,973	10,761	(1,788)
Current liabilities	20,073	22,761	(2,688)
Total Equity and Liabilities	**98,757**	**98,680**	**77**

As parent company, BasicNet S.p.A. performs the Centralized Treasury or Cash Pooling functions. Intercompany net creditor positions at December 31, 2011 increased Euro 1 million from the year before, primarily by way of reflection of support preferred primarily in respect of the financial requirements of the subsidiary BasicItalia S.p.A.

As adjusted to reflect the outcome of the impairment test, the investee's carrying amount was increased in the wake of the steps taken in the year under review to strengthen the capital base of the subsidiary BasicItalia S.p.A.

Medium to long-term loans are secured by loan facility agreements, specific guarantees and restrictions on the controlling stakeholder structure, as well as covenants setting out the required operating, performance and financial ratios, applicable to reported Group data, all of which have been observed.

Non-current assets increased Euro 3 million by way of reflection of fixed asset additions, Euro 1.4 million of which relating to the strategic computer-system section. The related carrying amount thereof is stated on a net basis, i.e. net of depreciation and amortization expense for the period in the amount of some Euro 1.5 million.

Equity as at December 31, 2011 stretched forward to Euro 70 million (December 31, 2010: Euro 65 million) and, as placed in evidence above, **Net Financial Position** was Euro 41.5 positive, reflecting an uplift year-over-year (December 31, 2010: Euro 39 million).

RECONCILIATION OF NET PROFIT AND EQUITY OF THE PARENT COMPANY AS AT DECEMBER 31, 2011 TO CONSOLIDATED NET PROFIT AND CONSOLIDATED EQUITY FOR THE YEAR THEN ENDED

The following table reconciles net profit and equity of the parent company as at December 31, 2011 to consolidated net profit and consolidated equity for the year then ended.

(Accounts in Euro/'000)	**Net profit**	**Equity**
As per BasicNet S.p.A. separate financial statements	**8,248**	**69,711**
Effect of accounting for net result and net equity reported by the consolidated subsidiaries	2,899	15,169
Effect of eliminating dividends received from Group companies	(7,500)	-
Effect of reversing the write-down of investments recorded in the parent's separate financial statements	4,500	-
As per consolidated financial statements	**8,147**	**84,880**

BASICNET LISTING

The share capital of BasicNet S.p.A. is represented by 60,993,602 ordinary shares, par value Euro 0.52 each.

The following table presents key stock exchange and listing data for FY2011 and FY2010:

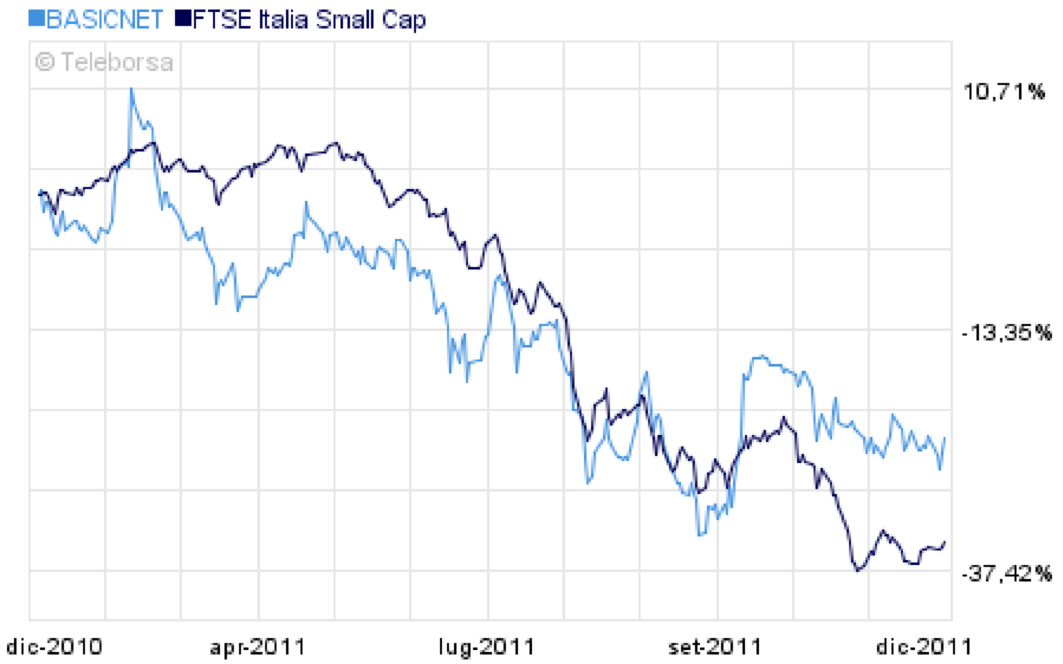
STOCK EXCHANGE & LISTING DATA	**12/31/2011**	**12/31/2010**
Earnings per share	0.1391	0.1445
Equity per share	1.392	1.316
Dividend per share (*)	0.05	0.05
Pay-out ratio	35.3%	34.5%
Dividend yield (**)	2.3%	2.0%
Price at year-end	2.108	2.756
Maximum price	3.068	3.225
Minimum price	1.862	1.915
Share price/Equity per share	1.515	2.095
Stock Exchange capitalization (Euro/'000)	128,586	168,122
Number of shares representing share capital	60,993,602	60,993,602
Number of shares in issue	58,581,874	58,838,540

(*) for financial year 2011 as proposed at Annual General Meeting
(**) using share price struck on March 20, 2012: 2.16

Over the course of 2011, the route followed by stockmarket returns across the equity markets was harshly affected by the mood of pervasive uncertainty driven through by national and international political and macroeconomic events cascading throughout the year. Against this backdrop, the BasicNet listing performance from January 1, 2011 through December 31, 2011 was 24.43% negative, albeit lagging lesser than the FTSE Italia Small Cap Index (-34.44%). As from year onset, BasicNet Share performance gained some 2%, in line with FTSE Italia Small Cap Index.

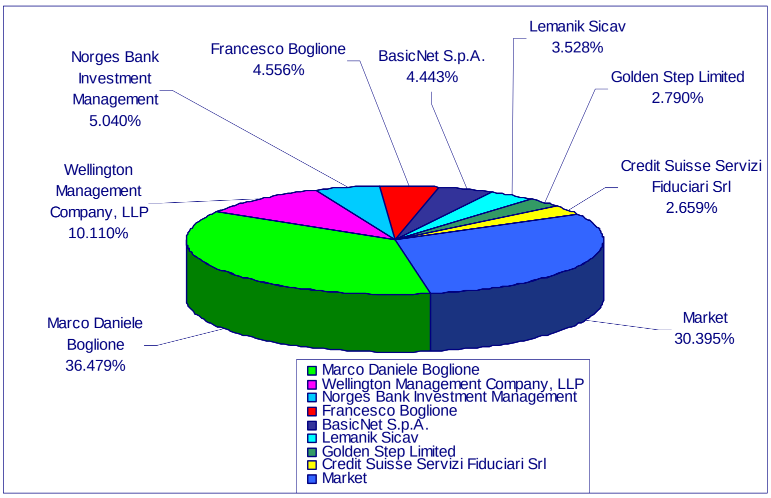
BASICNET SHARE PERFORMANCE

BasicNet Share performance over the course of 2011 is portrayed in the following chart (Source: Borsaitaliana.it):



Based on information available and other communications received pursuant to Consob Regulation 11971/99, the more significant stakeholders as at December 31, 2011 are the following:

Stakeholders	% stake
Marco Daniele Boglione (*)	36.479%
Wellington Management Company LLP	10.11%
Norges Bank Investment Management	5.04%
Francesco Boglione	4.556%
BasicNet S.p.A.	4.443%
Lemanik Sicav	3.528%
Golden Step Limited	2.790%
Credit Suisse Servizi Fiduciari S.r.l.	2.659%
Market	30.395%



(*) of which 36.187% held indirectly through BasicWorld S.r.l. and residual 0.292% held directly.

THE GROUP AT A GLANCE

The BasicNet Group is a major player in the sector of branded casual and leisurewear, sportswear, footwear and accessories with an outstanding collection of world-class registered brands, including Kappa®, Robe di Kappa®, K-Way®, Superga®, AnziBesson®, Sabelt®, Lanzera® and Jesus Jeans®.

The activity pursued by the Group unfolds into growing the value of its registered brands and proliferating branded product market positions through a global network of independent licensees. 'Network' means a business-to-business platform using the most efficient and value-creating route to market. Hence, the name BasicNet. The Licensee Network stretches ubiquitously across all key markets.

The Group is helmed by BasicNet S.p.A. – the parent company headquartered in Turin and publicly quoted in Italy.

STRENGTHS

Group strengths are consistent with its strategic priorities, as established and pursued since incorporation. These are focused around:

1. *Brand Positioning*
2. *Business System*
3. *Web Integration*

1. Brand Positioning

BasicNet Group brands occupy a key position in the sector of branded casual and leisurewear, a fast-growth market right from the end of the Sixties that continues to blaze ahead thriving on the progressive "liberalization" of informal and casual fashion trends.

is the brand for a wide range of sports enthusiasts extending from beginners to athletes and is tailored to the preferences of sports enthusiasts who put a premium not just on playing well but looking good and youthful in stylish sportswear that is both functional and technical and where new designs and colors abound. The Kappa® Collections also embrace footwear and accessories designed and created for the world of sports to ensure outstanding performance. The Kappa® brand is the sponsor at the global level for distinguished teams in the field of football, rugby, basket, volley, F1, rally, ski, sailing, golf, fencing and martial arts and, not least, the sponsor for a variety of sports federations, largely in Italy.

is the brand combining the sporty with the chic designed for people using fashionable sportswear as everyday clothing. And given its practicality, quality and affordable pricing, this sporty yet chic look is likely to become a permanent fixture of many people's wardrobes.

is the accessories and footwear brand for leisure and fun lifestyle created for those who want to be comfortable without abandoning fashionable designs, color, style and quality. The Superga® Collections cater for the demands of a transversal public and for all ages.

is the brand for ski technical collections, dedicated to athletes who need high quality, technical-functional clothing but are interested in design of excellence and unmistakable Italian styling. Holding 50% proprietary title to the brand, the BasicNet Group is the brand's sole and exclusive licensee at the world level.

is the prestigious footwear and apparel brand for the world of football. The brand was acquired by the BasicNet Group in a strategic intent to use its operating platform to introduce the Lanzera® brand in the United States.

Seeing creation in 2011 was Fashion, the Group's divisional new entry, manned by the following Bands:

is the iconic jeans brand, drawing breath of life in 1971 from the creative-thinking of the youngsters Maurizio Vitale and Oliviero Toscani. With a collection of jeans marking the return of the Jesus® historic brand, the brand was re-launched on the market in 2011 with a toxic-free (as printed inside each and every piece) denim collection, the manufacturing process of which can be traced back through a label-printed stand-alone number, thus rendering each and every machining phase readily identifiable and transparent.

is the totally waterproof jacket of excellence: classic, modern, technologic, functional and colored. K-Way® Collections include historic jackets with heat-sealed zip, that can be folded in a small bag and are made of waterproof, windproof, warm and breathable materials, as well as fashionable clothing and accessories, which feature the same characteristics of practicality and functionality.

is the top-end footwear brand for leisure, sport and formal occasions, created in the world of the automobile industry and racing. This is positioned in the Fashion market segment. As from October 2011, BasicNet Group is titleholder to 50% of the brand for the fashion merchandize categories (apparel and footwear) and, not least, the brand's exclusive world licensee. Brand relauching began at the latest Pitti catwalk in Florence, where the first collection created by BasicNet Research & Development was presented.

2. The BasicNet Business System

The BasicNet Group has modeled its development around a business-to-business “network” platform, identifying the licensee as the ideal partner for proliferating, distributing and sourcing its products around the globe and approaching the licensee not just in the role of a product provider but in the role of a fully-fledged integrated services provider with a multi-pronged offering, or, should we say, with opportunities for business.

Innovative, flexible and modular, the BasicNet Business System has enabled the Group to grow rapidly, while retaining a lean and agile structure: a great business cascading into a myriad of businesses interconnected by a single data-rich digital platform entirely integrated to the Network via Internet and studied for real-time sharing and maximum data exploitation.

Also, the BasicNet Business System has been conceived and structured in such a way as to allow development headroom for internal lines (new licensees and new markets) and for external lines (new brands developed or acquired, and new lines of business).

The manner in which the Business System functions is extremely simple. Helmed by the BasicNet Group are the following strategic activities:

- product research and development;
- global marketing;
- Information Technology, i.e. the creation of new software enabling on-line management of all the processes along the offering chain;
- coordination of manufacturing and commercial data streams exchanged within the Licensee Network; and
- strategic finance.

Entrusted to the licensees, according to territorial base or specific merchandize category, is product distribution to retailers, local marketing, territorial logistics and working capital funding.

Identical model has been replicated in respect of manufacturing licensees (Sourcing Centers) tasked with managing the production flows of BasicNet branded finished products, which are distributed to the commercial licensees in their relative areas of competence.

As part of developing its Business System, the Group has also created the system of direct sales to the general public, for the time being developed primarily by the Italian Licensee (BasicItalia S.p.A.), which is held directly. The Retail Business Model responds to the Plug&Sell philosophy; in other words, a web-integrated sales management system equipped with a business platform having the capability to operate and manage all the day-to-day activities of a shop in real time, from orders to inventory management and from accounting to staff training (pre-opening and continuative), and always on-line.

Looking at the BasicItalia Retail Project, differing banners have been developed and assigned to the three primary retail levels (store formats) through which the Group enters into the market of direct sale to the general public across the homeland. More pointedly:

- (FIRST LEVEL OR STORE FORMAT): single-branded shops located in historical centers, high-streets or shopping centers with specific franchising arrangements;
- (SECOND LEVEL OR STORE FORMAT): Brand Outlets located in Outlet Villages;
- (THIRD LEVEL OR STORE FORMAT): “alloSpaccio” discount stores located in trade-converted commercial or industrial parks.

All three of the store formats have been developed in a strategic design to replicate in number and diverse market conditions.

3. *Web Integration*

The IT platform represents one of the Group's key strategic investments to which a keen eye is steered, whether in terms of human resources or Business System development flagship.

The IT platform has been conceived and developed with clear focus posed on seamless Web integration, as interpreted by the Group to be the ideal tool enabling communication between the elements making up the Network.

In consequence, the Information Technology division is engaged in designing and implementing electronic data processing and transmission systems enabling link-up between BasicNet Network licensees and within or outside the organization.

Against this background, the business format has been designed and underscored by e-processes, i.e. "*.com*" divisions, each one of which plugs into the production process and exchanges or negotiates with other divisions, all of which on-line.

GROUP STRUCTURE

The Group is structured around International and Italian operational companies grouped into three operating segments:

- license operational management (Business System);
- proprietary licensees; and
- property operational management.

The **Business System operating segment** includes: the parent BasicNet S.p.A.; the companies with proprietary title to the trademarks of Basic Trademark S.A. and Superga Trademark S.A., both of which headquartered in Luxembourg, operating with a homeland branch; AnziBesson Trademark S.r.l.; Fashion S.p.A.; the services company BasicNet Asia Ltd., headquartered in Hong Kong; Basic Properties B.V. in the Netherlands, and; the sub-licensee companies Basic Spain S.L. in Spain, and Basic Properties America, Inc. in the USA.

Other than the activity developed directly by BasicNet S.p.A., as discussed earlier, the activity pursued by the other companies culminates into granting under concession BasicNet Group intellectual property rights to the diverse licensees, administering and managing the related contracts and royalty streams resulting therefrom.

Proprietary Licensees are represented by BasicItalia S.p.A. and its subsidiaries.

BasicItalia S.p.A. operates as licensee for the utilization and development of BasicNet intellectual property rights and all branded products for the Italian territory. This is the licensee and 'incubator' for testing Group development projects.

BasicItalia S.p.A. is titleholder to important technical sponsorship and merchandizing contracts, also at international visibility level, which also work toward the benefit of the Group and the Network.

Through its subsidiaries RdK0 S.r.l., alloSpaccio S.r.l. and BasicOutlet S.r.l., BasicItalia also operates and manages a number of franchised retail outlets operating under the Group banners. Through BasicCRS S.r.l., BasicItalia provides services relating to or arising from Group branded product sales and aftermarket sales.

Property operational management is helmed by Basic Village S.p.A. The latter is proprietor to the production facilities formerly owned by Maglificio Calzificio Torinese. Renovated in 1998 by way of property preservation, this is where the BasicNet Group is headquartered and where other operations, whether Group or otherwise, are housed.

PRIORITIES AND GROWTH HEADROOM

The Group's primary objective is to strengthen its leadership position at the global level identifying opportunities to enhance the value of trademarks.

The Group pursues all this by:

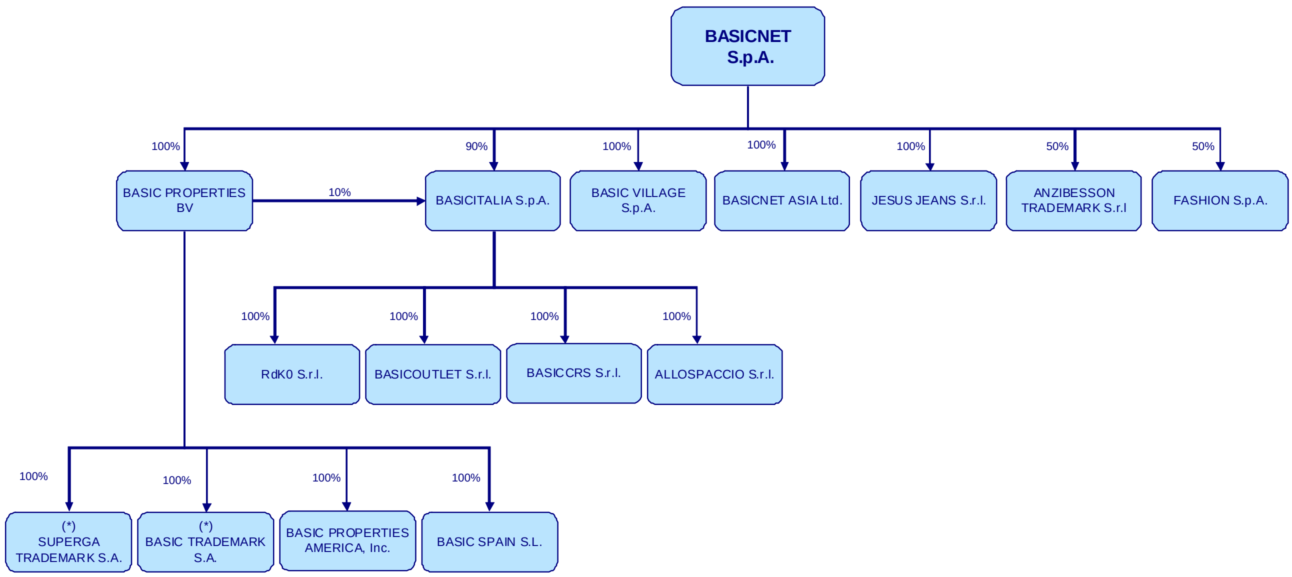
- compounding and broadening proprietary trademark footprint across the assigned territorial landscape, through steps taken to support licensee business growth on a Business System consistent basis;

- broadening trademark territorial reach through steps taken to seek out qualified new licensees, especially in respect of the more recently acquired brands;

- the Retail Project enabling licensees to enhance their market presence and, moreover, to reach end-customer more effectively; and

- examining new opportunities for new market development and investment.

The following chart sets out the organizational framework of the BasicNet Group at December 31, 2011:



(*) Branch established in Italy with effect from January 1, 2010

Fashion S.p.A. - acquired on October 3, 2011

THE HUMAN RESOURCES

As at December 31, 2011, the Human Resources of the Group numbered 458, as analyzed below:

	Human Resources at December 31, 2011				Human Resources at December 31, 2010			
Employee category	Number		Average age		Number		Average age	
	Male / Female	Total	Male / Female	Average	Male / Female	Total	Male / Female	Average
Managers	13 / 8	21	47 / 47	47	12 / 9	21	48 / 47	47
Supervisors	1 / -	1	49 / -	49	1 / -	1	48 / -	48
Clerks	127 / 279	406	33 / 35	34	119 / 267	386	33 / 34	34
Workers	16 / 14	30	41 / 42	41	16 / 16	32	40 / 43	41
Total	157 / 301	458	34 / 35	34	148 / 292	440	35 / 35	34

Source: BasicGuys.com

Primarily pushing through year-on-year organic growth (18 full-time equivalents) were the directly managed and operated new sales outlets unveiled over the course of the year and the stronger *Basicsample.com* structure, as built up in relation in the Fashion new entry. Also nominated in the year under review were three managers.

Carried forward successfully over the last twelve months was the *BasicEducation* Project steered toward training on-line personnel to bring greater focus and coordination to our franchising activities and, as part of nurturing tomorrow's talent, to develop the capabilities that the Human Resources of the Group are going to need in the future:

- 991 hours of on-line distance training (without tutor);
- 3,500 hours of training with student tutor or at pilot shops and stores;
- 672 trained students (employees and franchisees).

As fine-tuned over the passage of time, put in place back in 2004 were certain steps designed toward finding the right working patterns to meet the needs of the Group while achieving a good work/life balance its employees: *Banca-ore* enables employees to make a more flexible use of overtime; reversing Part Time made available to employee mothers with small children; *BasicCare* desk where employee day-to-day errands and payments can be delegated to a BasicCare staff member, and; *BasicGym*, which organizes, with effect from September 2011, gym courses for Group employees and team members.

In February 2012, BasicNet inked a protocol of understanding with the Municipality of Turin, by virtue of which all the «human resources» of the BasicNet Group can access the *TorinoFacile* services, the City of Turin's on-line services counter, «without having to leave their workdesk». In fact, by entering the Company's website (www.basic.net), the employees are recognized on log-in without having to digit their Tax I.D. Number or other passwords to attain access to the service, thereby enabling them to request the anagraphic or civil status certificates they or their family members need without having to book an appointment with the respective municipal offices.

Industrial health and safety are values shared by all the human resources. In acknowledgement thereof, the parent company and its subsidiaries have drawn out the "Measuring Risk Report" required under Italian Decree-Law 81/2008.

PROTECTING THE ENVIRONMENT

Protecting the environment represents a key factor for the competitiveness and sustainability of the Group. Protecting the environment essentially unfolds into ensuring that the Group makes the lightest possible impact on the environment and observe local environmental requirements. Through *Web Integration*, the Group's governing objective since 1999 is to avoid the use of paper: indeed, the IT platform is the one and only means of communication between the elements making up the Network, from procedure control to HR administration, thereby reducing to a minimum the use of paper. Also, the Group uses a scanner archive system throughout the operating cycle, scanning almost all mandatory accounting records and ledgers and, not least, payroll management documents.

MAIN RISKS AND UNCERTAINTIES

As a global business, the BasicNet Group is subject to a variety of risks identifiable at the strategic, market and financial level, as well as other risks arising in the normal course of business.

Strategy Risk
This arises from factors that might compromise the valorization of the trademarks that the Group implements through its Business System. The Group must guarantee the capability to identify new business opportunities and territorial development opportunities identifying structurally appropriate Licensees for each and every market. The Group is structured to monitor on-line the operations conducted by its licensees and, moreover, to detect eventual anomalies in the operational management of the trademarks for the differing territories.

Risk associated with General Economic Conditions
The Group retains that its Business System has the flexibility needed to rise swiftly to the challenges posed by muted consumer tastes or by a localized and confined consumer slowdown. However, the Group may be exposed to periods of deep economic recession or deteriorating credit markets that could reshape consumer propensity and, more generally, that could reshape the economic environment of reference.

Foreign Exchange Risk
As a global business, the Group is exposed to foreign exchange risk either arising from merchandize purchases or royalty income and sourcing commission billed to licensees and sourcing centers outside Euroland. Most of those items of income are denominated in U.S. dollars and, to a marginal extent, in Pound Sterling and Japanese Yen.
The risk arising from fluctuations in the U.S. dollar on product purchasing prices are measured, on a preliminary basis, when drawing out budgets and finished product price-lists, so as to cut-off the effect that such fluctuations might have on selling profit margins.
Successively, as part of Group centralized treasury and cash pooling ordinary activities, cash inflows denominated in foreign currency, arising from royalty income and sourcing commission collected, are used to finance merchandize payment outflows denominated in foreign currency.
Cash outflows denominated in foreign currency not hedged by cash inflows, or in circumstances where collections and payments are significantly staggered, hedging transactions are put in place using forward contracts on foreign currency purchases or sales.
Group policy prohibits speculative transactions, and no trading in financial instruments is undertaken.

Credit Risk
Group trade receivables stem from royalty income and sourcing commission billed to Sourcing Centers or revenues from the sale of merchandize.
Royalty income receivable is mainly secured by bank guarantees, letters of credit or guarantee deposits, released by licensees. On a par basis, sourcing income receivable is secured by debtor outflows by the subsidiary BasicItalia S.p.A. to the relevant Sourcing Centers.
Receivables from Italian footwear and apparel retailers, helmed by the subsidiary BasicItalia S.p.A., are monitored continually by a credit assessment team, in collaboration with credit rating firms and Regional Credit Assessment Centers across the territory, upon customer-order award. As covered by insurance, foreign trade accounts receivable by the subsidiary BasicItalia S.p.A., arising from Superga or K-Way® branded merchandize sold across Europe, are collected by a qualified credit collection agency.

Receivables from single-branded store franchisees are settled weekly on a basis consistent with the merchandize they sell, and not exposed to insolvency risk.

Liquidity Risk

The sector in which the Group operates is exposed to seasonal bias, the effects of which unfold from when the merchandize is sourced until such merchandize is sold, especially in the case of products purchased in markets where, although the costs of production might be more favorable, the lead time is much longer. Such seasonal bias also impacts the Group's financial cycle.

Medium to long-term loan facilities and the guarantee received by way of securing the Rome FC sponsorship contract are subject to key financial performance indicators (covenants), the non-observance of which could result in the loan facility or guarantee being withdrawn. The covenants have been duly observed

Short-term debt, which finances the commercial activity, is represented by "financing on imports" and "self-liquidating bank advances", whether secured by commercial portfolio or current account exports.

The Group manages liquidity risk by controlling the items making up working capital items with a keen eye steered toward monitoring the level of inventory, receivables, supplier payables and treasury. As reviewed by top management, liquidity risk reporting is made in real time or, where applicable, on a monthly basis or, as may be needed, more frequently.

Interest Rate Risk

Where applicable, exposure to interest rate fluctuations on medium-term loans and financing has been mitigated by swapping variable rates of interest into fixed.

Risks associated with Tax or Legal Litigation

The Group may be party to tax or legal disputes relating to critical issues differing in nature, and subject to the jurisdiction of diverse countries or states. Given the uncertainty inherent thereto, it is difficult to predict with certainty the financial outlay that could result therefrom. Furthermore, the Group is defendant in lawsuits undertaken to protect its Brands or its products against counterfeiting. Lawsuits and litigation undertaken against the Group frequently stem from complex legal issues, which are subject to a differing degree of uncertainty, including therein the facts and circumstances inherent to the individual lawsuit or litigation, the jurisdiction and the differing applicable laws.

In the normal course of business, Management consults with its legal and/or tax advisors. The Group makes provision for a liability in respect of eventual lawsuits or litigation when a financial outlay is deemed to be more likely than not and when the amount of the losses that would arise therefrom can be reasonably estimated.

By judgment pronounced on February 29, 2012, the Court of Milan accepted the action to obtain revocation pursuant to Section 2901 of the Italian Civil Code and Section 66 of the Italian Bankruptcy Law - Royal Decree No. 267 of March 16, 1942 – requested by the bankruptcy trustee (i.e. official receiver) of Formula Sport Group S.r.l. in relation to the K-Way® trademark deed of acquisition signed on January 31, 2004 with Formula Sport Group S.r.l. at that time *in bonis*, under the aegis of the Court of Monza pending before which was admission to a pre-bankruptcy procedure by the said Formula Sport Group S.r.l., as subsequently filed. As referred to above, the judgment given in first instance declared the aforesaid K-Way® trademark deed of acquisition to be ineffective solely with respect to Formula Sport Group S.r.l. (in bankruptcy). It therefore follows that proprietary title to the K-Way® trademark remains vested, pending completion of all legal remedies, in the Company. The judgment was pronounced in the wake of a judgment within which the Company challenged firmly the assumptions for the action to obtain revocation placing, among the other things, in evidence – based on documentary evidence – the absence of prejudice to the creditors of Formula Sport Group S.r.l., also taking into account the fairness of the purchase price consideration paid. In consequence, strong in the belief that the judgment is based on erroneous and, under multi-pronged aspects, censurable argumentation, the Company believes, based on the opinions expressed by its legal advisors and consultants, that there are valid reasons, whether substantive or judicial, to retain that the judgment will be overturned, upon court of appeal hearing, and, as such, the related risk, if any, arising therefrom is deemed to be remote in nature.

As part of its business activity, BasicNet and some Group companies are currently subject to tax reassessment, in respect of which no quantification can be made at the time of writing with regard to any factual findings.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Proposed part way March 2012 to Fashion Network S.p.A., undergoing bankruptcy in the interim period, was acquisition of the business line operating and managing a string of outlets and factory outlet stores. The proposal provides for the acquisition of 22 multi-branded sales outlets, 13 and 9 of which are Outlets and Factory Outlet Stores, respectively, in exchange for a purchase price consideration of Euro 440 thousand; the proposal also provides for the acquisition of inventory extant at the sales outlets in exchange for a price consideration of Euro 950 thousand and, not least, for taking over no more than 60 of the staff members employed at those sales outlets. The proposal arrangements provide for a business line rental period taking effect from March 2012 and up to the date on which the assigning judiciary auction takes place, in respect of which there is a pre-emption right. Should the proposal be accepted, the Group would gain a significantly bolder footprint across the Italian outlet center landscape, thereby accelerating the franchising project thrust.

Unveiled across the homeland in 1Q2012 was 1 RDK® stores and 9 Superga® Shop stores, whilst unveiled across the Greek territorial landscape was 1 RDK® store and 2 Superga® Shop stores.

BUSINESS PROSPECTS

In the months that lie ahead, the Group will continue to focus on building up the Production & Commercial Licensee Network with a keen eye steered toward maximizing the advantages unfolding from the network's seamless and capillary market reach, all of which in a strategic intent to assure bolt-on royalty and sourcing commission streams.

Looking at the Italian market, the business transaction crafted around the Fashion Network new outlets provides for full-rate operations after, and only after, eventual business line award. Along with slowing demand across the homeland, this condition will echo its way across the Group income statements for FH2012, placing in evidence an expected comeback in the second half of the year.

Whilst consensus expectation for the year as a whole remains difficult to define, the step-actions put in place to regain profitable sales in Italy and organic growth for the licensing international activities, FY2012 hopefully continues to transpire a positive tone.

MOTION PROPOSED AT THE ANNUAL GENERAL MEETING

Motion to receive and adopt the Directors' Report and Annual Accounts for the year ended December 31, 2011. Related resolutions proposed as Ordinary Resolutions resulting therefrom.

To the Shareholders:

We submit for your approval the Annual Report & Accounts at December 31, 2011 accompanied by the Report of Directors on the Results of Operations for the year then ended, recommending that the net profit of Euro 8,247,741.07 be allocated as follows:

-	to the Legal Reserve	Euro	412,387.05
-	to each of the 58,283,602 ordinary shares in issue (less 2,710,000 treasury shares held at March 21, 2012), a dividend of Euro 0.05, before withholdings pursuant to law, for an amount of	Euro	2,914,180.10
-	to Retained Earnings for a residual amount of	Euro	4,921,173.92

Payment of the dividend will be from June 21, 2012, with coupon detachment on June 18, 2012. The dividend will be payable on the shares in issue (excluding shares already held in treasury) as at the date of coupon detachment.

If, at the date of coupon detachment, the shares having dividend right are less in number than that specified above by virtue of treasury share purchases, if any, put in place by the Company, it is hereby recommended that the relative dividend be allocated to Retained Earnings, as so should be allocated any roundings recorded on payment of the dividend.

Turin, 21st March 2012

By Order of the Board of Directors

Marco Daniele Boglione

Chairman

OTHER INFORMATION

TREASURY SHARES

Based upon the programmed purchases of treasury shares, authorized by the Annual General Meeting held on April 29, 2011, and effective until the Annual General Meeting approves the Annual Report & Accounts 2011, the number of shares purchased as treasury shares by the Company under that authority was 426,500 (or 0.699% of share capital) at the Board meeting date. In consequence, BasicNet currently holds 2,710,000 treasury shares (or 4.443% of share capital) representing an aggregate capital investment of Euro 4,414,307.

The Group shall carry forward in the year ahead the programmed treasury share purchases, submitting to the Annual General Meeting the proposed authorization renewal. The purpose of the proposed resolution is to endow the Company with a useful tool to make market purchases of treasury shares within the framework of current operations, whenever the performance tracked by stockmarket quotations or the volume of available funds would be such as to render the purchase appropriate, or, on a basis consistent with Group strategy, within the framework of projects in relation to which the opportunity for share exchanges crystallize.

STOCK OPTION SCHEME DISCLOSURES

At the time of writing, no Stock Option Schemes whatever are in place**.**

SHARES HELD BY DIRECTORS AND STATUTORY AUDITORS

Information about the shares held by Directors and Statutory Auditors can be found in the Remuneration Report. Along with the AGM 2012 documentation, the Remuneration Report can be accessed through the BasicNet Group website at www.basicnet.com.

RELATED PARTY TRANSACTIONS

During the period, there were no transactions, including intragroup, with related parties which qualified as unusual or atypical. Any related party transaction formed part of the normal business activities of the Group. Such transactions are concluded at standard market terms for the nature of the goods and/or services offered.
Information about related party transactions can be found in Note 39 to the separate financial statements.
Intragroup transactions, which substantiate into merchandize purchased and services rendered, are neither designated as atypical nor unusual, and fall within the normal course of business conducted by the BasicNet Group companies. Intragroup transactions are eliminated on consolidation.
The effects arising from transactions between BasicNet S.p.A. and its subsidiaries are placed in evidence in the parent company's separate financial statements and in the related Notes thereto.
The Board of Directors approved on October 29, 2010 the procedure relating to transactions with related parties, the related content of which is summarized in the Report on Corporate Governance and Ownership Structures. The integral version of the procedure may also be accessed through the BasicNet Group website (www.basicnet.com under BasicNet Corporate Governance).

MANAGEMENT AND COORDINATION

BasicNet S.p.A. is not subject to management and coordination pursuant to Article 2497 *et seq.* of the Italian Civil Code and has independent decision-making powers to govern its financial and operating policy decisions.
BasicNet S.p.A. is not subject to management and coordination by Basic World S.r.l., the company that holds a 36.187% stake in share capital, inasmuch no restriction whatever exists, whether defined by contract or through organizational procedures, on the independent decision-making powers of BasicNet S.p.A.
Pursuant to Article 2497-*bis* of the Italian Civil Code, its Italian subsidiaries, whether held directly or indirectly, have identified BasicNet S.p.A. as the entity exercising management and coordination. This activity consists in indicating the general strategic and operating guidelines of the Group and takes tangible form in the definition and updating of the System of Internal Control and the Corporate Governance model, and ensuring observance of the Code of Conduct & Best Practices applied Groupwide. In addition thereto, coordination of the Group, again with reference to the Italian companies of the Group, provides for centralized management at BasicNet S.p.A. of treasury or cash pooling, personnel, corporate and accounting internal audit and Information Technology.
The foregoing enables economies of scale, and appropriate management control and coordination.

Along with the subsidiaries BasicItalia S.p.A., Basic Village S.p.A. and Rdk0 S.r.l., the parent company has adhered to the national tax consolidation program pursuant to Article 117 *et seq.* of the Italian Income Tax Code (TUIR – Italian Presidential Decree 917 enacted on December 22, 1986), for the three-year tax period 2009, 2010 and 2011 and, with effect from FY2010, with the subsidiaries BasicOutlet S.r.l. and BasicCRS S.r.l.

Subsidiaries having registered office outside the European Union

In accordance with Section 39 of the Financial Market & Stock Exchange Regulation issued by Consob, and having regard to the "Conditions for the listing of shares of companies with control over companies established and regulated under the law of non-EU countries" pursuant to Section 36 and Section 37 of the Regulation referred to above, it is hereby attested that, based on the balance sheet and the income statement data at December 31, 2011 and in application of the material significance level defined for consolidation purposes (as identified pursuant to the provisions of Title VI, Chapter II, of the Regulation for Issuers): the subsidiary Basic Properties America, Inc., having its registered office in Richmond (Virginia, U.S.A.) is of material significance for the purposes of the Regulation referred to above. As a consequence thereof, the provisions of Section 36 of the Financial Market & Stock Exchange Regulation have been complied with inasmuch as BasicNet:

- makes available to the public the statements of account of Basic Properties America, Inc.;
- receives from such subsidiary and holds on file at its registered office the related articles of association, the composition of the board of directors and the powers of control of the corporate bodies thereof. Such documentation is updated periodically in the light of the resolutions adopted at the subsidiary's board meetings and/or shareholders' meetings;
- the subsidiary also delivers to the independent auditor all the data and information that may be required by the independent auditor to audit the interim and annual accounts;
- the subsidiary adopts systems of management and accounting that are appropriate for reporting regularly to the parent company and to the independent auditor the operating, performance and financial data required in the preparation of the consolidated financial statements.

The provisions of Section 36 of the Financial Market & Stock Exchange Regulation have been also complied with in respect of the subsidiary BasicNet Asia Ltd., the material significance of which has yet to reach the levels identified above.

RESEARCH & DEVELOPMENT

The research and development activity conducted by the Group is essentially two-pronged:

- product research, in terms of development of casualwear and leisurewear, sportswear and footwear Collections, along with all and any other aspect inherent thereto, from seeking out materials, creative styling and clothing graphics, to defining specific production techniques and procuring concept model and sample garments or shoes; and
- computer-system research, in terms of development of electronic data processing and transmission systems, exploiting the Internet platform, to interconnect BasicNet Network licensees and outside the Group, in a strategic intent to exploit all the opportunities driven through by new technologies, speed up data transfer and, not least, hone business efficiencies.

Product-related research expenditures are expensed in the period in which revenues from the sale of such product are generated or royalties are collected in respect of the relative Collections.

IT platform development expenditures, which are represented primarily by costs of independent consultancy services closely coordinated by in-house staff members, are capitalized and amortized over five years as from the period in which the programs enter into operation.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES

As presented on a summary basis below, the integral version of the Report on Corporate Governance and Ownership Structures (the 'Corporate Governance Report') may be accessed through the BasicNet Group website (www.basicnet.com under BasicNet Corporate Governance).

1. PROFILE OF ISSUER

BasicNet S.p.A. adopts a system of management an control based on a Board of Directors, assisted by an Internal Control Committee and a Remuneration Committee, and a Board of Statutory Auditors, each with clearly defined terms of reference, responsibilities and powers, as prescribed by the Italian Civil

Code, other applicable laws and regulations, and the BasicNet By-laws. The aforementioned Boards are elected at the Annual General Meeting and remain in office for a three-year term.
As required by law, accounting audits are performed by independent auditors.
General Meetings represent the totality of shareholders' convened to pass resolution, whether by way of ordinary or extraordinary resolution, on matters attributed thereto by law or applicable By-laws.
Completing the corporate governance framework is the System of Internal Control, the Code of Ethics and, not least, the structure of powers and delegations and the organizational framework.

