Financial statements of
Damiani S.p.A.
as of and for the year ended March 31, 2016

Prepared in accordance with
IAS/IFRS accounting standards

Damiani S.p.A.

Report on operations
as of March 31, 2016

Report on operations [(1)]

Damiani S.p.A. business activities

Damiani S.p.A. (hereinafter also "Company") is the parent company of the Damiani Group, within which operates both as a holding company that as a distributor, in Italy and abroad, in jewels and watches.
With regard to the distribution, Damiani S.p.A. markets both Group brands (Damiani, Salvini, Bliss, Alfieri & St. John and Calderoni) that prestigious third party brands, particularly watchmaking, the latter through directly managed multi-brand boutiques with Rocca 1794 signboard.
The Company markets the products through two distribution channels:

- wholesale channel, made up of multi-brand independent jewelry shops, distributors, stockists and franchisees.
- retail channel made up of stores directly managed by the Company. At March 31, 2016 the mono-brand Damiani points of sales were 10. To them are flanked the 12 multi-brand stores with the Rocca 1794 signboard.

The jewelry products are manufactured by the in-house production unit, supplied by the subsidiary Laboratorio Damiani S.r.l., as well as from third party producers, which are located mainly in the district of Valenza (AL), international center of excellence in the production of high value and quality craftsmanship jewelry.

Corporate Governance

The governance system of Damiani S.p.A. is the so-called "latin" or "traditional" form: the corporate bodies are the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.
The Board of Directors of Damiani S.p.A. was appointed on July 23, 2015 by the Shareholders' Meeting for a three years period, until the approval of the financial statements as of March 31, 2018 of Damiani S.p.A. The Board of Directors consists of seven members and respects the gender balance within the legal frameworks.
The Board of Directors of Damiani S.p.A. on July 23, 2015 appointed Guido Grassi Damiani as President, Giorgio Grassi Damiani as Vice-President and CEO and Silvia Grassi Damiani as Vice-President. Elena Garavaglia has been appointed as Lead Indipendent Director.
Following the verification of the requirements of non-executive and independent directors, pursuant to article 148 of the Legislative Decree n. 58/1998 and article 3 of the Self-Regulation Code for Listed companies, the Directors Elena Garavaglia, Roberta Benaglia and Giancarlo Malerba were designated to form the Audit, Risk, Remuneration and Transaction with related parties Committee.
The Board of Directors of Damiani S.p.A. on July 23, 2015 also appointed Giorgio Grassi Damiani as Director responsible for the internal control system and risk management.
At last, the Board of Directors on July 23, 2015 approved the remuneration for Directors with specific duties, pursuant to article 2389, paragraph 3, of the Civil Code.

Damiani S.p.A. adopted a Code of Ethics and the Organizational Model prescribed by the Legislative Decree n. 231/2001. The Code of Ethics refers to the values the Damiani Group adheres to when carrying out its activities and contains the ethical principles and rules that must guide the conduct of the individuals for whom it is meant. The Code of Ethics is applicable to all directors, employees, suppliers, consultants, agents and business partners and in general all those individuals who operate on behalf of the Company.
The Organizational Model adopted in its current version by the Board of Directors of Damiani S.p.A. on May 31, 2016 (to perceive the introduction of new offenses) is a set of specific regulations dealing with conduct and operational procedures and it is designed to prevent unlawful conduct within those areas of business activities where there is a potential risk.
The Supervisory Body under Legislative Decree n. 231/2001 supervises to ensure the correct application of the Organizational Model and Code of Ethics. The Supervisory Body (hereinafter "SB") of the Company currently in office was appointed by the Board of Directors on May 29, 2014.

[(1)] Damiani S.p.A. ends its financial year on March 31. Therefore, the financial statements at March 31, 2016 cover the period April 1, 2015 – March 31, 2016 (henceforth referred to as financial year ended March 31, 2016 or Financial Year 2015/2016). For comparative purposes are shown also the figures related to the previous period April 1, 2014 – March 31, 2015 (henceforth referred to as financial year ended March 31, 2015 or Financial Year 2014/2015).

On the proposal of the Director responsible for the internal control system and risk management, with the approval of the Board of Statutory Auditors, the Board of Directors has appointed until the approval of the financial statements of Damiani S.p.A. as of March 31, 2017 a SB sitting alone in the person of the Internal Auditor, Francesco Delucchi. To the SB was allocated an annual budget of expenses for the activities and functions conferred to it.
During the financial year 2015/2016 the Supervisory Body, the Audit, Risk, Remuneration and Transaction with related parties Committee and the Board of Statutory Auditors of Damiani S.p.A. met 3 times to share its findings on issues of internal audit.

For further details about the corporate governance system of the Company, together with information on the company structure per article 123–bis of Legislative Decree n. 58/1998, see the Annual report on corporate governance published at the same time as the financial statements and also available for consultation in the investor relation section of the website www.damiani.com.

About the obligation under Title VI of the Regulation of Legislative Decree n. 58 of February 24, 1998, concerning market discipline (Market Regulations), states that Damiani S.p.A. controls directly or indirectly five companies which are not part of the European Union and which are relevant as per article 151 of the Market Regulations. According to article 36 of Market Regulations, states that:
- the companies have, in the opinion of the Issuer Damiani S.p.A., an administrative and reporting system suitable for regular reporting to the Corporate of Damiani S.p.A. of economic and financial figures necessary to prepare the consolidated financial statements and to carry out the statutory audit;
- the Issuer has the Statute and knows the composition of the Corporate bodies, and their powers, of the above mentioned companies, and it is advised of any modifications in a timely fashion;
- the reporting package of the companies, prepared for the purposes of consolidated financial statements of the Damiani Group, are provided in the manner and terms established by law.

Share buy-back program

The Shareholders' Meeting of July 23, 2015 resolved to authorize – subject to revocation for the part non executed of the resolution adopted by the Shareholders' Meeting of July 24, 2014 – the purchase and disposal of treasury shares under article 132 of the Legislative Decree n. 58/1998 and article 144-bis of the Regulation adopted by Consob (Italian SEC) resolution n. 11971/99.
The authorization to purchase treasury shares is structured as follows:

- Damiani S.p.A. may purchase a maximum of ordinary shares whose nominal value does not exceed the limit of the law, up to a maximum of n. 16,520,000 ordinary shares, at a nominal value of 0.44 euro each.
- The authorization was granted for a period of 18 months starting from the Shareholders' Meeting date and lasting until the date of January 23, 2017.
- The purchase price of each share, including additional expenses of purchase, must be as a minimum not less than 20% and a maximum not more than 20% of the official price registered by the share in the trading session before each exchange transaction.
- The purchase transactions will be conducted on regulated markets in accordance with local regulations (article 132 of the Legislative Decree n. 58/1998 and article 144bis of Consob Regulations n. 11971/1999) and respecting the principle of equal treatment of Shareholders and any other regulations, including Community rules.

As of March 31, 2016 Damiani S.p.A. owns n. 5,556,409 treasury shares (equal to 6.73% of the share capital), and no treasury shares have been purchased or sold between April 2015 and March 2016.

Directors' fees

The fees for the financial year 2015/2016 due to the directors, statutory auditors and executives with strategic responsibilities of Damiani S.p.A., also with reference to what has perceived to similar functions performed within other Group companies, are reported in the Annual report on remuneration. This report is prepared pursuant to article 123-ter of the Legislative Decree n. 58/1998 and article 84-quater of Consob Regulation n. 11971/1999.
This report sets out the policy of Damiani S.p.A. regarding the remuneration of members of the Board of Directors and the executives with strategic responsibilities, with reference to the financial year 2016/2017, and the procedures used for the adoption and implementation of this policy. The report contains, among

other things, information concerning the plans based on financial instruments pursuant to the current article 114-bis of the Legislative Decree n. 58/1998.

The Annual report on Remuneration is available to the public, together with the annual statements and the Report on corporate governance and ownership structure, at the registered office of the Issuer Damiani S.p.A. and on the website www.damiani.com

Research and development

The products offered, together with the reputation and image of the brands sold, has always represented the key of the Company's success, which over the years has been able to provide innovations in style and design in the collections offered to customers. The internal staff specifically dedicated to develop the products operates with this goal. During the financial year 2015/2016 the total cost for product development was equal to Euro 189 thousands.

Main risks and uncertainties for Damiani S.p.A.

For the market risks, affecting the Company which operates not only in the domestic market but at international level, and that are strongly related both to the current economic environment, characterized by high uncertainty and volatility, and to political turmoil, see what already indicated in the report on operations of the consolidated financial statements.
The financial risk management is part of the wider policies for managing the Group financial structure. For specific details see note 35. Financial risk management.
For commitments and contingencies that affect Damiani S.p.A. see note 32. Commitments and contingent liabilities.

Human resources and environment

For details please see the report on operations of the consolidated financial statements.

Key data

Share Capital	March 31 2016	March 31 2015
Number of shares issued	82,600,000	82,600,000
Par value per share	0.44	0.44
Share capital	36,344,000	36,344,000
Ownership	**% on shares issued**	**% on shares issued**
Leading Jewels S.A. (1)	58.83%	58.83%
Sparkling Investment S.A. (1)	0.03%	0.03%
Guido Grassi Damiani	6.11%	5.99%
Giorgio Grassi Damiani	6.11%	6.11%
Silvia Grassi Damiani	5.30%	5.30%
Damiani S.p.A. (own shares) (2)	6.73%	6.73%
Market	16.89%	17.01%
Shares held by the subjects indicated by art. 79 Legislative Decree n. 58/98		
Individual	**Office held**	**Number of shares**
Guido Grassi Damiani (total n. 59,220,736) (3)	Director	5,043,850
Giorgio Grassi Damiani	Director	5,047,371
Silvia Grassi Damiani	Director	4,379,371
Strategic executives		15,000

(1) Companies traceable to Damiani Family
(2) The Shareholders' Meeting of July 23, 2015 approved the authorization, for the part not executed of the resolution of the Shareholders' meeting of July 24, 2014, for the purchase of own shares up to a maximum of n. 16,520,000 ordinary shares of Damiani S.p.A., within a period of 18 months from the date of the Shareholders' resolution.
As of March 31, 2016 the treasury shares in portfolio were n. 5,556,409, equal to 6.73% of the share capital.
(3) As controlling shareholder, to Mr. Guido Damiani are traceable the shares owned by Leading Jewels S.A., Sparkling Investment S.A. and the treasury shares of Damiani S.p.A.

Economic/financial data

Main economic data *(in thousands of Euro)*	Financial Year 2015/2016	Financial Year 2014/2015 (restated)*	change	change %
Revenues from sales and services	146,258	144,326	1,932	1.3%
Total revenues	**147,430**	**144,566**	**2,864**	**2.0%**
Cost of production	(135,722)	(136,501)	779	-0.6%
EBITDA (**)	**11,708**	**8,065**	**3,643**	**45.2%**
EBITDA %	***7.9%***	***5.6%***		
Depreciation and amortization	(2,665)	(2,738)	73	-2.7%
Operating income	**9,043**	**5,327**	**3,716**	**69.8%**
Operating income %	***6.1%***	***3.7%***		
Net financial incomes (expenses)	(11,405)	(685)	(10,720)	n.m.
Result before taxes	(2,362)	4,642	(7,004)	n.m.
Net result	(3,640)	2,612	(6,252)	n.m.
Average number of employees (***)	308	336	(28)	-8.3%

(*) The figures for the financial statements at March 31, 2015 have been reclassified to conform to the economic and financial representation adopted in the financial statements at March 31, 2016.
(**) EBITDA represents the operating result gross of depreciation, amortization and write-downs. EBITDA thus defined is used by the Company's management to monitor and evaluate the Company's operational performance and is not an IFRS accounting measure, therefore it must not be considered as an alternative measure for evaluating Company's results. Since EBITDA is not regulated by the accounting standards adopted, the criteria used by the Group may not be the same as criteria used by other companies and therefore cannot be used for comparative purposes.
(***) Average number of employees in the two financial year compared.

Balance sheet data *(in thousands of Euro)*	**Situation at March 31, 2016**	**Situation at March 31, 2015 (restated)***	change
Fixed assets	53,381	70,227	(16,846)
Net working capital	97,543	82,253	15,290
Non current liabilities	(5,076)	(5,831)	755
Net capital invested	**145,848**	**146,649**	**(801)**
Shareholders' Equity	85,668	89,116	(3,448)
Net financial position (**)	60,179	57,533	2,646
Sources of financing	**145,848**	**146,649**	**(801)**

(*) The figures for the financial statements at March 31, 2015 have been reclassified to conform to the economic and financial representation adopted in the financial statements at March 31, 2016.
(**) Net financial position is determined according to the indication of Consob communication n. DEM/6064293 of July 28, 2006.

Comments on the main economic and financial data of Damiani S.p.A.