2. **OWNERSHIP STRUCTURE AT MARCH 21, 2012** (Section 123-*bis,* Subsection 1, of Italian Finance Act).

a) **Share Capital Structure** (Section 123-*bis,* Subsection 1a), of Italian Finance Act)
Share capital, full subscribed and paid-up, amounts to Euro 31,716,673.04 and is represented by 60,993,602 ordinary shares, par value Euro 0.52 each.
At the date hereof, the Company holds 2,710,000 treasury shares or 4.443% of share capital.
The Company has not issued other financial instruments attributing the right to subscribe newly issued shares.
No share-based incentive plans giving rise to share capital increases, scrip issues or otherwise, have been authorized.

b) **Restriction on the Transfer of Shares** (Section 123-*bis,* Subsection 1b), of Italian Finance Act)
At the date hereof, there are no restrictions on the transfer of shares.

c) **Substantial Stakeholders** (Section 123-*bis,* Subsection 1c), of Italian Finance Act)
Disclosures about Substantial Stakeholders can be found in the Management Report.

d) **Shares Granting Special Rights** (Section 123-*bis,* Subsection 1d), of Italian Finance Act)
No shares granting special right of control have been issued.

e) **All-Employee Share Ownership Plans:** voting right exercising mechanism (Section 123-*bis,* Subsection 1e), of Italian Finance Act)
There are no all-employee share ownership plans.

f) **Restrictions on Voting Right** (Section 123-*bis,* Subsection 1f), of Italian Finance Act)
There are no restrictions on voting right.

g) **Shareholder Pacts or Covenants** (Section 123-*bis,* Subsection 1g), of Italian Finance Act)
At the date hereof, there are no shareholder pacts or covenants.

h) **Change of Control Clauses** (Section 123-*bis*, Subsection 1h), of Italian Finance Act) **and Statutory Provisions in respect of Takeover Bids or Public Offerings** (Section 104, Subsection 1-*ter* and Section 104-*bis*, Subsection 1, of Italian Finance Act)
At the time of writing, the Loan Facility Agreement attaching to the Euro 19 million loan taken out part way 2007 in relation to the Superga® trademark acquisition requires, among the other things, and as is customary for this kind of financing transactions, the commitment not to change the stakeholder base in the share capital of BasicWorld S.r.l., the company that holds a 36.187% stake in the share capital of BasicNet S.p.A. and, not least, the stakeholder of reference. Contemplated more pointedly is the following:
- that Mr. Marco Daniele Boglione shall continue to hold (whether directly or indirectly), a 51% stake or more in the share capital of Basic World S.r.l.; and
- that the aggregate stake hold, directly or indirectly, by Basic World S.r.l. in the share capital of BasicNet S.p.A., shall not retreat to less than 30% of the related share capital thereof or, in any case, by a stakeholding with power to cast the majority of votes of the Company.

Non-observance, if any, of the contract clauses referred to above (unless the cause and reason giving rise to eventual contract breach is eliminated within thirty days from when the Agent Bank delivers contract breach notice to the Company) shall entitle lender bank to put in place contract remedies, including therein, contract termination and forfeiture of term.

The Extraordinary Annual General Meeting held on April 29, 2011 passed resolution approving, among the other things, the motion to amend Article 16 – *Powers of the Board of Directors and Representation in Law* – of the BasicNet By-laws in order to endow the Board of Directors with the authority to put in place, at any moment in time and with no need for approval from the Meeting of Shareholders, defensive measures to counteract the achievement of the aims of any takeover bid or public offering, pursuant to Article 104 of the Italian Finance Act, as amended by Section 1 of Decree-Law 146 of September 25, 2009. In particular, incorporated within Article 16 were the following two paragraphs: "*The Board of Directors and its delegated officers, if any, shall have the authority to undertake, with no need for approval by shareholders' meeting, any deed or action that might hinder the achievement of the objectives of a takeover bid or public offering, from the moment in which the decision or obligation to launch the bid or offering was communicated or published up to the moment in which such a bid or offering is completed or reaches expiration.*
The Board of Directors and its delegated officers, if any, shall also have the authority to implement in whole or in part, any such decision, not falling within the normal course of business, taken prior to receiving the communication referred to above and that, upon implementation, might hinder the achievement of the goals and objectives of a takeover bid or offering."

i) **Delegations to Increase Share Capital and Authority to Purchase Treasury Shares** (Section 123-*bis*, Subsection 1m), of Italian Finance Act)

- Delegation to Increase Share Capital
  Pursuant to Article 2443 of the Italian Civil Code, no delegation to increase share capital has been conferred on the Board of Directors.
- Delegation pursuant to the Italian Civil Code
  Pursuant to Article 2420-*ter* of the Italian Civil Code, no delegation to increase share capital has been conferred on the Board of Directors.
- Authority to Purchase Treasury Shares
  The Annual General Meeting held on April 29, 2011 passed resolution, effective a period of twelve months, i.e. up to conclusion of the Annual General Meeting called to approve the Annual Report & Accounts 2011, to give authority to the Company to make market purchases and market disposals of a maximum number of shares in issue, which taking into account those already held by the Company, shall not exceed the threshold established by law, with the maximum financial commitment being envisaged in the amount of Euro 5 million. The number of shares purchased as treasury shares by the Company under that authority was 426,500 (or 0.699% of the share capital), at an average price of Euro 2.3 and entailing an aggregate capital investment of Euro 981,164. As a consequence thereof, BasicNet currently holds 2,710,000 treasury shares (or 4.443% of the share capital) representing an aggregate capital investment of Euro 4,414,307.

l) **Management and Coordination** (Art. 2497 *et seq.* of the Italian Civil Code)
The information disclosures required in respect of Management and Coordination (pursuant to Article 2497 *et seq.* of the Italian Civil Code and Section 37.2 of the Financial Market & Stock Exchange Regulation issued by Consob) can be found in the Management Report under the heading *Other Information*.
Of note:

- the information and disclosures required under Section 123-bis, Subsection 1i), of the Italian Finance Act *("agreements between company and directors – which provide for indemnities in the event of resignation or dismissal without just cause or work relations are caused to cease due to takeover")*, can be found in the Remuneration Report, published in application of Section 123-ter of the Italian Finance Act, which can be accessed through the BasicNet Group website at www.basicnet.com under "AGM 2012";
- the information and disclosures required under Section 123-bis, Subsection 1l) of the Italian Finance Act *("rules applying to the appointment and replacement of directors and members of the control body or supervisory council, and to amendments to the articles of association if different from those applied as a supplementary measure")*, can be found in the Report regarding the Board of Directors under Section 4.1.

3. COMPLIANCE (Section 123-*bis*, Subsection 2a), of Italian Finance Act)

The System of Corporate Governance adopted by BasicNet S.p.A. integrates the framework of regulations and procedures, whether outlined by the By-laws or by the provisions of law, in which the system of management and control of the Company and of the Group substantiates.
This is based, essentially, on the principles and recommendations set forth in the Corporate Governance Code for Italian Listed Companies promulgated by Borsa Italiana S.p.A., which may be accessed by the general public through the Borsa Italiana website (www.borsaitaliana.it).
As published on the Company's website at www.basicnet.com (in the BasicNet Corporate Governance section) and delivered to Borsa Italiana S.p.A., for general public viewing, the purpose of the Corporate Governance Annual Report is to illustrate the Group's Corporate Governance framework, as well as the level of compliance of its System of Corporate Governance in respect of the Corporate Governance Code promulgated by Borsa Italiana S.p.A.
Neither BasicNet nor its subsidiaries having strategic relevance are subject to non-Italian provisions of law affecting the System of Corporate Governance.

4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND REPLACEMENT (Section 123-*bis*, Subsection 1.l), of Italian Finance Act)

Pursuant to Article 13 of the BasicNet By-laws, the directors are appointed on the basis of slates, except for one to be elected by minority Shareholders who, alone or together with other Shareholders, hold a total number of shares having such voting rights as to represent the percentage of the company's capital required by law at such time. For FY 2012, as in prior years, the percentage referred to earlier has been set at 4.5% (Consob Resolution 18083 issued on January 25, 2012).
Under the By-laws, the slates, attesting the members who submitted them and the aggregate percentage of ownership held, plus the curriculum vitae of the candidates, shall be filed at the Company's registered office within the legally required timescale. Along with each slate, and by the timelines referred to above, declarations shall be filed pursuant to which the individual candidates agree to their candidacy and attest, under their responsibility, that there are no grounds for ineligibility or conflicts of interest, and that they meet the requisite of independent director as such term is defined by law and, not least, the administration and control appointments, if any, held at other companies. One member at least of the Board of Directors, or should the Board of Directors be comprised by more than seven members, two members at least shall possess the requisite of independent director as such term is defined by law. Each slate shall list one candidate at least having the requisite of independent director, as appearing first on the slate.
Any slate not complying with the foregoing shall be disregarded. In the number determined by Shareholders' Resolution, the Board of Directors shall be elected as follows:

a. all the directors to be elected, except for one, arranged in the progressive order in which they are listed on the slate, shall be chosen from the slate that obtains the greatest number of the votes; and
b. as listed first on the slate, the remaining director to be elected shall be taken from the slate that obtains the second greatest number of the votes.

Slates not attaining a percentage of votes equal to, or in excess of, the percentage of votes prescribed by the By-laws shall be disregarded. In the case of a tie, new voting right shall be cast by the Meeting as a whole and shall culminate into the candidate first listed on the slate that obtains the simple majority of votes being elected. In appointing directors who for any reason whatever have not been appointed pursuant to the procedure referred to above, the Meeting shall vote on the basis of the majority required by law.

Slate voting was adopted for the first time at the Annual General Meeting held on April 30, 2010 with regard to the appointment, on the basis of slates, of the Board of Directors currently in office. On that occasion, the Company invited Shareholders who, alone or together, represented 4.5% or more of the share capital (as established by Consob Resolution 17148 issued on January 27, 2010), to deposit, at the Company's registered office, the candidature slates, along with the relevant documentation, at least fifteen days ahead of the date for the Meeting on the first call. Deposited within the aforesaid timeline was one, and only one, candidature slate by the stakeholder BasicWorld S.r.l., titleholder to 35.792% of

the ordinary shares. The documentation referred to above may be accessed through the Company's website at www.basicnet.com.
Other than those contemplated by the Italian Finance Act, BasicNet is not subject to other legal and regulatory requirements in respect of the composition of the Board of Directors.

4.2. COMPOSITION (Section 123-*bis,* Subsection 2d), of the Italian Finance Act)
The Company is administered by a Board of Directors consisting of not less than five and not more than fifteen members.
The Board of Directors in office was appointed at the AGM held on April 30, 2010 and shall reach term of office on approval of the Annual Report & Accounts for the year ended December 31, 2012. The Board of Directors is formed by nine members: Chairman Marco Daniele Boglione; Deputy Chairman Daniela Ovazza; Managing Director Franco Spalla; Director Paola Bruschi; Director Paolo Cafasso; Director Giovanni Crespi; Director Alessandro Gabetti Davicini; Director Adriano Marconetto, and; Director Carlo Pavesio.
In terms of its composition, the Board of Directors is in line with the mandatory one-fifth "gender quota" requirement recently introduced by Consob.
The C.V.s of the Directors in office may be accessed through the Company's website at www.basicnet.com under "Group/Corporate Bodies".
Executive Directors are: Chairman Marco Daniele Boglione; Managing Director Franco Spalla; Delegated Director & Group Financial Officer Paolo Cafasso, and; Delegated Director & Chief Operational Officer Paola Bruschi. The bespoke Executive Directors also hold executive appointments in the other companies of the Group. More pointedly:
Marco Daniele Boglione: Chairman of Basic Trademark S.A.; Chairman of RdK0 S.r.l.; Chairman of Superga Trademark S.A.; Chairman of BasicOutlet S.r.l.; Chairman of BasicCRS S.r.l.; Chairman of alloSpaccio S.r.l.; Delegated Director of Fashion S.p.A., and; Board Director of BasicItalia S.p.A.
Franco Spalla: Chairman of Basic Properties America, Inc.; Chairman of Basic Properties B.V.; Chairman of BasicNet Asia Ltd.; Managing Director of AnziBesson Trademark S.r.l.; Managing Director of Fashion S.p.A.; Board Director of BasicItalia S.p.A.; Board Director of Superga Trademark S.A.; Board Director of Basic Trademark S.A., and; Director of the Italian Branches of Superga Trademark S.A. and Basic Trademark S.A.
Paolo Cafasso: Sole Director of Basic Village S.p.A.; Delegated Director of RdK0 S.r.l.; Delegated Director of BasicOutlet S.r.l.; Delegated Director of alloSpaccio S.r.l.; Delegated Director of BasicCRS S.r.l.; Board Director of Basic Properties America, Inc.; Board Director of Basic Spain S.L., and; Board Director of BasicNet Asia Ltd.
The Board of Directors comprises two **Independent Directors**: Giovanni Crespi and Adriano Marconetto.

Other Appointments
Other appointments held by the Executive Directors in the Group companies referred to above, and other appointments held by the Directors at other listed companies or at companies of significant interest are as follows:
- *Marco Daniele Boglione*: Managing Director of BasicWorld S.r.l.
- *Daniela Ovazza*: Board Director of TESA S.p.A.; Non-Executive Board Director of C.L.S. S.p.A., and; Non-Executive Board Director of Società Generale Tecnologie Servizi S.p.A.
- *Franco Spalla*: Independent Director and Member of the Internal Audit Committee of the listed company iNTEk S.p.A.
- *Giovanni Crespi*: Independent Board Director of Innovest S.p.A.; Board Director of Sirti S.p.A., and Board Director of BasicItalia S.p.A.
- *Alessandro Gabetti Davicini*: Board Director of Fenera Holding S.p.A.; Board Director of Euromobiliare Asset Management SGR S.p.A.; Board Director of Tosetti Value S.r.l., and; Board Director of SDM S.r.l.
- *Adriano Marconetto*: Managing Director of Electro Power Systems S.p.A.
- *Carlo Pavesio*: Chairman of the Board of Directors of BasicWorld S.r.l.; Independent and Non-Executive Board Director, Member of the Remuneration Committee and Chairman of the Oversight Committee of Pininfarina S.p.A.; Board Director of Pininfarina Recchi Buildingdesign S.r.l.; Independent and Non-Executive Board Director, Chairman of the Internal Audit Committee

and Chairman of the Oversight Committee of Reale Mutua Assicurazioni S.p.A.; Independent and Non-Executive Board Director and Chairman of the Remuneration Committee of Fenera Holding S.p.A.; Director and Member of the Remuneration Committee of Fratelli Gancia & C. S.p.A.; Board Director and Member of the Oversight Committee of Banca Passadore & C. S.p.A.; Deputy Chairman and Board Director of Farmaceutici Procemsa S.p.A.; Board Director of Tosetti Value S.p.A., and; Board Director of BasicItalia S.p.A.

Policy on Maximum Number of Appointments in Other Companies

The Board of Directors prefers not to express guidance on the maximum number of Directorship or Statutory Auditor appointments in other companies quoted on organized markets (whether in Italy or abroad), and in financial companies, banks, insurance companies or major corporations. The Board recognizes that exposure of its Directors or Statutory Auditors to other boards can broaden their experience and knowledge. Taking care to ensure that appointees have enough time to devote to the job, Directors and Statutory Auditors are therefore allowed to accept appointments subject to Board approval.

4.3. REMIT AND ROLE OF BOARD OF DIRECTORS (Section 123-*bis***,** Subsection 2d), of Italian Finance Act)

The Board held six meetings in 2011, each one of which lasting two hours on average, to pass resolution on the quarterly financial reports, the half-yearly financial report, and the annual report and accounts and the motions to be submitted for approval at the Annual General Meeting 2011. As part of the business of each meeting of the Board, the Chairman of the Board of Directors of BasicItalia S.p.A. typically submits briefing papers (with effect from his appointment in July 2011) to assist in the understanding of legal, governance and regulatory developments as well as comments and feedback on the business to be discussed at the meeting and detailing progress against the goals the Board has approved.

As a rule, the briefing papers containing supporting information relevant to the debate are delivered to Directors and Statutory Auditors in the days immediately preceding the meetings.

In January 2012, the Company published the calendar setting out the dates set for the four Board meetings regarding the preparation of the draft financial statements and the approval of the consolidated financial statements for 2011 and for the approval of the results reported for the financial period.

Without prejudice to the matters that cannot be delegated pursuant to Article 2381.4 of the Italian Civil Code, the Board of Directors:

a. examines and approves the Company's strategic, operation and financial plans and the corporate structure of the Group it heads, and the system of corporate governance of Issuer and of the Group;
b. evaluates the adequacy of the organizational, administrative and accounting structure of the Company and its subsidiaries, as established by the Managing Directors, with particular regard to the system of internal control and the management of conflicts of interest;
c. delegates powers to the Managing Directors and revokes them; it specifies the limits on these delegated powers, the manner of exercising them and the frequency, as a rule no less than once every three months, with which the bodies in question must report to the Board on the activities performed in the exercise of the powers delegated to them, as set forth in Article 13 of the By-laws;
d. determines, after examining the proposal of the Remuneration Committee and consulting with the Board of Statutory Auditors, the remuneration of the Managing Directors and of those Directors who are appointed to particular positions within the Company and, if the Meeting of Shareholders has not already done so, determines the total amount to which the members of the Board are entitled;
e. evaluates the general performance of the Company, paying particular attention to the information received from the delegated bodies, and periodically comparing the results achieved against plan;
f. examines and approves in advance transactions carried out by the Company and its subsidiaries having a significant impact on the Company's profitability, assets and liabilities or financial position, paying particular attention to transactions on which one or more Directors hold an interest on their behalf or on behalf of third parties and, in more general terms, to transactions

involving related parties. Deemed to be strategic are all those transactions in respect of which no powers have been assigned to the Delegated Bodies;

g. evaluates, at least once a year, the size, composition and performance of the Board of Directors and its Committees, eventually characterizing new professional figures whose presence on the Board would be considered appropriate; and

h. draws up and adopts the Corporate Governance Report, providing therein information on the application thereof and, in particular, on the number of meetings of the Board and its Committees held during the fiscal year, as well as the related percentage of attendance of each director.

And lastly, Article 16 of the By-laws attributes to the Board the authority to pass resolutions, pursuant to the requirements of law, with regard to mergers by incorporation or spin-offs, headquarter relocation across the homeland and the opening or closing of secondary offices, identifying which Directors are empowered to represent the Company in law, and amending the By-laws to reflect changes introduced by law. Additionally, within the limits established by Article 2410.1 of the Italian Civil Code, the Board of Directors is empowered to issue debentures.

The Board of Directors, in coordination with the Internal Audit Committee, has assessed for adequacy the organizational, administrative and accounting structure of BasicNet S.p.A. and the organizational, administrative and accounting structure of its subsidiaries having strategic relevance, in particular with regard to their System of Internal Control and the management of conflicts of interest. Indeed, seamless continuity in the composition of the Boards of Directors of the Group companies facilitates those functions of control, timely knowledge and coordination of the instructions given to the subsidiaries. Also, as set forth in Article 13 of the By-laws, the Delegated Bodies report to the Board of Directors and to the Board of Statutory Auditors, no less than once every three months, on occasion of the Board Meetings, i.e. remit in writing addressed to the Board of Directors and to the Board of Statutory Auditors, reporting on operating and financial performance and business prospects and, not least, significant transactions, whether in terms of size or characteristics, put in place by the Company or its subsidiaries, with particular regard to the management of conflicts of interest or transactions subject to influence by the entity exercising management and control, on own behalf or on the behalf of others. In general, significant transactions, such as business acquisitions, disposals or divestments, new sponsorships, sureties, guarantees or derivative financial instrument hedges, are submitted to the Board of Directors.

At the meeting held on February 10, 2012, the Board of Directors assessed the overall effectiveness of the Board against quantitative and qualitative performance targets as well as progress against the goals targeted in financial 20102011, taking into full account the attendance of all the Directors at the Board meetings and, not least, the tangible contribution made by individuals in Board debate. By way of attendant consequence, the Board is deemed to be appropriate, whether in terms of capability, member-count or remit, to provide entrepreneurial leadership in the pursuance of BasicNet S.p.A. and Group priorities, whilst maintaining and operating within a defined structure of prudent and effective controls. In harmonization with the CEO, the Chairman of the Board manages the Board agenda, taking into full account the information about the Company's performance, thus enabling the Board to take effective decisions and provide advice to support the efforts exerted by the Company. Also deemed to be balanced is the ratio of Executive and Non-Executive Directors. In 2011, average attendance by the Directors to the six Board meetings was 100%.

At the Meeting held on April 30, 2010, resolution was passed, on Directorship appointment, not to impose on the Directors elected the non-competition clause pursuant to Article 2390 of the Italian Civil Code, insofar as the Directors are allowed to hold like-for-like appointments in Group companies.

However, all and any appointments that might be accepted by the Directors in competitor groups must be reported immediately to the Board.

4.4. DELEGATED BODIES

At the Board meeting held on April 30, 2010, the Board of Directors assigned:

- to the Chairman, Marco Daniele Boglione, all the powers of ordinary and extraordinary administration by single signature, within the limitation of Euro 3,000,000 with regard to purchasing and/or selling shares or share units in companies, businesses, business lines or trademarks, 5 million with regard to the yearly cost attaching to sponsorships, 75% of the Company's consolidated net

capital with regard to contracting financial debt, and Euro 2,750,000 with regard to giving secured or other guarantees, and patronage letters (excepting therefrom subsidiaries);
- to the Managing Director, Franco Spalla, all the powers of ordinary and extraordinary administration to accomplish, by single signature, within the limitation of Euro 2,000,000 the purchase and/or sale of shares or share units in companies, businesses, business lines or trademarks, 2 million with regard to the yearly cost attaching to sponsorship contracts, 75% of the Company's consolidated net capital with regard to contracting financial debt, and Euro 2,000,000 with regard to giving secured or other guarantees, and patronage letters (excluding therefrom subsidiaries).

At the said Board meeting held on April 30, 2010, the Board of Directors also assigned to Board Director Paolo Cafasso, in his capacity of Group Financial Officer, the necessary powers in respect of the financial and administrative management of the Company.

Chairman of the Board of Directors

At the Board meeting held on April 30, 2010, the Board of Directors recognized that the concentration of corporate offices in one single individual, i.e. the office of Chairman and Delegated Director in Mr. Marco Daniele Boglione, is justified by continuity and seamless Corporate Governance practice, insofar as he is the founder of the Group and has been involved, right from onset, in the activity pursued by the Company.

As placed in evidence earlier, Mr. Marco Daniele Boglione holds an aggregate of 22,250,000 shares (or 36.479% of the share capital), of which 22,071,666 shares (or 36.187% the share capital), indirectly through BasicWorld S.r.l., held 90.58%, and, directly, 178,334 shares (or 0.29% of the share capital).

Executive Committee (Section 123-*bis*, Subsection 2d), of Italian Finance Act)

No Executive Committee whatever has been set up within the Board of Directors.

Disclosures to the Board

Details thereon can be found earlier in point 4.3.

4.5. OTHER EXECUTIVE DIRECTORS

Other than Chairman Marco Daniele Boglione, the **Executive Directors** are: Managing Director Franco Spalla; Group Financial Officer & Delegated Director Paolo Cafasso; Chief Operational Officer & Delegated Director Paola Bruschi and, with effect from 2H2011, Elisabetta Rolanda, Chairman of the Board of Directors of the strategic subsidiary BasicItalia S.p.A.

4.6 INDEPENDENT DIRECTORS

The Board of Directors comprises two **Independent Directors**: Giovanni Crespi and Adriano Marconetto.

As so considered upon their appointment, the Board of Directors considered, during the Board meeting held on February 10, 2012, the independence of Board Director Giovanni Crespi and Board Director Adriano Marconetto, and whether there are any relationships or circumstances that are likely to affect, or could appear to affect, their independent judgment, as required by Consob Regulations and the Corporate Governance Code.

The criteria and procedures adopted in assessing their independence have been verified by the Board of Statutory Auditors. For FY2011, the Board of Statutory Auditors has reported the outcome of those assessments in its remit to the Meeting of Shareholders.

As a result of adopting the procedures regarding related party transactions pursuant to Consob Regulation 17221 issued on March 12, 2010, the Independent Directors of the Company are called to express an opinion on the substantial and procedural fairness in transactions with related parties.

4.7 LEAD INDEPENDENT DIRECTOR

In relation to the recommendation of the Corporate Governance Code to appoint a lead independent director in the event that operational powers have been delegated to the Chairman of the Board of Directors, the Board of Directors, at the meeting held on April 30, 2010, recognized in the light of the composition of the Board of Directors and, not least, the size and organizational structure of the Company, that such concentration of corporate offices does not compromise the impartiality and balance required in the role of Chairman of the Board of Directors, retaining that in the case of eventual conflict of interest, Deputy Chairman Daniela Ovazza could temporarily replace the Chairman.

4.8 EXECUTIVE DIRECTOR SUCCESSION PLANNING

At the time of writing, no succession planning has been put in place by the Company for the eventual replacement of the Executive Directors.

5. PROCESSING OF CORPORATE DISCLOSURES

At the meeting held on May 15, 2002, the Board approved the Procedure for internal processing and external disclosure of confidential information, as subsequently reviewed and integrated following implementation of Market Abuse Regulations. This Procedure set outs the rules for establishing and managing, based on a specific computer-system process, the List of persons having access to inside or potential inside information.

In compliance with Section 114 *et seq.* of the Italian Finance Act, a new Code of Conduct on Internal Dealing has been adopted with effect from April 1, 2006 for market disclosure on transactions involving BasicNet S.p.A. shares or other financial instruments linked to them by “Relevant Persons” of the Group.

The Procedure can be found on the BasicNet website (www.basicnet.com).

In 2011, sixteen transactions were reported to the market and relevant supervisory authorities.

6. COMMITTEES WITHIN THE BOARD (Section 123-*bis*, Subsection 2d), of Italian Finance Act)

Other than those envisaged under the Italian Finance Act, the Company has neither set up committees within the Board nor united in one committee, and only one committee, the functions performed by two or more committees pursuant to the Italian Finance Act.

7. NOMINATION COMMITTEE

As assessed and deemed to be appropriate in the past, the Board of Directors does not anticipate, by way of attendant consequence of the Company’s size and shareholder structure, the need to set up, within the Board, a Nomination Committee, also in the light of the fact that Directors, as contemplated by Article 13 of the By-laws, are appointed on the basis of slates.

8. REMUNERATION COMMITTEE

At the meeting held on April 30, 2010, the Board established the Remuneration Committee comprising Non-Executive Director Daniela Ovazza, Non-Executive Director Carlo Pavesio and Independent Non-Executive Director Adriano Marconetto.

The Board retains that the Remuneration Committee, as formed in its actual composition of three Non-Executive Directors, one of whom being an Independent Director, carries out adequately its functions formulating proposals in line with Group goals and performance considering from time to time the commitment and performance delivered by the individual Delegated Directors. Committee recommendations have always received favorable opinions from the Board of Statutory Auditors.

No Director participates in meetings of the Remuneration Committee in which proposals are submitted to the Board of Directors relating to his/her remuneration.

In 2011, no recommendations were remitted to the Board of Directors by the Remuneration Committee.

As a rule, minutes of the Remuneration Committee recommendations are taken and included in the minutes of the Board meetings at which these were submitted.

The Remuneration Committee has the authority to access all and any information and/or business function in the pursuance of its duties.

9. REMUNERATION OF DIRECTORS

Further details and information about the matters discussed in this section can be found in the Remuneration Report published pursuant to Section 123-*ter* of the Italian Finance Act.

In a nutshell, the Group’s structure does not envisage the presence of executive officers vested with strategic responsibilities who are not members of the Board of Directors of BasicNet S.p.A. or the Boards of Directors of its strategic subsidiaries.

The fees of the Directors are approved at the Meeting of Shareholders. The remuneration due to Directors vested with strategic responsibilities and the remuneration due to members of the Committees within the Board of Directors are determined by the Board of Directors, on remit by the Remuneration Committee, and having heard the opinion of the Statutory Auditors.
The Board of Director may establish an additional fee or bonus identified by the Board of Directors, upon recommendation from the Remuneration Committee, on the achievement, beyond consensus expectation, of specific and significant targets.

Indemnity to Directors in the event of resignation or dismissal without just cause or if their employment should terminate as a result of a takeover bid (Section 123-*bis*, Subsection 1i), of Italian Finance Act)
The information required under Section 123-*bis*, Subsection 1i), of the Italian Finance Code (*Agreements between Company and Directors which envisage indemnities in the event of resignation or dismissal without just cause or if their employment contract should terminate as a result of a takeover bid*) can be found in the Remuneration Report published pursuant to Section 123-*ter* of the Italian Finance Act on the Company's website at www.basicnet.com under "AGM 2012".

10. INTERNAL AUDIT COMMITTEE

Composition and duties of the Internal Audit Committee (Section 123-*bis,* Subsection 2d), of Italian Finance Act)
At the meeting held on April 30, 2010, the Board established the Internal Audit Committee, as formed in its actual composition. The Internal Audit Committee is composed of three Directors, one of whom being an Independent Director. The Board then decided that the Internal Audit Committee members should be adequately and appropriately skilled in financial and accounting matters. Accordingly, appointed as member of the Internal Audit Committee was an Executive Director, in the person of Director Paola Bruschi, who, as mentioned earlier, is an Executive and the Chief Operational Officer of the Company, so as to better flank the work performed by the other members, who are Independent and Non-Executive Director Giovanni Crespi and Non-Executive Director Alessandro Gabetti Davicini. With effect from July 2011, Director Giovanni Crespi forms part of the Board of Directors of the BasicItalia S.p.A. and is vested with responsibility for the Internal Audit of the Company.
In 2011, the Internal Audit Committee met on two occasions and had regular access to the business data and information whenever requested, whether provided directly or password long-in and link into the *Internal Audit* section of the BasicNet website, and mainly examined:

- the reports prepared by the Internal Auditing and/or Oversight Committee over the course of 2011;
- the annual report on the adequacy of the System of Internal Control and the annual report on the accounting, administrative and organizational structure;
- the implementation of new procedures; and
- the observance of accounting and financial disclosures and compliance with new rules and regulations.

Lasting about two hours each, the Internal Audit Committee meetings, at which minutes were taken, were attended by Paolo Cafasso, Group Financial Officer & Executive Officer responsible for the preparation of the accounting and financial statement documents, and, not least, by the Internal Auditing Chief Officer and the Chairman of the Board of Statutory Auditors.

Tasks and duties of the Internal Audit Committee
As part of its tasks and duties, the Internal Audit Committee must:

a) assist the Board of Directors in discharging its duties relative to the System of Internal Control, also in compliance with the Corporate Governance Code:
   (i) in the definition of guidelines for the System of Internal Control and with periodic audits of its appropriate and effective functioning, in order to ensure that the main risks to which the Company and its subsidiaries are exposed are properly identified and, not least, adequately measured, managed and monitored, thereby helping to ensure that these are not exposed to excessive financial risk and that financial internal and external reporting is reliable, remitting thereon eventual recommendations to the Board of Directors;
   (ii) in the assessment, at least once a year, of the adequacy, effectiveness and efficient functioning of the System of Internal Control;

(iii) in the description, presented within the Corporate Governance Report, of the essential elements of the System of Internal Control, formulating and expressing its own assessment as to the adequacy of the System of Internal Control as a whole;

b) assess, in cooperation with the Executive Officer responsible for the preparation of the accounting and financial statement documents and with the independent auditors, the adequacy of adopted accounting principles and their uniformity in view of preparation of the consolidated financial statements and other accounting documents;
c) assist at the request of the Executive Directors in identifying and assessing the greater exposure to risk and contribute to improvements in the risk identification, risk mitigation and risk management systems and, not least, to the design, realization and management of the System of Internal Control;
d) assess the audit plan prepared by the Internal Controller and receive his periodic reviews;
e) perform any other task that may be assigned to it by the Board of Directors; and
f) report to the Board of Directors on the adequacy of the System of Internal Control, once every six months at least, at the time the Annual Report and the First-Half Report are approved.

In the performance of its duties, the Committee may access the information and the necessary business functions, and may request the Board of Directors to take avail of independent expert advice.

11. SYSTEM OF INTERNAL CONTROL

The System of Internal Control is an essential element of the corporate governance system. The System of Internal Control facilitates the effectiveness and efficiency of company operations and helps to ensure reliable financial reporting and compliance with laws and regulations, other than contributing to the safeguarding of the Company’s assets.
The Board of Directors has ultimate responsibility for the System of Internal Control, in respect of which the Board sets the guidelines and verifies periodically its adequacy and effectiveness to ensure that the main risks to which the Company and its subsidiaries are exposed are properly identified and managed.
The Corporate Governance Code, the Code of Conduct for the Sourcing Centers, and the Best Practice Model of Organization, Management & Control required under Decree-Law 231/2001, as subsequently integrated and amended, form an integral part of the System of Internal Control. Although under continuous evolution and perfection, the code of conduct contained in the Control, Management & Organizational Model integrates and reinforces the systems of business control through the preparation and seamless update of the correlated procedures.
Internal Auditing is tasked with assessing for overall adequacy, efficiency and effectiveness the System of Internal Control. In particular, given that certain functions are centralized with the parent company, Internal Auditing works toward assessing the regularity and functionality of the data streams to and from the subsidiaries having strategic relevance, as well as assessing for adequacy the computer-system platforms to ensure financial reporting of quality across the business.
In terms of System of Internal Control assessments, based upon the fact that neither the Internal Audit members nor the Board of Statutory Auditors placed in evidence any material weakness in the System of Internal Control, particularly with regard to transactions in potential conflict of interest, the Board of Directors confirmed, at the meeting held on March 21, 20112012, that the System of Internal Control, although under continuous evolution and perfection, provides reasonable assurance about the Company’s and the Group’s financial control framework, compliance with laws, regulations and policies and risk management processes.

System of risk management and internal control over financial reporting (Section 123-*bis*, Subsection 2b), of Italian Finance Act).
On enforcement of Decree-Law 262/2005 on the protection of savings, BasicNet put in place a project crafted around strengthening, where applicable, procedures and systems of internal control over financial reporting, defining the framework and frequency of internal financial controls, and attesting the adequacy of financial reporting.
The Group’s system of risk management and internal control over financial reporting (hereinafter the ‘System’) is represented by a comprehensive set of rules and procedures adopted across all the “dot.com” entities to assure that reliable, accurate, complete and timely financial reporting is attained

through an effective 'continuous assurance' process crafted around identifying, assessing and managing the main risks associated with the preparation and dissemination of financial information.
Other than being designed to provide reasonable assurance that the annual and interim financial reports and accounts – separate or consolidated – made available to the general public agree with the underlying accounting records and give a true and fair view of the entity's state of affairs and financial condition, the System is designed to provide assurance as to the adequacy and effective application of the administrative and accounting procedures throughout the period to which the accounting documents (yearly, half-yearly and/or quarterly financial report and accounts) relate and that these have been prepared under IAS/IFRS.
In defining the System, a risk assessment process was put in place to identify and assess events, known or unknown, that could affect adversely the achievement of financial reporting and financial control priorities. The risk assessment approach adopted enables focus on areas of higher risk and/or materiality, including those attributable to fraud.
Risk identification and assessment was conducted at the inherent risk level, i.e. as though no controls were in place to eliminate, cut-out or mitigate the risk to an acceptable level. The risk identification and assessment process was developed with reference to both the company as a whole and at the process level. Once identified, the risks were assessed, taking into account both the qualitative and quantitative aspects for the second type of risk. Once assessed, specific controls were identified and designed to reduce to an acceptable level the risk arising from non-achievement of the System's objectives, whether at the Company or process level.
The System provides for:

- a set of rules and procedures to be followed in preparing the financial statements and the monthly financial reports, and accounting calendars designed to provide an effective exchange of data between the parent company and its subsidiaries;
- a process designed to identify and assess the main risks of error in accounting and financial reporting, pegged to a web-implemented control process having the capability to pinpoint mismatching; and
- a process built around assessing periodically the adequacy and effective application of controls, the latter monitored directly by the Internal Control Officer.

Based on the Best Practice Model of Organization, Management and Control required under Decree-Law 231/2001, the prevention and control activity encompasses controls linked to the assignment of responsibilities, powers and delegations, whether by separating tasks and duties or assigning diverse access rights to IT and computer-system applications, releasing authorizations, making reconciliations and verifying consistency.

11.1. EXECUTIVE DIRECTOR RESPONSIBLE FOR THE SYSTEM OF INTERNAL CONTROL

The Internal Audit Committee is assisted in its activity by Executive Director Paolo Cafasso, who, insofar as responsible for the preparation of the financial statements and, not least, in his capacity of Group Financial Officer, oversees the effectiveness of the Group's System of Internal Control.
In the performance of that role, he oversees the functionality of the System of Internal Control, steering a keen eye toward identifying the main business risks (operational, financial and compliance), giving substance and form to the guidelines outlined by the Board, looking after the planning, realization and management of the System of Internal Control, and verifying, on a continuing basis, the related overall adequacy, effectiveness and efficiency thereof, also with reference to the evolution followed by operating conditions and by the legislative and regulatory landscape.

11.2 INTERNAL AUDITING

Internal Auditing is tasked with assessing for overall adequacy, efficiency and effectiveness the System of Internal Control. In particular, given that certain functions are centralized with the parent company, Internal Auditing works toward assessing the regularity and functionality of the data streams to and from the subsidiaries having strategic relevance, as well as assessing for adequacy the computer-system platforms to ensure financial reporting of quality across the business. The Internal Auditing function forms part of the System of Internal Audit. On appointment, the Board also defined a fee for the Internal Auditing function, as deemed to be appropriate to the Group's structure.
The Internal Auditing function, which is not responsible for any operational area, has direct access to all and any information that may be deemed to be useful in the pursuance of its task. The Internal Auditing

remit is delivered to the Internal Audit Committee, the Board of Statutory Auditors and the Internal Audit Executive Director.

The activity of control consists primarily in monitoring the key performance indicators of certain Group companies, as accomplished using the on-line reporting tool (*Tableau de Bord*) extant in the BasicNet portal. Such reporting represents an important tool in real-time monitoring of book assets and business trending and performance: the data are made available by individual Group company and are analyzable by individual balance sheet and income statement item.

Taken as a whole, the Internal Auditing function has been assigned to an unrelated firm outside the Group. The function has been outsourced in that unrelated firm, which already cooperated in the same manner with the Group, insofar as deemed to have the qualifications necessary to carry out efficiently and effectively that role within the Group, on an independent and expert basis.

11.3 BEST PRACTICE MODEL PURSUANT TO DECREE-LAW 231/2001

The Corporate Governance Code, the Code of Conduct for the Sourcing Centers, and the Best Practice Model of Organization, Management & Control required under Decree-Law 231/2001, as subsequently integrated and amended, form part of the System of Internal Control. The code of conduct set forth in the Best Practice Model, in continuous evolution, integrates and strengthens the business systems through the drafting and updating of the correlated procedures on a continuing basis.

To render the Corporate Governance Code, the Code of Ethics and the Best Practice Model more effective, these are made available on the BasicNet website (www.basicnet.com) and on the clock-in detection system reserved for Group employees. The Corporate Governance Code and the Code of Ethics are presented in the form of a video to all new hires of the Group and disseminated to all consultant team members.

The Board of Directors has nominated an Oversight Committee (OC), tasking the OC with overseeing the Best Practice Model to ensure that it is operating effectively and to identify and implement any updates required. The Oversight Committee’s remit to the Internal Control Committee and to the Board of Statutory Auditors is six-monthly.

11.4 AUDIT FIRM

The accounts are audited by a legally registered auditing firm. The Annual General Meeting held on April 30, 2008 assigned the audit engagement to PricewaterhouseCoopers S.p.A. The audit engagement reaches expiration date on approval of the annual accounts for the year ended December 31, 2016.

11.5 OFFICER RESPONSIBLE FOR THE PREPARATION OF THE COMPANY’S FINANCIAL STATEMENTS

At the meeting held on April 30, 2010, the Company’s Board of Directors appointed, having received a favorable opinion from the Board of Statutory Auditors, Group Financial Officer & Board Director Paolo Cafasso as the Officer responsible for the preparation of the Company’s financial statements. As well as satisfying the requirements of integrity prescribed by law for Directorships, Paolo Cafasso boasts multi-year expertise in the field of administration, finance and control.

In the pursuance of his duties, Paolo Cafasso has the authority to approve the business procedures having an impact on the separate financial statements, and/or on the consolidated financial statements and on the other documents subject to attest, with the right to partake in the planning of IT and computer-system platforms having an impact on the entity’s operations and financial condition; in addition thereto, he may organize an adequate structure appropriate to his assignment, taking avail of the internal resources available or, where applicable, reverting to outsourcing; as may be deemed to be necessary, he may assume financial and other commitments in respect of the company, issuing adequate remit to the Board of Directors; he may use the Internal Auditing function for internal auditing analysis and mapping purposes in the performance of specific controls.

12. DIRECTOR INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

The Board of Directors, having received a favorable opinion from the Independent Directors, adopted the Procedures for Transactions with Related Parties, which comply with Consob Regulation 17221 issued on March 12, 2010. Approval of transactions that the Company intends to carry out with related parties, which fall under the category of transactions of greater significance or transactions of lesser significance - as identified under Section 3, Subsection 1f), of the Related Party Regulation - is entrusted to the Board of Directors, or, within the limits of the delegations assigned thereto, the Delegated Bodies, provided that these are not a related party in the transaction, and shall be subject to prior and non-binding reasoned opinion of the Independent Directors or Other Board Committees of the Board of Directors.

Should the Independent Directors or other Board Committees of the Board of Directors express a dissenting opinion on a transaction falling within the powers attributed to the Delegated Bodies, this shall be submitted to the Board of Directors for approval. Should the transaction surpass the limit of the delegations assigned to the Delegated Bodies, this shall be submitted to the Board of Directors for approval, and shall be subject to prior and non-binding reasoned opinion of the Independent Directors or Other Board Committees of the Board of Directors. To all intents and purposes, however, reserved to the Board of Directors are resolutions in respect of transactions intended to be carried out at conditions not defined as market-equivalent or standard, as well as transactions of greater significance as defined in the Consob Regulation.

Other than all the instances explicitly envisaged by the Related Party Regulation issued by Consob, also exempted from the Procedure, as regards the aspects of approval, are transactions individually not significant (transactions having a value of Euro 150 thousand or less), and transactions put in place at standard or fair value based on market conditions in the ordinary course of the Company's operating activities or any financial activity that is directly connected to those operating activities; transactions entered into with or between subsidiaries, whether jointly or otherwise, by BasicNet provided that other related parties do not hold significant interests in the BasicNet subsidiary participating in the transaction. For the purpose of applying this exemption, the mere sharing between BasicNet and the subsidiaries it controls of one or more Directors or one or more executives with strategic responsibilities is not deemed to represent a significant interest.

Using the "*basicprocurement*" web function, a procedure has been implemented whereby an Alert Mail is transmitted whenever an order to a related party, as identified on the basis of the communications received from related parties (members of the Board of Directors or members of the Board of Statutory Auditors) is uploaded.

In 2011, no related party transactions significant in amount have been submitted to the Board of Directors.

The Procedure can be found on the BasicNet website at www.basicnet.com under "Corporate Governance".

13. STATUTORY AUDITOR APPOINTMENTS

As established by Article 17 of the Company's By-laws, the Board of Statutory Auditors is composed of three Standing Auditors. In addition thereto, two Alternate Auditors shall be appointed.

As identified by currently prevailing laws and regulations, one Standing Auditor and one Alternate Auditor shall be elected by the minority shareholders. The Board of Statutory Auditors shall be appointed on the basis of slates submitted by the Shareholders, where the candidates are listed in progressive order. The slate is divided into two sections: one for the standing auditor candidates and the other for the alternate auditor candidates. Having the right to submit slates shall be those Shareholders, and only those Shareholders, who, alone or together with other Shareholders, hold a total number of shares having such voting rights as to represent the percentage of the Company's capital required by law at such time.

The proposed candidacies shall be filed at the Company's registered office no later than fifteen days before the Meeting of Shareholders, along with: information about the identity of those presenting the slates; statement of attest that no connection exists between the controlling shareholder and the relative shareholders and group companies pertaining thereto; professional curriculum vitae of the individual candidates; evidence of administration and control appointments held in other companies; statement of attest that there are no grounds for ineligibility or conflicts of interest or forfeiture, and that the candidates meet the requirements of independence prescribed by applicable laws and regulations and by the By-laws; acceptance of the appointment.

In connection thereto, as envisaged by the Ministerial Decree (Ministry of Justice and Grace) taking effect on March 30, 2000, the By-laws specify the professional requisites required to serve as statutory auditor of the Company. To all intents and purposes, not eligible for election are candidates not meeting the requisites of independence, integrity and professionalism prescribed by applicable legal and regulatory requirements and by the By-laws, or candidates already holding the maximum number of statutory auditor or director appointments, as such number is defined by applicable law.

The members of the Board of Statutory Auditors are elected as follows:

- as arranged in the progressive order in which they are listed on the slate, the two standing auditors and one alternate auditor to be elected shall be chosen from the slate that obtains the greatest number of votes;
- as arranged in the progressive order in which they are listed on the slate, the remaining standing auditor and the remaining alternate auditor to be elected shall be taken from the second slate that obtains the greatest number of votes.

The Chairman of the Board of Statutory Auditors shall be deemed to be the first candidate listed on the second slate that obtains the greatest number of votes.

In the case of a tie, the candidates listed on the slate submitted by the majority shareholders, i.e. the candidates listed on the slate that was submitted by the greatest number of shareholders.

Should one, and only one, slate of candidates be submitted, all the Standing Auditors and all the Alternate Auditors shall be elected from that slate, and the candidate first listed on such slate shall be elected Chairman of the Board of Statutory Auditors.

14. STATUTORY AUDITORS (Section 123-*bis*, Subsection 2d), of Italian Finance Act)

As currently in office, the members of the Board of Statutory Auditors, i.e. Standing Auditor Massimo Boidi, Chairman of the Board of Statutory Auditors, and Standing Auditor Carola Alberti and Standing Auditor Maurizio Ferrero, were appointed at the Meeting of Shareholders held on April 30, 2010 on the basis of the one, and only one, slate presented by, and deposited by the shareholder BasicWorld S.r.l., the titleholder, at the date thereof, to 35.792% of the share capital, inasmuch as no other slate was presented within the legally required timescale applicable to titleholders entitled to 2.5% or more of the shares having voting rights. The documentation filed for the purpose of the statutory auditor appointments, including therein the professional curriculum vitae thereof, may be accessed through the BasicNet website at www.basicnet.com. The term of office of the Board of Statutory Auditors reaches expiration date at the date on which the Annual General Meeting approves the separate financial statements for the year ended December 31, 2012.

In terms of its composition, the Board of Statutory Auditors is in line with the “gender quota” requirement recently introduced by Consob.

Other than satisfying the requirements of integrity, professional qualification and independence prescribed by law and required by the Company’s By-laws, each member of the Board of Statutory Auditors satisfies the requirements of independence prescribed by the Corporate Governance Code. The Board of Statutory Auditors has verified that each of its members satisfy the requirements of independence prescribed by the Code on Corporate Governance issued in March 2006, confirming that the statutory auditors currently in office, albeit holding office since nine years or more, satisfy substantially the requisites for being considered independent, as prescribed by the Code on Corporate Governance referred to above.

In 2011, the Board of Statutory Auditors held four meetings.

Should a Statutory Auditor, on own behalf or on the behalf of others, have an interest in any one transaction of the Issuer, he/she shall promptly inform on a detailed basis the other statutory auditors and the Chairman of the Board of Statutory Auditors about the nature, term, origin and extent of his or her interest. This, moreover, has never occurred.

The Board of Statutory Auditors oversees the independence of the independent auditors, verifying both observance of the relevant laws and regulations, and the nature and entity of the services, other than auditing services, provided to Issuer and its subsidiaries by the same independent auditing firm and/or by its associate firms.

As placed in evidence earlier, the Board of Statutory Auditors coordinates, in the pursuance of its activity, with the Internal Auditing function and with the Internal Audit Committee.

15. INVESTOR RELATIONS

The Chairman and the Managing Director also identified, among the other things, the Investor Relator, and have established and maintain an ongoing dialogue with individual shareholders and institutional investors.

Also, right from floating and listing, the Company has sought to enhance ongoing dialogue with shareholders and institutional investors using its website (www.basicnet.com). The website is used to publish operating and financial information (financial statements, quarterly and six-monthly reports, presentations to the financial community, and share price performance), and information and document updates of interest to shareholders (members of the Board of Directors; members of the Board of Statutory Auditors; Independent Auditors; By-laws and Shareholders' Meeting Regulations; Report on Corporate Governance; Code of Ethics; Group organizational framework and Group operations), as well as the reports prepared for presentation at Meetings of Shareholders. Also published on the website are press releases concerning the Brands or the Group companies and, not least, concerning Chairman Marco Daniele Boglione or Managing Director Franco Spalla.

16. MEETING OF SHAREHOLDERS (Section 123-*bis*, Subsection 2c), of Italian Finance Act)

Meetings of Shareholders provided regular opportunities to meet and communicate with Shareholders. During the Meetings, the Chairman and the Managing Director always encourage the active involvement of the Shareholders, making available all the information necessary or deemed to be useful so that they are in a position to consider and, if thought fit, pass resolutions.

General Meetings of Shareholders exercise the functions contemplated under Article 2364 of the Italian Civil Code. Extraordinary Meetings of Shareholders exercise the functions contemplated under Article 2365 of the Italian Civil Code.

In order to ensure that Meetings are conducted in an orderly and functional manner and, moreover, to guarantee the rights of each shareholder to take the floor and debate upon the items of business on the agenda, the Meeting of Shareholders (on June 30, 2000 and, subsequently, with additions and/or amendments, on April 30, 2011) passed resolution approving the BasicNet Shareholders' Meeting Regulations The BasicNet Shareholders' Meeting Regulations may be accessed on the Company's website at www.basicnet.com. As a rule, the Meetings are attended by all the Directors.

The Issuer's shareholder structure as at December 31, 2011 is substantially unchanged from the year before.

17. OTHER CORPORATE GOVERNANCE PRACTICES (Section 123-*bis*, Subsection 2a) of Italian Finance Act)

Other than those disclosed hereinabove, no other corporate governance practices effectively applicable to the Issuer are mandatory under prevailing legal and regulatory provisions of law.

18. CHANGES FROM FINANCIAL YEAR-END OF REFERENCE

On a basis consistent with the amendments to the Recommendations regarding the remuneration of directors and executives vested with strategic responsibilities, approved by the Corporate Governance Committee in March 2011 and the amendments to the Regulation for Issuers regarding transparent remuneration introduced by Resolution 180489 effective from December 31, 2011, the Board of Directors approved, at the Board meeting held on February 20, 2012, the Group's Overall Remuneration Policy.

The Board of Directors will propose at the forthcoming Extraordinary AGM, called to meet on April 27, 2012, a motion to amend Article 13 (*Board of Directors, Board Committees and Delegated Officers*) and Article 17 (*Board of Statutory Auditors*) of the BasicNet By-laws, in response to a mandatory 'gender quota' legal and regulatory requirement.

By Order of the Board of Directors

Marco Daniele Boglione

Chairman

BASICNET GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

BASICNET GROUP - CONSOLIDATED FINANCIAL STATEMENTS

(Accounts in Euro/'000)

		FY2011		**FY2010**		**Change**	
	Note		**%**		**%**		**%**
Direct sales revenue	*(8)*	121,932	*100.00*	132,383	*100.00*	(10,451)	*(7.89)*
Cost of sales	*(9)*	(76,563)	*(62.79)*	(79,550)	*(60.09)*	2,987	*3.75*
TRADING MARGIN		**45,369**	***37.21***	**52,833**	***39.91***	**(7,464)**	***(14.13)***
Royalty income and sourcing commission	*(10)*	38,086	*31.24*	32,508	*24.56*	5,578	*17.16*
Other income	*(11)*	3,344	*2.74*	3,482	*2.63*	(138)	*(3.96)*
Media and sponsorship costs	*(12)*	(18,143)	*(14.88)*	(16,873)	*(12.75)*	(1,270)	*(7.53)*
Cost of labor	*(13)*	(16,349)	*(13.41)*	(14,981)	*(11.32)*	(1,368)	*(9.13)*
Selling expenses, general & administrative costs, and royalty expense	*(14)*	(31,913)	*(26.17)*	(33,870)	*(25.59)*	1,957	*5.78*
Depreciation and Amortization	*(15)*	(5,900)	*(4.84)*	(6,422)	*(4.85)*	522	*8.13*
OPERATING RESULT		**14,494**	***11.89***	**16,677**	***12.60***	**(2,183)**	***(13.09)***
Finance income/(expenses), Net	*(16)*	(3,835)	*(3.15)*	(4,155)	*(3.13)*	320	*7.70*
RESULT BEFORE TAXATION		**10,659**	***8.74***	**12,522**	***9.47***	**(1,863)**	***(14.88)***
Income tax expense	*(17)*	(2,512)	*(2.06)*	(4,018)	*(3.04)*	1,506	*37.48*
RESULT ATTRIBUTABLE TO GROUP		**8,147**	***6.68***	**8,504**	***6.43***	**(357)**	***(4.20)***
Earnings Per Share	*(18)*	**0.1391**		**0.1445**		**(0.0054)**	***(3.73)***

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Presented below is the "Consolidated Statement of Comprehensive Income" reported under IAS 1 (Revised) placing in evidence the items of income and expense which, as permitted or required by the IFRSs, are recognized outside profit or loss, either in OCI or equity.

(Accounts in Euro/'000)

	December 31, 2011	**December 31, 2010**	**Change**
Profit for the period (A)	**8,147**	**8,504**	**(357)**
Effective portion of Gains/(Losses) from Cash Flow Hedges	(86)	12	(98)
Gains/(Losses) from exchange differences on translating foreign operations	385	177	208
Income tax relating to components of Other Comprehensive Income	24	(3)	27
Total Other comprehensive income for the period, less tax (B)	**323**	**186**	**137**
Total Comprehensive income (A) + (B)	**8,470**	**8,690**	**(220)**
Total Comprehensive income attributable to:			
- Owners of the parent BasicNet S.p.A.	8,470	8,690	(220)
- Non-controlling interests	-	-	-

(*) As required by Consob Resolution .15519 issued on July 27, 22006, information about related party transactions can be found in Note 43.

BASICNET GROUP - CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*)

(Accounts in Euro/'000)

ASSETS	Notes	December 31, 2011	December 31, 2010
Intangible assets	(19)	40,133	39,306
Goodwill	(20)	12,828	12,790
Property, plant and equipment	(21)	32,365	33,102
Investments and other financial assets	(22)	249	288
Deferred tax assets	(23)	431	253
Total Non-current assets		**86,006**	**85,739**
Net inventory	(24)	53,770	60,249
Trade receivables	(25)	49,971	56,939
Current other assets	(26)	10,282	8,303
Accrued income	(27)	7,016	7,733
Cash and cash equivalents	(28)	2,939	2,565
Financial instruments – Derivatives	(29)	284	157
Total Current assets		**124,262**	**135,946**
TOTAL ASSETS		**210,268**	**221,685**

EQUITY AND LIABILITIES	Notes	December 31, 2011	December 31, 2010
Share capital		31,717	31,717
Reserve for treasury stock		(4,241)	(3,347)
Equity reserves		49,257	43,366
Result for the period		8,147	8,504
Non-controlling interests		-	-
TOTAL EQUITY	(30)	**84,880**	**80,240**
Reserve for risks and charges	(31)	178	178
Loans and financing	(32)	24,331	28,362
Director & Employee benefits	(33)	3,161	2,772
Non-current other liabilities	(34)	696	736
Total Non-current liabilities		**28,366**	**32,048**
Bank borrowings	(35)	50,215	53,400
Supplier payables	(36)	33,073	44,025
Tax payables	(37)	5,472	4,448
Current other liabilities	(38)	5,013	4,694
Accrued expenses	(39)	831	624
Financial instruments – Derivatives	(40)	2,418	2,206
Total Current liabilities		**97,022**	**109,397**
TOTAL LIABILITIES		**125,388**	**141,445**
TOTAL EQUITY AND LIABILITIES		**210,268**	**221,685**

(*) As required by Consob Resolution .15519 issued on July 27, 22006, information about related party transactions can be found in Note 43.

BASICNET GROUP – CONSOLIDATED STATEMENT OF CASH FLOWS

(Accounts in Euro/'000)

	December 31, 2011	December 31, 2010
A) CURRENT BANK BORROWINGS, NET, AT BEGINNING OF THE YEAR	**(46,852)**	**(21,825)**
B) CASH FLOW (USED IN) FROM OPERATIONS		
Profit (Loss) for the year	8,147	8,504
Depreciation and amortization	5,900	6,422
Change in working capital:		
. (Increase) Decrease in receivables	6,968	(5,373)
. (Increase) Decrease in inventories	6,478	(20,776)
. (Increase) Decrease in other receivables	(1,262)	(2,749)
. Increase (Decrease) in supplier payables	(10,027)	12,549
. Increase (Decrease) in other payables	625	2,153
Net change in reserve for employee termination indemnities	390	(315)
Other, Net	(219)	48
	17,000	**463**
C) CASH FLOW (USED IN) FROM FIXED ASSET INVESTING ACTIVITIES		
Fixed asset investments:		
- Tangible (PPE)	(2,091)	(3,540)
- Intangible	(3,937)	(6,842)
- Financial	39	(118)
Selling price or value of reimbursement of fixed assets:		
- Tangible (PPE)	-	6
- Intangible	-	-
	(5,989)	**(10,494)**
D) CASH FLOW (USED IN) FROM FUNDING ACTIVITIES		
leasing New (Redeemed) leases	(49)	198
Repayment of loans and financing	(3,982)	(5,315)
New medium to long-term loans and financing	-	-
Treasury share purchases	(894)	(352)
Dividend pay-out	(2,936)	(9,714)
Cumulative translation adjustment and other	408	187
	(7,453)	**(14,996)**
E) CASH FLOW FOR THE YEAR	**3,558**	**(25,027)**
F) CURRENT BANK BORROWINGS, NET, AT END OF THE YEAR	**(43,294)**	**(46,852)**

Of note: interest expense paid in FY2011 amounts to Euro 3.3 million (FY2010: Euro 2.6 million), whilst tax paid in FY2011 amounts to Euro 3.4 million (FY2010: Euro 3.2 million).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Accounts in Euro/'000)

	Share capital	Treasury shares	Equity reserves & retained earnings	Cumulative translation adjustment reserve	Cash flow hedge reserve	Result for the year	Equity attributable to the Group
Balances as at December 31, 2009	**31,717**	**(2,995)**	**37,922**	**(87)**	**(1,494)**	**16,553**	**81,616**
Allocation of net profit pursuant to Shareholders' Resolution of 04/30/2010							
- Equity reserves & retained earnings		-	6,839	-	-	(6,839)	-
- Dividend pay-out		-	-	-	-	(9,714)	**(9,714)**
Treasury share purchases		(352)	-	-	-	-	**(352)**
Result as at December 31, 2010		-	-	-	-	8,504	**8,504**
Components of Other Comprehensive Income:							
- gains (losses) taken directly to cumulative translation adjustment reserve		-	-	177	-	-	**177**
- gains (losses) taken directly to Cash Flow Hedge reserve		-	-	-	9	-	**9**
Total Comprehensive Income							*8,690*
Balances as at December 31, 2010	**31,717**	**(3,347)**	**44,761**	**90**	**(1,485)**	**8,504**	**80,240**
Allocation of net profit pursuant to Shareholders' Resolution of 04/29/2011							
- Equity reserves & retained earnings		-	5,568	-	-	(5,568)	-
- Dividend pay-out		-	-	-	-	(2,936)	**(2,936)**
Treasury share purchases		(894)	-	-	-	-	**(894)**
Result as at December 31, 2011		-	-	-	-	8,147	**8,147**
Components of Other Comprehensive Income:							
- gains (losses) taken directly to cumulative translation adjustment reserve		-	-	385	-	-	**385**
- gains (losses) taken directly to Cash Flow Hedge Reserve		-	-	-	(62)	-	**(62)**
Total Comprehensive Income							*8,470*
Balances as at December 31, 2011	**31,717**	**(4,241)**	**50,329**	**475**	**(1,547)**	**8,147**	**84,880**

GROUP NET FINANCIAL POSITION (GROUP NET FINANCIAL INDEBTEDNESS)

(Accounts in Euro/'000)

	December 31, 2011	December 31, 2010
Cash and cash equivalents	2,939	2,565
A/C overdrafts and advances under usual reserve	(25,235)	(16,804)
Advances on imports	(20,998)	(32,613)
Sub-total Cash and cash equivalents, Net	*(43,294)*	*(46,852)*
Current portion of medium to long-term borrowings	(3,982)	(3,982)
Current net financial position (Current net fin. indebtedness)	**(47,276)**	**(50,834)**
Medium to long-term Superga financing	(6,531)	(8,906)
Basic Village landed-property loan	(11,700)	(12,900)
BasicItalia mortgage loan	(4,373)	(4,780)
Payables for assets held under lease	(1,726)	(1,776)
Sub-total Loans and financing	*(24,330)*	*(28,362)*
Group net financial position (Group net financial indebtedness)	**(71,606)**	**(79,196)**

Set forth below is the statement required under Consob Communication 6064293 issued on July 26, 2006.

		December 31, 2011	December 31, 2010
A.	Cash and cash equivalents	111	99
B.	Other available funds	2,828	2,466
C.	Held-for-trading securities	-	-
D.	**Liquidity (A) + (B) + (C)**	**2,939**	**2,565**
E.	**Current financial receivables**	**-**	**-**
F.	Current bank borrowings	(46,233)	(49,417)
G.	Current portion of non-current financial indebtedness	(3,982)	(3,982)
H.	Current other financial payables	-	-
I.	**Current financial indebtedness (F) + (G) + (H)**	**(50,215)**	**(53,399)**
J.	**Current net financial indebtedness (I) - (E) - (D)**	**(47,276)**	**(50,834)**
K.	Non-current bank borrowings	(24,330)	(28,362)
L.	Bonds issued	-	-
M.	Derivatives measured at fair value	(2,418)	(2,206)
N.	**Non-current financial indebtedness (K) + (L) + (M)**	**(26,748)**	**(30,568)**
O.	**Net financial indebtedness (J) + (N)**	**(74,024)**	**(81,402)**

Financial indebtedness differs from Group net financial position due to derivatives measured at fair value, relating to the hedges used to mitigate exposure to fluctuations in interest rates and/or exchange rates (Note 29 and Note 40).

BASICNET S.p.A. - NET FINANCIAL POSITION (NET FINANCIAL INDEBTEDNESS)

(Accounts in Euro)

	December 31, 2011	December 31, 2010
Cash and cash equivalents	445,980	546,664
A/C overdrafts and advances under usual reserve	(6,881,179)	(5,906,407)
Sub-total Cash and cash equivalents, Net	*(6,435,199)*	*(5,359,743)*
Current portion of medium to long-term borrowings	(2,375,000)	(2,375,000)
Current borrowings vs. third parties	**(8,810,199)**	**(7,734,743)**
Medium to long-term Superga financing	(6,531,250)	(8,906,250)
Medium to long-term K-Way financing	-	-
Medium to long-term leases	-	(3,413)
Sub-total Loans and financing from third parties	*(6,531,250)*	*(8,909,663)*
Net financial indebtedness vs. third parties	**(15,341,449)**	**(16,644,406)**
Financial Receivables /(Payables) vs. Group	56,847,640	55,654,796
Net financial position vs. Group	**56,847,640**	**55,654,796**
Total Net Financial Position (Net Financial Indebtedness)	**41,506,191**	**39,010,390**

As reported in the table above, net financial position (net financial indebtedness) is in line with the requirements set forth in Consob Communication 6064293 issued on July 28, 2006.

Set forth below is the statement required under Consob Communication 6064293 issued on July 28, 2006.

		December 31, 2011	December 31, 2010
A.	Cash and cash equivalents	14,550	7,084
B.	Other available funds	431,430	539,580
C.	Held-for-trading securities	-	-
D.	**Liquidity (A) + (B) + (C)**	**445,980**	**546,664**
E.	**Current financial receivables**	**-**	**-**
F.	Current bank borrowings	(6,881,179)	(5,906,407)
G.	Current portion of non-current financial indebtedness	(2,375,000)	(2,375,000)
H.	Current other financial receivables (payables) in respect of Group	56,847,640	55,654,796
I.	**Current financial indebtedness (F) + (G) + (H)**	**47,591,461**	**47,373,389**
J.	**Current net financial indebtedness (I) - (E) - (D)**	**48,037,441**	**47,920,053**
K.	Non-current bank borrowings	(6,531,250)	(8,909,663)
L.	Bonds issued	-	-
M.	Derivatives measured at fair value	(571,202)	(756,980)
N.	**Non-current financial indebtedness (K) + (L) + (M)**	**(7,102,452)**	**(9,666,643)**
O.	**Net financial indebtedness (J) + (N)**	**40,934,989**	**38,253,410**

Financial indebtedness differs from Group net financial position due to derivatives measured at fair value, relating to the hedges used to mitigate exposure to fluctuations in interest rates and/or exchange rates.

NOTES

1. NATURE OF OPERATIONS

BasicNet S.p.A - with registered office in Turin, and listed on the Italian Stock Exchange with effect from November 17, 1999 - and its Subsidiaries are major players in the sector of branded casual and leisurewear, sportswear, footwear and accessories marketed under the Kappa, Robe di Kappa, Jesus Jeans, Lanzera, K-Way, Superga, AnziBesson and Sabelt brand identities. The activity pursued by the Group unfolds into enhancing the value of the brands and broadening the market reach of the related branded products resulting therefrom through a global network of independent licensees.

The Consolidated Financial Statements for 2011 were approved and authorized for issue by the Board of Directors of BasicNet S.p.A. on March 21, 2012.

2. BASIS OF PREPARATION

Set forth below are the more significant accounting policies and measurement bases adopted in preparing the consolidated financial statements and Group aggregate financial data.

The consolidated financial statements are prepared on a going concern basis under the historical cost convention, as modified to include the fair value measurement of certain financial instruments.

The consolidated financial statements for 2011 have been prepared in accordance with the International Financial Reporting Standards (the 'IFRSs') issued by the International Accounting Standards Board (IASB), as endorsed for use in the European Union. The designation 'IFRS' also includes all International Accounting Standards (IASs), whether revised or otherwise, and all the Interpretations pronounced by the International Financing Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

The consolidated financial statements incorporate as at December 31, 2011 the accounts of BasicNet S.p.A. and the accounts of all the Italian and foreign companies in which the parent company holds, directly or indirectly, the majority of the voting rights. Insofar as preparing their individual financial statements under local GAAP, the accounting policies of the U.S., Spanish and Dutch subsidiaries do not conform with adopted IAS/IFRS. Therefore, where appropriate, adjustments are made in order to present the Group Financial Statements on a consistent basis.

The accounting policies and measurement bases adopted in preparing the consolidated financial statements for 2011 are unchanged from the previous year.

New Accounting Standards

Accounting Standards, Amendments and Interpretations effective from January 1, 2011 but not applicable to the Group:

- Amendment to IAS 32 - *Financial Instruments: Presentation: Classification of Rights Issues denominated in Foreign Currency*
- Amendment to IAS 24 - *Related Party Disclosures*. The amendment simplifies the type of disclosures required in the instance of State-owned related parties and clarifies the definition of related parties.
- Amendment to IFRS 1 - *First-time Adoption of International Financial Reporting Standards*. The amendment consents simplifications to first-time adopters and provides guidance to entities in respect of changes in accounting policies in their first IFRS financial statements.

– Guidance on IAS 1 - *Presentation of Financial Statements*. This clarifies the disclosures to be presented in the statement of changes in equity.

– Amendment to IFRS 7 - *Financial Instruments: Disclosures*. The amendment also requires additional disclosures in respect of classification and other matters.

– Amendment to IFRIC 14 - *Prepayments of a Minimum Funding Requirement*

– IFRIC 19 – *Extinguishing Financial Liabilities and Equity Instruments*

– Annual Improvements to IAS/IFRS (2010)

<u>New Standards and Amendments issued by the IASB and not early adopted by the Group:</u>

- IFRS 10 - *Consolidated Financial Statements* replacing SIC 12 – *Consolidation: Special Purpose Entities* and parts of IAS 27 – *Consolidated and Separate Financial Statements*. The new standard builds on existing principles by identifying the concept of control as determining factor in whether an entity should be included in the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is effective for annual periods commencing on or after January 1, 2013, with early adoption being permitted.

- IFRS 11 - *Joint Arrangement* superseding IAS 31 – *Interests in Joint Ventures* and SIC *13- Jointly-Controlled Entities – Non-Monetary Contributions by Venturers*. The new standard provides the criteria for making a distinction between joint arrangements and joint-venture arrangements. The standard is effective for annual periods commencing on or after January 1, 2013, with early adoption being permitted.

- IFRS 12 - *Disclosure of Interests in Other Entities*. A new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose entities and other unconsolidated entities. The standard is effective for annual periods commencing on or after January 1, 2013, with early adoption being permitted.

- IFRS 13 - *Fair Value Measurement*. The new standard clarifies the determination of the fair value for the purpose of the financial statements and applies to all IFRSs permitting or requiring a fair value measurement or the presentation of disclosures based on fair value. The standard is effective for annual periods commencing on or after January 1, 2013, with early adoption being permitted.

- IAS 27 - *Separate Financial Statements*. As a result of the amended version of IFRS 10 being issued, the sphere of application of IAS 27 is confined to the separate financial statements, and only to the separate financial statements. Eliminated therefore from IAS 27 are all and any reference to the consolidated financial statements. The standard is effective for annual periods commencing on or after January 1 2013, with early adoption being permitted.

- IAS 28 - *Investments in Associates and Interests in Joint Ventures*. The new standard sets out the accounting treatment for investments in associates and interests in joint ventures, as well the criteria in respect of the application of the equity method, and has been amended as a result of the amended versions of IFRS 10 and IFRS 11 being issued. The standard is effective for annual periods commencing on or after January 1 2013, with early adoption being permitted.

- IAS 19 - *Employee Benefits*. The amended version of IAS 19 eliminates the option to defer the recognition of gains and losses, known as the "corridor method", and introduces improvements to the disclosure to be provided in respect of defined benefit plans. The standard is effective for annual periods commencing on or after January 1 2013, with early adoption being permitted.

3. FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

BasicNet Group presents an income statement in which expenses are classified by nature, whilst current and non-current assets, and current and non-current liabilities, are presented as separate classifications in its statement of financial position (consolidated balance sheet). The consolidated statement of cash flows is presented using the indirect method. Taken into account when preparing the consolidated financial statements were the requirements of Consob Resolution 15519 of July 27, 2006 (format of the financial statements) and Consob Resolution 6064293 of July 28, 2006 (disclosures). In connection thereto, information about items of income or expense resulting from related party transactions can be found, insofar as not meaningful when taken as a whole, in Note 43 to the consolidated financial statements, as provided for by Consob Resolution 15519 issued on July 27, 2006.

4. CONSOLIDATION PRINCIPLES

The financial statements used in the consolidation are those prepared at December 31, 2011 by the BasicNet companies included in the consolidation, as adjusted, where applicable, to conform with Group accounting policies.

The consolidated financial statements of the BasicNet Group are presented in Euro, which is the functional currency for the economies in which the Group primarily operates.

On consolidation, the income statements of foreign subsidiaries are translated into Euro using the relevant average exchange rate or the rate of exchange applying at the date of the original transaction in the instance of non-recurring transactions. The statements of financial position of the foreign subsidiaries are translated into Euro at the relevant rates of exchange prevailing at the year-end. Exchange differences resulting from translation of opening equity at year-end rates of exchange are recognized as currency translation differences within other comprehensive income.

Set forth below are the rates of exchange applied:

Foreign exchange	**FY2011**		**FY2010**	
	Average	**Year-end**	**Average**	**Year-end**
U.S. dollar	0.7153	0.7729	0.7585	0.7484
HK dollar	0.0919	0.0995	0.0976	0.0963

The consolidation principles applied are as follows:

a) in preparing the consolidated accounts, the financial statements of the parent and its subsidiaries are combined on a line-by-line basis by adding together like items of assets, liabilities, equity, income and expenses, regardless of the percentage of ownership. The carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated. Insofar as all the entities included in the scope of consolidation are held wholly, no minority interests in the net assets and net income of the Group and no minority assets in the net assets and net income of consolidated companies have been attributed;

b) positive differences arising on elimination of the investment against the fair value of the related shareholders' equity of the subsidiaries at the date of acquisition are allocated, where applicable, to the assets and liabilities of the company being consolidated. The residual value, if any, is treated as goodwill. On IFRS First-time Adoption, the Group elected not to apply IFRS 3 *Business Combinations* retrospectively to the business combinations that occurred before January 1, 2004;

c) intragroup balances, transactions, income and expenses, including profits and losses resulting from intragroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full as are unrealized profits and losses resulting from intragroup mergers or intragroup business line disposals.

Joint ventures are included in the consolidation on a proportionate basis.

As reported in Exhibit 2, the Group is constituted exclusively at December 31, 2011 by subsidiary undertakings held directly or indirectly by BasicNet S.p.A., the parent company; not forming part of the Group are associates.

Control is regarded as the power to govern, directly or indirectly, the financial and operating policies of an enterprise so as to obtain benefits from its activities. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether an enterprise controls or significantly influences another enterprise. Subsidiary undertakings are included in the consolidation as from the date on which control initiates up to the date on which control ceases.

Associates, on the other hand, are enterprises over which the Group has significant influence, but not control or joint control, over the financial and operating policies, as defined by IAS 28 *Investments in Associates*. Investments in associates are initially recorded at cost and, after initial recognition, are accounted for under the equity method. Under the equity method, the investment is initially recorded at cost and the carrying amount is increased or decreased to recognize the Group's share of the profits or losses of the investee after the date of acquisition. The income statement reflects the Group's share of the results of operations of the investee.

A joint venture is a contractual arranged whereby two or more parties undertake an economic activity that is subject to joint control. The entities subject to joint control are included in the consolidation on a proportionate basis.

Scope of Consolidation

The consolidated financial statements include the accounts of BasicNet S.p.A., the parent company, and the accounts of all the Italian and foreign subsidiaries over which BasicNet S.p.A. exercises, directly or indirectly, control. With effect from October 3, 2011, included within the scope of consolidation is Fashion S.p.A., in which BasicNet S.p.A. holds a 50% interest and over which joint control is exercised. As in the year before, not included line-by-line in the consolidation are the accounts of the subsidiary Jesus Jeans S.r.l., insofar as re-entering into operation part way December 2011, also not included line-by-line in the consolidation are the accounts of alloSpaccio S.r.l., insofar as not yet operational.

Set out as an attachment hereto, is the list of BasicNet Group companies, along with details of their business names, registered office, declared strategic intent, share capital and percentage of direct and indirect ownership.

Disclosures by operating segment and geographic area

Identified at the primary level within the BasicNet Group are three operating segments: i) trademark license management; ii) wholesale and retail sales, put in place through proprietary licensee, and; iii) property operational management. The breakdown of licensee aggregate sales by geographic area can be found in Note 7.

Segmental disclosure by geographic area is relevant for assessing the royalty income and net sales of the Group and, as such, is presented in the Notes relating to the relevant two consolidated income statement accounts, i.e. *royalty income* and *net sales*. The breakdown of licensee aggregate sales by geographic area from which the royalties arise can be found in the Management Report.

5. ACCOUNTING POLICIES

The consolidated financial statements for 2011 have been prepared on a going concern basis, in accordance with the accrual basis of accounting. The currency unit adopted is the Euro and all the amounts are rounded to thousands of Euro.

Set forth below are the more significant accounting policies and measurement bases adopted in preparing the consolidated financial statements for the year ended December 31, 2011:

Revenue Recognition

Revenue stems from Group operations in the ordinary course of business and comprises revenue from sales and services. Revenue is recognized net of value added tax, product returns and trade discounts.

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably. More pointedly, revenue from the sale of goods is recognized when the enterprise has transferred to the buyer the significant risks and rewards of ownership of the goods, and the selling price has been agreed or determined and the collection of revenues is assured. In other words, revenue from the sale of goods is recognized at the moment that legal title passes, which generally coincides with shipping or consignment. As permitted under IAS 18, revenues from goods sold to Group trademark stores operated and managed by unrelated parties (franchised stores), in respect of which a right of return has been negotiated by contract, are recognized when the right of return expires which is generally on ultimate sale of the goods to end-customer.

Revenue from royalties or from sourcing commission is recognized on an accrual basis in agreement with the substance of the underlying contracts.

Cost/Expense Recognition

Costs and expenses are accounted for in accordance with the accrual basis of accounting.

Costs associated with sponsorship contracts paid each period are matched on an accrual basis to the respective contract.

Costs relating to the preparation and presentation of sample collections are dealt with through the income statement in the period in which the relevant sample collection sales are collected. Deferral, if any, is recognized through deferred expenses.

Costs relating to advertising campaigns designed specifically toward compounding orders taken by the salesforce are expensed directly, in accordance with IAS/IFRS, over the period in which the campaign is performed, rather than being correlated to the related revenues, which will crystallize only successively, once the orders taken are cleared, insofar as this second methodology better portrays consistency with the advertising campaigns.

Interest Income and Interest Expense, and Income and Expenses

Interest income and interest expense, and other income and expenses, are recognized and stated in accordance with the accrual basis of accounting.

Translation Criteria for Balances Denominated in Foreign Currency

Receivables and payables denominated in foreign currency are converted into Euro at the respective rate of exchange prevailing at the date of the original transaction. The exchange differences realized on the collection of receivables or payment of liabilities are dealt with through the income statement.

Income and revenue, and costs and expenses relating to transactions denominated in foreign currency are reported at the rate of exchange prevailing at the date of the original transaction.

Monetary assets and liabilities denominated in foreign currency at the end of the reporting period are reported at the forward contract rate prevailing at that date, and the related foreign exchange gains or losses are dealt with through the income statement.

Income Taxes

Current income taxes include all taxes based upon the taxable profits of the Group. Taxes on income are recognized in the income statement except to the extent that they relate to items directly charged or credited to equity, in which case the related income tax effect is recognized directly in equity.

Deferred taxes are calculated on all the temporary differences between the tax base of an asset or liability and the carrying amounts in the consolidated financial statements. Deferred tax assets relating to unused tax losses and tax credits, as well as those arising from temporary differences, are recognized to the extent that it is probable that future profits will be available against which they can be utilized. Deferred tax assets and liabilities are measured at the substantively enacted tax rates in the respective jurisdictions in which the Group operates that are expected to apply to taxable income in the periods in which temporary differences will be reversed. Current and deferred income tax assets and liabilities are offset if, and only if, the income taxes are levied by the same taxation authority and when there is a legally enforceable right of offset.

The parent company has adhered to the National Tax Consolidation program pursuant to Section 177 *et seq.* of the Italian Tax Code (Presidential Decree (DPR) 917 of December 22, 1986) along with the Italian subsidiaries BasicItalia S.p.A., Basic Village S.p.A. and Rdk0 S.r.l. for the three-year period 2009, 2010 and 2011, and, with effect from FY2010, with the Italian subsidiaries BasicOutlet S.r.l. and BasicCRS S.r.l. Each company adhering to National tax consolidation transfers its taxable income or tax loss to BasicNet S.p.A., the tax consolidating entity. BasicNet S.p.A. recognizes receivables from companies contributing taxable incomes, corresponding to the amount of 'Ires' corporate income tax paid on its behalf. Conversely, whenever a company brings a tax loss into the national tax consolidation, BasicNet S.p.A. recognizes a payable to that company for the amount of the loss effectively set off at the Group level. The Italian branches of certain foreign investees, albeit producing taxable profits in Italy, may not be included in the national tax consolidation.

BasicNet S.p.A. acts as the tax consolidating entity in this program and determines a single taxable base for the grouping of companies taking part, thereby enabling benefits to be realized from the offsetting of taxable income and tax losses in a single tax return. Each company adhering to national tax consolidation transfers its taxable income or tax loss to the tax consolidating entity. BasicNet S.p.A. recognizes receivables from companies contributing taxable incomes, corresponding to the amount of 'Ires' corporate income tax paid on its behalf. Conversely, whenever a company brings a tax loss into the national tax consolidation, BasicNet S.p.A. recognizes a payable to that company for the amount of the loss effectively set off at the Group level.

Other taxes not based on income, such as property tax and capital tax, are included in operating expenses.

Earnings Per Share

Basic earnings per share are calculated by dividing the profit/(loss) for the period attributable to owners of the Parent by the weighted average number of Ordinary Shares in issue during the period.

Diluted earnings per share are calculated by dividing the profit/(loss) attributable to owners of the Parent by the diluted weighted average number of Ordinary Shares in issue during the period.

Over the last twelve months, there were no Ordinary Shares in issue for diluted earnings.

Contingent Liabilities

Through the normal course of business, BasicNet may be involved in tax and legal disputes covering a range of matters in various jurisdictions, the settlement of which may involve cost to the Group. Due to the uncertainty attaching thereto, it is difficult to predict the ultimate outcome of such matters. Furthermore, the Group is party to legal disputes defending its premium brands and/or products from imitation and falsification. The cases and claims against the Group frequently raise difficult and complex factual and legal issues, which are subject to a broad spectrum of uncertainties and complexities, including but not limited to the facts and circumstances relative to each particular case and claim, the jurisdiction and differences in applicable law.

In the normal course of business, Management consults with legal counsel and advisors on litigation and tax matters. Provision is made where an adverse outcome is probable and associated costs, including related legal costs, can be estimated reliably. In other cases, appropriate disclosures are included in the Notes to the consolidated financial statements.

Use of Estimates

The preparation of the Group Financial Statements under IFRS requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates are used to measure the intangible assets and the items of property, plant and equipment tested for impairment as discussed further ahead and, not least, to report allowances for doubtful accounts, obsolete inventories, depreciation and amortization, assets written down, employee benefits, taxation, other provisions and reserves.

The estimates and assumptions are reviewed periodically and the effects of all changes are reflected immediately in the income statement.

Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance, that meets the meets the recognition criteria (identifiabiility, control over a resource, and evidence of future economics benefits that will flow to the entity and the cost of the asset can be measured reliably). An intangible asset with finite useful life is recognized at purchase price or production cost, including any directly attributable cost of preparing the asset for its intended use, less accumulated amortization and any accumulated impairment losses. Amortization begins when the asset is available for use and is charged on a systematic basis over the asset's useful life.

Software

Purchased software and internally generated computer-system programs are amortized over five years. Software costs incurred in maintaining or restoring the originally assessed standard of performance are recognized as an expense as and when incurred, and are not capitalized.

Development Costs

Development costs capitalized when it can be demonstrated that the development expenditure will generate probable future economic benefits and the other conditions required by IAS 38 are satisfied.

Trademarks and Patents

Given the bolder reach carved out around the globe by the Kappa, Robe di Kappa, Superga and K-Way "power brands" and the resultant royalty stream iconic status earned and, not least, given that no deterrents were believed to exist that would limit the generation of cash flows over the longer horizon, the

Directors of the BasicNet Group reassessed in 4Q2010 the estimated useful economic lives of those brands, in application of International Accounting Standard IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*, suspending on a forward-looking basis the related amortization thereof, all of which without prejudice to impairment testing annually or more frequently if events or changes in the circumstances indicate a possible decline in the carrying amount.

Insofar as having still to reach the iconic status spiked by the "power brands", the Lanzera, Jesus, AnziBesson and Sabelt brands continue to be measured at the cost of purchase and are amortized over a period of twenty years.

Patent rights are amortized over a period of ten years.

Other Intangible Assets

If the cost (i.e. fair value) of an intangible asset acquired as part of a business combination that is an acquisition can be measured reliably, that asset is recognized as a separate intangible asset and not classified under goodwill.

Goodwill

In the instance of a business combination that is an acquisition, the acquired identifiable assets, liabilities and contingent liabilities are measured at their fair value at the acquisition date. The positive difference between the cost of the business combination over the Group's share of the fair values of the acquired identifiable assets and liabilities is classified as goodwill and included in the accounts under intangible assets. Conversely, any negative difference ("negative goodwill") is recognized immediately in the income statement.

Insofar as not amortized, goodwill is assessed for impairment at least annually, or more frequently, when events or changes in circumstances indicate that it might be impaired, in accordance with International Accounting Standard IAS 36 - *Impairment of Assets*. After initial recognition, goodwill is carried at its cost less any cumulative impairment losses.

Also encompassed within this class of assets are amounts paid by the Group in taking over contractual positions relating to sales outlets, whether operated and managed directly or franchised. Such items of commercial goodwill included in the consolidated accounts are deemed to be intangible assets with an indefinite life and, as such, are not amortized. Irrespective of whether there is any indication that it may be impaired, goodwill is tested for impairment at least annually by comparing its carrying amount to its recoverable amount as resulting from estimated value in use or expert appraisal reports. The recoverable amount is the greater of an asset's value in use and its fair value less to sell. Conversely, the goodwill recognized in relation to business line contract awards is amortized over the underlying contract term.

Property, Plant and Equipment

Property, plant and equipment are tangible fixed assets, and are stated at purchase price or production cost. Cost includes accessory expenses, as well as the portion of direct and indirect costs which can be reasonably attributed to the assets .

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized is added to the carrying amount of the asset if, and only if, the future economic benefits in excess of the originally assessed standard of performance of the existing asset, will flow to the entity. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of the assets on a straight-line basis over their useful life expectancy, as follows:

PPE	Useful life expectancy (in years)
Buildings	33
Plant and machinery	8
Furniture, fittings and fixtures	5 to 8
Motor vehicles	4
Electronic and electric machinery	5 to 8

The assets are written down to reflect any impairment, other than temporary, in value at the end of the reporting period. If, in subsequent periods, the reasons for the write-down cease to apply, the original value is reinstated.

Ordinary maintenance costs are charged wholly against the consolidated income statement.

Payments on account and assets under construction, as yet not entered into service at the end of the reporting period, are shown separately.

Land, as duly appraised by independent expert valuers, has an unlimited useful life and therefore is not depreciated.

Assets held under lease

Land and buildings held under finance lease are accounted for under the finance method. The asset is recognized in the consolidated balance sheet as a tangible fixed asset, and is depreciated over its *estimated useful life*.

The depreciation provided on the assets is reflected in the annual consolidated financial statements in the same way as other items of property, plant and equipment.

The obligation related to finance leases, net of financial charges, in respect of future periods, are included, as appropriate, under current liabilities or non-current liabilities. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance on the obligation for each accounting period.

Impairment of Assets

The carrying amount of the assets held by the Group are tested for impairment at the end of each reporting period to assess whether there is any indication of impairment other than temporary, in which case the asset's recoverable amount is estimated. If this is the case, the impairment loss is assessed and recognized as an expense in the income statement when the carrying amount of an asset or cash-generating unit is greater than the recoverable amount of the asset to which it relates. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Intangible assets with indefinite useful lives, including therein goodwill, are assessed annually, or whenever any indication of impairment losses is identified.

Measuring Recoverable Amount

The recoverable amount of an asset other than a financial asset is the higher of its fair value less costs to sell and its value in use. In measuring value in use, the estimated future cash flows are actualized applying a discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. Should an asset not generate cash inflows from continuing use that are largely independent of those from other assets, value in use and, therefore, recoverable amount, can be determined only for the asset's cash-generating unit.

Reversing an Impairment Loss

An impairment loss recognized for an asset other than goodwill in prior years is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. A reversal of an impairment loss for an asset other than goodwill is recognized as income immediately in the income statement, adjusting the carrying amount of the asset to its recoverable amount. The carrying amount of the asset other than goodwill is not increased above the lower of the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

Investments and Other Financial Assets

Investments in associates are accounted for using the equity method, The differences between the cost of the investment over the investor's share of the fair values of the net identifiable assets at the date of acquisition is treated on a basis consistent with the consolidation principles discussed.

Investments in other enterprises are carried at cost, as written down to reflect any impairment, other than temporary, in value, should the related fair value thereof not be reliably determinable, insofar as relating to entities not quoted. If, in subsequent periods, the reasons for the write-down cease to apply, the original value is reinstated.

Receivables classified under financial fixed assets are stated at their presumed realizable value.

Inventories

Inventories are measured under the weighted average cost method of valuation.

Inventories are stated at the lower of production or purchase price or net realizable value based on market conditions.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs directly and indirectly attributable to bringing the inventories to their present location and condition. Inventory write-downs are written back in subsequent periods if the reasons for the write-down cease to apply. Obsolete and slow-moving inventories are written down on the basis of their possible utilization or saleability.

Trade and Other Receivables

Trade and other receivables are recognized initially at nominal value and subsequently measured at amortized cost using the effective interest rate method if long-term in nature, less provision for impairment. A provision for impairment of trade and other receivables is made when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivables. Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience. Receivables sold without recourse, for which substantially all the risks and rewards of ownership are transferred to assignee, are derecognized at their nominal value.

Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. These are stated in the amounts effectively available at the end of the reporting period.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash.

Accruals and Prepayments

Accruals and prepayments include the portion of revenues and expenses covering two or more periods, in accordance with the accrual basis of accounting.

Treasury Shares

Treasury shares are presented as a deduction from equity. The original cost of treasury shares and the proceeds of any subsequent sale are presented as movements in equity.

Reserves for Risks and Charges

Provisions for risks and charges are recognized in the consolidated balance sheet if, and only if, there is an implicit or legal obligation that should result in an out flow from the enterprise of resources embodying economic benefits, and a reliable estimation thereof can be determined.

Employee Benefits

Employee benefits that fall within the scope of Italy's TFR (provision for severance pay) are considered defined post-employment benefits and are therefore measured on an accrual basis using the Projected Unit Credit Method.

With effect from January 1, 2007, such liability relates exclusively to the TFR allocations accrued up to December 31, 2006, which, by virtue of the pension reform (establishment of a supplementary pension fund) introduced by the government (Italian legislative decree no. 252 of December 5, 2005), continues to represent an obligation for the entity. As a result of such reform being incorporated into Italian law by virtue of Law No. 296 of December 27, 2006 (Italian Financial Act 2007), the liability, insofar as relating to past service costs, has been remeasured without applying the pro-rated service worked and without reflecting, in the actuarial computation, the material element of estimated future salary increases.

The TFR allocations paid into supplementary pension funds represent a form of deferred contribution plan under which the entity pays fixed contributions into a separate entity (fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Additionally, the TFR allocations transferred to the special TFR fund managed by the National Social Insurance Institute (INPS) are recognized as allocations to a deferred contribution plan inasmuch as the entity will have no legal or constructive obligation to pay further contributions, other than those contemplated by Ministerial Decree of January 30, 2007, should the fund not hold sufficient assets to pay all employee service benefits.

Payables

Financial payables are stated at their nominal value, which approximates amortized cost. The book value of trade payables and other payables at the end of the reporting period approximates their fair value.

Derivatives and Hedge Accounting

BasicNet Group uses derivative financial instruments to hedge its exposure to fluctuations in interest and foreign exchange rates. Interest rate risk stems from bank borrowings, whilst foreign exchange risk stems from fluctuations in Euro/USD exchange rates on products purchased for resale, not covered by highly probable royalty and sourcing commission streams denominated in like-for-like currency.

Derivative financial instruments are recognized initially in the balance sheet at fair value and are measured, after initial recognition, according to the "hedging" or "non-hedging" designation required under IAS 39 - *Financial Instruments: Recognition and Measurement.*

In connection thereto, BasicNet Group policy prohibits speculative transactions, and no trading activity in derivative financial instruments is undertaken.

There are two kinds of hedging relationships:

- Fair value hedges
- Cash flow hedges

To qualify for hedge accounting, the hedging relationship must meet several conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement. At the inception of the transaction, BasicNet Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge.

After initial recognition, the following accounting treatment applies to derivative financial instruments that qualify for hedge accounting:

a) Fair value hedges

   Changes in their fair value are recognized in the income statement, as are changes in the fair value of the underlying hedged asset or liability.
   Fair value hedges are not used by the Group.

b) Cash flow hedges

   The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity; the ineffective portion of the gain or loss on the hedging instrument is recognized immediately in profit or loss.
   When the hedging instrument expires or is sold, terminated or no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that remains recognized directly in equity from the period when the hedge was effective is recognized in profit or loss.

c) Derivative financial instruments not qualifying for hedge accounting

   Derivative financial instruments not qualifying for hedge accounting in accordance with IAS 39 are classified under financial assets and financial liabilities at fair value through profit or loss. Derivative financial instruments not qualifying for hedge accounting are not used by the Group.

Fair value hierarchy under IFRS 7

IFRS 7 requires financial instruments recognized at fair value to be classified on the basis of a hierarchy that reflects the significance of the inputs used in determining fair value.

The following levels are used in this hierarchy:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- *Level 2*: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. as derived from prices). Classified herein are the financial instruments used by the Group to mitigate its exposure to fluctuations in interest and/or exchange rates;
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs). There are no financial instruments classified as such.

6. OTHER INFORMATION

The Management Report also presents information in respect the following:

– significant events after the reporting period and business outlook.

NOTES TO CONSOLIDATED INCOME STATEMENT ACCOUNTS (ALL AMOUNTS IN EURO/'000)

7. SEGMENTAL INFORMATION

The operating segments through which BasicNet Group carries out its activities are three:

- "Trademark License Management": this segment derives its revenues from operational management of the international licensee and sourcing center platform;

- "Proprietary Licensee": this segment derives its revenues from direct management of the sales channels via BasicItalia S.p.A. (proprietary licensee), RdK0 S.r.l., BasicOutlet S.r.l. and BasicCRS S.r.l., and the retail and wholesale sector;

- "Property Operational Management": this segment derives its revenues from operational management of the "Basic Village" property complex in Turin (1 Largo Maurizio Vitale).

December 31, 2011	Trademark license management	Proprietary licensee	Property operational management	Inter-segment elimination	Consolidated
Segment revenues – from third parties	449	121,482	1	-	121,932
Segment revenues – inter-segment	*2,549*	*238*	*2*	*(2,789)*	-
(Cost of sales - from third parties)	(1,561)	(75,000)	(2)	-	(76,563)
(Cost of sales – inter-segment)	*(101)*	*(2,291)*	-	*2,392*	-
TRADING MARGIN	**1,336**	**44,429**	**1**	**(397)**	**45,369**
Royalties & sourcing commis. – from third parties	39,086	-	-	-	38,086
Royalties & sourcing commission – inter-segment	*7,808*	-	-	*(7,808)*	-
Other income – from third parties	856	1,653	835	-	3,344
Other income – inter-segment	*901*	*7,823*	*2,769*	*(11,493)*	-
(Media and sponsor. costs–from third parties)	(2,338)	(15,803)	(2)	-	(18,143)
(Media and sponsorship costs – inter-segment)	*(4,629)*	*(7)*	-	*4,636*	-
(Cost of labor – from third parties)	(7,259)	(9,090)	-	-	(16,349)
(Cost of labor – inter-segment)	-	*(1)*	-	*1*	-
(Selling expenses, general & administrative costs and royalty expenses-from third parties)	(9,226)	(21,401)	(1,286)	-	(31,913)
(Selling expenses, general & administrative costs and royalty expenses – inter-segment)	*(5,374)*	*(9,636)*	*(50)*	*15,060*	-
Depreciation and amortization	(1,607)	(3,479)	(814)	-	(5,900)
OPERATING RESULT	**18,554**	**(5,512)**	**1,452**	**(1)**	**14,494**
Finance income – from third parties	396	1,581	-	-	1,977
Finance expenses – inter-segment	*354*	-	*30*	*(384)*	-
(Financial charges – from third parties)	(1,269)	(3,707)	(836)	-	(5,812)
(Financial charges – inter-segment)	-	*(358)*	*(26)*	*384*	-
RESULT BEFORE TAXATION	**18,035**	**(7,996)**	**621**	**(1)**	**10,659**
Income tax expense	(4,102)	1,836	(246)	-	(2,512)
NET RESULT	**13,933**	**(6,160)**	**375**	**(1)**	**8,147**
Significant non-monetary items:					
Depreciation and amortization	(1,607)	(3,479)	(814)	-	(5,900)
Write-downs	(166)	(2,050)	-	-	(2,216)
Total Non-monetary items	**(1,773)**	**(5,529)**	**(814)**	**-**	**(8,116)**
Investments in non-current assets	**(2,694)**	**(3,373)**	**(191)**	**-**	**(6,258)**
Segment assets and liabilities:					
Assets	**172,347**	**124,179**	**21,028**	**(107,286)**	**210,268**
Liabilities	**79,513**	**117,010**	**18,015**	**(89,150)**	**125,388**

December 31, 2010	**Trademark license management**	**Proprietary licensee**	**Property operational management**	**Inter-segment elimination**	**Consolidated**
Segment revenues – from third parties	727	131,655	1	-	132,383
Segment revenues – inter-segment	*2,778*	*170*	*2*	*(2,950)*	-
(Cost of sales - from third parties)	(2,052)	(77,496)	(2)	-	(79,550)
(Cost of sales – inter-segment)	*(23)*	*(2,557)*	-	*2,580*	-
TRADING MARGIN	**1,430**	**51,772**	**1**	**(370)**	**52,833**
Royalties & sourcing commis. – from third parties	32,506	2	-	-	32,508
Royalties & sourcing commission – inter-segment	*8,841*	-	-	*(8,841)*	-
Other income – from third parties	1,030	1,620	832	-	3,482
Other income – inter-segment	*904*	*1,978*	*2,706*	*(5,588)*	-
(Media and sponsor. costs–from third parties)	(2,569)	(14,304)	-	-	(16,873)
(Media and sponsorship costs – inter-segment)	*(1,982)*	*(8)*	-	*1,990*	-
(Cost of labor – from third parties)	(6,895)	(8,085)	-	-	(14,980)
(Cost of labor – inter-segment)	-	*(1)*	-	-	*(1)*
(Selling expenses, general & administrative costs and royalty expenses-from third parties)	(9,500)	(23,165)	(1,205)	-	(33,870)
(Selling expenses, general & administrative costs and royalty expenses – inter-segment)	*(2,072)*	*(10,686)*	*(50)*	*12,808*	-
Depreciation and amortization	(2,933)	(2,698)	(791)	-	(6,422)
OPERATING RESULT	**18,760**	**(3,575)**	**1,493**	**(1)**	**16,677**
Finance income – from third parties	482	1,883	-	-	2,365
Finance expenses – inter-segment	*1,898*	-	*9*	*(1,907)*	-
(Financial charges – from third parties)	(1,328)	(4,287)	(905)	-	(6,520)
(Financial charges – inter-segment)	-	*(142)*	*(6)*	*148*	-
RESULT BEFORE TAXATION	**19,812**	**(6,121)**	**591**	**(1,760)**	**12,522**
Income tax expense	(4,990)	1,211	(239)	-	(4,018)
NET RESULT	**14,822**	**(4,910)**	**352**	**(1,760)**	**8,504**
Significant non-monetary items:					
Depreciation and amortization	(2,932)	(2,698)	(792)	-	(6,422)
Write-downs	(125)	(2,130)	-	-	(2,255)
Total Non-monetary items	**(3,057)**	**(4,828)**	**(792)**	**-**	**(8,677)**
Investments in non-current assets	**(2,608)**	**(7,374)**	**(309)**	**-**	**(10,291)**
Segment assets and liabilities:					
Assets	**166,471**	**147,500**	**20,508**	**(112,794)**	**221,685**
Liabilities	**79,638**	**140,958**	**17,580**	**(96,730)**	**141,445**

- The “Trademark License Management” segment delivered bolt-on revenues correlated to the business growth honed by unrelated licensees. Royalty income and sourcing commission, in particular, grew 11% from FY2010. Looking back to the year-earlier period, collected by the parent company from the subsidiary BasicItalia S.p.A. were FY2009-related dividends amounting to Euro 1.6 million, by virtue of which the net result delivered by this segment for FY 2010 surpasses the net result delivered for FY 2011.
- The “Proprietary Licensee” segment is represented by BasicItalia S.p.A. and by its subsidiaries RdK0 S.r.l., BasicOutlet S.r.l. and BasicCRS S.r.l., the related revenues of which retreated from Euro 131.7 million as at December 31, 2010 to Euro 121.5 million as at December 31, 2011, delivering a net result of Euro -6.1 million as compared to Euro -4.9 million in the year-ear-earlier period, due to the reasons examined and discussed in the Management Report.
- The “Property Operational Management” sector, which derives its revenues from the operational management of the Turin property complex at 1 Largo Maurizio Vitale, ends FY2011 delivering a positive net result in the amount of Euro 0.4 million, in line with the year before.

8. DIRECT SALES REVENUE

The breakdown of direct sales revenue is set out below by geographic area:

	FY2011	FY2010
Italy	110,820	119,402
EU countries other than Italy	5,985	8,656
Rest of the world	5,127	4,325
Total Direct sales revenue	**121,932**	**132,383**

Direct sales revenue for the year under review relates to merchandize sold by BasicItalia S.p.A., by RdK0 S.r.l. and by BasicOutlet S.r.l., whether through National or Regional Servicing Centers or directly to the general public (Euro 121.7 million), as well as sample merchandize sold by BasicNet S.p.A. (Euro 0.2 million). Some 90.9% and approximately 4.9% of direct sales revenue was captured across the homeland and the EU, respectively, whilst the remainder, some 4.2%, was hiked across the rest of the world.

Information about the movement for the year can be found in the Management Report and, not least, in Note 7.

9. COST OF SALES

	FY2011	FY2010
Goods purchased – Foreign market	49,139	69,676
Goods purchased – Italian market	7,287	12,202
Samples purchased	1,210	1,530
Accessories and packaging materials purchased	291	258
Freight charges and accessory purchasing costs	6,182	10,718
Packing	510	452
Change in raw materials, ancillary materials, consumables and goods for resale in inventory	6,359	(20,702)
Other	5,585	5,416
Total Cost of sales	**76,563**	**79,550**

Goods purchased relate to merchandize purchased by BasicItalia S.p.A. The volume of purchases dipped meaningfully from the year before due to the merchandize procured by the Company at end 2010 being used over the course of 2011 to meet the demands for merchandize driven through by the bolder market footprint built up by the network of Group-banner shops and stores, with the attendant consequence being leaner merchandize stocks at end 2011. *Samples purchased* relate to samples purchased BasicNet S.p.A. for resale to Licensees.

Leaner purchasing volumes and inventory paved the way toward downsizing freight charges and accessory purchasing costs and, not least, trimming merchandize handling and stocking charges, as classified under “Other”, as well as other product-related charges minor in amount .

10. ROYALTY INCOME AND SOURCING COMMISSION

Royalty income and *Sourcing commission* are represented by trademark royalty fees in the countries in which the relevant trademark property licenses have been assigned or recognized by authorized Sourcing Center licensees.

Information about the movement for the year can be found in the Management Report.

Set forth below is the breakdown of royalty income and sourcing commission by geographic area:

	FY2011	**FY2010**
Europe	18,137	16,736
The Americas	2,347	2,335
Asia and Oceania	15,145	11,175
Middle East and Africa	2,457	2,262
Total	**38,086**	**32,508**

11. OTHER INCOME

	FY2011	**FY2010**
Rental income	567	550
Recovery of condominium expenses	247	258
Income from promotional sales	321	789
Other	2,209	1,885
Total Other revenues and income	**3,344**	**3,482**

Income from promotional sales relates to proceeds arising from or relating to the concession of trademark property rights to unrelated parties for merchandizing promotional purposes, which, inasmuch as non-recurring in nature, fluctuate over time.

As at December 31, 2011, the balance on the line *Other* includes contributions (Euro 1 million) from licensees toward sponsorships put in place by the Group, sundry items recharged to unrelated parties, positive differences on accruals for expenses relative to prior periods, and other minor items of income.

12. MEDIA AND SPONSORSHIP COSTS

	FY2011	FY2010
Sponsorships	16,068	14,303
Advertising expenditures	1,365	1,833
Promotional expenditures	710	737
Total Media and sponsorship costs	**18,143**	**16,873**

Sponsorships relate to communication costs incurred directly the Group or by unrelated Licensees, to which the Group contributes. Primarily pushing through the year-on-year increase were new sponsorship contracts (as discussed in the Management Report).

Advertising expenditures relate to billboard advertising and press communication campaigns.

13. COST OF LABOR

	FY2011	FY2010
Salaries and wages	11,722	10,764
Social security contributions	3,821	3,475
Employee termination indemnities	806	742
Total Cost of labor	**16,349**	**14,981**

The cost of labor (personnel expenses) includes all charges resulting from the services performed by BasicNet Group employees. Primarily pushing through the year-on-year increase was the increasing number of Group-banner shops and stores open for business across the homeland and some Parent Company operating structures being reinforced to mirror new-brand or design & prototyping development, with a keen eye steered toward building up the Fashion division to help the K-Way, Sabelt and Jesus Jeans brands to emerge stronger.

The following table sets out the movement recorded for the year ended December 31, 2011 in terms of the average number of employees, analyzed by employee category:

Group	December 31, 2010	Hired	Left	December 31, 2011	Average for the period
Managers	21	4	4	21	21
Supervisors	1	-	-	1	1
Clerks	386	175	155	406	399
Workers	32	3	5	30	32
Total	440	182	164	458	452

Employee category	Human Resources at December 31, 2011				Human Resources at December 31, 2010			
	Number		Average age		Number		Average age	
	Male / Female	Total	Male / Female	Average	Male / Female	Total	Male / Female	Average
Managers	13 / 8	21	47 / 47	47	12 / 9	21	48 / 47	47
Supervisors	1 / -	1	49 / -	49	1 / -	1	48 / -	48
Clerks	127 / 279	406	33 / 35	34	119 / 267	386	33 / 34	34
Workers	16 / 14	30	41 / 42	41	16 / 16	32	40 / 43	41
Total	157 / 301	458	34 / 35	34	148 / 292	440	35 / 35	34

Source: BasicGuys.com

The movement for the year on "Clerks" arises from or relates to the innate turnover of resources assigned to the direct sales outlets.

14. SELLING EXPENSES, GENERAL & ADMINISTRATIVE EXPENSES, AND ROYALTY EXPENSE

	FY2011	FY2010
Service selling expenses and royalty expense	8,874	10,610
Rental expense, accessory charges and utilities	8,646	7,850
Commercial expenses	2,787	3,136
Emoluments to Directors and Statutory Auditors	2,467	2,689
Provision for the write-down of receivables	2,216	2,255
Other	6,923	7,330
Total Selling Expenses, General & Administrative Expenses and Royalty Expense	**31,913**	**33,870**

Service selling expenses relate primarily to commission recognized to agents of the subsidiary BasicItalia S.p.A., whilst *Royalty expense* relates to sports team merchandizing contracts and co-branding products. The year-on-year decline stems either from minor sales revenue delivered or the stronger stance taken by the sales revenue component developed by the Group-banner shops and stores on which lower rates of commission accrue.

By way of reflection of the increasing number of Group-banner shops and stores open for business to the general public, some of which operating as business line rentals, taking a stronger stance in the year under review were *rental expense, accessory charges and utilities*.

Commercial expenses include commercial-driven costs represented by product catalogue costs and, not least, trade-fair and exhibition showcasing costs, as well as communication consultancy costs represented by advertising campaign, styling, graphic and commercial costs and travel expenses; mainly priming the year-on-year reduction were communication expenses, which narrowed as a result of leaner advertising expenses and greater sponsorship costs being incurred in the review period, as placed in evidence earlier in Note 12.

As required by Article 78 of Consob Regulation 11971/99, as subsequently amended, set out as an attachment hereto is the aggregate remuneration paid to or accrued in respect of Directors and Statutory Auditors, for services in all capacities performed within the BasicNet Group.

Encompassed within the balance on *Other* are expert and legal consultancy fees, bank charges, taxes and duties (other than income taxes), consumables purchased, hire rentals, corporate expenditures and other minor items of expense.

15. DEPRECIATION AND AMORTIZATION

	FY2011	FY2010
Amortization	3,071	3,822
Depreciation	2,829	2,600
Total Depreciation and Amortization	**5,900**	**6,422**

Depreciation and amortization expense retreated from the year before. Encompassed with the balance on this line is the Euro 242 thousand write-down recorded for reasons of prudence on testing for impairment the items of key-money recognized to unrelated parties in respect of some sales outlets (Note 20).

16. FINANCE INCOME/(EXPENSES), NET

	FY2011	FY2010
Interest income	23	29
Interest expense-banks	(1,550)	(728)
Interest expense-commercial	(365)	(588)
Interest expense on medium to long-term financing	(1,660)	(1,888)
Interest expense on leased property	(76)	(86)
Other	(205)	(295)
Total Finance income/(expenses), Net	***(3,833)***	***(3,556)***
Foreign exchange gains	1,955	2,337
Foreign exchange losses	(1,957)	(2,936)
Total Net foreign exchange gain/(loss)	***(2)***	***(599)***
Total Finance income/(expenses), Net	**(3,835)**	**(4,155)**

Taken as a whole, the balance on debt servicing finance expenses as at December 31, 2011 increased by way of reflection of current net financial indebtedness, as set off in part by the reduction in the balance on medium to long-term loans and financing. Finance expenses also bear the brunt waged by gyrations in the spreads applied by the banking system. The balance on the net foreign exchange gain/(loss) reflects a substantially balanced stance as a result of the hedging transactions put in place, as examined and discussed in the Management Report.

17. INCOME TAXES

Income taxes relate to current income tax and deferred income tax in the amount of some Euro 2.6 million and some Euro 0.1 million, respectively.

18. EARNINGS PER SHARE

Basic earnings per share at December 31, 2011 are calculated by dividing the net profit for the year attributable to owners of the Parent by the weighted average number of Ordinary Shares in issue during the year:

	FY2011	FY2010
Net Profit attributable to owners of the Parent	8,147,126	8,504,012
Weighted average number of Ordinary Shares	58,581,874	58,838,540
Basic Earnings per Ordinary Share	0.1391	0.1445

There are no Ordinary Shares in issue for diluted earnings at December 31, 2011. Accordingly, diluted earnings per share coincide with basic earnings per share.

The year-on-year change in the weighted average number of Ordinary Shares in issue for basic earnings reflects treasury share purchases put in place over the last twelve months.

ASSETS

19. INTANGIBLE ASSETS

	December 31, 2011	December 31, 2010	Change
Concessions, trademarks and similar rights	32,369	31,823	546
Computer-system programs	4,121	3,637	484
Other intangible assets	3,627	3,826	(199)
Industrial patent rights	16	20	(4)
Total Intangible assets	**40,133**	**39,306**	**827**

The movement for the year on historic cost is set out below by intangible asset class:

	Concessions, trademarks and similar rights	Computer-system programs	Other intangible assets	Industrial patent rights	Total
Historic cost at 12.31.2010	**42,873**	**27,177**	**7,480**	**43**	**77,573**
Additions	*743*	*2,354*	*326*	-	***3,423***
Disposals	-	-	-	-	-
Other changes	*36*	-	-	-	***36***
Historic cost at 12.31.2011	**43,652**	**29,531**	**7,806**	**43**	**81,032**

The movement for the year on accumulated amortization is set out below by intangible asset class:

	Concessions, trademarks and similar rights	Computer-system programs	Other intangible assets	Industrial patent rights	Total
Accum. amortiz. at 12.31.2010	**(11,050)**	**(23,540)**	**(3,654)**	**(23)**	**(38,267)**
Amortization	*(233)*	*(1,870)*	*(525)*	*(4)*	***(2,632)***
Accum. amortiz. at 12.31.2011	**(11,283)**	**(25,410)**	**(4,179)**	**(27)**	**(40,899)**

Accordingly, the net book value (NBV) of the intangible assets is analyzed as follows:

	Concessions, trademarks and similar rights	Computer-system programs	Other intangible assets	Industrial patent rights	Total
Ending NBV at 12.31.2010	**31,823**	**3,637**	**3,826**	**20**	**39,306**
Additions and other changes	*779*	*2,354*	*326*	*-*	***3,459***
Amortization	*(233)*	*(1,870)*	*(525)*	*(4)*	***(2,632)***
Ending NBV at 12.31.2011	**32,369**	**4,121**	**3,627**	**16**	**40,133**

As at December 31, 2011, intangible asset additions came to Euro 3.5 million with amortization recorded in the amount of Euro 2.6 million.

Concessions, trademarks and similar rights increased over the last twelve months. The year-on-year increase relates, in the amount of Euro 0.4 million, to the Sabelt brand (*Fashion*), acquired by underwriting 50% of Fashion S.p.A., the related titleholder thereto. The remainder relates to capitalization of the registration expenses incurred when filing trademarks in new European countries or when renewing or extending trademark filings already in place, as well as to expenses incurred in respect of software licenses. This item decreased over the last twelve months due to the effect of amortization for the period.

As acquired by the subsidiary Basic Trademark S.A. from the bankruptcy declared by MCT S.p.A., the Group's historic brands (Kappa and Robe di Kappa) reflect a net book value of Euro 3.7 million as at December 31, 2011. As at December 31, 2011, the Superga brand, helmed by the subsidiary Superga Trademark S.A., reflects a net book value of Euro 20.8 million; the K-Way brand, helmed by BasicNet S.p.A., reflects a net book value of Euro 5.8 million; the Sabelt brand, helmed by the Fashion S.p.A. joint venture, reflects a net book value of Euro 410 thousand; the Lanzera brand, helmed by the subsidiary Basic Properties America Inc., reflects a net book value of Euro 1.3 million; the AnziBesson brand, helmed by the AnziBesson Trademark S.r.l. joint venture, reflects a net book value of Euro 81 thousand.

With effect from 4Q2010, the Directors of the BasicNet Group have revisited the estimated useful lives of the Kappa, Robe di Kappa, Superga and K-Way "power brands", in application of International Accounting Standard IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*, suspending on a forward-looking basis the related amortization thereof, unless there is an indication that the asset may be impaired, in which case, the amortization period is reassessed and, where applicable, changed.

Insofar as having still to reach the iconic status spiked by the "power brands", the Lanzera, Jesus, AnziBesson and Sabelt brands continue to be measured at the cost of purchase and are amortized over a period of twenty years.

On a basis consistent with the years before, the Group tests for impairment the recoverable amount of a brand at least once a year or whenever there is an indication that the brand might be impaired, discounting the net royalty flows that the brand may generate over a temporal horizon spanning three years, i.e. the medium-term horizon over which the revenues can be reliably measured. Estimated for the years thereafter is a terminal value determined on the royalty streams for the third year, without considering any growth rate. The flows have been discounted at the Weighted Average Cost of Capital (WACC) rate of 7.6% (6.7% in 2010), as determined by reference to the following parameters, taken from key financial information sources (Bloomberg or Damodaran):

- Sector Beta: representing the sector risk indicator, this equates 1.09 (1 in 2010).
- Market Risk Premium (MRP): this equates 5%, unchanged from the previous year, and represents the difference between the yield rate for risk-free investments and the investment rate for at-risk investments.
- Risk Free Rate (RFR): this equates 5.3% (4.3% in 2010), in line with the net yield rate for 10-year Treasury Bonds.
- Cost of Debt: this equates some 4.2%, or the weighted average rate on Group financial indebtedness at December 31, 2011, unchanged from the previous year.
- Ratio of Debt (40%) to Equity (60%), unchanged from the previous year.

Not emerging from the impairment test performed was any need to write down the carrying amount of the trademarks.

And lastly, as in the years before, the ultimate outcome of the impairment test performed was measured against the valuation reports issued by an expert advisor, which have always placed in evidence valuations broadly in excess of book carrying amounts.

Over the last twelve months, *Computer-system programs* moved forward some Euro 2.3 “million due to additions, and stepped back Euro 1.9 million due to the effect of amortization for the period.

Primarily encompassed within the balance on *Other intangible assets* are improvement costs arising from or relating to BasicNet Retail & Franchising Project developments. The movement for the year thereon reflects additions and amortization in the amount of Euro 0.4 million and Euro 0.5 million, respectively.

20. GOODWILL

	December 31, 2011	December 31, 2010	Change
Goodwill	12,828	12,790	38
Total Goodwill	**12,828**	**12,790**	**38**

Encompassed within *Goodwill* is goodwill in the amount of Euro 6.7 million relating to the business line linked to Basic Spain S.L. Also encompassed therein, in the amount of Euro 1.2 million, is goodwill recognized in relation to the French market and, in the amount of Euro 4.9 million, paid goodwill (key-money) in respect of retail commercial actives acquired. As placed in evidence in the table above, the movement for the year, attributable exclusively key-money, represents the net balance between additions for the period (Euro 281 thousand) and the write-downs recorded for impairment (Euro 242 thousand).

The Group tests for impairment the recoverable amount of goodwill at least once a year or whenever there is an indication that the goodwill may be impaired. For the purpose of impairment testing, goodwill is allocated to the cash-generating unit constituting the smallest cash-generating unit.

Adopting the Unlevered Discounted Cash Flow model, the impairment test was performed as follows:

- the unlevered free cash flow received from the smallest cash-generating unit was discounted at the Weighted Average Cost of Capital (WACC) rate of 7.6% (Note 19);

- net financial debt, if any, and the value of the net assets of the smallest cash-generating unit, were deducted from the discounted cash flow. The value emerging therefrom was measured against book goodwill.

The ultimate outcome of the impairment test performed at December 31, 2011 was positive, without any need for write-downs being placed in evidence.

Having regard to items of key-money, the impairment test performed by comparing the related book value thereof, which mirrors the purchase price consideration paid by the Group, to the greater of their value in use, determined discounting the sales outlet cash flows at WACC (Note 19), and the fair value based on market conditions placed in evidence in the related expert appraisal reports. The impairment test led necessarily to the write-down, totaling Euro 242 thousand in amount, of commercial goodwill, in relation to 4 sales outlets. The write-down has been taken to *Amortization* (Note 15).

21. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2011	December 31, 2010	Change
Buildings	25,177	25,980	(803)
Furniture, fittings and other assets	4,050	4,000	50
Plant and machinery	334	234	100
Electronic and electric machinery	2,626	2,698	(72)
Production and commercial equipment	178	190	(12)
Total Property, plant and equipment	**32,365**	**33,102**	**(737)**

Set forth below is the movement for the year on the historic cost of Property, Plant and Equipment:

	Buildings	Furniture, fittings and other assets	Plant and machinery	Electronic and electric machinery	Production & commercial equipment	Total
Historic cost at 12.31.2010	**34,148**	**8,794**	**543**	**9,300**	**659**	**53,444**
Additions	*106*	*923*	*181*	*838*	*42*	*2,090*
Disposals	-	*(6)*	-	-	-	*(6)*
Other changes	-	-	-	*2*	-	*2*
Historic cost at 12.31.2011	**34,254**	**9,711**	**724**	**10,140**	**701**	**55,530**

The movement for the year on accumulated depreciation is analyzed below by PPE class:

	Buildings	Furniture, fittings and other assets	Plant and machinery	Electronic and electric machinery	Production & commercial equipment	Total
Accum. deprec. at 12.31.2010	**(8,168)**	**(4,794)**	**(309)**	**(6,602)**	**(469)**	**(20,342)**
Depreciation	*(909)*	*(873)*	*(81)*	*(912)*	*(54)*	*(2,829)*
Disposals	-	*6*	-	-	-	*6*
Accum. deprec. at 12.31.2011	**(9,077)**	**(5,661)**	**(390)**	**(7,514)**	**(523)**	**(23,165)**

Accordingly, the net book value (NBV) of Property, Plant and Equipment is analyzed as follows:

	Buildings	Furniture, fittings and other assets	Plant and machinery	Electronic and electric machinery	Production & commercial equipment	Total
Ending NBV at 12.31.2010	**25,980**	**4,000**	**234**	**2,698**	**190**	**33,102**
Additions	*106*	*917*	*181*	*840*	*42*	*2,086*
Depreciation	*(909)*	*(867)*	*(81)*	*(912)*	*(54)*	*(2,823)*
Ending NBV at 31.12.2011	**25,177**	**4,050**	**334**	**2,626**	**178**	**32,365**

Encompassed within *Buildings* is the value of the property located in Turin (106 Strada della Cebrosa) from where BasicItalia S.p.A. operates, and the value of the property located in Turin (1 Largo Maurizio Vitale) where the parent company is headquartered, with the year-on-year increase in proprietary property being a reflection of the improvement costs incurred in the review period.

Over the last twelve months, gross capital expenditure toward property, plant and equipment came to an amount totaling Euro 2 million mainly relating to refurbishing and electronic machinery purchased in respect of new stores opened.

22. INVESTMENTS AND OTHER FINANCIAL ASSETS

	December 31, 2011	December 31, 2010	Change
Investments in:			
- Subsidiaries	19	14	5
- Other enterprises	9	8	1
Total Investments	***28***	***22***	***6***
Receivables:			
- Other receivables			
Guarantee deposits	221	266	(45)
Total Financial Receivables	***221***	***266***	***(45)***
Total Investments and Other Fin. Fixed Assets	**249**	**288**	**(39)**

The balance on *Investments in subsidiaries* mirrors the carrying amount of the investment in the subsidiaries Jesus Jeans S.r.l. (Euro 14 thousand) and alloSpaccio S.r.l. (Euro 5 thousand) not consolidated. The balance on *Investments in other enterprises* mirrors the equity interest in Consortia Padova in respect of property rental consortia.

Other receivables relate to guarantee deposits lodged primarily in respect of property leasing arrangements.

23. DEFERRED TAX ASSETS

Deferred tax assets are shown on a net basis, i.e. net of deferred tax liabilities:

	December 31, 2011	December 31, 2010	Change
Deferred tax assets	431	253	178
Total Deferred tax assets	**431**	**253**	**178**

As placed in evidence in the table below, the net amount of Euro 431 thousands represents the difference between the deferred tax assets and the deferred tax liabilities.

The deferred tax assets relate primarily to the following: provision to taxed reserve for the write-down of receivables (some Euro 5.2 million); provision to taxed reserve for the write-down of inventories (some Euro 1.5 million); provision generated by temporary differences arising on IFRS restatement (some Euro 4 million); unused interest surplus (Euro 1.6 million); unused tax losses (Euro 1.2 million), and; other minor items (Euro 0.6 million). Looking at the temporary differences arising from IRES restatement, Euro 2.1 million relate to adjustment recorded in respect of the fair value of the hedging instruments used to manage interest rate risk arising from medium-term financing. The deferred tax assets have been recognized because it is probable that future taxable profits will be available against which the assets can be utilized, also taking into account the national consolidation program adhered to by the following Group companies: BasicNet S.p.A., BasicItalia S.p.A., Basic Village S.p.A., RdK0 S.r.l., BasicOutlet S.r.l. and BasicCRS S.r.l.