The economic and financial performance for the financial year ended March 31, 2016 has described below. In detail, revenues from sales broken down by channel were as follows:

Revenues by Sales Channel *(in thousands of Euro)*	Financial Year 2015/2016	Financial Year 2014/2015 (restated)*	change	change %
Third parties Wholesale	**73,295**	**80,338**	**(7,043)**	**-8.8%**
Percentage on total revenues	*49.7%*	*55.6%*		
Third parties Retail	**50,824**	**40,178**	**10,646**	**26.5%**
Percentage on total revenues	*34.5%*	*27.8%*		
Total wholesale and retail revenues	**124,119**	**120,516**	**3,603**	**3.0%**
Percentage on total revenues	*84.2%*	*83.4%*		
Intercompany revenues	22,140	23,810	(1,670)	-7.0%
Percentage on total revenues	*15.0%*	*16.5%*		
Other revenues	1,171	240	931	n.m.
Percentage on total revenues	*0.8%*	*0.2%*		
Total Revenues	**147,430**	**144,566**	**2,864**	**2.0%**

(*) The figures for the financial statements at March 31, 2015 have been reclassified to conform to the economic and financial representation adopted in the financial statements at March 31, 2016.

Compared with the financial year 2014/2015, the total Revenues increased by Euro 2,864 thousands due to higher sales on the retail channel (increase of Euro 10,646 thousands), both in the Damiani mono-brand that in the multi-brand stores with Rocca 1794 signboard. A contraction was recorded in the third parties wholesale revenues (down by Euro 7,043 thousands) due to lower sales abroad while the domestic market signed a recover, after difficult years. Also the intercompany sales, mainly towards foreign subsidiaries, have recorded a contraction.

EBITDA in the financial year ended March 31, 2016 was positive for Euro 11,708 thousands, an improvement of Euro 3,643 thousands compared with the financial year ended March 31, 2015. The improvement was also influenced by not recurring incomes, recorded during the year and described below.

The **Net result** of the financial year 2015/2016 was a loss of Euro 3,640 thousands, compared with a net profit of Euro 2,612 thousands in the previous year. Albeit with an operating result improved, the net loss is mainly attributable to the financial management, which includes value adjustments of certain investments held abroad whose book values have been aligned to the result of the impairment test, carried out to March 31, 2016. Such tests, based on the estimated future cash flows derivable from the subsidiaries according to their business plans, were captured by the impairment and consequently the book values have been realigned to those recoverable.

Balance sheet

The following table shows the comparisons between the balance sheet at March 31, 2016 and to March 31, 2015.

Balance sheet data *(in thousands of Euro)*	**Situation at March 31, 2016**	**Situation at March 31, 2015 (restated)***	change
Fixed assets	53,381	70,227	(16,846)
Net working capital	97,543	82,253	15,290
Non current liabilities	(5,076)	(5,831)	755
Net capital invested	**145,848**	**146,649**	**(801)**
Shareholders' Equity	85,668	89,116	(3,448)
Net financial position (**)	60,179	57,533	2,646
Sources of financing	**145,848**	**146,649**	**(801)**

(*) The figures for the financial statements at March 31, 2015 have been reclassified to conform to the economic and financial representation adopted in the financial statements at March 31, 2016.
(**) Net financial position is determined according to the indication of Consob communication n. DEM/6064293 of July 28, 2006.

At March 31, 2016 the **Net invested capital** of Damiani S.p.A. amounted to Euro 145,848 thousands, essentially unchanged from the situation at March 31, 2015. In fact, the increase in net working capital (mainly due to the growth in the stock of finished products) was offset by a decrease in non-current assets, both as a result of the aforementioned impairment losses on investments and for the contraction of the intercompany financial receivables.
As a result of the described economic changes, the **Shareholders' Equity** reduced by Euro 3,448 thousands, mainly due to the net loss for the financial year. At March 31, 2016 the **Net financial position** was Euro 60,179 thousands, an increase of Euro 2,646 thousands compared with March 31, 2015.

Transactions with related parties

Damiani S.p.A.'s dealings with related parties are commercial (sales of jewelry products of the Group brands and services), in connection with its core business, real estate transactions (rental of shops and offices) and financial (the executive Directors and shareholders Damiani Brothers signed a bond and the Company, through a centralized treasury management, finances the Italian and foreign subsidiaries). For the specific figures and descriptions of the nature of dealings with related parties, please see note 31. Transactions with related parties.

Significant events during the financial year

On April 8, 2015 Silvia Damiani, Vice President of the Group, was named Businesswoman of the year 2015 by "*Femmes Chefs d'Entreprises Mondiales*" (FCEM) in the category Pioneers Award at the 63rd Annual World Congress of Women Entrepreneurs, held in the Kingdom of Bahrain, attended by over 500 women business leaders and entrepreneurs from around the world.
The FCEM, established in France in 1945, is the leading association for business and entrepreneurship that unites women owners of businesses around the world.

On April 27, 2015 Damiani received the "Leonardo Quality Italy" award, on the occasion of the "Day of Italian Quality", promoted by the Leonardo Committee and dedicated to companies that promote the image, style and excellence of Made in Italy in the world. Guido Damiani, President of the Group, was honored in Rome at the Quirinal Palace by Italian President Sergio Mattarella.

In early May 2015 the new multi-brand Rocca 1794 boutique was inaugurated, completely renovated and modernized in the stands, in the central Piazza Duomo in Milan. Besides Damiani, it offers corners dedicated to some of the most famous international brands of Haute Horlogerie and jewelry world: Rolex, Cartier, Omega and Jaeger-LeCoultre.

On June 3, 2015 at the Belgian pavilion at the Expo in Milan and attended by Minister of the Belgian Government an agreement between Damiani and HRD Antwerp was signed. HRD Antwerp is a European authority, leader in the certification of diamonds and owner of Diamond Lab, in conformity with the rules of the IDC (International Diamond Council).

On June 9, 2015 Damiani received, from the Polytechnic of Milan, the Ambrogio Lorenzetti award for corporate governance, in relation to listed company category, awarded by the GC Governance Consulting.

On June 11, 2015 was inaugurated the exhibition "Valenza and the art of jewelry: Damiani and the jewelry tradition", in the presence of well-known art critic Vittorio Sgarbi, the project promoter. The exhibition, in which Damiani showed its masterpieces that have characterized the successes of over 90 years of history, was open to the public until August at the charming spaces of Art nouveau Scalcabarozzi Palace, in Valenza, the Piedmont town cradle of the best jewelry tradition, internationally recognized.

In July a new multi-brand Rocca 1794 boutique was inaugurated at the International Airport Terminal 1 of Milan-Malpensa. The store hosts prestigious watch brands in addition to the jewelry of the Damiani Group.

On September 9, 2015 the conference to present the 72 Italian Open of Golf took place at the Royal Villa of Monza. For the second consecutive year it has Damiani as presenting sponsor. The greatest national golf event was held from Thursday 17 to Sunday 20 September, in the beautiful scenery of Milano Golf Club located inside the Park of Monza. The event was attended a public which registered a record in audience and the Trophy winner, Swedish Karlberg, also received, as reward, the gold cufflinks designed by Damiani and created specifically for the event. Damiani creations were also the protagonists of the gala dinner at the clubhouse of the Golf Club in the final evening of the event.

For the first edition of the Gazzetta Sports Awards on December 16, 2015, Damiani has created the rings which were awarded to the top eight Italian athletes who excelled worldwide in 2015 in their respective disciplines. The award ceremony was held at the Metropol theatre in Milan and at the ceremony the celebrities from the world of sport and entertainment wore the Damiani jewelries.

On December 4, 2015 Damiani has signed an exclusive license agreement for the Alfieri & St. John brand with the company Gens Aurea S.p.A. (controlled by the private equity fund Progressio) that, as a licensee, has acquired the right for a period of five years to produce and sell products with the licensed brand. For the duration of the agreement Damiani will receive a royalty on net sales made by the licensee. The agreement also includes an option to purchase the brand in favor of the licensee at the end of five years or a right of sale in favor of the licensor, under the terms and conditions stipulated in the license agreement. This agreement is part of the strategy for streamlining the Damiani brand’s portfolio and became operational in the month of January 2016.

Significant events after the end of the financial year

With effect from April 1, 2016 Damiani S.p.A. acquired the availability of a new commercial building in Venice, which will be a new boutique Damiani, with scheduled opening in July 2016.

In April 2016 Damiani’s new advertising campaign was presented. It tells a fascinating journey in Italy. Images taken by the famous photographer Greg Williams, match the beauty and artistic excellence of the country to the new brand ambassador, actress Nicoletta Romanoff, a direct descendant of the tsar of Russia, who perfectly embodies modern elegance of Damiani jewelry.

As part of the strengthening of the brand in the domestic market, on May 2016 it has started the direct management of a Salvini boutique in via Montenapoleone in Milan.

Business outlook

During the financial year 2015/2016 the Company continued on its operating profitability growth for the second consecutive year. This confirms the correctness of the decision taken in recent years, in a difficult and highly uncertain and competitive environment which requires decisions and actions not only aimed to support the development of Damiani S.p.A. and of the entire Group in Italy and abroad but also, if framed in the overall business strategy, to seize the opportunity to enhance its retail network and generate additional financial resources.
Also in the near future the Company will continue on strategic lines already largely tracked and shared by the entire management team. Investments will be targeted to seize business opportunity that can ensure further growth for the Company in terms of turnover and operating profitability and generate adequate and rapid positive cash flow.

Proposed resolution on Damiani S.p.A.'s result for the financial year ended March 31, 2016

Shareholders,

to conclude our report, and trusting in your approval of the form and criteria used in preparing the financial statements at March 31, 2016, we propose:

1. To approve the financial statements of Damiani S.p.A. as of March 31, 2016
2. To balance the net loss for Euro 3,640,447 using the Share premium reserve.

Milan, June 14, 2016

For the Board of Directors
CEO
Giorgio Grassi Damiani

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STATEMENT OF FINANCIAL POSITION

(in Euro)	Notes	March 31, 2016	March 31, 2015 (restated)*
NON-CURRENT ASSETS			
Goodwill	4	465,213	465,213
Other intangible assets	5	1,716,935	883,814
Property, plant and equipment	6	10,949,382	11,187,250
Investments	7	16,783,259	24,591,093
Other investments	7	112,753	166,930
Financial receivables and other non current assets	8	14,406,672	22,867,840
of which towards related parties		*14,164,707*	*22,595,283*
Deferred tax assets	9	8,946,394	10,065,000
TOTAL NON CURRENT ASSETS		**53,380,608**	**70,227,140**
CURRENT ASSETS			
Inventories	10	79,978,381	69,693,360
Trade receivables	11	76,249,699	70,694,204
of which towards related parties		*45,221,980*	*38,042,529*
Tax receivables	12	388,399	451,210
Other current assets	13	3,685,372	5,078,902
of which towards related parties		*541,450*	*1,071,811*
Cash and cash equivalents	14	3,277,074	2,492,533
TOTAL CURRENT ASSETS		**163,578,925**	**148,410,209**
TOTAL ASSETS		**216,959,533**	**218,637,349**
SHAREHOLDERS' EQUITY			
Share capital		36,344,000	36,344,000
Reserves		52,964,781	50,160,700
Net result for the period		(3,640,447)	2,611,591
TOTAL SHAREHOLDERS' EQUITY	15	**85,668,334**	**89,116,291**
NON CURRENT LIABILITIES			
Long term financial liabilities	16	26,837,798	21,940,869
of which towards related parties		*9,846,491*	*10,892,400*
Employees' Termination Indemnities	17	3,660,102	4,354,612
Deferred tax liabilities	9	648,645	1,024,129
Provision for risks and charges	18	766,865	452,711
TOTAL NON CURRENT LIABILITIES		**31,913,410**	**27,772,321**
CURRENT LIABILITIES			
Current portion of long term financial liabilities	16	5,017,064	3,736,249
of which towards related parties		*1,036,405*	*1,031,100*
Trade payables	19	56,958,675	58,960,134
of which towards related parties		*18,199,623*	*15,468,400*
Short term borrowings	20	31,601,509	34,348,540
of which towards related parties		*4,000,000*	-
Tax payables	21	1,167,398	860,513
Other current liabilities	22	4,633,143	3,843,301
of which towards related parties		*556,646*	*421,434*
TOTAL CURRENT LIABILITIES		**99,377,789**	**101,748,737**
TOTAL LIABILITIES		**131,291,199**	**129,521,058**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**216,959,533**	**218,637,349**

(*) The figures for the financial statements at March 31, 2015 have been reclassified to conform to the economic and financial representation adopted in the financial statements at March 31, 2016.

INCOME STATEMENT

(in Euro)	Notes	Financial Year 2015/2016	Financial Year 2014/2015 (restated)*
Revenues from sales and services		146,258,476	144,326,399
of which towards related parties		*22,139,504*	*23,809,579*
Other revenues		1,171,421	239,274.00
TOTAL REVENUES	23	**147,429,897**	**144,565,673**
Cost of raw materials and consumables	24	(89,585,794)	(93,483,872)
of which towards related parties		*(11,633,568)*	*(16,408,873)*
Cost of services	25	(39,443,304)	(30,936,953)
of which towards related parties		*(10,449,535)*	*(6,204,591)*
Personnel cost	26	(13,801,291)	(15,033,926)
Other net operating (charges) incomes	27	7,108,830	2,953,554
of which towards related parties		*645,268*	*269,788*
of which operating incomes not recurring		*8,500,000*	*1,891,790*
Amortization, depreciation and write downs	28	(2,665,011)	(2,737,961)
of which depreciation not recurring		-	(498,434)
TOTAL OPERATING EXPENSES		**(138,386,570)**	**(139,239,158)**
OPERATING INCOME (LOSS)		**9,043,327**	**5,326,515**
Financial expenses	29	(12,282,148)	(4,964,282)
of which towards related parties		*(9,716,497)*	*(3,153,912)*
Financial incomes	29	877,095	4,278,917
of which towards related parties		*545,011*	*644,526*
INCOME (LOSS) BEFORE INCOME TAXES		**(2,361,726)**	**4,641,150**
Income taxes	30	(1,278,721)	(2,029,559)
NET INCOME (LOSS) FOR THE PERIOD		**(3,640,447)**	**2,611,591**

(*) The figures for the financial statements at March 31, 2015 have been reclassified to conform to the economic and financial representation adopted in the financial statements at March 31, 2016.

STATEMENT OF COMPREHENSIVE INCOME

(in Euro)	Financial Year 2015/2016	Financial Year 2014/2015 (restated)*
Net income (loss) for the period	**(3,640,447)**	**2,611,591**
Other gains (losses) that will not be reclassified to net income for the period:		
Gain (Losses) on adjustments	-	(57,976)
Tax effect	-	(15,189)
Gain (Losses) on the remeasurement of defined benefit plans	65,970	(223,134)
Tax effect	(18,142)	61,362
Total comprehensive income (loss) for the period	**(3,592,619)**	**2,376,654**

(*) The figures for the financial statements at March 31, 2015 have been reclassified to conform to the economic and financial representation adopted in the financial statements at March 31, 2016.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in Euro)	Share capital	Share Premium Reserve	Legal Reserve	Stock option reserve	Treasury shares	Other reserves	IAS 19 reserve	Net income (loss) for the period	Total shareholders' equity
Balances at March 31, 2014	**36,344,000**	**65,539,504**	**2,433,705**	**565,139**	**(8,134,724)**	**3,231,614**	**(275,596)**	**(2,033,273)**	**97,670,370**
Allocation of the result for the period		(2,033,273)						2,033,273	
Comprehensive income (loss)		(198,008)				124,843	(161,772)	2,611,591	2,376,654
Stock option				213,855					213,855
Net deficit of merger		(6,743,486)		3,888		(4,404,990)			(11,144,588)
Balances at March 31, 2015	**36,344,000**	**56,564,737**	**2,433,705**	**782,882**	**(8,134,724)**	**(1,048,533)**	**(437,368)**	**2,611,591**	**89,116,291**

(in Euro)	Share capital	Share Premium Reserve	Legal Reserve	Stock option reserve	Treasury shares	Other reserves	IAS 19 reserve	Net income (loss) for the period	Total shareholders' equity
Balances at March 31, 2015	**36,344,000**	**56,564,737**	**2,433,705**	**782,882**	**(8,134,724)**	**(1,048,533)**	**(437,368)**	**2,611,591**	**89,116,291**
Allocation of the result for the period			130,580			2,481,011		(2,611,591)	
Comprehensive income (loss)		(4,474,134)				4,474,134	47,828	(3,640,447)	(3,592,619)
Stock option				144,662					144,662
Balances at March 31, 2016	**36,344,000**	**52,090,603**	**2,564,285**	**927,544**	**(8,134,724)**	**5,906,612**	**(389,540)**	**(3,640,447)**	**85,668,334**

STATEMENT OF CASH FLOWS

(in Euro)	Financial Year 2015/2016	Financial Year 2014/2015 (restated)*
CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Net income /(Loss) for the period	(3,640,447)	2,611,591
Adjustments to reconcile the profit (loss) for the period to the cash flow generated (absorbed) by operations:		
Amortization, depreciation and write downs	11,472,729	4,906,961
Costs/(Revenues) for stock option	144,662	213,855
(Gains)/Losses from disposals	(18,729)	-
Changes in the fair value of financial instruments	143,066	(656,505)
Accruals (release) of allowance for doubtful accounts	802,005	1,658,664
Accruals to employees for termination indemnities	(23,979)	252,009
Employees termination indemnities payments	(670,531)	(321,274)
Accruals (release) of provision for risks and charges	314,154	179,579
Changes in deferred tax assets and liabilities	743,122	1,534,189
	9,266,052	**10,379,069**
Changes on operating assets and liabilities		
Trade receivables	(6,357,500)	(23,246,865)
Inventories	(10,285,021)	(5,345,336)
Trade payables	(2,001,459)	(1,815,182)
Tax receivables	62,811	(60,931)
Tax payables	306,885	(153,198)
Other current assets and current and non current liabilities	2,040,306	(1,119,355)
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES (A)	**(6,967,926)**	**(21,361,798)**
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Disposals of intangible assets and Property, plant and equipment	36,976	89,734
Purchase of property, plant and equipment	(1,869,193)	(811,431)
Purchase of Intangible assets	(1,409,318)	(199,800)
(Purchase)/Sale of investments	(945,706)	(1,298,210)
Net changes in other non current assets	8,461,168	8,973,710
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES (B)	**4,273,926**	**6,754,003**
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Turning loans from third parties	10,007,282	903,179
Repayment of long-term debt	(3,829,538)	(4,906,539)
Net change in short term financial liabilities	(2,747,031)	15,334,903
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES (C)	**3,430,713**	**11,331,543**
TOTAL CASH FLOW (D=A+B+C)	**736,713**	**(3,276,252)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (E)	**2,492,533**	**3,121,235**
Cash acquired as a result of the merger	-	2,647,550
Differences from other comprehensive income	47,828	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E)	**3,277,074**	**2,492,533**

(*) The figures for the financial statements at March 31, 2015 have been reclassified to conform to the economic and financial representation adopted in the financial statements at March 31, 2016.

EXPLANATORY NOTES

1. COMPANY INFORMATION AND BASIS OF PRESENTATION

Company information

Damiani S.p.A. has been engaged for several years in the distribution of jewelry products and watches through both wholesale and retail channels. In particular, the Company offers jewelry brands such as Damiani, Salvini, Bliss, Alfieri & St. John and Calderoni. Furthermore, the Company also sold jewelry and watches of third party brands through the multi-brand stores with Rocca 1794 signboard.
As parent company of the Damiani Group, the Company also holds the role of industrial and financial holding. The Company is listed on the electronic stock market of the Italian Stock Exchange since November 2007.
The registered office of the Company is located in Piazza Damiano Grassi Damiani, 1, Valenza (AL), Italy.

Declaration of conformity to the International Accounting Standards (IFRS)

Damiani S.p.A. prepared its financial statement as of and for the year ended March 31, 2016 in accordance with IAS/IFRS international accounting standards and related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standing Interpretations Committee (SIC) issued by the International Accounting Standards Board (IASB) and adopted by the European Community, and with the measures implementing article 9 of Legislative Decree 38/2005.

Basis of presentation

The financial statements of Damiani S.p.A. as of and for the year ended March 31, 2016 cover the period April 1, 2015 – March 31, 2016, and include the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the explanatory notes (hereafter, the "financial statements"). They were approved by the Board of Directors of Damiani S.p.A. on June 14, 2016.
The statements comply with the provisions of IAS 1- (revised) Presentation of financial statements.
The structure of the statement of financial position follows the classification by "current assets" and "non-current assets", while the income statement classifies by nature. The statement of cash flows has been prepared using the indirect method.
In accordance with Consob Resolution n. 15519 dated July 27, 2006, the effects of transactions with related parties are presented in the statement of financial position as well as in the income statement. Transactions with related parties are identified in accordance with the extended definition laid down by IAS 24, i.e. including relations with the administrative and control bodies as well as those executives who have strategic responsibilities. See also note 31. Transactions with related parties.
The financial statements were prepared in Euro. All amounts included in the notes presented below have shown in thousands of Euro, unless otherwise indicated.

2. ACCOUNTING POLICIES

Criteria used

The financial statements of Damiani S.p.A. for the period April 1, 2015 – March 31, 2016 have been prepared in accordance with IFRS as adopted by the European Union.
The financial statements as of and for the year ended March 31, 2016 have been prepared on a going concern basis. In fact, the Directors believe that there is no uncertainty about the ability of Damiani S.p.A. to continue in operational existence for the foreseeable future.
The income statement, the changes in shareholders' equity and the cash flows for the financial year ended March 31, 2016 are compared with the figures for the corresponding prior year period. The statement of financial position as of March 31, 2016 is compared with that as of March 31, 2015.
In this regard, to make better comparability between economic/financial values of the two years, the data of the financial statements at March 31, 2015 have been reclassified in some items (revenues from sales and services and other revenues, current financial liabilities, cash and trade receivables). The main effect is made by the redetermination of the net financial position of the Company with an increase of Euro 1,645 thousands.

Accounting standards

Damiani S.p.A. prepared its consolidated financial statements as of and for the year ended March 31, 2016 in accordance with international accounting standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Community and with the measures implementing article 9 of Legislative Decree 38/2005. IFRS also included all revised International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), previously called Standing Interpretations Committee (SIC).

Accounting standards, amendments and interpretations effective from April 1, 2015

Below are the nature and the impact of any new/revised accounting standards:

- Annual cycle of improvements IFRS 2010-2012. They include:
  - IFRS 2: definition of "vesting condition".
  - IFRS 3: Recognition of "contingent consideration" in a business combination.
  - IFRS 8: Information on the aggregation of operating segments.
  - IFRS 8: Reconciliation between the total assets of the operating segments with the total assets of the company.
  - IFRS 13: short-term receivables and payables.
  - IAS 16 / IAS 38: revaluation method: proportional restatement of accumulated depreciation.
  - IAS 24: a management company that provides management services with strategic responsibilities should be considered as a related party.
- Annual cycle of improvements IFRS 2011-2013. They include:
  - IFRS 3: it clarifies that the principle does not apply in accounting for the establishment of an agreement to joint control.
  - IFRS 13: changed the scope of the section on portfolio exception.
  - IAS 40: clarifies that, in determining whether a transaction is the purchase of an asset or a business combination must be used IFRS 3 and not the description of ancillary services in IAS 40.
- IAS 19 - Employee benefits: employee contributions (revised). IAS 19 calls for an entity to consider the contributions by employees or third parties when accounting defined benefit plans. When contributions are linked to the performance of the service, they should be attributed to the period of service as a negative benefit. The amendment states that if the amount of the fees is independent of the number of years of service, it's permitted to an entity to recognize these contributions as a reduction of cost of service during the period in which the service is provided, instead of allocating contributions to periods of service.
- IFRIC 21 - Taxes: clarifies that an entity recognizes a liability for taxes at the earliest when the event (to which the payment is linked) occurs, in accordance with applicable law. For payments that are due only to the passing of a certain minimum threshold, the liability is recognized only when the threshold is reached. It's required retrospective application for IFRIC 21.

Accounting standards, amendments and interpretations not yet applicable and not early adopted by the Company

Listed below are the accounting standards, which, at the date of the financial statements of the Company, were already issued but not yet effective. Damiani S.p.A. intends to adopt these standards when they come into force.

- IFRS 11 agreements to joint ventures: acquisition of a share. The amendments require that a joint operator recognizes that the acquisition of a stake in an agreement to joint control, whose activities represent a business, must apply the relevant principles of IFRS 3 regarding the accounting for business combinations. The changes also clarify that, in the maintenance of joint control, the previously held share in an agreement to joint control is not subject to re-measurement at the acquisition of an additional stake. In addition, it has added an exclusion from the scope of IFRS 11 to clarify that the changes do not apply when the parties sharing control, including the reporting entities are under common control of the same last controlling party. The changes apply both to the acquisition of the initial share of participation in an agreement to joint control and to the acquisition of each additional share in the same agreement to joint control. The changes must be applied prospectively for annual periods beginning on January 1, 2016 or later. Earlier application is permitted. No impact is expected on the Company arising from the application of the standard.
- IFRS 9 – Financial instruments: in July 2014, the IASB issued the final version of IFRS 9 Financial

Instruments that reflects all phases of the project relating to financial instruments and replaces IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for the classification, measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning from January 1, 2018 or later. Earlier application is permitted. It is required retrospective application of the principle, but it's not required to provide comparative information. It is permitted early application of the previous versions of IFRS 9 (2009, 2010 and 2013) if the date of initial application is earlier than February 1, 2015. No impact is expected on the Company arising from the application of the amendments.