The deferred tax liabilities relate to the tax effects arising on IFRS adoption, particularly with regard to the accounting for tax-deductible goodwill amortization (Euro 2.4 million), as well as to the provision for deferred taxes resulting from differences between depreciation and amortization for civil law purposes and tax-deductible items relative to the proprietary property of the subsidiary undertakings Basic Village S.p.A. and BasicItalia S.p.A. (Euro 6.5 million), other than the Euro 2.5 million referable to the provision for deferred taxes relative to the amortization of the trademarks whose useful economic life, as discussed earlier in Note 19, and, not least, to other minor items (Euro 0.4 million).

Derivatives, designated as cash flow hedges measured at fair value and recognized in other comprehensive income, result in the relative tax being recognized outside profit or loss (either in OCI or equity). As discussed in the preceding paragraph, the value of such tax equates Euro 0.7 million.

The following table presents the breakdown of deferred tax assets and deferred tax liabilities, and the related effects resulting therefrom:

	December 31, 2011			December 31, 2010			
	Temporary differences	**% tax rate**	**Tax effect**	**Temporary differences**	**% tax rate**	**Tax effect**	**2011/2010 Change**
Prepaid tax:							
- Entertainment expenses	(2)	31.40	(1)	(57)	31.40	(18)	17
- Write-down of tax credit surplus	(5,242)	27.50	(1,442)	(4,431)	27.50	(1,219)	(223)
- Write-down of inventories	(1,466)	31.40	(431)	(2,194)	31.40	(631)	200
- Unrealized FOREX losses	(90)	27.50	(25)	(45)	27.50	(12)	(13)
- ROL surplus	(1,634)	27.50	(449)	(183)	27.50	(50)	(399)
- Depreciation not deductible	(469)	31.40	(147)	(7)	31.40	(2)	(145)
- Other expenses	(16)	31.40	(5)	(92)	31.40	(26)	21
- Effect of accounting for revenue from franchised stores (IAS 18)	(1,862)	31.40	(585)	(2,102)	31.40	(661)	76
- Effect of accounting for plant expenditure (IAS 38)	3	31.40	2	2	31.40	1	1
- Effect of accounting for financial instruments (IAS 39)	(2,135)	27.50	(587)	(2,048)	27.50	(563)	(24)
Total	**(12,913)**		**(3,670)**	**(11,157)**		**(3,181)**	**(489)**
Deferred tax:							
- FOREX gains not realized	134	27.50	37	101	27.50	28	9
- Tax deductible on a cash basis	2	31.40	1	14	31.40	4	(3)
- Amortization deducted out-of-book	2,547	31.40	800	469	31.40	147	653
- Effect of accounting for finance leases (IAS 17) and other tax differences on property	6,529	31.40	2,049	6,941	31.40	2,179	(130)
- Effect of accounting for employee benefits (IAS 19)	104	31.40	29	104	31.40	29	-
- Effect of accounting for goodwill amortization (IFRS 3)	2,433	26.78	652	2,084	27.59	575	77
Total	**11,748**		**3,568**	**9,713**		**2,962**	**606**
Net deferred tax expense (income)	(1,165)		(102)	(1,444)		(219)	117
Deferred tax assets relating to year-to-date unused tax losses	**(1,196)**	**27.50**	**(329)**	**(125)**	**27.50**	**(34)**	**(295)**
Net deferred tax expense (income) included in accounts			**(431)**			**(253)**	

24. INVENTORY, NET

	December 31, 2011	December 31, 2010	Change
Finished goods and goods for resale	55,236	62,326	(7,090)
Advances	-	117	(117)
Less- Inventory write-down allowance	(1,466)	(2,194)	728
Total Inventory, Net	**53,770**	**60,249**	**(6,479)**

Encompassed within *finished goods in inventory* as at December 31, 2011 are merchandize-in-transit in the amount of some Euro 3.8 million (December 31, 2010: Euro 4.6 million) and merchandize at Group-banner shops and stores in the amount of Euro 9.9 million (December 31, 2010: Euro 8 million).

Over the last twelve months, merchandize in inventory retreated some Euro 6.5 million as a result of ready-for-delivery merchandize held in stock being downsized, also by way of reflection of the merchandising demands posed by the growing number of Group-banner shops and stores scattered across the homeland.

Inventories are measured under the weighted average cost method and are stated on a net basis, i.e. net of the inventory write-down allowance deemed to be adequate based on a conservative ending inventory valuation. The following table sets out the movement for the year on the inventory write-down allowance:

	FY2011	FY2010
Inventory write-down allowance at 01/01	**2,194**	**1,829**
Provision for the year	217	605
Use for the year	(945)	(240)
Inventory write-down allowance at 12/31	**1,466**	**2,194**

By way of attendant consequence of more vibrant inventory downsizing over the last twelve months than in the year before, the inventory write-down allowance was used more in FY2011 than in FY2010.

25. TRADE RECEIVABLES

	December 31, 2011	December 31, 2010	Change
Trade receivables	55,694	61,877	(6,183)
Less- Write-down allowance	(5,723)	(4,938)	(785)
Total Trade receivables	**49,971**	**56,939**	**(6,968)**

As examined and discussed earlier in the Management Report, *Trade receivables* have been written down to their presumed realizable value (fair value based on market conditions) by recording an allowance (some Euro 5.7 million) for the write-down of bad and doubtful receivables (December 31, 2010: Euro 4.9 million). Estimated irrecoverable amounts are based on the ageing of receivable balances and historical experience. Individual trade receivables are provided against when Management deems them not to be recoverable.

The movement for the year is the following:

	FY 2011	FY2010
Trade receivable W/D allowance at 01/01	**4,938**	**4,465**
Provision for the year	2,216	2,255
Use for the year	(1,431)	(1,782)
Trade receivable W/D allowance at 12/31	**5,723**	**4,938**

The Group continues to retain strict control over credit. By doing so, working capital invested remains curbed notwithstanding the adversities taking shape in the review period in terms of the liquidity crunch, above all at the national level. As covered by insurance, foreign trade accounts receivable by the subsidiary BasicItalia S.p.A., arising from or relating to K-Way and Superga branded merchandize sold across Europe, are collected by a qualified credit collection agency. The write-down allowance is used to write off year-to-date irrecoverable positions as and when such irrecoverability has been duly documented.

All trade receivables are represented by amounts falling due within next accounting period.

Analyzed below are trade receivables by ageing:

	December 31, 2011	December 31, 2010
Trade receivables not past due and not written down	34,870	31,783
Trade receivables written down, less W/D allowance	2,319	2,450
Trade receivables past due not written down:		
- 0-3 months	6,118	8,984
- 3-6 months	4,013	4,689
- 6-12 months	1,673	6,782
- beyond 12 months	978	2,251
Total Past due not written down	*12,782*	*22,706*
Total	**49,971**	**56,939**

26. OTHER CURRENT ASSETS

	December 31, 2011	December 31, 2010	Change
Tax credits	7,484	3,469	4,015
Other	2,798	4,834	(2,036)
Total Other current assets	**10,282**	**8,303**	**1,979**

Tax credits classified under current assets mainly relate to VAT (Euro 3.3 million), 'Ires' corporation tax prepayments and 'Irap' regional income tax prepayments (Euro 1.1 million), and tax withholdings paid on royalty streams (Euro 2.8 million).

Primarily encompassed within *Other* is VAT on sales reversed (Euro 0.6 million) in application of International Accounting Standard IAS 18, and advances to suppliers (Euro 0.8 million). Also encompassed therein is the premium paid into the insurance company by way of provisioning the End-of-Mandate indemnity to be recognized to the operative Directors upon cessation of their appointment (Euro 940 thousand).

27. PREPAID EXPENSES

	December 31, 2011	December 31, 2010	Change
Prepaid expenses relating to future Collections	3,656	3,724	(68)
Media and sponsorship prepaid expenses	2,530	1,508	1,022
Other	830	2,501	(1,671)
Total Prepaid expenses	**7,016**	**7,733**	**(717)**

Included among *Prepaid expenses relating to future Collections* are creative-thinking personnel expenses, sample merchandizing costs and sales catalogues relating to Collections to be brought to the market in future periods, and, not least, costs for the related presentation thereof at sales meetings. The balance on this line is substantially in line with the prior year.

Sponsorship prepaid expenses relate to costs associated with sponsorship contracts paid ahead of the maturity profile attaching to the relevant amounts.

The balance on *Other* includes the portion of sundry expenses for samples, services, utilities, insurance and minor items, incurred by BasicNet Group companies, and pertaining in part to next accounting period.

28. CASH AND CASH EQUIVALENTS

	December 31, 2011	December 31, 2010	Change
Bank and post-office deposits	2,828	2,466	362
Cash and valuables on hand	111	99	12
Total Cash and Cash Equivalents	**2,939**	**2,565**	**374**

Bank deposits relate to A/C transitory asset balances mainly resulting from amounts collected from customers at year-end. More pointedly, the amounts deposited relate to BasicItalia S.p.A. (Euro 1.3 million), BasicNet S.p.A. (Euro 0.4 million) and RdK0 S.r.l. (Euro 0.4 million), whilst the remainder (Euro 0.7 million) relates to the foreign companies of the Group.

In respect of the arrangements reached with Intesa Sanpaolo S.p.A. (see Note 41), the amount of Euro 257 thousand encompassed within the bank deposits has been restricted by way of securing the franchise finance made available by the Bank to unrelated parties seeking to start up their own business by opening a franchisee sales outlet operating under the Group banner.

29. FINANCIAL INSTRUMENTS - DERIVATIVES

	December 31, 2011	December 31, 2010	Change
Financial instruments - Derivatives	284	157	127
Total Financial instruments- Derivatives	**284**	**157**	**127**

This item reflects the adjustment of forward foreign exchange Flexi Term Contracts, involving U.S. dollars purchased forward. Under the Contracts, the fixed exchange rate nominated for a pre-agreed period can be used at any moment in time regardless of the spot exchange rate then prevailing and without giving cause to early termination. The Contracts are discussed in Note 42.

EQUITY AND LIABILITIES

30. EQUITY

	December 31, 2011	December 31, 2010	Change
Share capital	31,717	31,717	-
Treasury shares	(4,241)	(3,347)	(894)
Other reserves	49,257	43,366	5,891
Profit (loss) for the year	8,147	8,504	(357)
Non-controlling interests	-	-	-
Total Equity	**84,880**	**80,240**	**4,640**

As at December 31, 2011, the *share capital* of the parent company, fully subscribed and paid-in, amounts to Euro 31,716,673.04, and is represented by 60,993,602 ordinary shares, par value Euro 0.52 each.

As placed in evidence earlier in the Management Report, acquired as treasury shares over the last twelve months were 377,000 shares, as authorized by and pursuant to the relevant Shareholders' Resolutions, thereby reaching, when added to the 2,250,000 treasury shares held at year-end the year before, an aggregate number of 2,627,000 treasury shares, or 4.307% of the share capital.

Presented in the Management Report is the statement reconciling the net profit and equity of BasicNet S.p.A., the parent company, as at December 31, 2011 to consolidated net profit and consolidated equity for the year then ended.

As required by IAS 1 (Revised), the components of Other Comprehensive Income can be analyzed as follows.

	December 31, 2011	December 31, 2010	Change
Effective portion of gain/(loss) on foreign exchange cash flow hedges arising during the period	126	(23)	149
Effective portion of gains/(losses) interest rate cash flow hedges arising during the period	(213)	35	(248)
Effective portion of gains/(losses) on cash flow hedges	***(86)***	***12***	***(98)***
Gain/(loss) on exchange differences on translating foreign operations	***385***	***177***	***208***
Income tax relating to components of Other comprehensive income	***24***	***(3)***	***27***
Total Other comprehensive income, net of tax (B)	**323**	**186**	**137**

The income tax effect relating to Other comprehensive income can be analyzed as follows:

	December 31, 2011			December 31, 2010		
	Pre-tax amount	**Tax (expense)/ benefit**	**Net-of-tax amount**	**Pre-tax amount**	**Tax (expense)/ benefit**	**Net-of-tax amount**
Effective portion of gain/(loss) on cash flow hedge	(86)	24	(62)	12	(3)	9
Gain/(loss) on exchange differences on translating foreign operations	385	-	385	177	-	177
Total Other comprehensive income for the period, net of tax (B)	**299**	**24**	**323**	**189**	**(3)**	**186**

31. RESERVES FOR RISKS AND CHARGES

	December 31, 2011	December 31, 2010	Change
Reserve for risks and charges	178	178	-
Total Reserves for risks and charges	**178**	**178**	**-**

As at December 31, 2011, encompassed within the balance on this account is the Reserve for Agent's Termination Indemnities recorded by BasicItalia S.p.A., as well as a reserve for litigation set aside in respect of a Customs & Excise minor dispute at Basic Spain S.L.

32. LONG-TERM BORROWINGS

	December 31, 2011	December 31, 2010	Change
Medium to long-term borrowings:			
- amounts falling due within 5 years	14,565	16,040	(1,475)
- amounts falling due after 5 years	8,039	10,546	(2,507)
Total Medium to long-term borrowings	***22,604***	***26,586***	***(3,982)***
Property lease payables	1,726	1,776	(50)
Total Lease payables (falling due within 5 years)	***1,726***	***1,776***	***(50)***
Total Long-term borrowings	**24,330**	**28,362**	**(4,032)**

Medium to long-term borrowings are represented by the following: in the amount of Euro 6.5 million, by the residual value attaching to the Superga syndicate loan, disbursed by Gruppo Capitalia (now Gruppo Unicredit) part way July 2007, with Unicredit Banca d'Impresa S.p.A. as Bank Agent, in the amount of

Euro 11.7 million, in relation to the acquisition of the "Basic Village" property in Turin, and; in the amount of Euro 4.4 million, by the residual value attaching to the loan disbursed by Mediocredito Italiano S.p.A. (Gruppo Banca Intesa Sanpaolo S.p.A.) on October 29, 2008 in relation to the acquisition of the "BasicItalia" property.

Financing acquisition by the Group of the Superga trademark was the Euro 19 million syndicate loan, with a maximum 8-year maturity profile, and Unicredit Banca d'Impresa S.p.A. and Banca IntesaSanpaolo S.p.A., as Lead Arrangers. The Euro 19 million syndicate loan carries variable interest swapped into a fixed rate (Note 40), with maturity profile July 16, 2015. As at December 31, 2011, the Superga loan has been duly repaid in the amount of Euro 10.1 million, thereby reflecting a residual repayable balance in the amount of Euro 8.9 million, of which Euro 2.3 million repayable on the shorter term. By way of securing the loan taken out, guarantees have been given to the Lender Banks, including therein a lien pledged on 100% of the share capital of Superga Trademark S.A.

The Loan Facility Agreement provides for observance of the following financial ratios agreed by covenant and referable to the consolidated headline accounts of the BasicNet Group, all of which have been observed, as placed in evidence below:

Financial Performance Ratios		**Covenant at December 31, 2011**	**Actuals at December 31, 2011**
NFI/EBITDA	≤	4.5	3.17
NFI/EQUITY	≤	1.2	0.84
NET FIN. EXP./EBITDA	≤	0.40	0.17
Equity	≥	€ 49 million	€ 84.9 million

other than the following commitments, whereby the need for prior consent from Lender Banks is contemplated and required:

– commitment not to distribute profits should such distribution of profits culminate into non-observance of the financial ratios;

– commitment to maintain, throughout the duration of the loan, the ratio of net financial position of the BasicNet Group to fair value of the proprietary trademarks of the Group companies consolidated line-by-line not more than 0.8, as broadly observed, moreover, as at December 31, 2011;

– commitment not to acquire treasury shares, unless specific waiver has been duly allowed, and not to put in place share capital reductions;

– other usage commitments associated with agreeing extraordinary business transactions or disposing of assets or contracting further forms of indebtedness associated with commercial activities extraordinary in nature.

Furthermore, the Loan Facility Agreement contemplates ongoing compliance with certain conditions relating to the proprietary control structure attaching to the share capital bases held by Basic World S.r.l. and BasicNet S.p.A. Contemplated more pointedly is the following:

– that Mr. Marco Daniele Boglione shall continue to hold (whether directly or indirectly), a 51% stake or more in the share capital of Basic World S.r.l., which, insofar as holding 36.187% of the shares of BasicNet S.p.A., is the stakeholder of reference;

- that the aggregate stake held, whether directly or indirectly, by Basic World S.r.l. in the share capital of BasicNet S.p.A., shall not step back to 30% or less of the related share capital thereof or, in any case, by a stakeholding with power to cast the majority of votes of the Company; and
- that BasicNet S.p.A. shall continue to hold, whether directly or indirectly, a stakeholding equating 75% or more in the share capital of Superga Trademark S.A.

At the end of the reporting period, the commitment and conditions listed above have been observed without exception.

The medium to long-term loan provided by Gruppo Unicredit was disbursed in relation to the acquisition of the "Basic Village" property in Turin (1 Largo M. Vitale), previously held under finance lease. As disbursed part way September 2007 in the amount of Euro 18 million, the loan carries variable rates of interest swapped into fixed rates of interest (Note 40). By way of securing all this, the property has been mortgaged and sureties have been given by BasicNet S.p.A., the parent company.

The medium to long-term loan provided by Mediocredito Italiano S.p.A. (Gruppo Banca Intesa Sanpaolo S.p.A.) was disbursed in relation to the acquisition of the "BasicItalia" property in Turin (106 Strada Cebrosa), previously held under finance lease. As disbursed part way October 2009 in the amount of Euro 6 million, the loan carries variable interest pegged to EURIBOR at three months plus 230 base points, with the principal element being repayable on a straight-line basis under fifty-nine three-monthly installments. By way of securing all this, the property has been mortgaged and sureties have been given by BasicNet S.p.A., the parent company.

The following table sets out the movement for the period on the medium to long-term borrowings:

	12/31/2010	Repayments	New financing	12/31/2011	Short-term portion	Medium to long-term portion
Superga financing	11,281	(2,375)	-	8,906	2,375	6,531
Basic Village financing	14,100	(1,200)	-	12,900	1,200	11,700
BasicItalia financing	5,186	(406)	-	4,780	406	4,373
Balance	**30,567**	**(3,981)**	**-**	**26,586**	**3,981**	**22,604**

As at December 31, 2011, the credit line facilities made available by the banking industry, analyzed by technical form (A/C overdrafts, commercial paper advances, medium to long-term financing and the related current portion thereof, financing on imports, property leases and other lease arrangements, and unsecured guarantees), came to Euro 175.9 million, as detailed in the table below:

(€/m)	**December 31, 2011**	**December 31, 2010**
Cash facility	108.4	100.6
Factoring	5.5	5.5
Unsecured guarantees	26.7	24.3
Medium to long-term loans and financing	26.6	30.6
Property held under lease	8.7	4.8
Total	**175.9**	**165.8**

The average rates of interest applied to the BasicNet Group in the review period can be found in the table presented in Note 35.

Always embedded in the use of the short-term credit line facilities made available is the exercise of prudence.

Accounts payable to other financers are represented by lease installments falling due inherent to other items of property, plant and equipment held under lease, as included, with effect from fiscal 2004, under the finance method in the consolidated financial statements, for an amount approximating Euro 1.7 million.

33. DIRECTOR AND EMPLOYEE BENEFITS

Encompassed herein is the 'TFR' Provision (Euro 2.4 million) and the Provision for Director End-of-Mandate Indemnities (Euro 0.9 million).

The Termination Indemnity (TFR) liability as at December 31, 2011 is analyzed as follows:

	December 31, 2011			December 31, 2010		
	Defined benefit plans	**Defined contribution plans**	**Total**	**Defined benefit plans**	**Defined contribution plans**	**Total**
As recognized within balance sheet:						
Net liability recognized at start of the year	2,460	-	2,460	2,455	-	2,455
Additions from third parties	6	-	6	55	-	55
Financial charges	93	-	93	90	-	90
Provident expense, Net	200	655	855	178	619	797
Benefits paid	(332)	-	(332)	(268)	-	(268)
TFR allocations to pension fund managed by INPS	-	(513)	(513)	-	(470)	(470)
TFR allocations to agreed-upon second-pillar pension fund	-	(142)	(142)	-	(149)	(149)
Actuarial loss (gain)	(48)	-	(48)	(50)	-	(50)
Change in scope of consolidation	-	-	-	-	-	-
Net liability recognized	**2,379**	**-**	**2,379**	**2,460**	**-**	**2,460**
As recognized within income statement:						
Financial charges	93	-	93	90	-	90
Provident expense	210	655	865	176	618	794
Actuarial loss (gain)	(48)	-	(48)	(50)	-	(50)
Total Expense (income) relating to post-employment benefit obligations	**255**	**655**	**910**	**216**	**618**	**834**

Encompassed within "Defined Benefit Plans" is the full liability due to employees of the Italian companies of the Group in accordance with Article 2120 of the Italian Civil Code. As a result of pension reform law introduced in 2007, TFR allocations accrued prior to January 1, 2007 are accounted for as a defined benefit plan in conformity with IAS 19 – *Employee Benefits*; instead, those accruing thereafter are accounted for as a defined contribution plan.

Groupwide, there are no other forms of defined benefit plans.

As envisaged by IAS 19, the actuarial valuation of the 'TFR' Provision is determined under the Projected Unit Credit Method. The Projected Unit Cost method is an actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation, not projecting employee remuneration according to the changes introduced by the recently introduced by the Provident Reform Law.

Underscoring the 'TFR' actuarial valuation model are demographic and financial assumptions, the more significant of which inherent to the cost of labor include:

	December 31, 2011	December 31, 2010
Discount rate	3.55%	3.90%
Inflation rate	2.00%	1.80%
Yearly rate of Termination Indemnity increases	3.00%	2.85%
Rate of future salary increases	1-3%	1-3%

34. OTHER NON-CURRENT LIABILITIES

	December 31, 2011	December 31, 2010	Change
Guarantee deposits	696	736	(40)
Total Other non-current liabilities	**696**	**736**	**(40)**

Guarantee deposits include the guarantee deposits received from Licensees (as opposed to the usual bank guarantees or sureties) in respect of the minimum guaranteed royalties due by contract.

35. AMOUNTS DUE TO BANKS

	December 31, 2011	December 31, 2010	Change
Amounts falling due to banks within next accounting period:			
- current portion of medium to long-term bank borrowings	3,982	3,982	-
- A/C overdrafts and advances under usual reserve	25,235	16,805	8,430
- advances on imports	20,998	32,613	(11,615)
Total Amounts due to banks	**50,215**	**53,400**	**(3,185)**

Encompassed within *Amounts due to banks* is the current portion of medium to long-term financing disbursed by banks and lending institutions (as examined and discussed in Note 32), which, at December 31, 2011, came to some Euro 4 million. Also encompassed therein are short-term advances received from the Italian companies of the Group, as deployed in financing current operations.

Information about the movement for the year on financial position can be found in the Management Report. Of note, interest expense accruing at the end of the reporting period on current bank borrowings and/or medium to long-term loans and financing is classified under *Amounts due to banks*.

Cash advances relate to cash advances used by BasicNet S.p.A., the parent company, with regard to centralized treasury or cash pooling requirements.

The structure of financial payables analyzed by interest rates at December 31, 2001 is the following:

	Interest rates			
	3% or less	**From 3% to 5%**	**From 5% to 6.5%**	**Total**
Cash advances	-	6,000	1,250	7,250
Advances on portfolio	5,758	12,227	-	17,985
Advances on import	-	19,053	1,942	20,998
Medium to long-term financing	-	4,780	21,806	26,586
Leases	-	1,726	-	1,726
Total	**5,758**	**43,789**	**24,998**	**74,545**

36. AMOUNTS DUE TO SUPPLIERS

Supplier payables, all of which falling due in the shorter term, retreated some Euro 11 million over the last twelve months as a result of minor volumes of merchandize purchased in the review period (Note 9). As at December 31, 2011, there are no items of constrained supply, payment writ or executory action by creditors in respect of BasicNet S.p.A. or other BasicNet Group companies.

Supplier payables commercial in nature are settled usually over a timeline ranging from 30 days to 120 days. At times, interest is recognized on longer-than-usual international standard merchandizing terms and conditions of payment.

37. AMOUNTS DUE TO TAXATION AUTHORITIES

Amounts due to taxation authorities are analyzed in the table below:

	December 31, 2011	**December 31, 2010**	**Change**
Amounts due to taxation authorities:			
Taxation for the period	1,282	3,195	(1,913)
Advance tax withholdings	25	54	(29)
VAT	49	-	49
Employee withholding tax (“IRPEF”)	453	386	67
TFR revaluation tax withholdings	3	1	2
Group VAT	3,660	812	2,848
Total Amounts due to taxation authorities	**5,472**	**4,448**	**1,024**

There are no tax payables falling due within next accounting period.

38. OTHER CURRENT LIABILITIES

	December 31, 2011	**December 31, 2010**	**Change**
Accrued expenses	580	530	50
Other accounts payable	4,433	4,164	269
Total Other current liabilities	**5,013**	**4,694**	**319**

Accrued expenses relate primarily to employee deferred remuneration and earned vacation as yet to be taken.

Other accounts payable as at December 31, 2010 relate primarily to amounts due to employees by way of remuneration and expense sheets for the month of December (Euro 2.2 million), corresponding payables to provident and social security institutions (Euro 0.8 million) and other minor accounts payable (Euro 0.4 million).

39. ACCRUED EXPENSES

	December 31, 2011	December 31, 2010	Change
Royalties pertaining to next accounting period	775	598	177
Other	56	26	30
Total Accrued expenses	**831**	**624**	**207**

Accrued expenses relate primarily to invoiced royalties pertaining to next accounting period as well as other minor items.

40. FINANCIAL INSTRUMENTS – DERIVATIVES

	December 31, 2011	December 31, 2010	Change
Financial instruments - Derivatives	2,418	2,206	212
Total Financial instruments - Derivatives	**2,418**	**2,206**	**212**

This item reflects the adjustment to fair value of the hedging transactions entered into with primary financial counterparts to mitigate exposure to fluctuations in interest rates on medium-term financing, i.e. Superga financing and BasicVillage financing (Note 32), with the attendant consequence being a cash flow hedge whereby the relevant variable rates of interest were swapped into fixed rates of interest set at 6.36% and 6.04%, respectively. Given currently prevailing money market conditions (EURIBOR), the adjustment equates Euro 213 thousand.

By way of corresponding entry, a negative equity reserve, equating Euro 1.6 million, less related tax effect, has been recognized.

Looking at the Interest Rate Swaps (IRSs) held by the Group, the variable cash flow streams are hedged at fair value based on market conditions, by entering into a Fix/Flo Interest Rate Swap mirroring perfectly the hedged item from which those streams draw origination, as always effective in the circumstances.

41. GUARANTEES GIVEN

Information and details about commitments undertaken and/or guarantees given by the Group in favor of unrelated parties in relation to loans and financing contracted can be found in Note 32.

In February 2010, Gruppo IntesaSanpaolo S.p.A. and BasicItalia S.p.A. reached an arrangement under which significant finance facilities may be accessed to start up franchised sales outlets flying the Group banner. Lodged in respect thereof was a guarantee deposit, the purpose of which is to guarantee a portion of the franchise finance made available under the arrangement referred to above and the sales outlet fittings financed under leasing arrangements. In turn, should the sales outlet lessee fail to repay the financing and/or leasing elements, BasicItalia S.p.A. shall be entitled by contract to take over the sales outlet in default. Lodged at December 31, 2011 was the deposit in the amount of Euro 331 thousand, of which Euro 245 thousand restricted by way of securing the first financing disbursed, whilst leasing-related guarantees in the amount of Euro 2.2 million have been given.

By way of complement to the foregoing, set forth below are the other guarantees given by the Group in favor of unrelated parties:

- Euro 1.7 million: guarantees given by Bank and Lending Institutions in favor of lessees of the stores from which BasicItalia S.p.A., RdK0 S.r.l. and BasicOutlet S.r.l. conduct directly the sale and retail trading of Group branded products; and

- Surety provided by a primary bank group to secure the contractual commitments associated with a 7-year technical sponsorship contract, for an annual amount growing from Euro 5.5 million in the first year to Euro 7 million in the seventh year. The guarantee contract inked by BasicNet S.p.A. in favor of the subsidiary BasicItalia S.p.A. provides for observance of the financial covenants relating to the ratio of net financial indebtedness to Group equity and the ratio of net financial indebtedness to Group EBITDA, as determined pursuant to contract, taking as benchmark measurement June 30th every year up to June 30, 2017. As referred to above, the ratios at June 30, 2011 have been observed without exception.

Also placed in evidence are other commitments undertaken by the subsidiary BasicItalia S.p.A., relating to the opening of import documentary credits, through a number of Banks and Lending Institutions, for an amount totaling Euro 16.9 million (December 31, 2010: Euro 14.3 million).

42. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Management Report examines and reviews the main risks and uncertainties to which the Group is exposed.

BasicNet Group’s financial instruments comprise:

- Cash and cash equivalents and A/C overdrafts
- Medium to long-term loans and financing, and finance leases
- Derivative financial instruments
- Trade receivables and trade payables

As if any reminder were needed, the Group does not use derivatives for speculative purposes. All transactions in derivative financial instruments are undertaken for cash flow hedging purposes.

The disclosures required by IFRS 7 - *Financial Instruments: Disclosures* regarding the nature and extent of risks arising from financial risks to which the entity is exposed at the end of the reporting period are presented below, along with indication of measurement base or valuation technique applied:

	Financial instruments at fair value with changes in fair value recognized in:		Financial instruments at amortized cost	Investments not quoted carried at cost	Carrying amount at 12.31.2011	Fair value at 12.31.2011
	Profit or Loss	Equity				
Assets:						
Investments and other financial assets	-	-	-	249	**249**	**249**
Trade receivables	-	-	49,971	-	**49,971**	**49,971**
Current other assets	-	-	10,282	-	**10,282**	**10,282**
Financial instruments (currency risk)	-	284	-	-	**284**	**284**
Liabilities:						
Medium/long-term loans/financing	-	-	26,586	-	**26,586**	**26,586**
Supplier payables	-	-	33,999	-	**33,999**	**33,999**
Current other liabilities	-	-	4,087	-	**4,087**	**4,087**
Financial instruments (interest rate risk)	-	2,418	-	-	**2,418**	**2,418**

As identified under IFRS 7 - *Financial Instruments: Disclosures*, the financial risk factors are examined and discussed below:

- the risk that the fair value or future cash flows of a financial instrument fluctuate as a result of changes in market prices ("*market risk*"). Market risk incorporates the following risks: currency risk, interest rate risk, and price risk:

  a. the risk that the fair value or future cash flows of a financial instrument fluctuate as a result of changes in market prices (other than changes determined by interest rate risk or currency risk), whether determined by specific factors linked to the financial instrument and/or relevant issuer or by factors affecting all the similar financial instruments traded on the market ("*price risk*");

  b. the risk that the fair value or future cash flows of a financial instrument fluctuate as a result of changes in foreign currency rates of exchange (*"currency risk*");

  c. the risk that the fair value or future cash flows of a financial instrument fluctuate as a result of changes in interest rates in different interest rate environments ("*interest rate risk*");

- the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group (*"credit risk"*);

- the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets (*"liquidity risk"*);

- the risk that the funding contracts entered into the Group companies contain covenants whereby the counterparties have the authority to require debtor to repay on demand the sums borrowed should certain events or circumstances crystallize, thereby giving rise to liquidity risk (" *default risk*").

<u>Price risk</u>

The Group is exposed to the risk of fluctuations in commodity prices with regard to the raw materials (wool, cotton, rubber and synthetic fibers) incorporated in the finished goods that BasicItalia S.p.A. purchases across international markets, as well to the risk of fluctuations in oil prices that affect freight charges.
The Group does not hedge its exposure to those risks, insofar as not handling directly the raw materials but only the finished goods. As such, the Group is exposed to that portion of price increases that cannot be transferred to end-consumers unless market conditions and competitive environment so permit.

Currency risk

BasicNet Group has contracted most of its financial instruments in Euro, which corresponds to its reporting and functional currency. Operating within an international environment, it is exposed to exchange rate fluctuations primarily in respect of the U.S. dollar/Euro rate of exchange.

Reported at December 31, 2011 are unrealized foreign exchange gains, net, in the amount of Euro 141 thousand, whilst unrealized foreign exchange losses, net, on foreign currency denominated open positions came to Euro 90 thousand, thereby resulting in a net foreign exchange loss of Euro 51 thousand (Note 16).

At the reporting date, the Group hedges its exposure to U.S. dollar fluctuations through two hedges, for an amount totaling US$ 5 million, at rates of exchange varying from 1.3925 to 1.405 U.S. dollars per Euro, the related purpose of which being to hedge the net balance of foreign denominated positions; the related positive effects resulting therefrom are reported under *Financial instruments – Derivatives*, as placed in evidence in Note 29.

Group management deems to be appropriate the policies adopted to manage or mitigate currency risk.

All the medium to long-term loans and financing and finance leases are denominated in Euro and, as such, are not subject to any currency risk.

Interest rate risk

As presented on a comparative basis with the year before, the table below sets out financial indebtedness, gross, as at December 31, 2011 analyzed by fixed and variable interest rate:

	December 31, 2011	%	December 31, 2010	%
At fixed rate	21,968	29.50%	25,578	31.3%
At variable rate	52,577	70.50%	56,183	68.7%
Financial indebtedness, Gross	**74,545**	**100.00%**	**81,761**	**100.00%**

As examined and discussed in Note 29 and Note 32, the Group manages its exposure to interest rate fluctuations affecting certain medium to long-term loans and financing by swapping the variable rate into a fixed rate. As regards the remaining part of financial indebtedness, the Group is exposed to interest rate fluctuations.

Interest expense on short-term credit line facilities is taken at the rate of 3.01% to 4.2%, depending upon the related typologies thereof as, moreover, placed in evidence in Note 35.
Had the rates of interest on long-term loans and financing at December 31, 2011 been 100 base points higher (or lower) than the rates of interest effectively applied, the finance expenses reported in the income statement would have been Euro 189 thousand higher and Euro 189 thousand lower, respectively, gross of related tax effect.

Credit risk

The reserve for the write-down of receivables (Note 25), which includes provisions recorded to cover specific creditor positions and across-the-board provisions based on statistical analyses, accounts for some 10.3% of trade receivables as at December 31, 2011, in respect of losses that averaged in the past 2.8% of the receivables.

Liquidity risk

Taken as a whole, the credit line facilities made available to the Group by the banking industry (Note 32) is deemed to be adequate to avoid financial tension risk.

By way of complement to the liquidity risk analysis, the table below sets out the maturity profile of cash outflows:

	Book value	Future interest income/ (expense)	Contractual cash outflows	Falling due within 1 year	Falling due between 1 to 2 years	Falling due beyond 5 years
Superga financing	8,906	1,018	9,924	2,854	7,070	-
BasicVillage financing	12,900	4,303	17,203	2,032	8,690	6,481
BasicItalia financing	4,780	1,058	5,838	578	2,662	2,598
Lease commitments falling due	1,726	139	1,866	682	1,184	-
Total Financial liabilities	**28,312**	**6,518**	**34,831**	**6,144**	**19,606**	**9,079**

Default risk and financial debt covenant

At duly observed as at December 31, 2011, those covenants are analyzed and discussed in Note 32.

43. RELATED PARTY TRANSACTIONS

Transactions between parent company and its subsidiaries, or between the related subsidiary undertakings thereof, were put in place in the normal course of business, and were conducted at fair value based on market conditions, the related operating and financial effects of which are eliminated on consolidation. Based on the information received from the BasicNet Group companies, no atypical or unusual transactions have been put in place.

BasicNet S.p.A. and, insofar as consolidated, BasicItalia S.p.A., RdK0 S.r.l., BasicOutlet S.r.l., BasicCRS S.r.l. and Basic Village S.p.A. have adhered formally to the national tax consolidation program pursuant to Section 129 through Section 177 of the Italian Income Tax Code.

The following table sets out the list of related party transactions for the year ended December 31, 2011:

	Investments	Trade receivables	Trade payables	Other income	Expenses
Joint ventures:					
AnziBesson Trademark S.r.l.	-	-	97	-	70
Fees to Board Directors, Statutory Auditors and Executives vested with strategic responsibilities	-	-	-	-	2,943

The fees comprise the emoluments and any other sum having a remunerative, provident or social security nature, due in respect of the Director or Statutory Auditor duties performed at BasicNet S.p.A. and at the other entities included line-by-line in the consolidation.
Other related party transactions relate to legal advice proffered by the legal firm Studio Professionale Pavesio e Associati, led by Board Director Carlo Pavesio, a member of the legal profession, and, not least, to consultancy provided by Pantarei S.r.l., the Sole Director of which is Board Director Alessandro Gabetti Davicini. Not meaningful in terms of the overall amount involved, those transactions were concluded at fair value based on market conditions.

44. EVENTS AFTER THE REPORTING DATE

These are examined and discussed in the Management Report.

45. CONTINGENT LIABILITIES

BasicNet Group is party to certain commercial disputes and litigation, the ultimate outcome of which is not expected to give rise to significant liabilities.

The Tribunale di Milano (Court of Milan) in its decision dated February 29, 2012 sentenced the revocation of the K-Way® trademark purchase deed signed on January 31, 2004 with Formula Sport Group ("FSG") S.r.l. (the "Transaction"). The claim was brought - pursuant to Section 2901 of the Italian Civil Code and Section 66 of the Italian Bankruptcy Law Royal Decree No. 267 of March 16, 1942 - by the bankruptcy trustee (i.e. the official receiver) of FSG (in good standing at the time of the Transaction), notwithstanding the Transaction was entered into following an authorisation of the Court of Monza that expressly dismissed a bankruptcy claim against FSG subject to the entering of the Transaction.
The judgement of the court of first instance declared the Transaction ineffective solely with respect to FSG. As a result, the proprietary title to the K-Way® trademark remains vested in BasicNet pending completion of all the legal remedies. The court pronounced its judgement in the wake of a judgement which the Company objected to and resolutely challenged the assumptions for the revocation claim by providing documentary and other evidence of the absence of prejudice to the creditors of FSG, also by taking into account the fairness of the purchase price consideration which was paid at the time. Consequently, it is the Company's strong belief that the judgement is based on erroneous reasoning and under various aspects is censurable, The Company also firmly believes - based on the opinions expressed by its legal advisors and consultants - that there are valid reasons, whether these are substantive or judicial, to consider that there are grounds to overturn the judgement on appeal and, as such, the related risk, if any, arising there from is deemed to be remote in nature.

As part of its business activity, BasicNet and some Group companies are currently subject to tax reassessment, in respect of which no quantification can be made at the time of writing with regard to any factual findings.

By Order of the Board of Directors

Marco Daniele Boglione

Chairman

EXHIBIT 1

DISCLOSURE REQUIRED UNDER SECTION 149-*DUODECIES* OF THE REGULATION FOR ISSUERS

Type of Services	Services Provider	Remit To	Fees for 2011
Audit	PricewaterhouseCoopers S.p.A.	BasicNet S.p.A., the Parent	51,000
		Italian subsidiaries	91,400
		Foreign subsidiaries	32,600
Attest	PricewaterhouseCoopers S.p.A.	-	-
Other	PricewaterhouseCoopers S.p.A.	-	-
Total			**175,000**

EXHIBIT 2
Page 1 of 2

COMPANIES INCLUDED IN THE CONSOLIDATION ON A LINE-BY-LINE BASIS

	Registered office	Declared strategic intent	Share capital		% parent ownership
PARENT COMPANY					
BasicNet S.p.A.					
Subsidiaries held directly:					
- Basic Properties B.V.	Amsterdam (The Netherlands)	Concession of intellectual property rights under sub-license to local Licensees.	EURO	18,160	100
- Basic Village S.p.A. - with Sole Stakeholder	Turin (Italy)	Operational management of Turin property complex (1 Largo M. Vitale).	EURO	412,800	100
- BasicItalia S.p.A.	Turin (Italy)	Italian Licensee, outlet for the sale of BasicNet Group products to the general public.	EURO	7,650,000	90 (1)
- BasicNet Asia Ltd.	Hong Kong (China)	Coordination of Licensee and Sourcing Center operations in the Asian region.	HKD	10,000	100
Subsidiaries held indirectly:					
- via Basic Properties B.V.					
- Basic Trademark S.A.	Luxembourg	Proprietary holder to certain BasicNet Group trademarks.	EURO	1,250,000	100
- Superga Trademark S.A.	Luxembourg	Proprietary holder to the Superga trademark.	EURO	500,000	100 (2)
- Basic Spain S.L.	Barcelona (Spain)	Trademark sub-licensee for Spain, Portugal and Morocco.	EURO	194,621	100
- Basic Properties America, Inc.	Richmond (Virginia – USA)	Trademark sub-licensee for the U.S., Canada and Mexico markets.	USD	29,969,157,77	100
- via BasicItalia S.p.A.					
- RdK0 S.r.l. - with Sole Quotaholder	Turin (Italy)	Operational management of outlets for the sale of products to the general public.	EURO	10,000	100
- alloSpaccio S.r.l. - with Sole Quotaholder (entity not operational at 12/31/2011)	Turin (Italy)	Operational management of Group proprietary factory shop outlets.	EURO	10,000	100
- BasicCRS S.r.l. - with Sole Quotaholder	Turin (Italy)	Operational management of Group branded product sales and aftermarket sales.	EURO	10,000	100
- BasicoOutlet S.r.l. - with Sole Quotaholder	Turin (Italy)	Operational management of Group proprietary brand outlets.	EURO	10,000	100

(1) remaining 10% of the investment held by Basic Properties B.V.