- IFRS 15 - Revenue from contracts with customers. IFRS was issued in May 2014 and introduces a new model in five stages, which will apply to revenues from contracts with customers. IFRS 15 requires the recognition of revenue for an amount that reflects the compensation which the entity believes to receive in exchange for the transfer of goods or services to the customer. The standard provides a more structured approach to the recognition and measurement of revenue, replacing all current requirements in the other IFRS regarding revenue recognition. IFRS 15 is effective for annual periods beginning from January 1, 2017 onwards, with full retrospective application or modified. Earlier application is permitted. The Company plans to apply the new standards to the mandatory effective date and is assessing the impact.
- Amendments to IAS 1 - Use of judgment in financial reporting: the amendments to IAS 1 clarify some elements perceived as restrictions on the use of judgment from who draft the financial statements, and are effective for annual periods beginning on January 1, 2016 or later. Earlier application is permitted.
- Amendments to IAS 16 and IAS 38 - Clarification of the allowable methods of depreciation: the changes clarify the principles set out in IAS 16 and IAS 38: revenues reflect a pattern of economic benefits from operating a business, rather than economic benefits that wear out with use of the item. It follows that a method based on sales cannot be used for the depreciation of property, plant and equipment and may be used only in very limited circumstances for the amortization of intangible assets. The changes must be applied prospectively for annual periods beginning on January 1, 2016 or later. Earlier application is permitted. No impact is expected on the Company arising from the application of the amendments.
- Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: the application of the exception to consolidation: the amendment clarifies the problems arising from the application of the exception to consolidation planned for the size of the investment, and effective for annual periods beginning on January 1, 2016 or later. Earlier application is permitted.
- Amendments to IFRS 10 and IAS 28 - Sale or transfer of an asset between an investor and an associate or joint venture: the amendment aims to eliminate the conflict between the requirements of IAS 28 and IFRS 10 and clarifies that, in a transaction that involves an associate or joint venture, the extent to which it is possible to detect a gain or loss depends on whether the asset, the subject of the sale or contribution, is a business. The amendment is effective for annual periods beginning on January 1, 2016 or later. Earlier application is permitted. No impact is expected on the Company arising from the application of the amendments.
- IFRS 11 agreements to joint ventures: acquisition of a share (amendments): The amendments require that a joint operator recognizes that the acquisition of a stake in an agreement to joint control, whose activities represent a business, must apply the relevant principles of IFRS 3 regarding the accounting for business combinations. The changes also clarify that, in the maintenance of joint control, the previously held share in an agreement to joint control is not subject to re-measurement at the acquisition of an additional stake. In addition, it has added an exclusion from the scope of IFRS 11 to clarify that the changes do not apply when the parties sharing control, including the reporting entities are under common control of the same last controlling party. The changes apply both to the acquisition of the initial share of participation in an agreement to joint control and to the acquisition of each additional share in the same agreement to joint control. The changes must be applied prospectively for annual periods beginning on January 1, 2016 or later. Earlier application is permitted. No impact is expected on the Company arising from the application of the amendments.
- Annual cycle of improvements IFRS 2012-2014. The improvements are effective from January 1, 2016 or later. They include:
  - IFRS 5: reclassification guide to methods provisions.
  - IFRS 7: further guidance to service contracts and applicability of IFRS 7 in the interim financial statements.
  - IAS 19: clarification of the discount rate.
  - IAS 34: guidance on the meaning of "in other sections of the interim report".

Use of estimates

The preparation of the financial statements and the explanatory notes under the IFRSs requires Damiani S.p.A. to make estimates and assumptions which affect the values of the assets and liabilities stated in the financial statements and the reporting of potential assets and liabilities. Final results could differ from these estimates which are used to measure provisions for credit risk, returns on sales, commercial obsolescence on stocks, to determine the useful life of property, plant and equipment and intangible assets in the calculation of amortization and depreciation, asset impairments, employee benefits and provisions for risks and charges. These estimates and assumptions have reviewed periodically, and the effects of any change are booked directly to the income statement.

The main valuation processes for which the Company has used estimates regard the analysis of recoverability of goodwill and value of investments in the financial statements (impairment test), valuation of expected future returns on sales, determination of trade receivable and inventory write-downs, and determination of risk reserves for which at the reporting date there are obligations for which are likely to use resources to satisfy them.

The current economic and financial environment has a great volatility and uncertainty. Therefore, assumptions regarding future trends of revenues, costs and cash flows are characterized by high randomness and results of upcoming financial periods may be significantly different from those estimated, calling for adjustment of their respective valuations, which cannot be estimated or foreseen at this time. The financial statements items that may be affected are the recoverable value of investments, the funds for return on sales, the allowance for doubtful accounts and the inventory obsolescence reserve.

For further details on the estimates, please refer to the below specific notes to the financial statements.

Summary of the main accounting policies

Goodwill

Goodwill acquired in a business combination is defined as the amount by which the cost of the combination is exceeded by the combined Group’s share of its total shareholders’ equity at current values as calculated from the values of the identifiable assets, liabilities and potential liabilities that have been acquired. Following the initial entry, goodwill is valued at cost less any accrued impairment. Goodwill is subjected to an impairment test, either annually or more often if events or changes occur that might give rise to any impairment.

For the purposes of these impairment tests, the goodwill acquired with business combinations is allocated, from the acquisition date onwards, to each of the cash-generating units (or groups of units) which are believed to profit from the synergistic effects of the acquisition, regardless of the allocation of any other assets or liabilities acquired. Each unit or group of units to which goodwill is allocated:

- represents the lowest level within the Group at which goodwill is monitored for internal management purposes;
- is no greater than an operating segment of the Group as defined in the operating segments chart under IFRS 8.

Impairment is determined by defining the recoverable value of the cash generating unit (or group of units) to which the goodwill is allocated. If this recoverable value of the CGU (or group of CGUs) is lower than the book value, an impairment loss is recognized. Where goodwill has been attributed to a CGU (or group of CGUs) whose assets are partially disposed of, the goodwill associated with the asset disposed of is taken into account for the purposes of calculating any capital gain (or loss) arising from the transaction. In these circumstances the goodwill transferred is measured on the basis of the amount of the sold asset in proportion to the asset still held by the same unit.

Intangible assets

Intangible assets acquired separately are recognized at cost, while those acquired through business combinations are recognized at fair value at the acquisition date. After initial recognition, intangible assets are booked at cost, net of accumulated amortization and any accumulated impairments. Intangible assets generated internally are not capitalized, but are recognized in the income statement for the period in which the cost of generating them was incurred.

The useful life expectancy of intangible assets is assessed as finite or indefinite. Intangible assets with a finite useful life are amortized over their estimated useful life and subjected to impairment tests whenever there are reasons to suspect a possible impairment. The amortization period and method applied to them is reviewed at the end of each financial period, or more often if necessary.

Changes in the expected useful life or in the way the future financial rewards connected with the intangible asset are reaped by the Company are recognized by modifying the amortization period or method, and treated as changes in the accounting estimates. The amortization rates for intangible assets with a finite life are recognized in the income statement in the cost category consistent with the intangible asset's function.
Intangible assets with an indefinite useful life are subjected annually to an impairment test at the individual level or at the cash-generating unit level. These assets are not amortized at all. The useful life of an intangible asset with an indefinite useful life is reviewed each year to check that the conditions for this classification are still met. If not, the change from indefinite to finite useful life is done prospectively.
Gains or losses arising on disposal of an intangible asset are measured as the difference between the net revenue from the sale and the net book value of the asset, and are recognized in the income statement at the time of the sale.
In the case of intangible assets with a finite life expectancy, the annual amortization rates applied are as follows:

Category	Rate
Software licences	20%
Key Money (Indemnities paid for renewal of shop rental contracts)	Duration of contract

Research and development costs

Research costs are directly recognized in the income statement in the financial year when they are incurred.
Development expenditures on a particular project are capitalized only when Damiani S.p.A. can demonstrate the technical possibility of completing the intangible asset so as to make it available for use or sale, the intention of completing it for in-house use or for sale to third parties, the generation of probable financial benefits in future, the availability of technical, financial and other resources needed to complete development, the ability to reliably evaluate the cost of the asset during its development and the existence of a market for the products and/or services that will arise from the asset and/or its usefulness for internal purposes can be demonstrated.
Following initial recognition, development costs are booked net of accumulated amortization and of any impairment losses recognized as previously described for intangible fixed assets with a finite useful life.
As of March 31, 2016 there are no capitalized development costs.

Property, plant and equipment

Buildings, plant and machinery acquired separately – based on purchase or lease agreements – are recognized at purchase cost, while those acquired through business combination transactions are recognized on the basis of the fair value determined at the acquisition date.
Buildings, plant and machinery are recognized at cost, including the ancillary costs directly attributable and necessary for the asset's deployment in the function for which it was purchased, plus (if relevant and where obligations are incurred immediately), the present value of the estimated expense of dismantling and removing the asset. If significant portions of these tangible assets have different useful lives, these items are accounted for separately. Land, whether undeveloped or built up, are not depreciated since their useful life is unlimited.
The carrying amount of property, plant and equipment is reviewed whenever events or changes take place which give reason to believe that the carrying amount, as established under the amortization plan, might not be recoverable. If such reason exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units to which the assets have been allocated are written down to their recoverable value.
The carrying value of the assets, their useful lives and the methods applied are reviewed annually and, if necessary, they are adjusted at the end of each period.
The depreciation rates applied are as follows:

Category	Rate
Buildings	3%
Plant and machinery	12.5%
Industrial and commercial equipment	From 12% to 35%
Other assets	From 12% to 25%
Leasehold improvements	Duration of contract

Leased assets

Finance leases, which essentially transfer all the risks and rewards arising from ownership of the leased

asset to Damiani S.p.A., are booked, as of the lease commencement date, at the leased asset's fair value or, if lower, at the current lease value. The rental amounts are divided into a capital portion and an interest portion in such a way as to give a constant rate of interest on the remaining balance of the liability. Borrowing costs are charged directly to the income statement.
The capitalized leased assets are depreciated over the shorter of the asset's useful life expectancy or the lease period, unless it is reasonably certain that Damiani S.p.A. will become the owner of the asset at the end of the contract.
Rental amounts on operating leases are booked to the income statement for the duration of the lease.

Investments

Investments in subsidiaries and other companies are recorded at cost adjusted for impairment losses, determined on the basis of a separate impairment test.

Impairment test

At the closing date of each period Damiani S.p.A. assesses whether there has been a decrease in the value of its intangible assets with a finite useful life, its property, plant and equipment, its leased assets and investments. If such a decrease has occurred, an impairment test is carried out.
Goodwill and other intangible assets with indefinite useful lives are subjected to impairment test every year, whether or not there is any reason to suspect a loss in value. The other assets with definite useful lives are subjected to impairment test in the presence of indicators of impairment.
Recoverable value is determined as the greater of the fair value of an asset or cash-generating unit (net of selling costs) and its value in use, and it is calculated asset by asset, except where the asset generates income which is not fully independent of that generated by other assets or asset groups, in which case the Company estimates the recoverable value of the cash-generating unit to which the asset belongs. In particular, since goodwill does not generate any income independently of other assets or asset groups, the impairment test is conducted on the unit or group of units to which the goodwill has been allocated.
In determining value in use, the Company discounts at the current value the estimated future cash flow, using a pre-tax discount rate which reflects the market's evaluation of the temporal value of the money and any specific risks pertaining to the asset.
In order to estimate the value in use, future cash flows are derived from the business plans drawn up by the Corporate of the parent company and approved by its Board of Directors, since these represent the Company's best forecast of the economic conditions over the period of the plan.
Such forecasts are reflected over three years period; long-term growth rate used to estimate the terminal value of the asset or unit is normally lower than the average long-term growth rate of the relevant industry, country or market. Future cash flows are estimated on the basis of current conditions, therefore estimates do not take into account any benefits arising from future restructuring to which the company is not yet committed, nor any future capital expenditures that aim to enhance or optimize the asset or unit or significantly modify it.
If the carrying amount of an asset or cash-generating unit exceeds its recoverable value, that asset has lost value and is consequently written down to its recoverable amount.
All impairment loss of operating assets are recognized in the income statement under the cost items relating to the asset that had lost value. Moreover, at the closing date of each period the Company assesses whether there is any reason to suspect that losses previously recognized may now be excessive and if this is the case, a new estimate of the fair value is made. The value of a previously written-down asset (except for goodwill) may only be restored if there have been changes in the estimates used to determine the asset's fair value after the most recent recognition of an impairment loss. In that case the asset's book value is revised to its recoverable value, though the revised value may never exceed the level which the book value would have been (net of any depreciation) if no impairment loss had been recognized in previous years. When a value is restored it is booked as income in the income statement and the adjusted carrying value of the asset is depreciated on a straight-line basis over the remaining useful life, net of any remaining values.
In no circumstances the value of goodwill can be restored after it has been written down.

Inventories

Inventories are booked at the lower of their purchase or production cost and their net realizable value, this being the amount which the company expects to obtain from their sale in the normal course of business. The cost configuration used is the weighted average cost method, which includes all ancillary charges accruing in relation to the purchase of these stocks during the period. Inventory valuations include both the direct cost of materials and labor and the indirect cost of production.

Inventories also include the production costs relating to returns expected in future years from deliveries already made, estimated on the basis of the sale value minus the average applied margin.
In order to calculate the net value of future realizable, the value of eventual obsolete or slow-moving goods is written down in relation to an estimate of future net use/realizable value, by means of a specific adjustment reserve for the reduction of the value of the inventories.

Trade receivables and other current asset

Trade receivables and other current assets are booked at their fair value, which is the nominal value that is subsequently reduced to take into account any eventual loss in value by means of the creation of a specific provision for doubtful accounts, amending the value of the asset. Trade receivables are booked to the financial statements net of the estimated reserve for products that the Group expects to be returned by clients. The above mentioned reserve is related to the amounts invoiced on dispatch of the goods where it is reasonable, in the light of experience and on the probable percentage relating to sales in future years, to expect that not all significant risks and benefits connected to ownership of the assets have been definitively transferred at the financial statements date.
Trade receivables and other current assets, which neither bear interests nor are expected to be settled within normal commercial terms are discounted.

Financial instruments

The financial instruments held by the Company may be grouped as follows:
- Non-current assets: include investments not consolidated, non-current loans and receivables and other non-current financial assets available for sale;
- Current assets: include trade receivables, other current financial assets and cash and cash equivalents;
- Current liabilities: include financial liabilities, other financial liabilities, trade payables and other payables.

The described above assets and liabilities are accounted for in accordance with IAS 39.
Initially all financial instruments are recognized at fair value, plus ancillary charges in the case of assets that are not at fair value in the income statement. The Company classifies its financial assets after they have been initially recognized and, when appropriate and permitted, reviews this classification at the end of each financial year.
All purchases and disposals of financial instruments are booked to their transaction date, which is the date on which the Company undertakes to buy the asset.
Subsequent to initial recognition, the financial instruments available for sale and held for trading are measured at fair value. If the market price is not available, the fair value of the financial instruments available for sale is measured using the most appropriate valuation methods such as the discounted cash flow analysis, carried out with the market information available at the date of the financial statement.
Gains and losses on financial assets available for sale are recognized directly in shareholders' equity until the financial asset is sold or impaired; when the asset is sold, the related gains or losses, are recognized in the income statement for the period; when the asset is impaired the accumulated losses are included in the income statement. Gains and losses arising from changes in fair value on financial instruments classified as held for trading are recognized in the income statement for the period.
Loans and receivables not held for trading purposes and which are not listed in an active market are recognized if they have a fixed maturity according to the amortized cost using the effective interest rate method. Otherwise, they are valued at acquisition cost. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or when there is a loss of value, as well as through the amortization process.
With the exception of derivative financial instruments, the financial liabilities are measured at amortized cost using the effective interest method.
The financial assets and liabilities hedged by derivative instruments are measured in accordance with hedge accounting principles applicable to fair value hedges: gains and losses arising from re-measurement at fair value, due to changes of the relative risks, are recognized in the income statement.

De-recognition of financial assets and liabilities

A financial asset (or, where applicable, part of a financial asset or a group of similar financial assets) is derecognized when:
- the rights to receive the financial flows expire;
- Damiani S.p.A. keeps the right to receive the asset's financial flows, but has the contractual obligation to transfer them without delay to a third party;
- Damiani S.p.A. has transferred the right to receive the asset's financial flows and (i) it has essentially

transferred all the risks and benefits of ownership of the financial asset, or (ii) it has not substantially transferred nor retained all the risks and benefits of the asset, but has transferred control of it.

In case the Company has transferred the right to receive the financial flows from an asset and has not transferred or retained all the risks and benefits of the asset nor lost control of it, the asset is recognized in the Company's financial statements to the extent of the Company's remaining involvement in that asset. A "remaining involvement" which takes the form of a guarantee in respect of the transferred asset is valued at the lesser of the asset's initial book value and the maximum amount, which Damiani S.p.A. might be required to pay.

A financial liability is derecognized from the financial statements when the underlying obligation is extinguished, annulled or fulfilled.

Where an existing financial liability is replaced by another from the same lender on materially different terms, or the terms of an existing financial liability are materially modified, this difference or modification is treated as a de-recognition of the original liability in the accounts and the recognition of a new one and any difference in the book values is booked to the income statement.

Cash and cash equivalent

Cash and cash equivalent are booked at their par value, depending on their nature.

Financial liabilities

Financial liabilities include financial debt and financial liabilities relating to derivative instruments. Financial liabilities other than derivatives are initially booked at fair value plus transaction costs, while thereafter they are valued at amortized cost, i.e. the initial value less any capital repayments already made, adjusted (up or down) by the amortization (at the effective interest rate) of any differences between the initial value and the value at maturity.

Employee benefits

Guaranteed employee benefits paid on or after termination of employment under defined-benefits schemes (for Italian companies, this is the known as "TFR" or severance indemnities) are recognized in the period in which the rights are accrued.

Those liabilities relating to a defined-benefits scheme, net of any assets held to service the plan, are determined on the basis of actuarial assumptions and recognized on an accrual basis consistent with the employment services necessary for obtaining the benefits; liabilities are valued by an independent actuary.

Profits and losses arising from the actuarial calculations are booked to the separate income statement (personnel cost and financial expenses) and comprehensive (actuarial gains/losses).

Other employee benefits

In accordance with IFRS 2 (Payments based on shares), stock options in favor of employees are valued by an external evaluator at their fair value at the grant date according to an appropriate model.

If the right can be exercisable after a certain period and/or when certain performance conditions take place, i.e. the vesting period, the overall fair value of the options is split equally over time during the said period and booked to a specific item in the net equity while a corresponding amount is booked to the income statement as "personnel costs" (since it is a payment in kind paid to the employee) and as "costs of services" (in relation to the directors and agents who are beneficiaries of the options).

During the vesting period the fair value of the option that has been previously calculated is not reviewed or updated, but the estimated number of options that will mature at the due date is continually updated and, therefore, the number of beneficiaries with the right to exercise the options. The change in estimates has treated as an increase or a reduction in the net equity item referred to while a corresponding amount is booked to the income statement as "personnel costs" and "costs of services".

When the option date expires, the amount booked to the net equity item referred to is reclassified as follows: the amount of the shareholders' equity referring to the exercised options is booked under "Share premium reserve", while the part referring to the options that have not been exercised is reclassified under "Other reserves".

Trade payables and other current liabilities

Trade payables and other current liabilities, whose due date fall under normal trade and contractual terms, are not booked to their net present value but to their par value.

Provision for risks and charges

Provision for risks and charges refer to costs and charges that are of determined nature and are of either certain or probable and for which it was not possible to calculate the amount or contingency date at the end of the financial year. Provisions for risks and charges are booked when the Company must meet an obligation that derives from a past event if resources will probably have to be used to meet the obligation and the amount required can be reliably estimated.

When the Company believes that a provision will be either totally or partly reimbursed (insurance policy cover risks), if the reimbursement is practically certain, it is booked under a specific item under assets, in which case the provision is booked net of the reimbursement in the income statement.

The amount of provisions is based on the best estimate of the amount that is to be paid in order to meet the obligation or to transfer it to a third party, and is booked at the end of the financial year.

Revenues from sales and services

Revenues and income shown net of discounts, allowances and returns are booked at their fair value as far as it is possible to calculate it and it is likely to enjoy the related financial benefits.

Revenues from the sale of goods are recognized when all the following conditions are met:

- the significant risks and benefits connected to the goods are transferred to the purchaser;
- the usual operations associated with ownership of the goods are no longer carried out and effective control of the goods is no longer exercised;
- the amount of the revenues can be reliably calculated;
- it is likely that any future financial benefits will be enjoyed;
- the costs incurred, or to be incurred can be reliably estimated.

In some cases Damiani S.p.A. accepts from customers, for commercial reasons and in line with the usual practices of the sector, returns of goods that have already been delivered, including goods delivered in previous financial years. In such cases, the Company adjusts the amounts that have been invoiced at the time the goods were shipped for those amounts which, in the light of historical experience, it is possible to reasonably estimate that at the date of the financial statements not all the significant risks and benefits associated with ownership of the goods will been transferred to the new owner. Returns that are calculated in this manner are booked to the income statement as a reduction of revenues and in the balance sheet under a specific adjustment reserve for receivables from customers, while the relative estimated production cost is included under inventories.

Barter transactions

Sales of goods in return for the purchases of publicity and advertising services are booked separately in the financial statements under "revenues from sales" and "costs of services". Revenues from the sale of goods is calculated at the fair value of the publicity and advertising services received, adjusted to take into account any cash payments or equivalents, and they are booked at the time the goods are shipped.

Other revenues and incomes

The other revenues include financial benefits during the period from operations connected to the company's ordinary business activities.

Costs

Costs are accounted for on the accrual basis. In particular:

<u>Costs for advertising campaigns and testimonials</u>

Commission due to advertising agencies and the cost of producing advertising campaigns (television commercials and photo shoots), are booked to the income statement at the time they have incurred.

Costs relating to advertising campaigns and promotional activities have recognized in the income statement for each period the services had received (advertising already broadcast, published or transmitted, testimonial appearances already made).

Any advances paid for services still to be received are booked at the period when the services are provided.

Financial incomes and expenses

Financial incomes are recognized after an assessment has been carried out on the interest earned in the relevant period. This assessment is carried out using the effective interest rate method, represented by the rate used to discount the cash flow estimated on the basis of the life expectancy of the financial instrument.

Financial expenses are booked to the income statement in accordance with the accruals system and for the amount of the effective interest.

Dividends

Dividends are booked when the shareholders' right to receive payment comes into force, coinciding with the moment in which dividends are declared.

Income taxes

Current taxes

Current taxes are calculated on the basis of the taxable income for the period. Taxable income differs from the result shown in the income statement because it excludes items (positive or negative) that will be taxable or deductible in other financial years and that will never be taxable or deductible. Current tax payables are calculated on the basis of the tax rates in force at the time the financial statements are prepared.

Deferred and prepaid taxes

Deferred and prepaid taxes are calculated on the temporary differences between the book value of the assets and liabilities in the financial statements and the corresponding fiscal value used in calculating taxable income, accounted for using the balance sheet liability method. Deferred tax liabilities are recognized in the case of all such taxable temporary differences, with the exception of the following:

- when the deferred tax liabilities derive from the initial recognition of goodwill or of an asset or a liability in a transaction which is not a business combination and which, at the time of the transaction itself, has no effect either on the profit for the period calculated for the purposes of the financial statements, nor on the profit or loss calculated for tax purposes;
- in the case of taxable temporary differences linked to investments in subsidiary and associated companies and joint ventures, where the reversal of these temporary differences can be verified and it is likely that they will not in fact be reversed in the foreseeable future.

Deferred tax assets are recognized to the extent that it is thought likely that there will be sufficient taxable profits in future to enable the temporary differences to be deducted, except:

- where the prepaid tax derives from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction itself, had no effect either on the profit for the period calculated for the purposes of the financial statements nor on the profit or loss calculated for tax purposes.

The value assigned to the deferred tax assets is re-examined at the end of every financial period and reduced in accordance with the likelihood that in the year in which the temporary difference is expected to be reversed there might not be sufficient taxable income to enable its full or partial recovery. Any previously unrecognized taxes paid in advance are re-examined each year at the end of the financial period and are then recognized in relation to the probability of their recovery.

Both prepaid and deferred taxes are calculated on the basis of the tax rates which are expected to be in force during the financial period in which the tax asset is realized or the tax liability is settled, in accordance with the tax law in force at the time covered by the financial statements.

Deferred taxes (liabilities and assets) are booked to the income statement, with the exception of amounts relating to items recognized directly in shareholders' equity for which the relative deferred and advance taxes are directly booked without being entered in the income statement.

Prepaid tax assets and deferred tax liabilities are classified as non-current assets and liabilities.

With reference to the provisions of Legislative Decree n. 344 of December 12, 2003 which introduced the tax regime of the Group called "fiscal consolidation", Damiani S.p.A. has renewed the option for the three years 2016-2018 at the time of submission of the tax return 2015 which took place on December 9, 2015. It includes its subsidiary Laboratorio Damiani S.r.l. As concern the Group VAT system for 2016 (for Damiani S.p.A. and Laboratorio Damiani S.r.l.), pursuant to Presidential Decree 633/72 article 73, paragraph 3, DM 13/12/1979 it was presented the special model for renewal on February 3, 2016.

Foreign currency translation

Damiani S.p.A. functional and presentation currency is the euro.

Transactions in other currencies are translated and booked at the rate in force at the time of the transaction. Any foreign currency based assets and liabilities are translated into euros using the rate in force at the reporting date of the financial statements. All exchange differences resulting from transactions in foreign currencies with third parties are booked to the income statement. Non-monetary items valued at their historical cost in foreign currencies are converted using the exchange rate in force at the date the transaction is recognized. Non-monetary items booked at their fair value in foreign currencies are converted using the exchange rate in force on the date the fair value is calculated.

Treasury shares

Treasury shares are classified as a direct reduction of shareholders' equity. The original cost of treasury shares and gain from any subsequent sale of it are shown as changes in shareholders' equity.

3. NOTES ON ITEMS OF THE FINANCIAL STATEMENTS

Below are comments on the items of financial and income statements.

4. GOODWILL

At March 31, 2016 goodwill amounted to Euro 465 thousands and it has unchanged compared with March 31, 2015.
The residual value refers to the goodwill paid by Damiani S.p.A. for two boutiques directly managed.

Impairment test on intangible assets with an indefinite useful life

Since goodwill is an asset with an indefinite useful life and is booked under non-current assets for the financial year ended March 31, 2016 and March 31, 2015, it was subject to an impairment test.
Impairment test is carried out at least once a year on the cash generating unit (CGU) to which the goodwill is charged.
The method utilized is described in note 7, with reference to the impairment test carried out to verify the recoverability of the investments' book value.