(2) shares subject to lien voting right at shareholders' meetings, extraordinary session, with Unicredit Banca d'Impresa S.p.A., the Lead Bank of the "Syndicate Loan" taken out on July 16, 2007 with maturity profile July 16, 2015.

EXHIBIT 2
Page 2 of 2

COMPANIES INCLUDED IN THE CONSOLIDATION ON A PROPORTIONATE BASIS

	Registered office	Declared strategic intent	Share capital		% ownership
- via BasicNet S.p.A.					
- AnziBesson Trademark S.r.l.	Turin (Italy)	Titleholder to the AnziBesson brand in joint venture	EURO	50,000	50 (3)
- Fashion S.p.A.	Turin (Italy)	Titleholder to the Sabelt brand in joint venture	EURO	240,000	50 (4)

(3) remaining 50% of the investment held by Giuliano Besson
(4) remaining 50% of the investment held by the Marsiaj family

SUBSIDIARIES NOT CONSOLIDATED

	Registered office	Declared strategic intent	Share capital		% ownership
- via BasicNet S.p.A.					
- Jesus Jeans S.r.l. (entity not operational)	Turin (Italy)	Titleholder to the Jesus Jeans brand	EURO	10,000	100

EXHIBIT 3

LIST OF SIGNIFICANT INVESTMENTS AS AT DECEMBER 31, 2011

(PURSUANT TO CONSOB RESOLUTION 11971 ISSUED ON MAY 14, 1999)

	Registered office	Holder	Share capital		% ownership and voting right
- alloSpaccio S.r.l. - with Sole Quotaholder (entity not operational at 12/31/2011)	Turin (Italy)	BasicItalia S.p.A.	EURO	10,000	100
- AnziBesson Trademark S.r.l.	Turin (Italy)	BasicNet S.p.A.	EURO	50,000	50
- BasicCRS S.r.l. - with Sole Quotaholder	Turin (Italy)	BasicItalia S.p.A.	EURO	10,000	100
- BasicItalia S.p.A.	Turin (Italy)	BasicNet S.p.A. Basic Properties B.V.	EURO	7,650,000	90 10
- BasicOutlet S.r.l. - with Sole Quotaholder	Turin (Italy)	BasicItalia S.p.A.	EURO	10,000	100
- BasicNet Asia Ltd.	Hong Kong (China)	BasicNet S.p.A.	HKD	10,000	100
- Basic Properties B.V.	Amsterdam (The Netherlands)	BasicNet S.p.A.	EURO	18,160	100
- Basic Properties America, Inc.	Richmond (Virginia – USA)	Basic Properties B.V.	USD	29,969,157,77	100
- Basic Spain S.L.	Barcelona (Spain)	Basic Properties B.V.	EURO	194,621	100
- Basic Trademark S.A.	Luxembourg	Basic Properties B.V.	EURO	1,250,000	100
- Basic Village S.p.A. - with Sole Quotaholder	Turin (Italy)	BasicNet S.p.A.	EURO	412,800	100
- Fashion S.p.A.	Turin (Italy)	BasicNet S.p.A.	EURO	240,000	50
- Jesus Jeans S.r.l. (entity not operational)	Turin (Italy)	BasicNet S.p.A.	EURO	10,000	100
- RdK0 S.r.l. - with Sole Quotaholder	Turin (Italy)	BasicItalia S.p.A.	EURO	10,000	100
- Superga Trademark S.A. [(1)]	Luxembourg	Basic Properties B.V.	EURO	500,000	100

[(1)] shares subject to lien voting right at shareholders' meeting, extraordinary session, with Unicredit Banca d'Impresa S.p.A., the Lead Bank of the "Syndicate Loan" taken out on July 16, 2007 with maturity profile July 16, 2015 (see above).

EXHIBIT 4

LETTER OF ASSURANCE AND ATTEST TO THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO SECTION 154-BIS, SUBSECTIONS FIVE AND FIVE-BIS, OF DECREE-LAW 58 OF FEBRUARY 24, 1998 (THE UNIFIED FINANCIAL AND CAPITAL MARKET ACT)

The undersigned Marco Daniele Boglione, Chairman with delegated powers, and Managing Director Franco Spalla and Executive Officer Paolo Cafasso, vested with responsibility to prepare the BasicNet financial statements, hereby attest, pursuant to Section 154-bis, Subsections three and four, of Decree-Law 58 of February 24, 1998:

the adequacy of the company's overall framework for internal control over financial reporting and for other internal controls and processes, and the effective application of its accounting and administrative policies and practices when drawing up the consolidated financial statements for the twelve months ended December 31, 2011.

The undersigned also attest that the consolidated financial statements for 2011:

a) agree with the underlying accounting records and ledgers;

b) have been prepared in conformity with International Financial Reporting Standards (IFRSs), as endorsed for use in the European Union, and in accordance with the applicable laws and regulations introduced in implementation of Section 9 of Decree-Law 38/2005, insofar as the related application thereof provides assurance as to the fair presentation of the financial position, performance and changes in financial position of the Issuer and its consolidated subsidiaries as at December 31, 2011 and for the year then ended;

c) the Management Report includes a reliable analysis of the financial condition, results of operations and cash flows of the Issuer, as well as a description of the main risks and uncertainties to which the Issuer is exposed.

Marco Daniele Boglione
Chairman

Franco Spalla
Managing Director

Paolo Cafasso
Executive Officer
vested with responsibility to prepare the BasicNet financial statements

BASICNET S.p.A.

SEPARATE FINANCIAL STATEMENTS AND NOTES

FOR THE YEAR ENDED DECEMBER 31, 2011

BASICNET S.p.A. - INCOME STATEMENT

(Accounts in Euro)

	Notes	FY2011	FY2010	Change
Direct sales revenue	*(6)*	3,021,909	3,522,169	(500,260)
Cost of sales	*(7)*	(1,663,813)	(2,075,104)	411,291
TRADING MARGIN		**1,358,096**	**1,447,065**	**(88,969)**
Royalty income and sourcing commission	*(8)*	19,230,185	17,787,628	1,442,557
Other income	*(9)*	6,786,732	4,930,452	1,856,280
Media and sponsorship costs	*(10)*	(203,049)	(351,478)	148,429
Cost of labor	*(11)*	(7,017,083)	(6,724,412)	(292,671)
Selling expenses, general & administrative costs and royalty expense	*(12)*	(10,510,593)	(10,688,088)	177,495
Depreciation and amortization	*(13)*	(1,483,496)	(1,661,628)	178,132
OPERATING RESULT		**8,160,792**	**4,739,539**	**3,421,253**
Finance income/(expenses), Net	*(14)*	202,469	24,444	178,025
Dividends	*(15)*	7,500,192	7,783,934	(283,742)
Investment impairment	*(16)*	(4,500,000)	-	(4,500,000)
RESULT BEFORE TAXATION		**11,363,453**	**12,547,917**	**1,184,464**
Income tax expense	*(17)*	(3,115,712)	(2,196,119)	(919,593)
RESULT FOR THE YEAR		**8,247,741**	**10,351,798**	**(2,104,057)**

BASICNET S.p.A. - STATEMENT OF COMPREHENSIVE INCOME

Presented below is the 'Statement of Comprehensive Income' reported under IAS 1 (Revised) placing in evidence the items of income and expense which, as permitted or required by the IFRSs, are recognized outside profit or loss, either in OCI or equity.

(Accounts in Euro)

	December 31, 2011	December 31, 2010	Change
Profit for the period (A)	***8,247,741***	***10,351,798***	***(2,104,057)***
Effective portion of gain/(loss) on cash flow hedges	185,778	145,970	39,808
Income tax on Other comprehensive income	(51,089)	(40,142)	(10,947)
Total Other comprehensive income for the period, net of income tax (B)	***134,689***	***105,828***	***28,861***
Total Other comprehensive income for the period (A) + (B)	**8,382,430**	**10,457,626**	**(2,075,196)**
Attributable to:			
- Owners of the Parent	**8,382,430**	**10,457,626**	**(2,075,196)**
- Non-controlling interests			

BASICNET S.p.A. - –STATEMENT OF FINANCIAL POSITION

(Accounts in Euro)

ASSETS	*Notes*	December 31, 2011	December 31, 2010
Intangible assets	*(18)*	8,710,261	8,304,515
Property, plant and equipment	*(19)*	1,194,163	1,101,266
Investments and other financial assets	*(20)*	16,567,666	14,160,080
Deferred tax assets	*(21)*	471,225	499,175
Total Non-current assets		**26,943,315**	**24,065,036**
Net inventory	*(22)*	711,909	737,372
Trade receivables	*(23)*	5,720,166	5,674,681
Other current assets	*(24)*	62,449,906	65,270,385
Accrued income	*(25)*	2,485,256	2,386,191
Cash and cash equivalents	*(26)*	445,980	546,664
Financial instruments - Derivatives		-	-
Total Current assets		**71,813,217**	**74,615,293**
TOTAL ASSETS		**98,756,532**	**98,680,329**

EQUITY AND LIABILITIES	*Notes*	December 31, 2011	December 31, 2010
Share capital		31,716,673	31,716,673
Treasury shares		(4,241,072)	(3,347,059)
Other reserves		33,987,714	26,436,732
Result for the year		8,247,741	10,351,798
TOTAL EQUITY	*(27)*	**69,711,056**	**65,158,144**
Reserves for risks and charges		-	-
Loans and financing	*(28)*	6,531,250	8,909,663
Director and employee benefits	*(29)*	2,099,333	1,559,838
Other non-current liabilities	*(30)*	341,717	291,095
Total Non-current liabilities		**8,972,300**	**10,760,596**
Bank borrowings	*(31)*	9,256,179	8,281,407
Supplier payables	*(32)*	3,318,575	3,211,137
Tax payables	*(33)*	4,045,377	1,087,771
Other current liabilities	*(34)*	2,875,531	9,293,250
Accrued expenses	*(35)*	6,311	131,044
Financial instruments - Derivatives	*(36)*	571,203	756,980
Total Current liabilities		**20,073,176**	**22,761,589**
TOTAL LIABILITIES		**29,045,476**	**33,522,185**
TOTAL EQUITY AND LIABILITIES		**98,756,532**	**98,680,329**

BASICNET S.p.A. - STATEMENT OF CASH FLOWS

(Accounts in Euro)

		December 31, 2011	December 31, 2010
A)	**CURRENT BANK BORROWINGS, NET, AT BEGINNING OF THE YEAR**	**(5,359,742)**	**132,554**
B)	**CASH FLOW (USED IN) FROM OPERATIONS**		
	Profit (loss) for the year	8,247,741	10,351,798
	Depreciation and amortization	1,483,496	1,661,628
	Investment Impairment	4,500,000	-
	Net change in reserve for employee termination	539,496	(239,366)
	Other, Net	(107,206)	78,288
	Change in working capital		
	- (Increase) Decrease in receivables	(73,251)	395,107
	- (Increase) Decrease in inventory	25,462	(125,159)
	- (Increase) Decrease in other receivables	(3,778,585)	(7,267,985)
	- Increase (Decrease) in supplier payables	803,763	321,878
	- Increase (Decrease) in other payables	(4,253,405)	5,183,926
		7,387,511	**10,360,115**
C)	**CASH FLOW (USED IN) FROM FIXED ASSET INVESTING ACTIVITIES**		
	Fixed asset investments:		
	- PPE	(368,752)	(557,457)
	- Intangible	(1,613,387)	(1,520,450)
	- Financial	(407,587)	(115,000)
	Selling price or value of reimbursement of fixed assets		
	- PPE	-	9,058
	- Intangible	-	-
	- Financial	-	-
		(2,389,726)	**(2,183,849)**
D)	**CASH FLOW (USED IN) FROM FUNDING ACTIVITIES**		
	Leases redeemed	(3,413)	-
	Repayment of medium to long-term financing	(2,375,000)	(3,708,333)
	Treasury share purchases	(894,013)	(352,243)
	Dividend pay-out	(2,935,505)	(9,713,814)
	Other minor items	134,689	105,828
		(6,073,242)	**(13,668,562)**
E)	**TRANSACTIONS NOT GENERATING CASH FLOWS**		
	Conversion of financial receivables in investments:		
	- receivables from subsidiaries	6,500,000	-
	– investments	(6,500,000)	-
		-	**-**
E)	**CASH FLOW FOR THE YEAR**	**(1,075,457)**	**(5,492,296)**
F)	**CURRENT BANK BORROWINGS, NET, AT END OF THE YEAR**	**(6,435,199)**	**(5,359,742)**

Of note: interest expense paid for FY2011 and FY2010 amounts to Euro 0.9 million, whilst tax paid in FY2011 amounts to Euro 0.5 million (FY2010: Euro 2.6 million).

BASICNET S.p.A. - STATEMENT OF CHANGES IN EQUITY

(Accounts in Euro)

				Reserves						
						Other reserves				
	Number of shares	**Share capital**	**Treasury shares**	**Legal reserve**	**Reserve for treasury shares**	**Reserve for FOREX gains**	**Cash flow hedge reserve**	**Retained earnings/ (accumulated deficit)**	**Net profit (loss) for the year**	**Total**
Balances as at December 31, 2009	**60,993,602**	**31,716,673**	**(2,994,816)**	**2,053,373**	**2,994,816**	**-**	**(654,639)**	**19,407,542**	**12,243,626**	**64,766,575**
Allocation of net profit pursuant to Shareholders' Resolution of 04/30/2010										
- Legal reserve			-	612,181	-	-	-	-	(612,181)	-
- Dividend pay-out			-	-	-	-	-	-	(9,713,814)	(9,713,814)
- Retained earnings			-	-	-	-	-	1,917,631	(1,917,631)	-
Gains/(losses) taken directly to cash flow hedge reserve			-	-	-	-	105,828	-	-	105,828
Treasury share purchases			(352,243)	-	352,243	-	-	(352,243)	-	(352,243)
Result as at December 31, 2010			-	-	-	-	-	-	10,351,798	10,351,798
Balances as at December 31, 2010	**60,993,602**	**31,716,673**	**(3,347,059)**	**2,665,554**	**3,347,059**	**-**	**(548,811)**	**20,972,930**	**10,351,798**	**65,158,144**
Allocation of net profit pursuant to Shareholders' Resolution of 04/29/2011										
- Legal reserve			-	517,590	-	-	-	-	(517,590)	-
- Dividend pay-out			-	-	-	-	-	-	(2,935,505)	(2,935,505)
- Reserve for unrealized FOREX gains (Art. 2426.8-*bis* of Italian Civil Code)			-	-	-	-	-	-	-	-
- Retained earnings			-	-	-	-	-	6,898,703	(6,898,703)	-
Gains/(losses) taken directly to cash flow hedge reserve			-	-	-	-	134,689	-	-	134,689
Treasury share purchases			(894,013)	-	894,013	-	-	(894,013)	-	(894,013)
Reclassification of Reserve for unrealized FOREX gains (Art. 2426.8-*bis* of Italian Civil Code)			-	-	-	-	-	-	-	-
Result as at December 31, 2011			-	-	-	-	-	-	8,247,741	8,247,741
Balances as at December 31, 2011	**60,993,602**	**31,716,673**	**(4,241,072)**	**3,183,144**	**4,241,072**	**-**	**(414,122)**	**26,977,620**	**8,247,741**	**69,711,056**

BASICNET S.p.A. - NET FINANCIAL POSITION (NET FINANCIAL INDEBTEDNESS)

(Accounts in Euro)

	December 31, 2011	December 31, 2010
Cash and cash equivalents	445,980	546,664
A/C overdrafts and advances under usual reserve	(6,881,179)	(5,906,407)
Sub-total Cash and cash equivalents, Net	*(6,435,199)*	*(5,359,743)*
Current portion of medium to long-term borrowings	(2,375,000)	(2,375,000)
Current borrowings vs. third parties	**(8,810,199)**	**(7,734,743)**
Medium to long-term Superga financing	(6,531,250)	(8,906,250)
Medium to long-term leases	-	(3,413)
Sub-total Loans and financing from third parties	*(6,531,250)*	*(8,909,663)*
Net financial indebtedness vs. third parties	**(15,341,449)**	**(16,644,406)**
Financial Receivables/(Payables) vs. Group	56,847,640	55,654,796
Net financial position vs. Group	**56,847,640**	**55,654,796**
Total Net Financial Position (Net Financial Indebtedness)	**41,506,191**	**39,010,390**

As reported in the table above, net financial position (net financial indebtedness) is in line with the requirements set forth in Consob Communication 6064293 issued on July 28, 2006.

Set forth below is the statement required by Consob Communication 6064293 issued on July 28, 2006.

		December 31, 2011	December 31, 2010
A.	Cash and cash equivalents	14,550	7,084
B.	Other available funds	431,430	539,580
C.	Held-for-trading securities	-	-
D.	**Liquidity (A) + (B) + (C)**	**445,980**	**546,664**
E.	**Current financial receivables**	**-**	**-**
F.	Current bank borrowings	(6,881,179)	(5,906,407)
G.	Current portion of non-current financial indebtedness	(2,375,000)	(2,375,000)
H.	Current other financial payables	56,847,640	55,654,796
I.	**Current financial indebtedness (F) + (G) + (H)**	**47,591,461**	**47,373,389**
J.	**Current net financial indebtedness (I) - (E) - (D)**	**48,037,441**	**47,920,053**
K.	Non-current bank borrowings	(6,531,250)	(8,909,663)
L.	Bonds issued	-	-
M.	Derivatives measured at fair value	(571,202)	(756,980)
N.	**Non-current financial indebtedness (K) + (L) + (M)**	**(7,102,452)**	**(9,666,643)**
O.	**Net financial indebtedness (J) + (N)**	**40,934,989**	**38,253,410**

Financial indebtedness differs from consolidated net financial position due to derivatives measured at fair value, relating to the hedges used to mitigate exposure to fluctuations in interest rates and/or exchange rates.

BASICNET S.p.A. - INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011 PURSUANT TO CONSOB RESOLUTION ISSUED ON JULY 27, 2006

(Accounts in Euro)

	FY2011		FY2010	
		of which Related Parties Note 39		*of which Related Parties Note 39*
Direct sales revenue	3,021,909	*2,573,060*	3,522,169	*2,795,407*
Cost of sales	(1,663,813)	*(102,390)*	(2,075,104)	*(22,900)*
TRADING MARGIN	**1,358,096**		**1,447,065**	
Royalty income and sourcing commission	19,230,185	*3,618,085*	17,787,628	*3,843,397*
Other income	6,786,732	*6,591,850*	4,930,452	*4,743,341*
Media and sponsorship costs	(203,049)		(351,478)	
Cost of labor	(7,017,083)	*(343,787)*	(6,724,412)	*(338,445)*
Selling expenses, general & administrative expenses and royalty expense	(10,510,593)	*(4,975,011)*	(10,688,088)	*(4,985,363)*
Depreciation and amortization	(1,483,496)		(1,661,628)	
OPERATING RESULT	**8,160,792**		**4,739,539**	
Finance income/(expenses), Net	202,469	*1,135,165*	24,444	*880,161*
Dividends	7,500,192	*7,500,192*	7,783,934	*7,783,934*
Investment impairment	(4,500,000)	-	-	-
RESULT BEFORE TAXATION	**11,363,453**		**12,547,917**	
Income tax expense	(3,115,712)		(2,196,119)	
RESULT FOR THE YEAR	**8,247,741**		**10,351,798**	

BASICNET S.p.A. - BALANCE SHEET FOR THE YEAR ENDED DECEMBER 31, 2011 PURSUANT TO CONSOB RESOLUTION 15519 ISSUED ON JULY 27, 2006

(Accounts in Euro)

ASSETS	**December 31, 2011**	*of which Related Parties Note 24*	**December 31, 2010**	*of which Related Parties Note 24*
Intangible assets	8,710,261		8,304,515	
Property, plant and equipment	1,194,163		1,101,266	
Investments and other financial assets	16,567,666		14,160,080	
Deferred tax assets	471,225		499,175	
Total Non-current assets	**26,943,315**		**24,065,036**	
Net inventory	711,909		737,372	
Trade receivables	5,720,166		5,674,681	
Other current assets	62,449,906	*59,878,364*	65,270,385	*63,304,764*
Accrued income	2,485,256		2,386,191	
Cash and cash equivalents	445,980		546,664	
Financial instruments - Derivatives	-		-	
Total Current assets	**71,813,217**		**74,615,293**	
TOTAL ASSETS	**98,756,532**		**98,680,329**	

EQUITY AND LIABILITIES	**December 31, 2011**	*of which Related Parties Note 34*	**December 31, 2010**	*of which Related Parties Note 34*
Share capital	31,716,673		31,716,673	
Treasury shares	(4,241,072)		(3,347,059)	
Other reserves	33,987,714		26,346,732	
Result for the year	8,247,741		10,351,798	
TOTAL EQUITY	**69,711,056**		**65,158,144**	
Share capital	-		-	
Treasury shares	6,531,250		8,909,663	
Other reserves	2,099,333		1,559,838	
Result for the year	341,717		291,095	
TOTAL EQUITY	**8,972,300**		**10,760,596**	
Bank borrowings	9,256,179		8,281,407	
Supplier payables	3,318,575		3,211,137	
Tax payables	4,045,377		1,087,771	
Other current liabilities	2,875,531	*172,597*	9,293,250	*7,499,948*
Accrued expenses	6,311		131,044	
Financial instruments - Derivatives	571,203		756,980	
Total Current liabilities	**20,073,176**		**22,761,589**	
TOTAL LIABILITIES	**29,045,476**		**33,522,185**	
TOTAL EQUITY AND LIABILITIES	**98,756,532**		**98,680,329**	

BASICNET S.p.A. – STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2011 PURSUANT TO CONSOB RESOLUTION 15519 ISSUED ON JULY 27, 2006

(Accounts in Euro)

	December 31, 2011		December 31, 2010	
		of which Related Parties		*of which Related Parties*
A) CURRENT BANK BORROWINGS, NET, AT BEGINNING OF THE YEAR	**(5.359.742)**		**132.554**	
B) F CASH FLOW (USED IN) FROM OPERATIONS				
Profit (loss) for the year	8,247,741		10,351,798	
Depreciation and amortization	1,483,496		1,661,628	
Investment impairment	4,500,000		-	
Net change in reserve for employee termination	539,496		(239,366)	
Other, Net	(107,206)		78,288	
Change in working capital				
- (Increase) Decrease in receivables	(73,251)		395,107	
- (Increase) Decrease in inventory	25,462		(125,159)	
- (Increase) Decrease in other current assets	(3,778,585)	*(3,426,400)*	(7,267,985)	*(7,315,792)*
- Increase (Decrease) in supplier payables	803,763		321,878	
- Increase (Decrease) in other current payables	(4,253,405)	*(7,327,351)*	5,183,926	*654,352*
	7,387,511		**10,360,115**	
C) CASH FLOW (USED IN) FROM FIXED ASSET INVESTING ACTIVITIES				
Fixed asset investments:				
- PPE	(368,752)		(557,457)	
- Intangible	(1,613,387)		(1,520,450)	
- Financial	(407,587)		(115,000)	
Selling price or value of reimbursement of fixed assets				
- PPE	-		9,058	
- Intangible	-		-	
- Financial	-		-	
	(2,389,726)		**(2,183,849)**	
D) CASH FLOW (USED IN) FROM FUNDING ACTIVITIES				
Leases redeemed	(3,413)		-	
Repayment of medium to long-term financing	(2,375,000)		(3,708,333)	
Treasury share purchases	(894,013)		(352,243)	
Dividend pay-out	(2,935,505)		(9,713,814)	
Other minor items	134,689		105,828	
	(6,073,242)		**(13,668,562)**	
E) TRANSACTIONS NOT GENERATING CASH FLOWS				
Conversion of financial receivables in investments				
- receivables from subsidiaries	6,500,000	*6,500,000*	-	
- investments	(6,500,000)	*(6,500,000)*	-	
	-	**-**	**-**	
E) CASH FLOW FOR THE PERIOD	**(1,075,457)**		**(5,492,296)**	
F) CURRENT BANK BORROWINGS, NET, AT END OF THE YEAR	**(6,435,199)**		**(5,359,742)**	

It is hereby confirmed that the separate financial statements for 2011 agree with the underlying accounting records.

By Order of the Board of Directors

Marco Daniele Boglione

Chairman

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. BASIS OF ACCOUNTING AND PREPARATION OF FINANCIAL INFORMATION

The separate financial statements for 2011 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as adopted by the European Union ('Adopted IFRS'). The designation "IFRS" also includes all International Accounting Standards (IASs), whether revised or otherwise, and all Interpretations pronounced by the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC).

In application of Article 9.3 of Decree-Law 38 of February 28, 2005, also applied in the preparation of the separate financial statements were the requirements set forth in Consob Resolutions 15519 and 15520 issued by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob"), and Consob Communication 6064293 dated July 28, 2006.

The separate financial statements are prepared on a going concern basis under the historical cost convention, modified to include the fair value measurement of certain financial instruments.

The accounting policies and measurement bases adopted in the preparation of the separate financial statements for 2011 are unchanged from the previous year.

2. FORMAT OF THE SEPARATE FINANCIAL STATEMENTS

BasicNet S.p.A. (the 'Company') presents an income statement in which expenses are classified by nature, whilst current and non-current assets, and current and non-current liabilities, are presented as separate classifications in its statement of financial position (balance sheet). The statement of cash flows is presented using the indirect method. Taken into account when preparing the separate financial statements were the requirements of Consob Resolution 15519 of July 27, 2006 (format of the financial statements) and Consob Resolution 6064293 of July 28, 2006 (disclosures).

New Accounting Standards

Accounting Standards, Amendments and Interpretations effective from January 1, 2011 but not applicable to the Company:

– Amendment to IAS 32 - *Financial Instruments: Presentation: Classification of Rights Issues denominated in Foreign Currency*

– Amendment to IAS 24 - *Related Party Disclosures*. The amendment simplifies the type of disclosures required in the instance of State-owned related parties and clarifies the definition of related parties

– Amendment to IFRS 1 – *First-time Adoption of International Financial Reporting Standards*. The amendment consents simplifications to first-time adopters and provides guidance to entities in respect of changes in accounting policies in their first IFRS financial statements

– Guidance on IAS 1 - *Presentation of Financial Statements*. This clarifies the disclosures to be presented in the statement of changes in equity

– Amendment to IFRS 7 - *Financial Instruments: Disclosures*. The amendment also requires additional disclosures in respect of classification and other matters

– Amendment to IFRIC 14 - *Prepayments of a Minimum Funding Requirement*

– IFRIC 19 - *Extinguishing Financial Liabilities and Equity Instruments*

– Annual Improvements to IAS/IFRS (2010).

New Standards and Amendments issued by the IASB and not early adopted by the Company:

- IFRS 12 - *Disclosure of Interests in Other Entities*. A new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose entities and other unconsolidated entities. The standard is effective for annual periods commencing on or after January 1, 2013, with early adoption being permitted.

- IFRS 13 - *Fair Value Measurement.* The new standard clarifies the determination of the fair value for the purpose of the financial statements and applies to all IFRSs permitting or requiring a fair value measurement or the presentation of disclosures based on fair value. The standard is effective for annual periods commencing on or after January 1, 2013, with early adoption being permitted.

- IAS 27 - *Separate Financial Statements.* As a result of the amended version of IFRS 10 being issued, the sphere of application of IAS 27 is confined to the separate financial statements, and only to the separate financial statements. Eliminated therefore from IAS 27 are all and any reference to the consolidated financial statements. The standard is effective for annual periods commencing on or after January 1 2013, with early adoption being permitted.

- IAS 28 - *Investments in Associates and Interests in Joint Ventures.* The new standard sets out the accounting treatment for investments in associates and interests in joint ventures, as well the criteria in respect of the application of the equity method, and has been amended as a result of the amended versions of IFRS 10 and IFRS 11 being issued. The standard is effective for annual periods commencing on or after January 1 2013, with early adoption being permitted.

- IAS 19 - *Employee Benefits.* The amended version of IAS 19 eliminates the option to defer the recognition of gains and losses, known as the "corridor method", and introduces improvements to the disclosure to be provided in respect of defined benefit plans. The standard is effective for annual periods commencing on or after January 1 2013, with early adoption being permitted.

3. ACCOUNTING POLICIES

The separate financial statements for 2011 have been prepared on a going concern basis, in accordance with the accrual basis of accounting. The currency unit adopted is the Euro and all the amounts are rounded to the Euro unit.

Set forth below are the more significant accounting policies and measurement bases adopted in preparing the separate financial statements for the year ended December 31, 2011:

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably. Revenue is shown net of trade discounts, volume rebates and product returns.

In particular, revenue from the sale of goods is recognized when the enterprise has transferred to the buyer the significant risks and rewards of ownership of the goods, and the selling price has been agreed or determined and the collection of revenues is assured. In other words, revenue from the sale of goods is recognized at the moment that legal title passes, which generally coincides with shipping or consignment.

Revenue from royalties or from sourcing commission is recognized on an accrual basis in agreement with the substance of the underlying contracts.

Cost/Expense Recognition

Costs and expenses are accounted for in accordance with the accrual basis of accounting.

Costs relating to the preparation and presentation of sample collections are dealt with through the income statement in the period in which the relevant sample collection sales are collected.

Deferral, if any, is recognized through deferred expenses.

Interest Income and Interest Expense, Income and Expenses

Interest income and interest expense are matched on an accrual basis, using a method that approximates the effective interest rate. Other income and expenses are recognized on a matching basis.

Dividends

Dividends receivable

Dividends receivable from investees are recognized in the income statement in the period in which the right to receive payment is established.

Dividends payable

Dividends payable are reported as a movement in equity in the period in which they are approved by shareholders.

Translation Criteria for Balances Denominated in Foreign Currency

Receivables and payables denominated in foreign currency are converted into Euro at the respective rate of exchange prevailing at the date of the original transaction. The exchange differences realized on the collection of receivables or payment of liabilities are dealt with through the income statement.

Income and revenue, and costs and expenses relating to transactions denominated in foreign currency are reported at the rate of exchange prevailing at the date of the original transaction.

Monetary assets and liabilities denominated in foreign currency at the end of the reporting period are reported at the forward contract rate prevailing at that date, and the related foreign exchange gains or losses are dealt with through the income statement.

Income Taxes

Income taxes include all taxes based upon the taxable profits of the Company. Taxes on income are recognized in the income statement except to the extent that they relate to items directly charged or credited to equity, in which case the related income tax effect is recognized directly in equity.

Other taxes not based on income, such as property tax and capital tax, are included in operating expenses. Deferred taxes are calculated on all temporary differences between the tax base of an asset or liability and the carrying amounts in the consolidated financial statements, excepting those arising from goodwill not tax deductible or resulting from investments in subsidiaries where their reversal will not take place in the foreseeable future.

Deferred tax assets relating to unused tax losses and tax credits, as well as those arising from temporary differences, are recognized to the extent that it is probable that future profits will be available against which they can be utilized. In accordance with International Accounting Standard IAS 12.71, current and deferred income tax assets and liabilities are offset if, and only if, the income taxes are levied by the same taxation authority and when there is a legally enforceable right of offset.

Deferred tax assets and liabilities are measured at the substantively enacted tax rates hat are expected to apply to taxable income in the periods in which temporary differences will be reversed.

With effect from fiscal 2006, BasicNet S.p.A. and its Italian subsidiaries elected to adhere, for the three-year period, to the National Tax Consolidation program pursuant to Article 117 *et seq.* of Italian Presidential Decree (DPR) 917 of December 22, 1986; over the course of FY2009, the program elected was renewed for the three-year period 2009, 2010 and 2011.

BasicNet S.p.A. acts as the tax consolidating entity in this program and determines a single taxable base for the grouping of companies taking part, thereby enabling benefits to be realized from the offsetting of taxable income and tax losses in a single tax return. Each company adhering to national tax consolidation transfers its taxable income or tax loss to the tax consolidating entity. BasicNet S.p.A. recognizes receivables from companies contributing taxable incomes, corresponding to the amount of 'Ires' corporate income tax paid on its behalf. Conversely, whenever a company brings a tax loss into the national tax consolidation, BasicNet S.p.A. recognizes a payable to that company for the amount of the loss effectively set off at the Group level.

Earnings Per Share

As required by IAS 33.4, Earnings Per Share are presented solely at the consolidated financial statement level.

Contingent Liabilities

Through the normal course of business, the Company may be involved in tax and legal disputes covering a range of matters in various jurisdictions, the settlement of which may involve cost to the Group. Due to the uncertainty attaching thereto, it is difficult to predict the ultimate outcome of such matters. Furthermore, the Company is party to legal disputes defending its premium brands and/or products from imitation and falsification. The cases and claims against the Company frequently raise difficult and complex factual and legal issues, which are subject to a broad spectrum of uncertainties and complexities, including but not limited to the facts and circumstances relative to each particular case and claim, the jurisdiction and differences in applicable law.

In the normal course of business, Management consults with legal counsel and advisors on litigation and tax matters. Provision is made where an adverse outcome is probable and associated costs, including related legal costs, can be estimated reliably. In other cases, appropriate disclosures are included in the Notes to the separate financial statements.

Use of Estimates

The preparation of the Separate Financial Statements under IFRS requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates are used to measure the intangible assets and the items of property, plant and equipment tested for impairment as discussed further ahead and, not least, to report allowances for doubtful accounts, obsolete inventories, depreciation and amortization, assets written down, employee benefits, taxation, other provisions and reserves.

The estimates and assumptions are reviewed periodically and the effects of all changes are reflected immediately in the income statement.

Intangible Assets

As required by IAS 38, intangible assets, whether purchased or internally generated, are recognized if, and only if, they meet the definition of an intangible asset (identifiability, control over a resource, and evidence of future economic benefits that will flow to the entity and the cost of the asset can be measured reliably).

Intangible assets with a definite useful life are recognized at purchase price or production cost, and are amortized on a straight-line basis over their useful life.

Software

Purchased software and internally generated computer-system programs are amortized over five years. Software costs incurred in maintaining or restoring the originally assessed standard of performance are recognized as an expense as and when incurred, and are not capitalized.

Development Costs

Development costs are capitalized when it can be demonstrated that the development expenditure will generate probable future economic benefits and the other conditions required under IAS 38 are satisfied.

Trademarks and Patents

Given the bolder reach carved out around the globe by the Kappa brand and the resultant royalty stream iconic status earned and, not least, given that no deterrents were believed to exist that would limit the generation of cash flows over the longer horizon, the Directors of the BasicNet Group reassessed in 4Q2010 the brand's useful economic life insofar as retaining this to be no longer properly reflected by the previously adopted 20-year amortization period. As examined and discussed in the Notes to the Consolidated Financial Statements, also reassessed on that occasion were the other "power brands" held by the BasicNet Group, inasmuch as these:

- play a priority role in terms of Company strategy and Group strategy;
- the Group's framework is strongly correlated to and dependent upon Brand development and Brand awareness across the market landscape;
- the Group proprietary brands are registered and legally safeguarded by trademark protection;
- on a comparative basis with the related cash flows resulting therefrom, trademark protection and filing costs are not meaningful;
- the nature of the branded products commercialized by the Group is that technological obsolescence is not a common issue.

Accordingly, with effect from 4Q2010, the parent company revisited the estimated useful life of the K-Way brand, in application of International Accounting Standard IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*, suspending on a forward-looking basis the related amortization thereof, all of which without prejudice to impairment testing annually or more frequently if events or changes in circumstances indicate a possible decline in the carrying amount.

Patent rights are amortized over a period of ten years.

Other Intangible Assets

If the cost (i.e. fair value) of an intangible asset acquired as part of a business combination that is an acquisition can be measured reliably, that asset is recognized as a separate intangible asset and not included in goodwill.

Goodwill

In the instance of a business combination that is an acquisition, the acquired identifiable assets, liabilities and contingent liabilities are measured at their fair value at the acquisition date. The positive difference between the cost of the business combination over the Company's share of the fair values of the acquired identifiable assets and liabilities is classified as goodwill and included in the accounts under intangible assets. Conversely, any negative difference ("negative goodwill") is recognized immediately in the income statement.

Insofar as not amortized, goodwill is assessed for impairment annually, or more frequently, when events or changes in circumstances indicate that it might be impaired, in accordance with International Accounting Standard IAS 36 - *Impairment of Assets*. After initial recognition, goodwill is carried at its cost less any cumulative impairment losses.

Property, Plant and Equipment

Property, plant and equipment are tangible fixed assets, and are stated at purchase price or production cost. Cost includes accessory expenses, as well as the portion of direct and indirect costs which can be reasonably attributed to the assets.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized is added to the carrying amount of the asset if, and only if, the future economic benefits in excess of the originally assessed standard of performance of the existing asset, will flow to the entity. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of the assets on a straight-line basis over their useful life expectancy, as follows:

PPE	Useful life expectancy (in years)
Plant and machinery	8
Furniture, fittings and fixtures	5 to 8
Motor vehicles	4
Electronic and electric machinery	5 to 8

The assets are written down to reflect any impairment, other than temporary, in value at the end of the reporting period. If, in subsequent periods, the reasons for the write-down cease to apply, the original value is reinstated.

Ordinary maintenance costs are charged wholly against the income statement.

Payments on account and assets under construction, as yet not entered into service at the end of the reporting period, are shown separately.

Assets held under lease

Land and buildings held under finance lease are accounted for under the finance method. The asset is recognized in the consolidated balance sheet as a tangible fixed asset, and is depreciated over its estimated useful life.

The depreciation provided on the assets is reflected in the annual separate financial statements in the same way as other items of property, plant and equipment.

The obligation related to finance leases, net of financial charges, in respect of future periods, are included, as appropriate, under current liabilities or non-current liabilities. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance on the obligation for each accounting period.

Impairment of Assets

The carrying amount of the assets held by the Company are tested for impairment at the end of each reporting period to assess whether there is any indication of impairment other than temporary, in which case the asset's recoverable amount is estimated. If this is the case, the impairment loss is assessed and recognized as an expense in the income statement when the carrying amount of an asset or cash-generating unit is greater than the recoverable amount of the asset to which it relates. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Intangible assets with indefinite useful lives, including therein goodwill, are assessed annually, or whenever an indication of impairment is identified.

Measurement of Recoverable Amount

The recoverable amount of an asset other than a financial asset is the higher of its fair value less costs to sell and its value in use. In measuring value in use, the estimated future cash flows are actualized applying a discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. Should an asset not generate cash inflows from continuing use that are largely independent of those from other assets, value in use and, therefore, recoverable amount, can be determined only for the asset's cash-generating unit.

Reversal of an Impairment Loss

An impairment loss recognized for an asset other than goodwill in prior years is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. A reversal of an impairment loss for an asset other than goodwill is recognized as income immediately in the income statement, adjusting the carrying amount of the asset to its recoverable amount. The carrying amount of the asset other than goodwill is not increased above the lower of the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

Investments and Other Financial Assets

In the separate financial statements of BasicNet S.p.A., investments are carried at cost plus directly attributable accessory expenses. Where objective evidence exists that an investment may be impaired, the carrying amount of the investment is compared with its recoverable amount, represented by the higher of its fair value less costs to sell and its value in use.

Inasmuch as no investments quoted in an active market are held, fair value is determined exclusively by reference to a binding sale agreement.

Value in use is generally determined to the extent of the corresponding fraction of the investee's net equity taken from the consolidated financial statements, plus the estimated future cash flows expected to arise from the operations of investments and, where significant and reasonably determinable, those from its ultimate disposal after deducting the estimated costs of disposal. The cash flows determined are based upon reasonable and supportable assumptions that represent management's best estimate of the range of future economic conditions that will exist. These are discounted using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted (i.e. WACC). If the Company's share of losses of the investee exceeds the carrying amount of the investment and if the Company has a legal, contractual or implicit obligation or intends to respond for those losses, the Company's interest is reduced to zero and a liability is recognized for its share of the additional losses. If, in subsequent periods, the impairment loss no longer exists, it is reversed and the reversal is recognized in the income statement up to the limit of the cost of the investment.