5. OTHER INTANGIBLE ASSETS

The following table provides a breakdown as of March 31, 2016 and 2015:

(in thousands of Euro)	**March 31, 2016**	**March 31, 2015**
Industrial rights and patents	116	78
Intang.fix.ass.in process of formation	1,289	214
Key money	312	591
Total other intangible assets	**1,717**	**883**

The item "key money" refers to the amount paid for the purchase of a leasing contract in Naples for a directly managed boutique. Such amount is amortized on the basis of residual duration of the leasing contract. During the financial year it was decided to make the write-off of the residual book value of the key money paid for a commercial property in Turin which has been closed.
The Industrial rights and patents refer to software licenses.
In the financial year 2015/2016 the changes in intangible assets were the following:

(in thousands of Euro)	**Industrial rights and patents**	**Intang.fix.ass.in process of formation**	**Key money**	**Total**
Net book value at March 31, 2015	**78**	**214**	**591**	**883**
Purchases	64	1,346	-	1,410
Write downs	-	-	(202)	(202)
Disposals	-	(11)	-	(11)
Riclassification	50	(260)	-	(210)
Amortization	(76)	-	(77)	(153)
Net book value at March 31, 2016	**116**	**1,289**	**312**	**1,717**

6. PROPERTY, PLANT AND EQUIPMENT

The following table provides a breakdown as of March 31, 2016 and 2015:

(in thousands of Euro)	**March 31, 2016**	**March 31, 2015**
Land and buildings	6,680	7,587
Plant and machinery	212	240
Industrial and commercial equipments	51	68
Leasehold improvements	2,170	1,232
Other assets	1,836	2,060
Total property, plant and equipment	**10,949**	**11,187**

The Land and buildings item also includes the residual value of three properties subject to sale and lease back, which related parties have bought from Damiani S.p.A. in previous financial years and then re-leased to the same company. The value of these properties amounted to Euro 5,387 thousands at March 31, 2016 and refers to one mono-brand Damiani boutique and two multi-brand Rocca 1794 stores.
The Other assets item mainly includes furniture, furnishings, office equipment and vehicles.
In the financial year 2015/2016 the changes in property, plant and equipment were the following:

(in thousands of Euro)	**Land and buildings**	**Plant and machinery**	**Industrial and commercial equipments**	**Leasehold improvements**	**Other assets**	**Total**
Historical cost	21,685	2,194	561	1,623	16,107	42,170
Depreciation reserve at March 31 2015	(14,098)	(1,954)	(493)	(391)	(14,047)	(30,983)
Net book value at March 31, 2015	**7,587**	**240**	**68**	**1,232**	**2,060**	**11,187**
Purchases	-	86	23	1,577	182	1,868
Disposals	-	-	-	-	(7)	(7)
Riclassification	-	-	-	-	210	210
Depreciation	(908)	(114)	(40)	(639)	(609)	(2,310)
Net book value at March 31, 2016	**6,680**	**212**	**51**	**2,170**	**1,836**	**10,949**

The increase in these assets mainly consist of equipment/renovations of stores.
Property, plant and equipment do not include assets subject to revaluation, as per the special laws contained in article 10 of Law 72/1983.

7. INVESTMENTS

The following table provides a breakdown as of March 31, 2016 and 2015:

(in thousands of Euro)	**March 31, 2016**	**March 31, 2015**
Investments in subsidiaries	16,783	24,591
Investments in other companies	113	167
Total investments	**16,896**	**24,758**

The changes in Investments in subsidiaries were due to:

i) Write-down of the investment in the subsidiaries Damiani Hong Kong Ltd for Euro 4,608 thousands and Damiani Shanghai Trading Co. Ltd for Euro 4,146 thousands, as a result of the impairment test which determined recoverable amounts less than the value of the investments (for details on the methodology used in the impairment test, see the next paragraph).
ii) Increase in the stake in Laboratorio Damiani S.r.l. following the acquisition of the minority stake held by Christian Rizzetto, which occurred in July 2015. The 24.5% of the company's share capital was purchased for an amount of Euro 945 thousands. As a result of this transaction, Damiani S.p.A. holds 75.5% of the manufacturing company.

The table below provides details of investments in subsidiaries at March 31, 2016.

(in thousands of Euro)

Company name	**Registered Office**	**Share capital**	**Net Equity**	**Profit/ (Loss)**	**% owned**	**Net Equity owned**	**Book value**	**Note**
Casa Damiani Espana S.L.	Valencia (Spain)	721	831	(1)	99%	823	330	1)
Damiani International B.V.	Amsterdam (Netherlands)	194	680	(16,616)	100%	680	9,894	1)
Damiani Hong Kong Ltd.	Hong Kong	8,212	(2,297)	(4,227)	96%	(2,205)	0	1)
Laboratorio Damiani S.r.l.	Valenza (Italy)	850	4,327	718	76%	3,267	1,412	1)
Rocca International S.A.	Lugano (Switzerland)	549	1,398	23	100%	1,398	2,384	1)
Damiani Mexico S.A.	Mexico D.F. (Mexico)	153	(195)	(146)	10%	(20)	29	1)
Damiani Shanghai Trading Co. Ltd	Shanghai (China)	6,121	(2,412)	(2,639)	100%	(2,412)	1,391	1)
Damiani Korea Co. Ltd	Seoul (South Korea)	1,467	426	(389)	100%	426	1,343	1)
Damiani Russia LLC	Moscow (Russia)	0	(42)	(42)	100%	(42)	0	1)
Total							**16,783**	

1) Financial statements prepared in accordance with local accounting standards

Impairment test carried out on investments

Investments, constituting Cash generating units (CGU), are subject to impairment tests, with particular

attention on those whose carrying value is higher than the share of equity.
The recoverable value was calculated using the value in use, which in turns was calculated by using the discounted cash flow method that involves estimating the future cash flow and discounting this by using a rate coinciding with the weighted average cost of the capital (WACC). To the value in use thus obtained is subtracted the value of the financial debt of the company, and the resulting value (equity value) is compared with the book value of the investment. The verification of the value of investments, which in turn owns other investments was made as the sum of the parts that reflects the equity value of the respective subsidiaries.
In order to execute such impairments have been used the following data and made the following assumptions:

- The cash flows were taken from the 2016-2019 business plan of the Group (including each Cash generating unit). The business plan was approved by the Board of Directors of Damiani S.p.A. on May 32, 2016.
- The cash flows were calculated for each CGU from the EBITDA minus the capital expenditure and the changes in net working capital.
- The cash flows were discounted at WACC, net of tax expenses, calculating according to the following elements:
  - risk free rate: yield on ten-years emissions in the countries in which the CGUs operate
  - beta: determined as the average ratio debt/equity in a panel
  - market premium: yield spread between the risk free rate and the equity remuneration of the industry in the geographical context in which the CGUs operate
  - average debt rate: cost related to sources of financing by third parties of the CGU.

The cash flows were discounted using a WACC specific to each direct and indirect investment (from 6.45% to 7.93%), net of tax effect, consistent with the individual parameters listed above and related to each CGU. In the previous financial year the WACCs ranged from 6.25% to 9.60%.
In particular, the expected growth rate "g", after the three years covered by the business plan, to be used for the calculation of the terminal value, was assumed to be zero, except for CGUs operating in the retail channel (Damiani boutiques in Italy). In this CGU the "g" rate is 1%, in line with the curve of the projections of its business plan and lower than the growth rate of the market. The same approach was also held in the previous financial year.
For the sub-holding Damiani International B.V. the impairment test considers beside the value in use of its assets also the sum of the recoverable values of each subsidiary directly owned.
The impairment tests performed showed recoverable value in excess compared with the book value in the financial statements of Damiani S.p.A., with the exceptions of Damiani Hong Kong Ltd, for which it has recorded a permanent impairment that resulted in a write-down of Euro 4,608 thousands and Damiani Shanghai Trading Co. Ltd with a write-down of Euro 4,146 thousands. As a sensitivity analysis we report that in the negative change of key assumptions such as WACC and the growth rate g of 0.5 points compared with the same parameters used in the impairment test, the recoverable value of the investments reveal further impairment loss of Euro 1.1 million.

The following table details the investment in other companies.

(in thousands of Euro)	**March 31, 2016**
Fin-Or-Val S.r.l.	72
Banca d'Alba	41
Total investments in other companies	**113**

In the financial year 2015/2016 there was the impairment loss of the investment in Fin-Or-Val S.r.l. for Euro 54 thousands to align the value of the corresponding portion of equity. Therefore, the carrying amounts approximate their fair values that can be deduced from the latest available financial statements of the two companies (December 31, 2014).

8. FINANCIAL RECEIVABLES AND OTHER NON-CURRENT ASSETS

The following table provides a breakdown as of March 31, 2016 and 2015:

(in thousands of Euro)	March 31, 2016	March 31, 2015
Receivables towards subsidiaries	14,165	22,595
Receivables towards others	242	273
Total financial receivables and other non-current assets	**14,407**	**22,868**

Financial receivables towards subsidiaries decreased by Euro 8,430 thousands in the financial year 2015/2016. This change was mainly due to: i) contraction of receivables toward Damiani International B.V., which stemmed from previous commercial supplies to the Swiss branch of Damiani International B.V., whose payment terms exceeded the normal commercial deferral and therefore were reclassified as financial fixed assets. On April 1, 2015 the Swiss branch has been purchased and merged in Damiani International S.A., which has reimbursed Damiani S.p.A.; ii) increase in loans to the subsidiaries Damiani Shanghai Trading Co. Ltd, Damiani Macau Ltd, Damiani Hong Kong Ltd and Damiani Russia LLC (overall for Euro 2,467 thousands), to cover the financial needs generated by current operations of the companies in their start-up period.
At March 31, 2016 receivables towards subsidiaries were as follows:

(in thousands of Euro)	March 31, 2016	March 31, 2015
Damiani International B.V.	3,285	14,182
Damiani Hong Kong Ltd	843	807
Laboratorio Damiani S.r.l.	3,030	3,030
Rocca International S.A.	731	731
Damiani Macau Ltd	724	350
Damiani Shanghai Trading Co. Ltd	4,682	3,375
Damiani Korea Co. Ltd	120	120
Damiani Russia LLC	750	-
Total	**14,165**	**22,595**

The loans to subsidiaries provide for interest expenses on the basis of Euribor (three or six months) plus a spread.

9. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The following table provides a breakdown as of March 31, 2016 and 2015:

(in thousands of Euro)	March 31, 2016	March 31, 2015
Deferred tax assets		
Net impact of the returns reserve	960	1,212
Write-off on intercompany inventory margins	598	650
Financial interests in excess	1,623	2,103
Fiscal losses	1,782	1,852
Provision for doubtful accounts not deductible	743	838
Provisions on lawsuits	184	103
Write downs of inventories	2,533	2,411
Foreign exchange rate loss	82	347
Loss on barter receivables	-	146
Effect on stock option plans	160	120
Other timing differences of a taxation nature	281	283
Total deferred tax assets	**8,946**	**10,065**

(in thousands of Euro)	March 31, 2016	March 31, 2015
Deferred tax liabilities		
Exchange differences	503	897
Other timing differences of a taxation nature	146	127
Total deferred tax liabilities	**649**	**1,024**

The change in deferred tax assets compared with March 31, 2015 was primarily due to the realignment of the value to the new tax rate on business income (from 27.5% to 24%), introduced in Italy starting from next year. The deferred tax assets recorded in the financial statements are in fact deemed recoverable in future years based on the plans of the Company, and thus when will be applicable the new reduced rate.
The recoverability of deferred tax assets on tax losses (recorded in the financial statements in previous years

in a partial measure) and on financial charges in excess, also takes into account both the benefits of joining in the consolidated tax regime and the changes made by the Legislative Decree 98/2011 which introduced the new regime of tax losses, making them temporally unlimited albeit with quantitative limitations on an annual basis. The amount of deferred tax assets on prior losses not recorded in the financial statements cumulatively amounted to Euro 1,002 thousands.

10. INVENTORIES

The following table provides a breakdown as of March 31, 2016 and 2015:

(in thousands of Euro)	**March 31, 2016**	**March 31, 2015**
Raw materials, semi-finished goods and advance payments	10,152	9,889
Finished products and goods	69,826	59,804
Total inventories	**79,978**	**69,693**

The amount of inventories in finished products and goods at March 31, 2016 increased by Euro 10,285 thousands compared with the previous financial year. This change was due to the increasing number of directly managed stores and to the partial modification of the procurement policies of the Company.
Besides, the amount of inventories at March 31, 2016 includes Euro 4,080 thousands (Euro 4,022 thousands at March 31, 2015) of finished products delivered to customers but for which the conditions for the recognition of the revenues were not met. The slight increase was related to the revision of the estimates of returns on sales expected in the future, according to the dynamics of returns booked in the financial year.
At March 31, 2016 the inventories have been wrote-down for Euro 10,554 thousands (Euro 9,455 thousands at March 31, 2015) to cover the commercial obsolescence in the stock of finished goods. The risk has been calculated by the Company's management, assessing the various rotating levels recorded during the year for each product category from stock.

11. TRADE RECEIVABLES

The following table provides a breakdown as of March 31, 2016 and 2015:

(in thousands of Euro)	**March 31, 2016**	**March 31, 2015 (restated)***
Trade receivables towards clients	42,689	44,143
Trade receivables towards subsidiaries	45,216	38,040
Trade receivables, gross	**87,905**	**82,183**
Provision for doubtful accounts	(3,300)	(3,263)
Fund for returns on sales	(8,349)	(8,220)
Net present value calculation of receivables	(6)	(6)
Total trade receivables	**76,250**	**70,694**

(*) The figures for the financial statements at March 31, 2015 have been reclassified to conform to the economic and financial representation adopted in the financial statements at March 31, 2016.

Trade receivables is net of allowance for doubtful accounts and fund for returns on sales, as well as net of the effects of discounting the receivables represented by bank receipts that have been reissued and have due dates that go beyond the accounting period.
The following table shows the details of trade receivables from Group companies in the two period compared.

(in thousands of Euro)	March 31, 2016	March 31, 2015
Damiani International B.V.	1,584	1,773
Damiani Japan K.K.	18,286	16,038
Damiani Usa Corp.	4,084	4,425
Damiani Hong Kong Ltd	7,419	5,465
Laboratorio Damiani S.r.l.	1,720	1,302
Damiani France S.A.	122	2,245
Rocca International S.A.	1,557	1,092
Damiani Macau Ltd	1,565	1,027
Damiani Mexico S.A. de C.V.	1,527	1,246
Damiani India Co. Ltd	-	200
Damiani Shanghai Trading Co. Ltd	2,219	2,314
Damiani Korea Co. Ltd	2,633	913
Damiani International S.A.	856	-
Damiani Russia LLC	1,644	-
Total	**45,216**	**38,040**

The increase in trade receivables towards subsidiaries compared with March 31, 2015 was mainly due to the subsidiaries that have more recently started the business in their own markets and therefore are placed in a start-up. The increase due to Damiani Japan KK was attributable to the substantial investments made by the subsidiary during the year for the construction of the new headquarter in Tokyo that resulted in a temporary slowdown in payment flows of products supplied by Damiani S.p.A.

The following table shows the changes in the fund for returns on sales and the provision for doubtful accounts happened during the financial year ended March 31, 2016.

(in thousands of Euro)	Fund for returns on sales	Provision for doubtful accounts
Book value at March 31, 2015	**8,220**	**3,263**
Accrual	2,557	802
Utilization	(2,428)	(765)
Book value at March 31, 2016	**8,349**	**3,300**

There are no trade receivables with a duration of more than five years. At March 31, 2016 the composition of gross trade receivables from customers by maturity was as follows:

(in thousands of Euro)	Not overdue	Overdue 0-90 days	Overdue 91-180 days	Overdue 181-365 days	Overdue over 365 days	Total
Gross value of trade receivables	28,280	4,713	2,912	160	6,623	42,689

12. TAX RECEIVABLES

The tax receivables decreased from Euro 451 thousands at March 31, 2015 to Euro 388 thousands at March 31, 2016 due to less advances on income taxes.

13. OTHER CURRENT ASSETS

The following table provides a breakdown as of March 31, 2016 and 2015:

(in thousands of Euro)	March 31, 2016	March 31, 2015
Prepayments	2,016	1,421
Accrued income towards subsidiaries	-	461
Advances to suppliers	1,330	1,713
Receivables from others	339	1,484
Total other current assets	**3,685**	**5,079**

The decrease in the item for Euro 1,394 thousands was due to: i) reduction of receivables from others of Euro 1,145 thousands following the collection of the receivable from the insurance company, recorded at March 31, 2015, for Euro 596 thousands and for the opposite effect of mark to market valuation of forward contracts: it was a credit for Euro 657 thousands at March 31, 2015 and has a negative valuation at March 31, 2016 of Euro 143 thousands (reported under current liabilities); ii) more prepayments of Euro 442 thousands relating to barter contracts.

14. CASH AND CASH EQUIVALENTS

The following table provides a breakdown as of March 31, 2016 and 2015:

(in thousands of Euro)	**March 31, 2016**	**March 31, 2015 (restated)***
Bank and post accounts	3,182	2,391
Cash on hand	95	101
Total cash and cash equivalents	**3,277**	**2,493**

(*) The figures for the financial statements at March 31, 2015 have been reclassified to conform to the economic and financial representation adopted in the financial statements at March 31, 2016.

The balance represents the existing cash on bank accounts and post office, and the existence of cash and cash equivalents at the end of the period.

15. SHAREHOLDERS' EQUITY

The share capital, fully paid up at March 31, 2016, amounted to Euro 36,344 thousands, gross of treasury shares, and was made up of 82,600,000 shares with a par value of Euro 0.44 each.
It should be noted that no dividends were paid during the financial year. The Board of Directors on June 14, 2016 did not propose to the Shareholders' Meeting any dividend payment for the financial year 2015/2016.
The number of treasury shares held in the portfolio amounted to 5,556,409 (6.73% of the share capital) for a total value of Euro 8,135 thousands. Such amount was booked as a direct reduction in equity.
The number of shares in circulation, equal to 13,827,522, are in slight decrease compared with March 31, 2015.
The changes in equity in the financial year ended March 31, 2016 were as follows:

- Negative net result for Euro 3,640 thousands
- Increase in the stock option reserve for Euro 145 thousands
- Actuarial gain on defined benefit plans for employees recognized in accordance with IAS 19 (2011) for Euro 48 thousands.

Details of the utilization and availability of the reserves are given below.

Description	**Amount**	**Usage**	**Share available**		**Usage in the three previous financial years to cover losses**	**for other uses**
Share capital	36,344					
Share premium reserve	52,091	1) 2) 3)	52,091	(*)	4,102	11,415
Legal reserve	2,564	2)				
Other reserves:						
FTA reserve	(5,358)	1) 2) 3)	(5,358)			
extraordinary reserve	(535)	1) 2) 3)	(535)		1,172	4,222
stock option and stock grant reserve	928	1) 2)				
reserve from discounting	3,275	4)				
Total	**89,309**		**46,198**		**5,274**	**15,637**

Note
1) for share capital increase
2) to cover losses
3) to be distributed to shareholders
4) not distributable
(*) For position 3) distribution to shareholders, the share premium reserve is used for Euro 47,386 thousands

16. FINANCIAL LIABILITIES: CURRENT AND NON-CURRENT PORTION

The current and non-current portion of financial liabilities at March 31, 2016 and March 31, 2015 were made up as follows:

(in thousands of Euro)	March 31, 2016	March 31, 2015	Note
Non current portion			
Loan A	10,880	6,012	a
Loan B	5,301	5,000	b
Loan C	1,808	2,074	c
Loan D	2,904	2,904	d
Loan E	1,400	-	e
Loan F	-	58	f
Loan G	-	-	g
Financial leasing	4,546	5,893	h
Total non current portion of medium/long term financial liabilities	**26,838**	**21,941**	
Current portion			
Loan A	2,720	-	a
Loan B	-	-	b
Loan C	602	519	c
Loan D	-	-	d
Loan E	600	-	e
Loan F	58	687	f
Loan G	-	1,500	g
Financial leasing	1,036	1,030	h
Total current portion of medium/long term financial liabilities	**5,017**	**3,736**	
Total medium/long term financial liabilities	**31,855**	**25,677**	

The following is a breakdown of key information relating to loans granted by banks and other lenders at Damiani S.p.A.:

a) The medium-term loan A has been signed by Damiani S.p.A. with a pool of three banks on November 6, 2013 for an amount up to a maximum of Euro 11,000 thousands, which aims to support the continued operation of the Damiani Group, mainly by financing industrial investments and the provision of the inventory required for the development of the retail channel. Disbursements were subject to the effective implementation of the investment plan of the Group and compliance with the financial covenants contractually established and verified quarterly by the lenders. Failure to comply with these covenants, resulted in the temporary suspension of payments and the renegotiation of the covenants themselves between Damiani S.p.A. and lenders. This process ended on July 31, 2015 with the signing by the parties of an act amending the initial loan agreement, which introduced some changes. In particular: i) reduction of the spread applied on the amount paid from 6.05% to 3.90% per year; ii) review of the financial covenants, based on the targets of the new three-year plan 2015-2018 of the Group, annually verified (the first check on March 31, 2016). Following the signing of the amendment, in October 2015 Damiani S.p.A. has been granted the remaining part of the credit line. On December 18, 2015 was signed a second amending act between the parties in which has been enshrined in the adhesion to the financing of a new lender that has provided Damiani S.p.A. an additional line of Euro 2,600 thousands, under the same terms and conditions agreed in the first amending act of July 2015. At March 31, 2016 the covenants were respected. The repayment of the credit line runs from the 30th month following the signature of the contract, to be completed after 66 months of signing, according to the established plan. Therefore, on May 2016 the first installment has been repaid.

b) The private non-convertible bond (item B) was signed by the executive directors Guido, Giorgio and Silvia Grassi Damiani, who represent the majority shareholders of Damiani S.p.A. It provides for a term from October 1, 2013 to September 30, 2019 and repayment at maturity in one installment and an annual fixed interest rate of 3.9%. Interests have to be capitalized from January 1, 2015 and paid in a single installment at the time of loan repayment.

c) Loan C referred to a subsidized loan signed in February 2013 by Damiani S.p.A. with Simest S.p.A. to implement development programs in China within 24 months following the signing of the contract. Based on the progress of investments the loan, of total Euro 3,012 thousands, was paid in five separate tranches and provides a repayment plan in seven years, after the first two years grace period, in half-yearly installments and at an effective annual rate of 0.5%. In the month of August 2015 the first installment of repayment for the amount of Euro 301 thousands was paid.

d) Loan D was completed on December 31, 2013 and consists in the financial contribution of HK$ 29,826,000 (equivalent to Euro 2,904 thousands) by Simest S.p.A. (66.7% of the total) and by the Venture Capital Fund of the Ministry of Economic Development (the remaining 33.3%) in the subsidiary Damiani Hong Kong Ltd to support its development in the Greater China. In legal terms, the transaction is considered as a capital increase for Damiani Hong Kong Ltd. From an accounting standpoint, given the commitments stipulated in the contract signed between Damiani S.p.A. and Simest S.p.A. (and with the

Venture Capital Fund), which provides for the repurchase of shares at a predetermined minimum price (at least equal to the initial) at the end of the agreed period (starting from September 30, 2018 and until September 30, 2021), as well as a flat-rate annual fee to be paid to Simest S.p.A. (and to the Venture Capital Fund) benchmarked to the initial payment, translated in Euro, this contribution can be configured as a medium-long term financing and as such accounted in the financial statements of the Damiani Group.

e) Loan E was signed on October 29, 2015 with a bank for the amount of Euro 2,000 thousands and three years duration. On this loan accrues annual interest determined from Euribor 6 months + 1.53% spread. The refund will be in 10 constant quarterly installments, starting from September 2016.

f) Loan F was granted to Rocca S.p.A. (merged into Damiani S.p.A. in December 2014) in April 2013 , to support retail development for a total of Euro 2,000 thousands with a repayment plan in 36 monthly installments starting from May 2013 (the last installment will be repaid in April 2016). On this loan interests are paid at a rate equal to Euribor three months + spread 3%.

g) Loan G was originally granted to Damiani S.p.A. in June 2009 for a total of Euro 15,000 thousands with a repayment plan based on constant six-monthly installments for the period from December 31, 2010 to June 30, 2015. Therefore, during the financial year 2015/2016 it was duly paid with the repayment of the last installment.

Moreover, in the table the debt for leasing on buildings are showed. They are related to three contracts for the sale of properties to related parties, which are treated as sale and lease back arrangements under IAS 17. These real estate units are Damiani and Rocca 1794 store locations.

The table below shows the detail of Net financial position at March 31, 2016 and at March 31, 2015:

Net financial position (*) *(in thousands of Euro)*	**March 31, 2016**	**March 31, 2015 (restated)****
Current portion of loans and financing	3,981	2,705
Current portion of loans and financing with related parties	1,036	1,031
Short term borrowings	27,602	34,349
Short term borrowings with related parties	4,000	-
Current financial indebtedness	**36,619**	**38,085**
Non current portion of loans and financing	16,991	11,048
Non current portion of loans and financing with related parties	9,846	10,893
Non Current financial indebtedness	**26,838**	**21,941**
Total gross financial indebtedness	**63,456**	**60,026**
Bank and post accounts	(3,182)	(2,392)
Cash on hand	(95)	(101)
Net financial position (*)	**60,179**	**57,533**

(*) Net financial position is determined according to the indication of Consob communication n. DEM/6064293 of July 28, 2006.
(**) The figures for the financial statements at March 31, 2015 have been reclassified to conform to the economic and financial representation adopted in the financial statements at March 31, 2016.

The net financial position of Damiani S.p.A. at March 31, 2016 was negative for Euro 60,179 thousands, a decrease of Euro 2,646 thousands compared with March 31, 2015.
The change is closely related to the role of financial holding of the Group covered by the Company that operates to ensure better management of the need of resources also at foreign subsidiaries. In this context, also includes the use of cash in the short term where it is generated within the Group (hence the short term debt to related parties of Euro 4,000 thousands) as well as actions aimed at improving the balance between sources and uses. For this purpose, to support long-term development of the Company and the Group, in the financial year 2015/2016 the non-current portion of financial liabilities has increased (from 36.5% to 42%) and has decreased the average cost from the previous year.

17. EMPLOYEES’ TERMINATION INDEMNITIES

In the financial year ended March 31, 2016 the following changes took place on Employees’ termination indemnities (TFR):

(in thousands of Euro)	March 31, 2016	March 31, 2015
Employees' termination indemnities at the beginning of the period	**4,355**	**3,762**
Values resulting from the merger	-	645
Financial expenses	42	64
Paid benefits	(671)	(321)
Actuarial Loss (Profit)	(66)	205
Employees' termination indemnities at the end of the period	**3,660**	**4,355**

The changes during the period reflect the provisions and the outlays, including advances, implemented during the financial year ended March 31, 2016.
Employees' termination indemnities are part of the defined benefits plans.
Liabilities were calculated using the Project Unit Cost method based on the following:

- A series of financial assumptions were used (increases in the cost of living, pay increases, etc.) to calculate the potential payments that will have to be made to each employee in the event of retirement, death, invalidity, resignation and so on. This estimate of future payments includes the increases due to further years of services experience and the expected growth rate of pay received at the valuation date.
- It has been calculated the average present value of future benefits on the basis of the annual interest rate used and the probability that each service has to be effectively delivered at the financial statements date.
- It has been defined the liability for the Group identifying the share of the average present value of future benefits that refers to the service already accrued by the employee at the date of valuation.
- It has been established, on the basis of the liability determined in the previous paragraph and the reserve set aside in the financial statements as per the Italian law, the IFRS reserve.