Under IAS 36.12(h), the distribution by an investee of reserves formed out of earnings represents an event that may indicate that the carrying amount of the investee may be impaired and, as such, requires the related recoverable amount thereof to be determined.

Subsidiaries

Control by the Company exists when it has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Associates

As associate is an entity, including an unincorporated entity such as a partnership, over which significant influence is exercised and that is neither a subsidiary nor an interest in a joint venture. Where 20 per cent to 50 per cent of the voting power of an investee is held, significant influence is presumed to exist, unless it can be clearly demonstrated that this is not the case.

Other enterprises

Other enterprises are entities in which less than 20 per cent of the voting power of an investee is held.

Other financial assets

Receivables classified under financial fixed assets are stated at their presumed realizable value.

Net Inventory

Inventories are measured under the weighted average cost method of valuation.

Inventories are stated at the lower of production or purchase price or net realizable value based on market conditions.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs directly and indirectly attributable to bringing the inventories to their present location and condition. Inventory write-downs are written back in subsequent periods if the reasons for the write-down cease to apply. Obsolete and slow-moving inventories are written down on the basis of their possible utilization or saleability. If, in subsequent periods, the reasons for the write-down cease to apply, the original value is reinstated.

Receivables and Other Current Assets

Receivables classified under current assets are stated at their nominal value, which substantially coincides with amortized cost.

Trade receivables are written down to their presumed realizable value through a reserve for the write-down of bad and doubtful receivables. Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience. Individual trade receivables are provided against when management deems them not to be collectable.

Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. These are stated in the amounts effectively available at the end of the reporting period.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Accruals and Prepayments

Accruals and prepayments include the portion of revenues and expenses covering two or more periods, in accordance with the accrual basis of accounting.

Treasury Shares

Treasury shares are presented as a deduction from equity. The original cost of treasury shares and the proceeds of any subsequent sale are presented as movements in equity.

Reserves for Risks and Charges

Reserves for risks and charges are recognized in the consolidated balance sheet if, and only if, there is an implicit or legal obligation that should result in an outflow from the enterprise of resources embodying economic benefits, and a reliable estimation thereof can be determined.

Employee Benefits

Employee benefits that fall within the scope of Italy's TFR (provision for severance pay) are considered defined post-employment benefits and are therefore measured on an accrual basis using the Projected Unit Credit Method.

With effect from January 1, 2007, such liability relates exclusively to the TFR allocations accrued up to December 31, 2006, which, by virtue of the pension reform (establishment of a supplementary pension fund) introduced by the government (Italian legislative decree no. 252 of December 5, 2005), continues to represent an obligation for the entity. As a result of such reform being incorporated into Italian law by virtue of Law No. 296 of December 27, 2006 (Italian Financial Act 2007), the liability, insofar as relating to past service costs, has been remeasured without applying the pro-rated service worked and without reflecting, in the actuarial computation, the material element of estimated future salary increases.

The TFR allocations paid into supplementary pension funds represent a form of deferred contribution plan under which the entity pays fixed contributions into a separate entity (fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Additionally, the TFR allocations transferred to the special TFR fund managed by the National Social Insurance Institute (INPS) are recognized as allocations to a deferred contribution plan inasmuch as the entity will have no legal or constructive obligation to pay further contributions, other than those contemplated by Ministerial Decree of January 30, 2007, should the fund not hold sufficient assets to pay all employee service benefits.

Payables

Financial payables are stated at their nominal value, which approximates amortized cost. The book value of trade payables and other payables at the end of the reporting period approximates their fair value.

Derivatives and Hedge Accounting

BasicNet S.p.A. uses derivative financial instruments to hedge its exposure to fluctuations in interest rates on certain loans and financing.

Derivative financial instruments are recognized initially in the balance sheet at fair value and are measured, after initial recognition, according to the "hedging" or "non-hedging" designation required under IAS 39 - *Financial Instruments: Recognition and Measurement.*

In connection thereto, BasicNet policy prohibits speculative transactions, and no trading activity in derivative financial instruments is undertaken.

Hedging relationships are two in kind:

- Fair value hedges
- Cash flow hedges

To qualify for hedge accounting, the hedging relationship must meet several conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement. At the inception of the transaction, the BasicNet Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge.

After initial recognition, the following accounting treatment applies to derivative financial instruments that qualify for hedge accounting:

a) Fair value hedges

Changes in their fair value are recognized in the income statement, as are changes in the fair value of the underlying hedged asset or liability.
Fair value hedges are not used by the Group.

b) Cash flow hedges

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity; the ineffective portion of the gain or loss on the hedging instrument is recognized immediately in profit or loss.
When the hedging instrument expires or is sold, terminated or no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that remains recognized directly in equity from the period when the hedge was effective is recognized in profit or loss.

c) Derivative financial instruments not qualifying for hedge accounting

Derivative financial instruments not qualifying for hedge accounting in accordance with IAS 39 are classified under financial assets and financial liabilities at fair value through profit or loss.

Fair value hierarchy under IFRS 7

IFRS 7 requires financial instruments recognized at fair value to be classified on the basis of a hierarchy that reflects the significance of the inputs used in determining fair value.

The following levels are used in this hierarchy:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. as derived from prices). Classified herein are the financial instruments used by the Group to mitigate its exposure to fluctuations in interest and/or exchange rates.
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs). There are no financial instruments classified as such.

4. OTHER INFORMATION

Information about significant events after the reporting period and business outlook can be found under the relevant headings presented in the Management Report.

NOTES TO INCOME STATEMENT ACCOUNTS (ALL AMOUNTS IN EURO)

5. DISCLOSURE BY OPERATING SEGMENT

Inasmuch as the Company publishes the consolidated and separate financial statements at the same time, the disclosures required by reportable operating segment are presented under the consolidated financial statements, in accordance with the requirements of IFRS 8.

6. DIRECT SALES REVENUE

Sales revenue from products delivered by the Company relates exclusively to footwear and apparel sample sales to Licensees. The breakdown of sample sales is as follows:

	FY2011	FY2010
Sample sales to third parties	448,850	726,762
Samples sales to subsidiaries	2,573,059	2,795,407
Total Direct sales revenue	**3,021,909**	**3,522,169**

Samples sales to subsidiaries are detailed in Note 39.

The breakdown of sales revenue is set out below by geographic area:

	FY2011	FY2010
Italy	2,705,373	2,889,278
Europe	178,249	452,168
The Americas	34,158	62,618
Asia and Oceania	92,612	114,430
Middle East and Africa	11,517	3,675
Total	**3,021,909**	**3,522,169**

Driving through the year-on-year Euro 500 thousand decrease was the composition of Collections and, not least, the shipping and receipt timeline attaching thereto.

7. COST OF SALES

The following table presents the analysis of the cost of sales:

	FY2011	FY2010
Samples purchased	1,245,685	1,479,521
Freight charges and accessory purchasing costs	282,010	427,349
Accessories purchased	50,751	58,507
Change in raw materials, ancillary materials, consumables and goods for resale in inventory	(94,252)	(50,571)
Concept models developed and purchased	82,328	36,578
Other	97,291	123,720
Total Cost of sales	**1,663,813**	**2,075,104**

Analyzed below by geographic area is the breakdown of the cost of purchase for samples and accessories:

	FY2011	FY2010
Asia and Oceania	866,672	1,000,437
Italy	285,958	321,744
Europe	13,764	23,455
America	73,602	140,052
Middle East and Africa	56,440	52,340
Total	**1,296,436**	**1,538,028**

Samples purchased relate to samples purchased by BasicNet S.p.A. for resale to Licensees. Driving through the year-on-year increase in the cost of sales were trimmed manufactured items and, not least, optimized customs duties and freight charges; in consequence, when taken as a percentage of sales revenue, the cost of sales retreated from 58.9% at December 31, 2010 to 55.1% at December 31, 2011.

8. ROYALTY AND SOURCING COMMISSION

The following table presents the analysis of royalty income and sourcing commission income by geographic area:

	FY2011	FY2010
Europe	8,300,497	9,089,489
America	500,872	358,070
Asia and Oceania	9,335,163	7,266,572
Middle East and Africa	1,093,653	1,073,496
Total	**19,230,185**	**17,787,628**

Royalty income is represented by trademark licensing royalty streams relating to know-how and the development of Group-branded Collections, as well as from K-Way trademark property licensing. *Sourcing commission* stems from know-how property rights and is debited to the manufacturing Licensees on their product sales to Network Licensees. As put in place over the course of the years, the steps and measures taken to streamline sourcing and procurement paved the way toward honing, as a result of sealing new sourcing agreements, upper-edge merchandize purchase prices and, by way of attendant consequence thereof, enhanced commission income to BasicNet S.p.A. from Licensees.

9. OTHER INCOME

	FY2011	FY2010
Intragroup support services	6,591,250	4,740,000
Other	195,482	190,452
Total Other income	**6,786,732**	**4,930,452**

Intragroup support services relate to the management fees charged to BasicItalia S.p.A., Basic Village S.p.A., Basic Trademark S.A., Superga Trademark S.A. and AnziBesson Trademark S.r.l., primarily in respect of support and consultancy provided in the personnel administration, financial and administrative field, support in drawing up commercial contractual documents and computer-system services, the latter developed and managed on a centralized basis across the Group. On a comparative basis with the year before, the balance on this line moved forward by way of reflection of the greater amounts recharged to Basic Trademark S.A. and Superga Trademark S.A., due to bolt-on activities performed to the service of the Licensee Network.

As at December 31, 2011, the balance on the line *Other* includes: Euro 34 thousand arising from sub-rental income; Euro 88 thousand from recharged expenses; Euro 22 thousand from the Piedmont Region in respect of contributions toward operating expenses awarded by way of payment on account under the "Young Employment Incentives" program, to which the Company took part; Euro 50 thousand from positive differences on accruals for expenses and payables relative to prior periods, and; other minor items.

10. MEDIA AND SPONSORSHIP COSTS

	FY2011	FY2010
Communication contributions	33,627	217,196
Promotional expenditures	77,448	74,920
Advertising expenditures	91,974	59,362
Total Media and sponsorship costs	**203,049**	**351,478**

Communication contributions, promotional expenditures and advertising expenses relate to activities institutional in nature involving partaking in events, shows or other.

11. COST OF LABOR

	FY2011	FY2010
Salaries and wages	4,921,337	4,773,278
Social security contributions	1,720,755	1,649,457
Provision for employee termination indemnities and other defined benefit plans	374,991	301,677
Total Cost of Labor	**7,017,083**	**6,724,412**

The cost of labor (personnel expenses) includes all the charges arising from the services performed by BasicNet S.p.A. employees. Driving through the year-on-year 4.4% increase equating Euro 292 thousand, were new hires, cost-of-living adjustments and contractual salary increases, mainly due to the stronger stance taken by certain operating structures, in connection with portfolio brand new entries. The following table sets out the movement recorded for the year ended December 31, 2011 in terms of the average number of employees, analyzed by employee category:

	December 31, 2010	Hired	Left	December 31, 2011	Average for the year
Managers	16	3	1	18	17
Clerks	142	26	22	146	146
Workers	2	1	-	3	3
Total	160	30	23	167	166

	Human Resources at December 31, 2011				Human Resources at December 31, 2010			
Employee category	Number		Average age		Number		Average age	
	Male / Female	Total	Male / Female	Average	Male / Female	Total	Male / Female	Average
Managers	10 / 8	18	48 / 47	48	8 / 8	16	48 / 46	47
Clerks	43 / 103	146	36 / 36	36	41 / 101	142	37 / 36	36
Workers	1 / 2	3	31 / 39	36	1 / 1	2	30 / 42	36
Total	54 / 113	167	38 / 37	37	50 / 110	160	39 / 37	37

Source: BasicGuys.com

The average number of employees climbed from 157 full-time equivalents at December 31, 2010 to 166 full-time equivalents at December 31, 2011.

12. SELLING EXPENSES, GENERAL & ADMINISTRATIVE EXPENSES AND ROYALTY EXPENSE

Amounting to Euro 10.5 million, *selling expenses, general & administrative expenses, and royalty expense* (costs of services) are analyzed as follows:

	FY2011	FY2010
Rental expense, accessory charges and utilities	3,010,845	2,910,340
Emoluments to Directors and Statutory Auditors	2,075,181	2,360,145
Commercial expenses	1,655,289	1,976,198
Services on sales	395,496	325,544
Provision for the write-down of receivables	130,000	125,000
Other	3,243,782	2,990,861
Total Selling Expenses, General & Administrative Expenses , and Royalty Expense	**10,510,593**	**10,688,088**

Rental expense relates to the office buildings rented by the Company, the proprietor of which is the subsidiary Basic Village S.p.A.

As required by Article 78 of Consob Regulation 11971/99, as subsequently amended, the “emoluments” recognized to Directors and Statutory Auditors, for services in all their capacities performed within BasicNet S.p.A., are detailed in the Remuneration Report prepared and presented pursuant to Section 123–*ter* of the Italian Finance Act. The Remuneration Report can be accessed through the BasicNet website (www.basicnet.com).

Encompassed within *Commercial expenses* are commercial-driven costs and graphic, styling or similar consultancy costs.

Encompassed within *Services on sales* are export expenses on samples and, not least, royalty expense mainly arising from or relating to co-branding agreements.

Encompassed within *Other* are expert and legal consulting fees, bank charges, taxes and duties (other than income taxes), consumables purchased, hire rental expenses, corporate expenditures and other minor items of expense. Driving through the year-on-year increase were bolt-on corporate expenditures and recharges from the subsidiary BasicItalia S.p.A. in respect of the portion of charges incurred in building up the franchised distribution channel, with specific reference to the K-Way branded shops and stores.

13. DEPRECIATION AND AMORTIZATION

Encompassed within depreciation is depreciation expense on other assets held under finance lease.

	FY2011	FY2010
Amortization	1,207,641	1,400,685
Depreciation	275,855	260,943
Total Depreciation and Amortization	**1,483,496**	**1,661,628**

14. FINANCE INCOME/(EXPENSES), NET

	FY2011	FY2010
Interest income-banks	1,135	1,631
Interest income-intragroup	1,135,165	880,186
Interest expense-banks	(258,978)	(70,348)
Interest expense-intragroup	-	(25)
Interest expense on medium to long-term financing	(638,921)	(812,928)
Other interest expense	(76,097)	(72,412)
Total Finance income/(expenses), Net	***162,304***	***(73,896)***
Foreign exchange gains	239,975	264,502
Foreign exchange losses	(199,810)	(166,162)
Total Net foreign exchange gains/(losses)	***40,165***	***98,340***
Total Finance income/(expenses), Net	**202,469**	**24,444**

Interest income-intragroup stems from operations put in place over the last twelve months and governed by intragroup accounts, remunerated at market rates. Primarily pushing through the year-on-year increase was greater interest debited to BasicItalia S.p.A. on the current account balance due to interest rate increases. The year-on-year increase in the balance on *interest expense-banks* is correlated to greater average exposure to the banking system, arising from or related to Group treasury management, as well as well as to the interest rate increases spiked over the course of the year under review.

Interest expense on medium to long-term financing relates to the syndicate loan taken out part way July 2007 in relation to the acquisition of the Superga trademark by the Group and, not least, to the financing contracted in relation to the K-Way trademark acquisition. The year-on-year decrease on this line reflects the progressive repayment of the financings referred to above. The K-Way financing had been extinguished by December 31, 2010.

As at December 31, 2011, *realized foreign exchange gains* and *realized foreign exchange losses* amount to Euro 143 thousand and Euro 186 thousand, respectively. Amounting to Euro 96 thousand, *unrealized foreign exchange gains* arise from conversion of debtor and creditor positions at the respective year-end rates of exchange, whilst *unrealized foreign exchange losses* amount to Euro14 thousand.

15. DIVIDENDS

Distributed to BasicNet by the subsidiary BasicProperties B.V. were dividends in the amount of Euro 7.5 million as a result of the financial proceeds resulting from the dividends paid by the Group companies, as held by the latter.

16. INVESTEE IMPAIRMENT

Reflected herein is the write-down recorded in respect of the impairment testing of the carrying amount of the investment in BasicItalia S.p.A., as discussed in Note 20.

17. INCOME TAXES

Current income tax

Current income tax relates, the amount of Euro 583 thousand, to 'Irap' regional tax and, in the amount of Euro 2.5 million, to 'Ires' corporation tax.

Reconciliation between ordinary tax rate and effective tax rate is as follows:

Taxable income for 'Ires' corporation tax purposes

	December 31, 2011		December 31, 2010	
Applicable ordinary tax rates				**27.50%**
Result before taxation (current and advance)	11,363,453		12,547,917	
Theoretical result on statutory result		3,124,950		3.450.677
Effect of increases (decreases) in respect of ordinary tax rate:				
- permanent differences:				
. entertainment expenses not tax deductible	249,855		242,781	
. depreciation not tax deductible (not taxable)	47,568		47,357	
. motor vehicle running expenses	246,063		249,273	
. out-of-period expenses (income) not deductible (not taxable)	993		51,666	
. dividends not taxable	(7,125,182)		(7,394,737)	
. investee impairment adjustment	4,500,000		-	
. other permanent differences	610,896		532,490	
Taxable income	9,893,646		6,276,747	
Effective tax		2,720,753		1,726,105
Effective tax rate		**23.94%**		**13.76%**
Difference between effective and theoretical tax rate		**(3.56%)**		**(13.74%)**

Reconciliation current 'Ires' corporation tax	**December 31, 2011**		**December 31, 2010**	
Result before taxation and permanent differences	9,893,646		6,276,747	
Year-to-date tax losses not involving use of prepaid taxes	-		-	
Effective current tax	9,893,646	2,720,753	6,276,747	1,726,105
Temporary differences for the year on which deferred tax has been provisioned	(631,179)		(81,059)	
Year-to-date tax losses not involving use of prepaid taxes	-		-	
Current tax on temporary differences		(173,574)		(22,291)
National tax consolidation-related deductions: - ROL surplus	-	-	-	-
Separate taxation relative to CFC Hong Kong		9,000		10,023
Total Current tax		**2,556,179**		**1,713,837**

Reconciliation current 'Irap' regional income tax	December 31, 2011		December 31, 2010	
Applicable ordinary tax rates		3.90%		3.90%
Taxable income for 'Irap' purposes	13,424,120		14,448,215	
Theoretical tax		523,541		563,480
Effect of increases (decreases) in respect of ordinary tax rate:				
- motor vehicle running expenses	7,864		22,053	
- out-of-period expenses (income) not tax deductible (not taxable)	(4,880)		105,662	
- out-of-book depreciation	(478,187)		(106,986)	
- investee impairment adjustment	4,500,000		-	
- tax wedge	(2,455,564)		(2,509,874)	
- other permanent differences	(53,052)		(60,426)	
Terminal rider 'Irap' taxable base	14,940,301		11,898,644	
Effective taxation		582,672		464,047
Effective tax rate		**4.34%**		**3.21%**
Difference between theoretical and effective tax rate		**0.44%**		**(0.69%)**

<u>Deferred income tax</u>

By way of attendant consequence of the results delivered for the year and estimated future taxable income, deferred tax assets and deferred tax liabilities have been recognized - whether for 'Ires' corporation tax purposes or 'Irap' regional tax purposes – on temporary differences; all this led to Euro 23 thousand being provisioned in the income statement.

ASSETS

18. INTANGIBLE ASSETS

As presented on a comparative basis with the year before, the following table sets out the breakdown of intangible assets as at December 31, 2011, placing in evidence the movement for the year:

	December 31, 2011	December 31, 2010	Change
Concessions, trademarks and similar rights	5,976,609	5,890,546	86,063
Other intangible assets	2,717,983	2,394,337	323,646
Industrial patent rights	15,669	19,632	(3,963)
Total Intangible assets	**8,710,261**	**8,304,515**	**405,746**

The movement for the year on historic cost is set out below by intangible asset class:

	Concessions, trademarks and similar rights	Other intangible assets	Intangibles in progress	Industrial patent rights	Total
Historic cost at 12.31.2010	**9,446,232**	**20,271,234**	**215,702**	**43,128**	**29,976,296**
Additions	*170,780*	*1,442,217*	-	*390*	*1,613,387*
Historic cost at 12.31.2011	**9,617,012**	**21,713,451**	**215,702**	**43,518**	**31,589,683**

The movement for the year on accumulated amortization is set out below by intangible asset class:

	Concessions, trademarks and similar rights	Other intangible assets	Intangibles in progress	Industrial patent rights	Total
Accum. amortiz. at 12.31.2010	**(3,555,686)**	**(18,092,599)**	**-**	**(23,496)**	**(21,671,781)**
Amortization	*(84,717)*	*(1,118,571)*	-	*(4,353)*	*(1,207,641)*
Accum. amortiz. at 12.31.2011	**(3,640,403)**	**(19,211,170)**	**-**	**(27,849)**	**(22,879,422)**

Accordingly, the net book value (NBV) of the intangible assets is analyzed as follows:

	Concessions, trademarks and similar rights	Other intangible assets	Intangibles in progress	Industrial patent rights	Total
Ending NBV at 12.31.2010	**5,890,546**	**2,178,635**	**215,702**	**19,632**	**8,304,515**
Additions	*170,780*	*1,442,217*	-	*390*	*1,613,387*
Amortization	*(84,717)*	*(1,118,571)*	-	*(4,353)*	*(1,207,641)*
Ending NBV al 31.12.2011	**5,976,609**	**2,502,281**	**215,702**	**15,669**	**8,710,261**

As at December 31, 2011, intangible asset additions came to Euro 1.6 million with amortization recorded in the amount of Euro 1.2 million. No intangible asset disposals are placed in evidence.

Concessions, trademarks and similar rights increased over the last twelve months due to registration expenses incurred when filing the K-Way trademark in new European counties or when renewing or extending K-Way trademark filings already in place (Euro 52 thousand) and, not least, expenses incurred in respect of software licenses purchased (Euro 69 thousand). As at December 31, 2011, the net book value of the K-Way trademark was Euro 5.8 million. Trademark filing or renewed trademark filing expenses added to the relevant brand.

As in prior years, the recoverable amount of a brand is tested for impairment at least once a year or whenever there is an indication that the brand might be impaired, discounting the net royalty flows that the brand may generate over a temporal horizon spanning three years, i.e. the medium-term horizon over which the revenues can be reliably measured. Estimated for the years thereafter is a terminal value determined on the royalty streams for the third year, normalized considering a growth rate of 3%. The flows have been discounted at the Weighted Average Cost of Capital (WACC) rate of 7.6% (6.7% in 2010), as determined by reference to the following parameters, taken from key financial information sources (Bloomberg):

- Sector Beta: representing the sector risk indicator, this equates 1.09 (1 in 2010).
- *Market Risk Premium* (MRP): unchanged from the previous year, this equates 5% and represents the difference between the yield rate for risk-free investments and the investment rate for at-risk investments.
- *Risk Free Rate* (RFR): this equates 5.3% (4.3% in 2010), in line with the net yield rate for 10-year Treasury Bonds.
- Cost of Debt: unchanged from the previous year, this equates some 4.2% or the weighted average rate on Group financial indebtedness at December 31, 2011.
- Unchanged from the previous year, the Ratio of Debt (40%) to Equity (60%).

No evidence of the need to write down the carrying amount of the trademark emerged on impairment testing. The same conclusion was reached when applying the perpetual yield model to the average of royalty income and sourcing commission streams over the last three years (year 2011 included). And lastly, as in the years before, the ultimate outcome of the impairment test was measured against the valuation reports issued by an expert advisor, which, as always, placed in evidence valuations broadly in excess of book amounts.

- **Other intangible assets**

Other intangible assets are analyzed as follows:

	December 31, 2011	December 31, 2010	Change
Computer-system programs	2,497,327	2,169,205	328,122
Programs under testing	215,702	215,702	-
Other	4,954	9,430	(4,476)
Total Intangible assets	**2,717,983**	**2,394,337**	**323,646**

The increases recorded during the year, Euro 1.4 million, mainly relate to internally generated new software programs implemented, whilst the decreases recorded during the year, some Euro 1.1 million, relate to amortization expense for the period. Also worthy of note are programs under testing in the amount of Euro 216 thousand.

19. PLANT, MACHINERY AND EQUIPMENT

Presented on a comparative basis with the year before, the following table sets out the net book value (NBV) of plant, machinery and equipment as at December 31, 2011:

	December 31, 2011	December 31, 2010	Change
Plant and machinery	3,907	7,200	(3,293)
Production and commercial equipment	75,980	69,225	6,755
Other	1,114,276	1,024,841	89,435
Total Plant, machinery and equipment	**1,194,163**	**1,101,266**	**92,897**

Set forth below is the movement for the year ended December 31, 2011 on the historic cost of plant, machinery and other tangibles:

	Plant and machinery	Production and commercial equipment	Other	Total
Historic cost at 12.31.2010	**136,667**	**204,025**	**4,962,270**	**5,302,962**
Additions	-	*25,076*	*343,677*	*368,753*
Disposals	-	-	*(5,557)*	*(5,557)*
Historic cost at 12.31.2011	**136,667**	**229,101**	**5,300,390**	**5,666,158**

The movement for the year on accumulated depreciation is analyzed below by plant and machinery class:

	Plant and machinery	Production and commercial equipment	Other	Total
Accum. deprec. at 12.31.2010	**(129,467)**	**(134,800)**	**(3,937,429)**	**(4,201,696)**
Depreciation	*(3,293)*	*(18,321)*	*(254,242)*	*(275,856)*
Disposals	-	-	*5,557*	*5,557*
Accum. deprec. at 12.31.2011	**(132,760)**	**(153,121)**	**(4,186,114)**	**(4,471,995)**

Accordingly, the net book value (NBV) of plant and machinery is analyzed as follows:

	Plant and machinery	Production and commercial equipment	Other	Total
Ending NBV at 12.31.2010	**7,200**	**69,225**	**1,024,841**	**1,101,266**
Additions	-	*25,076*	*343,677*	*368,753*
Disposals	-	-	-	-
Depreciation	*(3,293)*	*(18,321)*	*(254,242)*	*(275,856)*
Ending NBV at 12.31.2011	**3,907**	**75,980**	**1,114,276**	**1,194,163**

Other items of plant or machinery are detailed as follows:

	December 31, 2011	December 31, 2010	Change
Electronic and electric machinery	288,871	308,526	(19,655)
Furniture, fittings and telephones	216,876	202,171	14,705
Motor vehicles	75,664	128,658	(52,994)
Other	532,865	385,486	147,379
Total Other	**1,114,276**	**1,024,841**	**89,435**

Additions for the period relate primarily to the following: furniture and fittings purchased (Euro 65 thousand); electronic machinery purchased (Euro 102 thousand); new product dies and telephones purchased (Euro 81 thousand), and; equipment purchased (some Euro 25 thousand).

Encompassed within *Other* is an enviable computer-system collection embracing the masterpieces marking the milestones of the computer-system revolution throughout the Seventies and the Eighties, as now showcased at numerous events crafted around enhancing Group-banner or brand promotional visibility. Also, encompassed within *Other* are footwear dies purchased, the related title of which is retained so as to keep under the control the strategic elements of the manufacturing process that are used by the merchandize suppliers.

Encompassed within e*lectronic machinery* are assets held under lease, accounted for under the finance method.

20. INVESTMENTS AND OTHER FINANCIAL FIXED ASSETS

As set out as an attachment hereto, the analysis of investments and the related movement thereon for the year under review can be found in Exhibit #1:

	December 31, 2011	**December 31, 2010**	**Change**
Investments in:			
- Subsidiaries	16,030,357	14,030,257	2,000,100
- Joint ventures	435,000	25,000	410,000
- Other enterprises	5,378	5,378	-
Total Investments	***16,470,735***	***14,060,635***	***2,410,100***
Receivables:			
- Receivables from joint ventures	90,000	90,000	-
- Other receivables	6,931	9,445	(2,514)
Total Financial receivables	***96,931***	***99,445***	***(2,514)***
Total Investments and other financial fixed assets	**16,567,666**	**14,160,080**	**2,407,586**

Analysis of the carrying amount of investments in subsidiaries can be found in Exhibit #1.

After reviewing the financial performance of the investee BasicItalia S.p.A., the Board of Directors of BasicNet S.p.A. passed resolution on April 29, 2011 approving the recapitalization of the subsidiary, in order to support the economic and financial investments associated with the programmed reshaping of the distribution network, making available in favor thereof an amount of Euro 6.5 million, utilizing funds already paid into the subsidiary's coffers.

On a basis consistent with the practices adopted by other listed major groups across the national landscape, BasicNet S.p.A. identifies as an indication that an impairment loss may have occurred if the carrying amount of a subsidiary in the separate financial statements exceeds the carrying amounts in the consolidated financial statements of the investee's net assets.

As assessed in respect of all the subsidiaries, emerging therefrom was the need to test for impairment the carrying amount of the investment in the subsidiary BasicItalia S.p.A.

The recoverability of the carrying amount of the investee was tested for impairment by comparing such carrying amount with its value in use. Value in use was determined by discounting the net cash flows received from BasicItalia S.p.A. and its subsidiaries, as resulting from the Business Plan for 2012, 2013, 2014, 2015 and 2016 at WACC (Note 18), less aggregate net financial indebtedness of the BasicItalia sub-grouping.

All of this led to a write-down being recorded to reflect investee impairment in the amount of Euro 4.5 million, as placed in evidence earlier in Note 16.

Currently in progress are step-actions steered toward BasicItalia S.p.A. regaining a more profitable stance, the related effects of which might not be immediate. As a consequence, an infusion of capital by the majority stakeholder may not be excluded.

The increase for the year in *investments in joint ventures* unfolds from the 50% stake underwritten, with effect from October 3, 2011, in the share capital of Fashion S.p.A., the titleholder to the Sabelt brand. Also encompassed within *investments in joint ventures* is the 50% stake underwritten in the quota capital of AnziBesson Trademark S.r.l., acquired in 2010.

Receivables from joint ventures relate to venturer funding in favor of AnziBesson Trademark S.r.l.

Other receivables relate to guarantee deposits.

21. DEFERRED TAX ASSETS

Deferred tax assets have been recognized in the amount of Euro 471 thousand, less deferred tax liabilities, relative to the valorization of the results delivered for the period and in relation to estimated future amounts.

Net deferred tax expense (income) may be analyzed as follows:

	December 31, 2011	December 31, 2010	Change
Net deferred tax expense (income)	471,225	499,175	(27,950)
Total Net deferred tax expense (income)	**471,225**	**499,175**	**(27,950)**

The following table presents the breakdown of deferred tax assets and deferred tax liabilities, and the related effects resulting therefrom:

(All amounts in Euro/'000)	**December 31, 2011**			**December 31, 2010**			
	Temporary differences	**% tax rate**	**Tax effect**	**Temporary differences**	**% tax rate**	**Tax effect**	**2011/2010 Change**
Prepaid tax:							
- Entertainment expenses	-	31.40	-	(28)	31.40	(9)	9
- Write-down of tax credit surplus	(275)	27.50	(76)	(186)	27.50	(51)	(25)
- Write-down of inventories	(714)	31.40	(224)	(714)	31.40	(224)	-
- Write-down of inventories 2008-2009-2010-2011	(52)	27.50	(14)	(180)	27.50	(50)	36
- Unrealized FOREX losses	(14)	27.50	(4)	(43)	27.50	(12)	8
- ROL surplus	(831)	27.50	(229)	-	31.40	-	(229)
- Sundry expenses temporarily not tax deductible	(60)	27.50	(17)	(60)	27.50	(17)	-
- Effect of accounting for financial instruments under IAS 39	(571)	27.50	(157)	(757)	27.50	(208)	51
Total	**(2,517)**		**(721)**	**(1,968)**		**(571)**	**(150)**
Deferred tax:							
- Unrealized FOREX gains	96	27.50	27	51	27.50	14	12
- Taxes deductible on a cash basis	2	31.40	1	14	31.40	4	(4)
- Liabilities deducted in advance	66	27.50	18	(4)	27.50	(1)	19
- Depreciation deducted out-of-book	585	31.40	184	107	31.40	34	150
- Effect of accounting for employee benefits under IAS19	72	27.50	20	72	27.50	20	-
Total	**821**		**250**	**240**		**71**	**179**
Net deferred tax expense (income)			(471)			(500)	
Deferred tax assets relating to year-to-date unused tax losses	-		-	-	27.50	-	
Net deferred tax expense (income) included in accounts			**(471)**			**(500)**	**29**

22. INVENTORY, NET

The following table presents the analysis of net inventory:

	December 31, 2011	**December 31, 2010**	**Change**
Finished goods and goods for resale	1,463,098	1,496,846	(33,748)
Merchandize-in-transit or with third parties	-	-	-
Advances to suppliers	14,586	134,301	(119,715)
Inventory, Gross	***1,477,684***	***1,631,147***	***(153,463)***
Less- Provision for write-down of inventories	(765,775)	(893,775)	128,000
Total Inventory, Net	**711,909**	**737,372**	**(25,463)**

Encompassed within *Inventories* are samples earmarked for resale to Licensees. Inventories are measured under the weighted average cost method of valuation and are stated on a net basis, i.e. less inventory write-down allowance, as deemed to be appropriate for the purpose of a prudent valuation of the Collection samples relative to prior years, as held in inventory by way of retaining an historic archive of the Collections created. The following table sets out the movement for the year on the inventory write-down allowance:

	2011	2010
Inventory write-down allowance at 01/01	**893,775**	**828,775**
Provision for the year	17,000	65,000
Use for the year	(145,000)	-
Inventory write-down allowance at 12/31	**765,775**	**893,775**

Use for the year relates to the disposal of samples in excess relative to prior seasons.

23. TRADE RECEIVABLES

	December 31, 2011	December 31, 2010	Change
Trade receivables – Italian market	549,514	494,814	54,700
Trade receivables – International market	5,583,738	5,470,138	113,600
Reserve for write-down of doubtful accounts	(413,086)	(290,271)	(122,815)
Total Trade receivables	**5,720,166**	**5,674,681**	**45,485**

In particular, the analysis of trade receivables by geographic area is the following:

	December 31, 2011	December 31, 2010	Change
Europe	921,533	1,596,373	(674,841)
America	520,602	287,012	233,590
Asia and Oceania	3,912,304	3,188,722	723,582
Middle East and Africa	229,300	398,031	168,731
Total	**5,583,738**	**5,470,138**	**113,600**

Trade receivables amount to some Euro 5.6 million and have been written down to their presumed realizable value (fair value based on market conditions) a reserve for the write-down of bad and doubtful receivables even through the major part of the receivables are secured by bank guarantees or credit/debit transactions with other Group companies.

The reserve for the write-down of bad and doubtful receivables at the end of the reporting period represents a prudent estimation of bad and doubtful accounts outstanding. The following table sets out the related movement thereon for the year:

	Amount
Balance as at 12.31.2010	**290,271**
Use for creditor suits and other losses	(7,185)
Provision for the year	130,000
Balance as at 12.31.2011	**413,086**

Use for the period of the reserve relates to the write-off of year-to-date creditor positions insofar as no longer deemed to be collectable with, as a consequence thereof, the related loss resulting therefrom becoming tax deductible.

The book value of trade receivables, all of which collectable within next accounting period, mirrors their fair value.

Analyzed below are trade receivables by ageing:

(All amounts in Euro/'000)	**December 31, 2011**	**December 31, 2010**
Trade receivables not past due and not written down	4,964	3,451
Trade receivables written down, less W/D allowance	25	31
Trade receivables past due not written down:		
- 0-3 months	250	970
- 3-6 months	481	389
- 6-12 months	-	-
- beyond 12 months	-	834
Total Past due not written down	*731*	*2,193*
Total	**5,720**	**5,675**

24. OTHER CURRENT ASSETS

	December 31, 2011	**December 31, 2010**	**Change**
Due from Group companies	59,878,364	63,304,764	(3,426,400)
Tax credits	1,332,123	1,571,771	(239,648)
Advances to suppliers	158,212	32,346	125,866
Other	1,081,207	361,504	719,703
Total Other current assets	**62,449,906**	**65,270,385**	**(2,820,479)**

Tax credits classified under current assets relate, in the amount of Euro 940 thousand, to royalty stream tax withholding tax credits and, in the amount of Euro 380 thousand, to 'Ires' corporation tax credits.

Encompassed within *Other* are the following: in the amount of Euro 940 thousand, insurance premiums paid on account in respect of the End-of-Mandate Indemnity recognizable to operational Directors upon term of office, as authorized at the AGM, for the three-year mandate 2010/2013; in the amount of Euro 40 thousand, advances to employees, and; in the amount of Euro 39 thousand, other minor items. Driving through the year-on-year increase on this line was End-of-Mandate Indemnity provisioning.

Set forth below is the breakdown of *accounts receivable from Group companies*:

	December 31, 2011	December 31, 2010	Change
Commercial receivables			
BasicItalia S.p.A.	724,611	2,798,551	(2,073,940)
RdK0 S.r.l. with Sole Quotaholder	3,168	2,947	221
BasicOutlet S.r.l. with Sole Quotaholder	-	10,953	(10,953)
Superga Trademark S.A.	-	406,220	(406,220)
Basic Village S.p.A. with Sole Director	-	55,570	(55,570)
Basic Trademark S.A.	16,151	3,725,515	(3,709,363)
Basic Properties B.V.	2,281,793	-	2,281,793
Anzi Besson Trademark S.r.l.	5,000	-	5,000
BasicNet Asia Ltd.	-	517,911	(517,911)
Basic Spain S.L.	-	4,542	(4,542)
Total Commercial receivables	***3,030,723***	***7,522,209***	***(4,491,486)***
Financial receivables			
BasicItalia S.p.A. - financing	-	1,049,000	(1,049,000)
BasicItalia S.p.A. - Interco A/C	26,830,271	27,415,864	(585,593)
Basic Village S.p.A. - Interco A/C	2,876,728	1,535,754	1,340,974
Superga Trademark S.A. financing used in Superga trademark acquisition	19,000,000	19,000,000	-
Superga Trademark S.A. - financing	3,193,549	2,587,450	606,099
Basic Properties B.V. - financing	4,000,000	4,174,840	(174,840)
RdK0 S.r.l. with Sole Quotaholder	947,093	-	947,093
BasicOutlet S.r.l. with Sole Quotaholder	-	6,799	(6,799)
BasicCRS S.r.l. with Sole Quotaholder	-	12,848	(12,848)
Total Financial receivables	***56,847,641***	***55,782,555***	***1,065,086***
Total	**59.878.364**	**63.304.764**	**(3.426.400)**

Financial receivables stem from financing and advances recognized to cover the financial needs of the subsidiaries within a centralized treasury or cash pooling framework, bearing market rates and varying according to Group needs to deploy financial streams. Also encompassed therein are receivables sold to the parent company by the companies adhering to the national tax consolidation program.

Of note, all receivables classified under current assets are due within five years.

25. PREPAID EXPENSES

An analysis of prepaid expenses is presented in the following table:

	December 31, 2011	December 31, 2010	Change
Prepaid expenses relating to Collections 2012	2,348,252	2,181,397	166,855
Royalty prepaid expenses	-	110,000	(110,000)
Maintenance and support contracts	33,281	48,024	(14,743)
Insurance	11,039	12,479	(1,440)
Lease, rentals and hires	38,442	12,810	25,632
Other	54,242	21,481	32,761
Total Prepaid expenses	**2,485,256**	**2,386,191**	**99,065**

Prepaid expenses include creative-thinking personnel prepaid expenses and sample merchandizing prepaid expenses relating to future Collections in respect which sales revenue has yet to be realized. These increase on a basis consistent with activities conducted to develop the trademarks and/or to create samples for resale to the Licensees appointed for the new territories served. As recorded on an accrual basis. *Other prepaid expenses* include the portion of sundry expenses for services, press subscriptions and other minor items pertaining, in part, to next accounting period.

26. CASH AND CASH EQUIVALENTS

	December 31, 2011	December 31, 2010	Change
Bank and post-office deposits	431,430	539,580	(108,150)
Cash and valuables on hand	14,550	7,084	7,467
Total Cash and Cash Equivalents	**445,980**	**546,664**	**(100,684)**

Bank deposits relate to A/C transitory asset balances.

EQUITY AND LIABILITIES

27. EQUITY

	December 31, 2011	December 31, 2010	Change
Share capital	31,716,673	31,716,673	-
Treasury shares	(4,241,072)	(3,347,059)	(894,013)
Legal reserve	3,183,144	2,665,554	517,590
Reserve for treasury stock	4,241,072	3,347,059	894,013
Other reserves:			
- cash flow hedge reserve	(414,122)	(546,486)	132,364
- retained earnings (accumulated deficit)	26,977,620	20,970,605	6,007,015
Profit (loss) for the year	8,247,741	10,351,798	(2,104,057)
Total Equity	**69,711,056**	**65,158,144**	**4,552,912**

Encompassed herein are the following:

- *Legal reserve*, reflecting a balance of Euro 3.2 million, as incremented in the amount of some Euro 518 thousand following allocation, in part, of the result reported for the year before, pursuant to Shareholders' Resolution adopted on April 29, 2011;

- *Reserve for treasury stock*, reflecting a balance of Euro 4.2 million or the carrying amount of the BasicNet shares in portfolio at the end of the reporting period, formed by allocations from *Retained earnings* pursuant to Shareholders' Resolutions, as also authorizing treasury share purchases;

- *Cash flow hedge reserve*, as decreasing over the review period as a result of measuring at fair value the derivative contracts designated as cash flow hedges and extant at December 31, 2011, under which the Superga financing variable interest rate was swapped into fixed. The fair value measurement of the cash flow hedge, as discussed in Note 36, is reported net of the related tax effect. The reserve is a restricted reserve;

- on a comparative basis with the year before, the balance on *Retained earnings* moved forward Euro 6 million, following allocation, in part, of the result reported for the year before, pursuant to Shareholders' Resolution adopted on April 29, 2011, less decrease relating to treasury share new purchases.

As at December 31, 2011, the fully paid-in *share capital* of BasicNet S.p.A. amounts to Euro 31,716,673.04, and is represented by 60,993,602 ordinary shares, par value Euro 0.52 each.

Based upon the programmed acquisition of treasury shares, the treasury shares held by the Company as at December 31, 2011 came to 2,627,000 in number, or 4.307% of share capital, equating an aggregate investment of Euro 4,241,072. The weighted average number of shares outstanding in the review period was 58,581,874.

As required by IAS 1 (Revised), the components of Other Comprehensive Income can be analyzed as follows.

(All amounts in Euro/'000)	**December 31, 2011**	**December 31, 2010**	**Change**
Effective portion of gain/(loss) on foreign exchange cash flow hedges arising during the period	***186***	***146***	***40***
Income tax relating to components of Other comprehensive income	***(51)***	***(40)***	***(11)***
Total Other comprehensive income for the period, net of tax (B)	**135**	**106**	**29**

The income tax effect relating to Other comprehensive income can be analyzed as follows:

(All amounts in Euro/'000)	**December 31, 2011**			**December 31, 2010**		
	Pre-tax amount	**Tax (expense)/ benefit**	**Net-of-tax amount**	**Pre-tax amount**	**Tax (expense)/ benefit**	**Net-of-tax amount**
Effective portion of gain/(loss) on cash flow hedges	186	(51)	135	146	(40)	106
Total Other comprehensive income for the period, net of tax (B)	**186**	**(51)**	**135**	**146**	**(40)**	**106**

The following disclosures complete the information provided on equity items as at December 31, 2011:

STATEMENT OF ORIGINATION,
POSSIBLE USE AND DISTRIBUTABLE STATUS OF MAIN EQUITY ITEMS

	Amount	Possible use	Portion distributable	Summary of use over the last three years	
				for financing losses	for other purposes
SHARE CAPITAL	**31,716,673**				
Less- treasury shares in portfolio	**(4,241,071)**				
RESERVES FORMED OUT OF CAPITAL					
Share premium reserve	**-**		**--**		
Reserve for treasury stock	**4,241,071**	**D**	**--**		
RESERVES FORMED OUT OF EARNINGS					
Legal reserve	**3,183,144**	**B**	**--**		
Extraordinary reserve			**--**		
OTHER RESERVES					
Retained earnings (accum. deficit)	**26,977,620**	**A, B and C**	**26,563,498**		
Cash flow hedge reserve	**(414,122)**	**D**	**--**		
Net profit for the year	**8,247,741**				
TOTAL	**69,711,056**				
Portion not distributable					
Portion distributable			**26,977,620**		

Explanation: A: for share capital increase – B: for financing losses – C: for distribution to stakeholders – D: restricted

28. LONG-TERM BORROWINGS

	December 31, 2011	December 31, 2010	Change
Medium to long-term borrowings:			
- medium to long-term Superga financing	6,531,250	8,906,250	(2,375,000)
- Payables to other financers	-	3,413	(3,413)
Total Long-term borrowings	**6,531,250**	**8,909,663**	**(2,378,413)**

Medium to long-term borrowings are represented, in the amount of Euro 6.5 million, by the residual value attaching to the Superga syndicate loan, disbursed part way July 2007, by a Club Deal represented by Unicredit Banca d'Impresa S.p.A. as Lead Bank.

Financing the acquisition of the Superga trademark was the Euro 19 million syndicate loan, with a maximum 8-year maturity profile, with Unicredit Banca d'Impresa S.p.A. and Banca Intesa Sanpaolo S.p.A. as Lead Arrangers. As bearing a variable rate of interest swapped into fixed (Note 35), the Superga loan reaches maturity profile on July 16, 2015. As at December 31, 2011, the Superga loan has been duly repaid in the amount of Euro 10.1 million, thereby reflecting a residual repayable balance in the amount of Euro 8.9 million, of which Euro 2.3 million in the shorter term. By way of securing the loan taken out, a lien has been pledged, in favor of the Lender Banks, on the entire share capital Superga Trademark S.A. along with a pledge on the current account opened and held by BasicNet S.p.A.

The loan facility agreement provides for observance of financial performance ratios agreed by covenant and referable to BasicNet Group operating and financial headlines, all of which have been observed; the loan facility agreement also contemplates ongoing compliance with certain conditions relating to the proprietary control structure attaching to the capital bases held by BasicWorld S.r.l. and BasicNet S.p.A., as discussed in the Notes to the Group's Financial Statements.

Payables to other financers, represented by lease installments falling due inherent to other items of property, plant and equipment held under lease recognized in the accounts under the finance method pursuant to IAS 17, have reached completion.

The following disclosures complete the information provided on medium to long-term borrowings by maturity profile:

	December 31, 2011	December 31, 2010	Change
Medium to long-term borrowings:			
- amounts falling due within 5 years	6,531,250	8,906,250	(2,375,000)
- amounts falling due after 5 years	-	-	
Total Medium to long-term borrowings	**6,531,250**	***8,906,250***	**(2,375,000)**
Property lease installments	-	3,413	(3,413)
Total Lease installments (falling due within 5 years)	**-**	***3,413***	**(3,413)**
Total Long-term borrowings	**6,531,250**	**8,909,663**	**(2,378,413)**

The following table presents the movement for the year on the medium to long-term borrowing balances:

(All amounts in Euro/'000)	12/31/2010	Repayment	New financing	12/31/2011	Current portion	Non-current portion
Superga financing	11,281	2,375	-	8,906	2,375	6,531
Balance	**11,281**	**2,375**	**-**	**8,906**	**2,375**	**6,531**

29. DIRECTOR AND EMPLOYEE BENEFITS

Encompassed herein is the 'TFR' Provision (Euro 1.3 million) and the Provision for Director End-of-Mandate Indemnities (Euro 0.9 million).

The Termination Indemnity (TFR) liability as at December 31, 2011 is analyzed as follows:

	December 31, 2011			December 31, 2010		
	Defined benefit plans	**Defined contribution plans**	**Total**	**Defined benefit plans**	**Defined contribution plans**	**Total**
As recognized within balance sheet:						
Net liability recognized at start of the year	1,246,504	-	1,246,504	1,302,537	-	1,302,537
Additions from third parties	-	-	-	-	-	-
Financial charges	50,977	-	50,977	47,784	-	47,784
Provident expense, Net	47,419	341,118	388,537	37,061	323,215	360,276
Benefits paid	(20,204)	-	(20,204)	(82,549)	-	(82,549)
TFR allocations to pension fund managed by INPS	-	(241,889)	(241,889)	-	(227,517)	(227,517)
TFR allocations to agreed-upon second-pillar pension fund	-	(99,229)	(99,229)	-	(95,698)	(95,698)
Actuarial loss (gain)	(8,695)	-	(8,695)	(58,329)	-	(58,329)
Change in scope of consolidation	-	-	-	-	-	-
Net liability recognized	**1,316,001**	**-**	**1,316,001**	**1,246,504**	**-**	**1,246,504**
As recognized within income statement:						
Financial charges	50,977	-	50,977	47,784	-	47,784
Provident expense	48,131	346,245	394,376	37,144	323,941	361,085
Actuarial loss (gain)	(8,695)	-	(8,695)	(58,329)	-	(58,329)
Total Expense (income) relating to post-employment benefit obligations	**90,413**	**346,245**	**436,658**	**26,599**	**323,941**	**350,540**

The 'TFR' Provision covers the full liability due to employees of the Italian companies of the Group in accordance with Section 2120 of the Italian Civil Code. As a result of pension reform law introduced in 2007, TFR allocations accrued prior to January 1, 2007 are accounted for as a defined benefit plan in conformity with IAS 19 – *Employee Benefits*; instead, those accruing thereafter are accounted for as a defined contribution plan.

Company-wide, there are no other form of defined benefit plans.

As required under IAS 19, the actuarial valuation of the 'TFR' Provision is determined under the Projected Unit Credit Method. The Projected Unit Cost method is an actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation, not projecting employee remuneration according to the changes introduced by the recently introduced by the Provident Reform Law.

Underscoring the 'TFR' actuarial valuation model are demographic and financial assumptions, the more significant of which include:

	December 31, 2011	**December 31, 2010**
Discount rate	3.55%	3.90%
Inflation rate	2.00%	1.80%
Yearly rate of Termination Indemnity increases	3.00%	2.85%
Rate of salary increases	1-3%	1-3%

The components of *Provident Expense* and *Actuarial loss (gain)* are recognized under income statement line *Cost of Labor* (Note 11).

Financial charges are recognized under income statement line *Financial Income/(Expenses)* (Note 14).

30. OTHER NON-CURRENT LIABILITIES

	December 31, 2011	December 31, 2010	Change
Guarantee deposits	341,717	291,095	50,622
Total Other non-current liabilities	**341,717**	**291,095**	**50,622**

Guarantee deposits include the guarantees received from Licensees (as opposed to the usual corporate or personal bank guarantees) in respect of the minimum guaranteed royalties due by contract. Driving through the year-on-year increase (some Euro 51 thousand) were new licensing agreements sealed.

31. AMOUNTS DUE TO BANKS

	December 31, 2011	December 31, 2010	Change
Amounts falling due to banks within next accounting period:			
- current portion of medium-to long-term financing	2,375,000	2,375,000	-
- A/C overdrafts and advances under usual res.	6,764,745	5,758,923	1,005,822
- interest expense on financing	116,434	147,484	(31,050)
Total Amounts due to banks	**9,256,179**	**8,281,407**	**974,772**

Set forth below are the average rates of interest applied to BasicNet S.p.A.:

	December 31, 2011	December 31, 2010
Cash advances	3.88%	2.90%
Medium-term financing	6.36%	6.36%

Encompassed within *Amounts due to Banks* is current portion (Euro 2.4 million) of the Superga medium to long-term financing disbursed by banks and lending institutions, and interest expense (Euro 116 thousand) accruing on the medium to long-term loan repayments.

Information about the movement for the year on financial position can be found in the Management Report.

32. AMOUNTS DUE TO SUPPLIERS

	December 31, 2011	December 31, 2010	Change
Supplier payables – Italian market	3,028,720	2,729,760	298,960
Supplier payables – International market	289,855	481,377	(191,522)
Total Supplier payables	**3,318,575**	**3,211,137**	**107,438**

All *Supplier payables* fall due within the shorter term.

In particular, the analysis of *Supplier payables – International market* is as follows:

	December 31, 2011	December 31, 2010	Change
Europe	112,799	110,452	2,347
America	15,793	45,953	(30,160)
Asia and Oceania	160,533	294,293	(133,760)
Middle East and Africa	730	30,679	(29,949)
Total	**289,855**	**481,377**	**(191,522)**

At the end of the reporting period, there are no items of constrained supply, payment writ or executory action by creditors in respect of BasicNet S.p.A. Supplier payables commercial in nature are non-interest bearing and are settled usually over a period ranging from 30 days to 120 days. The book value of supplier payables mirrors their respective fair value.

33. AMOUNTS DUE TO TAXATION AUTHORITIES

Amounts due to taxation authorities are analyzed in the table below:

	December 31, 2011	December 31, 2010	Change
Amounts due to taxation authorities:			
Taxation for the period	128,061	46,595	81,466
Advance tax withholdings	4,925	5,986	(1,061)
VAT	3,660,731	811,585	2,849,146
Employee withholding tax ('IRPEF')	251,660	223,605	28,055
Total Amounts due to taxation authorities	**4,045,377**	**1,087,771**	**2,957,606**

The balance on *Taxation for the period* relates to 'Irap' regional tax for the period (Euro 586 thousand), less tax prepayments (Euro 455 thousand).

The tax payables result from the national tax consolidation program adhered to by BasicNet and by the Italian companies of the Group.

34. OTHER CURRENT LIABILITIES

	December 31, 2011	December 31, 2010	Change
Due to other Group companies	172,597	7,499,948	(7,327,351)
Other payables	2,477,394	1,578,950	898,444
Accrued expenses	225,540	214,352	11,188
Total Other current liabilities	**2,875,531**	**9,293,250**	**(6,417,719)**

Other payables as at December 31, 2011 relate primarily to the following: amounts due to provident and social security institutions (Euro 448 thousand) pertaining to FY2011 and settled in FY2012; amounts due to team members (some Euro 1 million), including therein vacation and leave of absence earned and not yet taken at December 31, 2011; advances from customers (Euro 702 thousand), and; other items minor in amount (Euro 327 thousand). These are all payable within next accounting period.

Amounts due to other Group companies are analyzed as follows:

	December 31, 2011	December 31, 2010	Change
Commercial payables			
Basic Trademark S.A.	-	6,567,291	(6,567,291)
Basic Village S.p.A. with Sole Director	74,184	48,411	25,773
BasicNet Asia Ltd.	-	480,000	(480,000)
Basic Properties America, Inc.	-	214,798	(214,798)
Fashion S.p.A	460		460
AnziBesson Trademark S.r.l.	97,953	61,690	36,263
Total Commercial payables	***172,597***	***7,372,190***	***(7,199,593)***
Financial payables			
RdK0 S.r.l. - Interco financing	-	127,758	(127,758)
Total Financial payables	**-**	***127,758***	***(127,758)***
Total	**172,597**	**7,499,948**	**(7,327,351)**

The commercial payables to Basic Trademark S.A, BasicNet Asia Ltd. and Basic Properties America, Inc. have been reset to zero as a result of day-to-day centralized treasury offsetting.

The following table sets out an analysis of *Accrued expenses*:

	December 31, 2011	December 31, 2010	Change
Employee deferred remuneration and vacation to be settled at year-end	225,540	214,352	11,188
Total	**225,540**	**214,352**	**11,188**

Employee deferred remuneration and vacation relates to fourteenth-month payroll and vacation earned as yet to be taken.

35. DEFERRED INCOME

	December 31, 2011	December 31, 2010	Change
Royalties pertaining to next accounting period	6,311	131,044	(124,733)
Total Deferred income	**6,311**	**131,044**	**(124,733)**

Deferred income – Royalties relates to deferred income arising from royalties billed pertaining to next accounting period.

36. FINANCIAL INSTRUMENTS - DERIVATIVES

	December 31, 2011	December 31, 2010	Change
Financial instruments – Derivatives	571,203	756,980	(185,777)
Total Financial instruments - Derivatives	**571,203**	**756,980**	**(185,777)**

This item reflects the adjustment to fair value of the hedges used to mitigate the Company's exposure to interest rate risk arising from the Superga medium-term financing (Note 28), taken out with Unicredit Banca d'Impresa S.p.A. and Banca Intesa Sanpaolo S.p.A., with the attendant consequence being a cash flow hedge whereby the relevant variable rates of interest were swapped into fixed rates of interest set at 6.36% p.a.

By way of corresponding entry, a negative equity reserve, equating Euro 414 million, less related tax effect, has been recognized. Looking at the Interest Rate Swaps (IRSs) held by the Company, the cash-flow streams are hedged at fair value based on market conditions, by entering into a Fix/Flo Interest Rate Swap mirroring perfectly the hedged item from which those streams draw origination, as deemed to be always effective in the case under review.

The fair value risk to which Fix/Flo IRS users are exposed is not meaningful.

37. GUARANTEES GIVEN AND OTHER CONTINGENT ASSETS

The analysis of *Guarantees given* is as follows:

	December 31, 2011	December 31, 2010	Change
Personal guarantees:			
- Guarantees given in favor of subsidiaries	69,550,000	63,156,200	6,393,800
- Other guarantees	1,203,350	1,203,350	-
Real guarantees			
- Pledge on trademarks	-	8,000,000	(8,000,000)
Total	**70,753,350**	**72,359,550**	**(1,606,200)**

- *Guarantees given in favor of subsidiaries*

Guarantees given in favor of subsidiaries relate to the following: in the amount of Euro 18 million, to the guarantee given to Gruppo Unicredit in favor of Basic Village S.p.A. in respect of the loan taken out part way 2007 in relation to the acquisition of the "Basic Village" property, as also secured by a prime mortgage; in the amount of Euro 3 million, to the guarantee given part way 2008 to Mediocredito Italiano S.p.A. (Gruppo Banca Intesa Sanpaolo S.p.A.) in favor of BasicItalia S.p.A. in respect of the loan taken out in relation to the acquisition of the "BasicItalia" property: in the amount of Euro 7 million, to the guarantee, given by a primary bank, by way of securing contractual commitments arising from or relating to a technical sponsorship contract, and; the remainder relates, in the amount of Euro 41.5 million, to guarantees given to differing banks and lending institutions in favor of BasicItalia S.p.A. by way of securing commercial credit line facilities.

The guarantee given in respect of the technical sponsorship contract provides for observance of the financial ratios agreed by covenant referable to the consolidated headline accounts of the BasicNet Group, accounts, discussed in the Notes to the Consolidated Financial Statements, taking as benchmark measurement June 30th every year. As referred to above, the ratios at June 30, 2011 have been observed without exception.

- *Other guarantees*

These relate to the co-obligation undertaken by BasicNet S.p.A. with Basic Village S.p.A. and BasicItalia S.p.A. in respect of guarantees released to the Turin VAT & Inland Revenue Office resulting from VAT recoverable requested for reimbursement and adhesion to the Group VAT regimen. This is drawn down against the reduction in credit.

- *Pledge on trademarks*

This represented the value of the lien pledged on the K-Way trademark in favor of the banks that financed the acquisition. The lien was cancelled part way February 2011.

38. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Management Report examines and reviews the main risks and uncertainties to which the Company and the Group is exposed and the risk management steps and measures taken, at the Group level, to manage, cut-out or mitigate such risks and uncertainties.

The financial instruments of BasicNet S.p.A. comprise:

- Cash and cash equivalents and A/C overdrafts.
- Medium to long-term loans and financing, and finance leases.
- Derivative financial instruments.
- Trade receivables and trade payables.

As if any reminder were needed, the Group does not use derivatives for speculative purposes. All transactions in derivative financial instruments are undertaken for cash flow hedging purposes.

The disclosures required by IFRS 7 - *Financial Instruments: Disclosures* regarding the nature and extent of risks arising from financial risks to which the entity is exposed at the end of the reporting period are presented below, along with indication of measurement base or valuation technique applied:

(All amounts in Euro/'000)	**Financial instruments at fair value with changes in fair value recognized in:**		**Financial instruments at amortized cost**	**Investments not quoted carried at cost**	**Carrying amount at 12.31.2011**	**Fair value at 12.31.2011**
	Profit or Loss	**Equity**				
Assets:						
Investments and other financial assets	-	-	-	5	**5**	**5**
Trade receivables	-	-	5,720	-	**5,720**	**5,720**
Current other assets	-	-	62,450	-	**62,450**	**62,450**
Financial instruments (currency risk)	-	-	-	-	**-**	**-**
Liabilities:						
Medium/long-term loans/financing	-	-	6,531	-	**6,531**	**6,531**
Supplier payables	-	-	4,021	-	**4,021**	**4,021**
Current other liabilities	-	-	2,173	-	**2,173**	**2,173**
Financial instruments (interest rate risk)	-	571	-	-	**571**	**571**

As identified under IFRS 7 - *Financial Instruments: Disclosures*, the financial risk factors are examined and discussed below:

- the risk that the fair value or future cash flows of a financial instrument fluctuate as a result of changes in market prices ("*market risk*"). Market risk incorporates the following risks: currency risk, interest rate risk, and price risk;
- the risk that the fair value or future cash flows of a financial instrument fluctuate as a result of changes in foreign currency rates of exchange (*"currency risk"*);
- the risk that the fair value or future cash flows of a financial instrument fluctuate as a result of changes in interest rates in different interest rate environments (*"interest rate risk"*);
- the risk that the fair value or future cash flows of a financial instrument fluctuate as a result of changes in market prices (other than changes determined by interest rate risk or currency risk), whether determined by specific factors linked to the financial instrument and/or relevant issuer or by factors affecting all the similar financial instruments traded on the market (*"price risk"*);
- the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group (*"credit risk"*); and;
- the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets (*"liquidity risk"*).

Price risk

The Company is exposed to the risk of fluctuations in commodity prices with regard to the raw materials (wool, cotton, rubber and synthetic fibers) incorporated in the finished goods that it purchases across international markets for resale to Licensees.
The Company does not hedge its exposure to those risks, insofar as not handling directly the raw materials but only the finished goods and, moreover, the fluctuations can be transferred in the selling prices of the samples.

Currency risk

BasicNet S.p.A. has contracted most of its financial instruments in Euro, which corresponds to its reporting and functional currency. Operating within an international environment, it is subject to currency risk arising from foreign exchange rate movements versus the Euro.

Reported at December 31, 2011 are foreign exchange losses in the amount of Euro 43 thousand, whilst unrealized foreign exchange gains, net, on foreign currency denominated open positions came to Euro 83 thousand, thereby resulting in a net foreign exchange gain in the amount of Euro 40 thousand (Note 14).

Exposures to foreign exchange fluctuations are hedged at the Group level.

Interest rate risk

As presented on a comparative basis with the year before, the table below sets out financial indebtedness, gross, as at December 31, 2010 analyzed by fixed and variable interest rate:

	December 31, 2011	%	December 31, 2010	%
At fixed rate	9,022,684	57.2%	11,428,734	66.5%
At variable rate	6,764,744	42.8%	5,762,336	33.5%
Financial indebtedness, Gross	**15,787,428**	**100.0%**	**17,191,070**	**100.0%**

Exposures to interest rate fluctuations affecting certain medium to long-term loans and financing are managed by swapping the variable rate into a fixed rate, as examined and discussed in Note 28 and Note 36. As regards the remaining part of financial indebtedness, the Company is exposed to interest rate fluctuations.

Interest expense on short-term credit line facilities is taken at the rate of 3.9%, depending on the related typologies thereof as, moreover, placed in evidence in Note 31.
Had the rates of interest on long-term loans and financing at December 31, 2011 been 100 base points higher (or lower) than the rates of interest effectively applied, the finance expenses reported in the income statement would have been Euro 100 thousand higher and Euro 100 thousand lower, respectively.

Credit risk

The reserve for the write-down of receivables (Note 23), which includes provisions recorded in respect of specific creditor positions and across-the-board provisions based on statistical analyses, accounts for some 7.1% of trade receivables as at December 31, 2011, as set aside to cover losses that averaged over the last three-year period 0.44% of the receivables.

Liquidity risk

Treasury is managed at the Group level. Taken as a whole, the credit line facilities made available to the Group by the banking industry, as discussed in the Notes to the Consolidated Financial Statements, is deemed to be adequate to avoid financial tension risk.

By way of complement to the liquidity risk analysis, the table below sets out the maturity profile of cash outflows:

	Book value	Future interest income/ (expense)	Contractual cash outflows	Falling due within 1 year	Falling due between 1 to 2 years	Falling due beyond 5 years
Superga financing	8,906	1,018	9,924	2,854	7,070	-
Total Financial liabilities	**8,906**	**1,018**	**9,924**	**2,854**	**7,070**	**-**

Default risk and financial debt covenant

Default risk refers to the risk that the funding contracts entered into by the Group companies contain covenants whereby the counterparties have the authority to require debtor repay on demand the sums borrowed should certain events or circumstances crystallize, thereby giving rise to liquidity risk.

The covenants are referable to Group operating and financial consolidated data and are analyzed and discussed in the Notes to the Consolidated Financial Statements.

39. RELATED PARTY TRANSACTIONS

As put in place in the normal course of business and conducted at fair value based on market conditions, the transactions entered into by BasicNet S.p.A. with Group companies relate to the following:

- administrative, computer-system, commercial and organizational support services provided under specific contracts;
- concession of product-developed know-how usage rights;
- concession under license of the K-Way trademark, the AnziBesson trademark and the Sabelt trademark to the subsidiary BasicItalia S.p.A.;
- financial support in relation to centralized treasury management, dealings with banks and lending institutions, and guarantees given;
- commercial support, primarily in relation to apparel sample sales, catalogue sales and commissions on purchases;
- commercial property rental by Basic Village S.p.A.;
- product purchases by BasicItalia S.p.A. for gadgets and promotional expenses;
- finance income and finance expenses accruing on loans and financing applied within the framework of centralized treasury management, at fair value based on market conditions.

The related revenues and expenses arising therefrom are set out below on a summary basis:

REVENUES

BasicNet Group companies	Direct sales	Other income	Royalty income	Financial income	Dividends	Total
BasicItalia S.p.A.	2,549,165	850,600	3,618,085	324,855	-	**7,342,705**
Basic Trademark S.A.	-	5,441,667	-	-	-	**5,441,667**
Superga Trademark S.A.	-	244,583	-	606,099	-	**850,682**
Basic Properties B.V.	-	-	-	174,738	7,500,192	**7,674,930**
Basic Village S.p.A. with Sole Stakeholder	-	50,000	-	25,885	-	**75,885**
BasicNet Asia Ltd.	23,858	-	-	-	-	**23,858**
RdK0 S.r.l. with Sole Quotaholder	-	-	-	3,587	-	**3,587**
AnziBesson Trademark S.r.l.	-	5,000	-	-		**5,000**
BasicCRS S.r.l. with Sole Quotaholder	37	-	-	-	-	**37**
Total	**2,573,060**	**6,591,850**	**3,618,085**	**1,135,165**	**7,500,192**	**21,418,351**

EXPENSES

BasicNet Group companies	Cost of sales	Selling expenses, general & admin expenses, and royalty income	Financial expenses	Total
Basic Village S.p.A. with Sole Stakeholder	-	2,016,166	-	**2,016,166**
BasicNet Asia Ltd.	1,100	550,000	-	**551,100**
BasicItalia S.p.A.	101,290	208,396	-	**309,686**
RdK0 S.r.l. with Sole Quotaholder	-	54,308	-	**54,308**
AnziBesson Trademark S.r.l.	-	70,000	-	**70,000**
Fashion S.p.A.	-	460	-	**460**
Total	**102,390**	**2,899,330**	**-**	**3,001,719**

BasicNet S.p.A. and, insofar as consolidated companies, BasicItalia S.p.A., RdK0 S.r.l., BasicOutlet S.r.l., BasicCRS S.r.l. and Basic Village S.p.A. adhere to the national tax consolidation program pursuant to Section 177 through Section 129 of the Italian Income Tax Code ("T.U.I.R.").

The following summary table sets out the related party transactions for the year ended December 31, 2011 analyzed by related party classification:

(All amounts in Euro)	**Investments (Nota 22)**	**Receivables (Note 24)**	**Payables (Note 34)**	**Revenues (Note 39)**	**Expenses (Note 39)**
Subsidiaries	16,030,357	59,873,364	74,184	21,413,351	2,931,259
Joint ventures	435,000	5,000	98,413	5,000	70,460
Fees to Board Directors, Statutory Auditors, and Executives vested with strategic responsibility	-	-	-	-	2,418,868
Total	**16,465,357**	**59,878,364**	**172,597**	**21,418,351**	**5,420,587**

The fees comprise the emoluments and any other sum having a remunerative, provident or social security nature, due in respect of the Director or Statutory Auditor duties performed at BasicNet S.p.A. and at the other entities included line-by-line in the consolidation.
Other related party transactions relate to legal advice proffered by the legal firm Studio Professionale Pavesio e Associati, led by Board Director Carlo Pavesio, a member of the legal profession, and, not least, to consultancy provided by Pantarei S.r.l., the Sole Director of which is Board Director Alessandro Gabetti Davicini. Not meaningful in terms of the overall amount involved, those transactions were concluded at fair value based on market conditions.

40. CONTINGENT LIABILITIES

The Tribunale di Milano (Court of Milan) in its decision dated February 29, 2012 sentenced the revocation of the K-Way® trademark purchase deed signed on January 31, 2004 with Formula Sport Group ("FSG") S.r.l. (the "Transaction"). The claim was brought - pursuant to Section 2901 of the Italian Civil Code and Section 66 of the Italian Bankruptcy Law Royal Decree No. 267 of March 16, 1942 - by the bankruptcy trustee (i.e. the official receiver) of FSG (in good standing at the time of the Transaction), notwithstanding the Transaction was entered into following an authorisation of the Court of Monza that expressly dismissed a bankruptcy claim against FSG subject to the entering of the Transaction.
The judgement of the court of first instance declared the Transaction ineffective solely with respect to FSG. As a result, the proprietary title to the K-Way® trademark remains vested in BasicNet pending completion of all the legal remedies. The court pronounced its judgement in the wake of a judgement which the Company objected to and resolutely challenged the assumptions for the revocation claim by providing documentary and other evidence of the absence of prejudice to the creditors of FSG, also by taking into account the fairness of the purchase price consideration which was paid at the time. Consequently, it is the Company's strong belief that the judgement is based on erroneous reasoning and under various aspects is censurable, The Company also firmly believes - based on the opinions expressed by its legal advisors and consultants - that there are valid reasons, whether these are substantive or judicial, to consider that there are grounds to overturn the judgement on appeal and, as such, the related risk, if any, arising there from is deemed to be remote in nature.

As part of its business activity, BasicNet is currently subject to tax reassessment, in respect of which no quantification can be made at the time of writing with regard to any factual findings.

By Order of the Board of Directors

Marco Daniele Boglione

Chairman

EXHIBIT 1
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LIST OF INVESTMENTS AS AT DECEMBER 31, 2011

(Accounts in Euro)

Business Name/ Registered Office/Capital	Capital	Equity	Profit (Loss) for the year	% held directly	% held indirectly	Pro rated book equity	Carrying amount
SUBSIDIARIES							
ALLOSPACCIO S.r.l. WITH SOLE QUOTAHOLDER *106 Strada della Cebrosa* *10156 TURIN* Quota capital: € 10,000	10,000	7,706	(4,424)	-	100.00	-	-
BASICCRS S.r.l. WITH SOLE QUOTAHOLDER *106 Strada della Cebrosa* *10156 TURIN* Quota capital: € 10,000	10,000	44,253	16,275	-	100.00	-	-
BASICITALIA S.p.A. *106 Strada della Cebrosa* *10156 TURIN* Quota capital: € 7,650,000	7,650,000	6,650,522	(6,207,388)	90.00	10.00	5,985,470	9,943,139
BASICNET ASIA LTD. *Suite 1609, Devon House, Taikoo Place, 979 King's Road, Island East* *HONG KONG* Share capital: HKD 10,000	995	129,568	75,553	100.00	-	129,568	927
BASICOUTLET S.r.l. WITH SOLE QUOTAHOLDER *106 Strada della Cebrosa* *10156 TURIN* Quota capital: € 10,000	10,000	46,939	19,189	-	100.00	-	-
BASIC PROPERTIES B.V. *3111 Strawinskylaan – Amsterdam* *THE NETHERLANDS* Quota capital: € 18,160	18,160	6,333,276	8,545,649	100.00	-	6,333,276	3,657,747
BASIC PROPERTIES AMERICA, INC. *c/o Corporation Service Company* *11 S 12th Street - PO BOX 1463 –* *Richmond VA 23218 – U.S.A.* Share capital: USD 29,969,157,77	22,163,162	7,909,948	6,197,634	-	100.00	-	-
BASIC SPAIN S.L. *205 Calle Balmes* *08006 Barcelona - SPAIN* Share capital: € 194,621	194,621	2,238,805	211,291	-	100.00	-	-
BASIC TRADEMARK S.A. *207 Route d'Arlon* *L-1150 LUXEMBOURG* Share capital: € 1,250,000	1,250,000	5,654,832	1,887,451	0.002	99.998	11,310	25

EXHIBIT 1
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Business Name/ Registered Office/Capital	Capital	Equity	Profit (Loss) for the year	% held directly	% held indirectly	Pro rated book equity	Carrying amount
SUBSIDIARIES							
BASIC VILLAGE S.p.A. **WITH SOLE STAKEHOLDER** *1 Largo M. Vitale* *10152 TURIN* Share capital: € 412,800	412,800	3,013,891	374,162	100.00	-	3,013,891	414,715
JESUS JEANS S.r.l *1 Largo M. Vitale* *10152 TURIN* Quota capital: € 10,000	10,000	7,700	(6,695)	100.00	-	7,700	13,704
RDK0 S.r.l. **WITH SOLE QUOTAHOLDER** *106 Strada della Cebrosa* *10156 TURIN* Quota capital: € 10,000	10,000	232,631	12,608	-	100.00	-	-
SUPERGA TRADEMARK S.A. *207 Route d'Arlon* *L-1150 LUXEMBOURG* Share capital: € 500,000	500,000	638,767	69,643	-	100.00	-	-
JOINT VENTURES							
ANZIBESSON TRADEMARK S.r.l. *1 Largo M. Vitale* *10152 TURIN* Quota capital: € 50,000	50,000	264,693	34,526	50.00	-	132,346	25,000
FASHION S.p.A. *41 C.so Stati Uniti* *10129 TURIN* Share capital: € 240,000	240,000	560,622	(11,583)	50.00	-	280,311	120,000

EXHIBIT 1
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LIST OF INVESTMENTS AS AT DECEMBER 31, 2011

Business Name / Registered Office / Capital	12/31/2010 Carrying amount	Acquisition/ Incorporation	Capital paid in to finance losses	Investee impairment	Divestment	12/31/2011 Carrying amount	% parent ownership
INVESTMENTS IN SUBSIDIARIES							
BasicItalia S.p.A.	9,943,139	-	6,500,000	(4,500,000)	-	11,943,139	90%
BasicNet Asia Ltd.	927	-	-	-	-	927	100%
Basic Properties B.V.	3,657,747	-	-	-	-	3,657,747	100%
Basic Trademark S.A.	25	-	-	-	-	25	0.002%
Basic Village S.p.A. – with Sole Stakeholder	414,715	-	-	-	-	414,715	100%
Jesus Jeans S.r.l.	13,704	100	-	-	-	13,804	100%
TOTAL SUBSIDIARIES	***14,030,257***	***100***	***6,500,000***	***(4,500,000)***	**-**	***16,030,357***	
INVESTMENTS IN JOINT VENTURES							
AnziBesson Trademark S.r.l.	25,000	-	-	-	-	25,000	50%
Fashion S.p.A.	-	410,000	-	-	-	410,000	50%
TOTAL JOINT VENTURES	***25,000***	***410,000***	**-**	**-**	**-**	***435,000***	
INVESTMENTS IN OTHER ENTERPRISES							
Consorzio Padova "55"	5,250	-	-	-	-	5,250	
Consortia and minor other enterprises	128	-	-	-	-	128	
TOTAL OTHER ENTERPRISES	***5,378***	**-**	**-**	**-**	**-**	***5,378***	
TOTAL INVESTMENTS	**14,060,635**	**410,100**	**6,500,000**	**(4,500,000)**	**-**	**16,470,535**	
FINACIAL RECEIVABLES							
Other receivables (guarantee deposits)	9,445	-	-	-	(2,514)	6,931	
Receivables from subsidiaries	90,000		-	-	-	90,000	
TOTAL RECEIVABLES	99,445		-	-	-	96,932	
TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS	**14,160,080**	**410,100**	**6,500,000**	**(4,500,000)**	**-**	**16,567,666**	

EXHIBIT 2

LIST OF SIGNIFICANT INVESTMENTS AS AT DECEMBER 31, 2011
(pursuant to Consob Resolution 11971 issued on May 14, 1999)

	Registered office	Owner	Share or Quota capital		% ownership and voting right
- alloSpaccio S.r.l. - with Sole Quotaholder (entity not operational at 12/31/2011)	Turin (Italy)	BasicItalia S.p.A.	EURO	10,000	100
- AnziBesson Trademark S.r.l.	Turin (Italy)	BasicNet S.p.A.	EURO	50,000	50
- BasicCRS S.r.l. - with Sole Quotaholder	Turin (Italy)	BasicItalia S.p.A.	EURO	10,000	100
- BasicItalia S.p.A.	Turin (Italy)	BasicNet S.p.A. Basic Properties B.V.	EURO	7,650,000	90 10
- BasicNet Asia Ltd.	Hong Kong (China)	BasicNet S.p.A.	HKD	10,000	100
- BasicOutlet S.p.A. - with Sole Quotaholder	Turin (Italy)	BasicItalia S.p.A.	EURO	10,000	100
- Basic Properties B.V.	Amsterdam (The Netherlands)	BasicNet S.p.A.	EURO	18,160	100
- Basic Properties America, Inc.	Richmond (Virginia – USA)	Basic Properties B.V.	USD	29,969,157,77	100
- Basic Spain S.L.	Barcelona (Spain)	Basic Properties B.V.	EURO	194,621	100
- Basic Trademark S.A.	Luxembourg	Basic Properties B.V.	EURO	1,250,000	100
- Basic Village S.p.A. - with Sole Stakeholder	Turin (Italy)	BasicNet S.p.A.	EURO	412,800	100
- Fashion S.p.A.	Turin (Italy)	BasicNet S.p.A.	EURO	240,000	50
- Jesus Jeans S.r.l. (entity not operational)	Turin (Italy)	BasicNet S.p.A.	EURO	10,000	100
- RdK0 S.r.l. - with Sole Quotaholder	Turin (Italy)	BasicItalia S.p.A.	EURO	10,000	100
- Superga Trademark S.A. [(1)]	Luxembourg	Basic Properties B.V.	EURO	500,000	100

[(1)] Shares subject to line with voting right at Shareholders' Meetings, Extraordinary Session, with Unicredit Banca d'Impresa S.p.A., the Lead Bank for the "Syndicate Loan" entered into on July 16, 2007 with maturity profile July 16, 2015 (see above).

EXHIBIT 3

LETTER OF ASSURANCE AND ATTEST TO THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO SECTION 154-BIS, SUBSECTIONS FIVE AND FIVE-BIS, OF DECREE-LAW 58 OF FEBRUARY 24, 1998 (THE UNIFIED FINANCIAL AND CAPITAL MARKET ACT)

The undersigned Marco Daniele Boglione, Chairman with delegated powers, and Managing Director Franco Spalla and Executive Officer Paolo Cafasso vested with responsibility for the preparation of the reporting and financial statement schedules and documents of BasicNet S.p.A., hereby attest, pursuant to Section 154-bis, Subsections three and four, of Decree-Law 58 of February 24, 1998:

the adequacy of BasicNet's overall framework for internal control over financial reporting and for other internal controls and processes, and the effective application of the BasicNet accounting and administrative policies and practices when drawing up the separate financial statements as at and for the year ended December 31, 2011.

Also, the undersigned hereby attest that the separate financial statements for 2011:

a) agree with the underlying accounting records and ledgers;

b) have been prepared in conformity with International Financial Reporting Standards (IFRSs), as endorsed for use in the European Union, and in accordance with the applicable laws and regulations introduced in implementation of Section 9 of Decree-Law 38/2005, insofar as the related application thereof provides assurance as to the fair presentation of the financial position, performance and changes in financial position of the Issuer as at December 31, 2011 and for the year then ended; and

c) the Management Report includes a reliable analysis of the financial condition, results of operations and cash flows of the Issuer, as well as a description of the main risks and uncertainties to which the Issuer is exposed.

Marco Daniele Boglione
Chairman

Franco Spalla
Managing Director

Paolo Cafasso
Executive Officer
vested with responsibility to prepare the separate financial statements

EXHIBIT 4

DISCLOSURE REQUIRED UNDER ART. 149-DUODECIES OF REGULATION FOR ISSUERS

Type of Services	Services Provider	Remit to	Fees for 2011
Audit	PricewaterhouseCoopers S.p.A.	BasicNet S.p.A., the Parent	51,000
		Italian subsidiaries	91,400
		Foreign subsidiaries	32,600
Attest	PricewaterhouseCoopers S.p.A.	-	-
Other	PricewaterhouseCoopers S.p.A.	-	-
Total			**175,000**