Details of the assumption adopted are as follows:

Financial hypotheses	31 March 2016
Annual rate for the Net present value	0.82%
Annual inflation rate	1.50% for 2016 1.80% for 2017 1.70% for 2018 1.60% for 2019 2.00% from 2020 onwards

Demographic hypotheses	
Mortality	RG48 (RGS table 48)
Inability	INPS tables by age and sex
Pensionable Age	Reaching 100% of the mandatory social security requirements

Gains and losses deriving from actuarial calculations are booked to the income statements as labor costs or financial income/charge.

18. PROVISIONS FOR RISKS AND CHARGES

The provision is recognized to cover legal disputes. The value of the provisions is changed from Euro 453 thousands in the financial year ended March 31, 2015 to Euro 767 thousands in the financial year ended March 31, 2016. The changes are: i) uses for Euro 175 thousands for litigation; ii) provisions of Euro 489 thousands to cover current legal proceedings for which at March 31, 2016 there were already likely obligations incurred by the Company.

19. TRADE PAYABLES

The following table provides a breakdown as of March 31, 2016 and 2015:

(in thousands of Euro)	March 31, 2016	March 31, 2015
Trade payables due in less than 12 months	37,686	43,214
Trade payables towards subsidiaries within 12 months	18,099	15,154
Bill payable, other credit securities and advances	1,174	592
Total trade payables	**56,959**	**58,960**

At March 31, 2016 the trade payables decreased by Euro 2,001 thousands if compared with March 31, 2015 and they had a different composition within them: in front of the contraction of the exposure to third parties for Euro 4,946 thousands corresponds to an increase in payables to subsidiaries for Euro 2,945 thousands.
The increase in trade payables towards subsidiaries is mainly attributable to higher support services to the commercial activities of the Company outsourced to Damiani International S.A. during the financial year (those services in a less wide were made by Damiani International B.V. in the previous year).
Details of trade payables towards subsidiaries were as follows:

(in thousands of Euro)	March 31, 2016	March 31, 2015
Damiani International B.V.	-	3,314
Damiani Japan K.K.	761	87
Damiani Usa Corp.	1,276	-
Casa Damiani Espana S.L.	721	721
Damiani Hong Kong Ltd	622	1,902
Laboratorio Damiani S.r.l.	7,963	8,459
Damiani France S.A.	582	438
Rocca International S.A.	190	132
Damiani Macau Ltd	400	97
Damiani Mexico S.A. de C.V.	4	4
Damiani Shanghai Trading Co. Ltd	124	-
Damiani Korea Co. Ltd	37	-
Damiani International S.A.	5,418	-
Total	**18,099**	**15,154**

20. SHORT TERM BORROWINGS

The following table provides a breakdown as of March 31, 2016 and 2015:

(in thousands of Euro)	March 31, 2016	March 31, 2015 (restated)*
Current debts towards banks	31,182	33,956
Accrued expenses related to interest on loans	420	392
Total short term borrowings	**31,602**	**34,348**

(*) The figures for the financial statements at March 31, 2015 have been reclassified to conform to the economic and financial representation adopted in the financial statements at March 31, 2016.

The reduction in the item of Euro 2,746 thousands was a direct result of the actions undertaken by the Company during the financial year 2015/2016 to rebalance the sources, increasing the weight of the medium/long term ones (please also refer to the previous note 16. Financial liabilities: current and non-current portion).
The item also includes the short-term debt of Euro 4,000 thousands signed with the subsidiary Damiani France S.A. in two tranches during the financial year 2015/2016: the first Euro 2,200 thousands in May 2015 and the second of Euro 1,800 thousands in July 2015. Even these transactions fit into the actions aimed at optimizing the use of the sources generated by the Group. On this debt the Company pays an annual interest rate of Euribor 12 months + 3.50% spread, in line with market rate.

21. TAX PAYABLES

At March 31, 2016 the item amounted to Euro 1,167 thousands compared with Euro 861 thousands at March 31, 2015. The increase was due to the debt towards the Tax Authority for VAT and income taxes (IRES and IRAP).

22. OTHER CURRENT LIABILITIES

The following table provides a breakdown as of March 31, 2016 and 2015:

(in thousands of Euro)	March 31, 2016	March 31, 2015
Payables to social security institutions	933	966
Payables to employees	2,084	2,238
Other liabilities towards subsidiaries	557	353
Other liabilities	1,059	286
Total other current liabilities	**4,633**	**3,843**

Payables to employees include liabilities for vacation and permissions not enjoyed as well as the amount accrued and not yet paid by 13-th and 14-th monthly.
The increase in other payables was due to: i) debt to the Tax Authority of Euro 540 thousands relating to the dispute ended in February 2016 under an agreement that provides for the payment by installments; ii) residual amount of Euro 216 thousands to be paid to the former minority shareholder of Laboratorio Damiani S.r.l. following the purchase of 24.5% of the share capital; iii) liability for the mart to market valuation of future contracts for Euro 143 thousands.
The amount of liabilities towards subsidiaries was as follows:

(in thousands of Euro)	March 31, 2016	March 31, 2015
Laboratorio Damiani S.r.l.	436	353
Damiani France S.A.	121	-
Total	**557**	**353**

23. REVENUES

In the financial year 2015/2016 total revenues amounted to Euro 147,430 thousands and recorded an increase for Euro 2,864 thousands (+2.0%) compared with the previous financial year.
The following table shows breakdown by sales channels.

Revenues by Sales Channel *(in thousands of Euro)*	**Financial Year 2015/2016**	**Financial Year 2014/2015 (restated)***
Third parties Wholesale	**73,295**	**80,338**
Percentage on total revenues	*49.7%*	*55.6%*
Third parties Retail	**50,824**	**40,178**
Percentage on total revenues	*34.5%*	*27.8%*
Total wholesale and retail revenues	**124,119**	**120,516**
Percentage on total revenues	*84.2%*	*83.4%*
Intercompany revenues	22,140	23,810
Percentage on total revenues	*15.0%*	*16.5%*
Other revenues	1,171	240
Percentage on total revenues	*0.8%*	*0.2%*
Total Revenues	**147,430**	**144,566**

(*) The figures for the financial statements at March 31, 2015 have been reclassified to conform to the economic and financial representation adopted in the financial statements at March 31, 2016.

The trend for each channel has been described in the report on operations.
Other revenues amounted to Euro 1,171 thousands and mainly refer to insurance reimbursements against robberies suffered by the Company.

24. COST OF RAW MATERIALS AND CONSUMABLES

In the financial year 2015/2016 the cost of raw materials and consumables (including purchases of finished goods) amounted to Euro 89,586 thousands, a decrease by Euro 3,898 thousands compared with the financial year ended March 31, 2015 (Euro 93,484 thousands).
The contraction, in front of a growth in revenues, was a direct result of the different mix of sales recorded in the financial year 2015/2016 compared with the previous year. In fact, the major retail revenues (in absolute and percentage terms) generated a benefit on the margin of the Company and compressed in proportion the weight of the cost of goods sold.

25. COST OF SERVICIES

The following table shows the cost of services in the financial year ended March 31, 2016 and in the financial year ended March 31, 2015:

(in thousands of Euro)	**Financial Year 2015/2016**	**Financial Year 2014/2015**
Operating expenses	13,593	8,279
Advertising expenses	9,511	7,991
Other commercial expenses	3,557	3,245
Production costs	3,478	2,720
Consultancy	1,495	1,593
Travel/transport expenses	2,217	2,385
Directors' fees	645	52
Use of third parties assets	4,948	4,672
Total cost of services	**39,443**	**30,937**

Service costs have increased by Euro 8,506 thousands compared with the previous year. The increase was due to these major components: i) support for the development in Italy and abroad with more advertising and commercial (commissions) expenses and for the use of third parties assets (rental of retail locations); ii) review of the directors' fees for special assignments, that in the previous year had deliberately renounced; iii) increase in expenses for outsourced services (included in operating expenses), entrusted to Damiani International S.A. This increase is offset by a proportional decline in personnel costs.

26. PERSONNEL COSTS

The following table shows the cost of services in the financial year ended March 31, 2016 and in the financial year ended March 31, 2015:

(in thousands of Euro)	**Financial Year 2015/2016**	**Financial Year 2014/2015**
Wages and salaries	9,799	10,665
Social security costs	3,008	3,335
Termination indemnity	724	781
Other personnel costs	270	253
Total personnel cost	**13,801**	**15,034**

The personnel costs decreased by Euro 1,233 thousands (-8.2%) compared with the previous year, as a result of the downsizing and outsourcing of certain services related to marketing and sales (see also previous note 25. Cost of services). In the financial year 2015/2016 the average staff employed was 308 units (-8.3% compared with the previous year), with the breakdown by category shown in the following table.

Labour category	**Financial Year 2015/2016**	**Financial Year 2014/2015**
Executives and managers	24	33
Clerks	262	279
Workers	22	24
Total	**308**	**336**

27. OTHER NET OPERATING (CHARGES) INCOMES

The following table shows the cost of services in the financial year ended March 31, 2016 and in the financial year ended March 31, 2015:

(in thousands of Euro)	**Financial Year 2015/2016**	**Financial Year 2014/2015**
Other operating (charges) incomes	8,400	4,862
Allowance for doubtful accounts	(802)	(1,659)
Risk provision	(489)	(250)
Total other net operating (charges)incomes	**7,109**	**2,953**

The balance was positive in both periods compared and with an increase of Euro 4,156 thousands.
In the financial year 2015/2016 the other operating incomes include the non-recurring item consisting in the key money received on the early release of a commercial site in Italy, where there was a directly operated boutique. The gross income was Euro 8,500 thousands. A similar non-recurring income ever generated by a

real estate transaction had also been detected in the previous year for an amount of Euro1,892 thousands.
In the financial year 2015/2016 there were lower provisions for doubtful accounts, compared with the previous year, for Euro 857 thousands, given the need to face a lower risk of insolvency of some expired receivables.
On the contrary, it was set aside to provisions against a higher amount (increase of Euro 239 thousands) in respect of legal proceedings in progress for which at year end there were obligations for the Company, qualified as probable.
Also, the Other charges include the amount of Euro 576 thousands (with installment payments) defined with the Tax Authority for the closure of a tax dispute.

28. AMORTIZATION, DEPRECIATION AND WRITE DOWNS

The amortization, depreciation and write-downs of tangible and intangible assets in the financial year ended March 31, 2016 were Euro 2,665 thousands, an slight decrease by Euro 73 thousands compared with the previous financial year (Euro 2,738 thousands). The change was due to two main effects, partially offset: i) higher depreciation for the highest value of depreciable assets for the investments made for the development of the retail network; ii) minor write-off of the net value of fixed assets, due to real estate transactions involving shops sold in the two years.

29. FINANCIAL (EXPENSES) AND INCOMES

The following table shows the financial expenses and incomes in the financial year ended March 31, 2016 and in the prior financial year ended March 31, 2015.

(in thousands of Euro)	**Financial Year 2015/2016**	**Financial Year 2014/2015**
Exchange differences	(942)	3,458
Write down in subsidiary	(8,808)	(2,169)
(Financial charges)	(2,532)	(2,795)
Financial incomes	877	821
Total financial (expenses) and incomes	**(11,405)**	**(685)**

In the financial year 2015/2016 the balance was negative for Euro 11,405 thousands, compared with a negative balance for Euro 685 thousands in the previous financial year. The change was attributable to the following factors: i) negative currency effects while they had been particularly rewarding in the previous year; ii) higher impairment of the investments in Damiani Hong Kong Ltd and Damiani Shanghai Trading Co. Ltd for overall Euro 8,754 thousands in the financial year 2015/2016 compared with the impairment regarding Damiani Hong Kong Ltd for Euro 2,169 thousands in the previous year (see previous note 7. Investments); iii) net financial charges decreased by Euro 318 thousands due to the reduction of the rates of interest paid during the year.

30. INCOME TAXES

The following table shows the details of the item in the financial year ended March 31, 2016 and in the financial year ended March 31, 2015:

(in thousands of Euro)	**Financial Year 2015/2016**	**Financial Year 2014/2015**
Current taxes	623	452
Deferred tax (assets)/liabilities	656	1,578
Total income taxes	**1,279**	**2,030**

The current taxes include income tax IRES and IRAP (regional tax) for the period.
The reconciliation between fiscal charges in the financial statements and theoretical fiscal charges calculated on the basis of the IRES (income tax) tax rate applicable to Damiani S.p.A. in the financial year ended March 31, 2016 and in the previous financial year was as follows:

(in thousands of Euro)	Financial Year 2015/2016	Financial Year 2014/2015
Result before taxes	(2,362)	4,641
IRES (Corporate) tax rate for the period	27.5%	27.5%
Theoretical tax burden	**649**	**(1,276)**
IRAP (Regional tax on productive activities) effect	(97)	(353)
Effect new rate alignment on temporary differences	(965)	-
Other non deductible costs	(866)	(400)
Total differences	**(1,928)**	**(753)**
Total taxes for income statements	**(1,279)**	**(2,029)**
Effective tax rate	-54.1%	43.7%

31. TRANSACTIONS WITH RELATED PARTIES

This note describes the relationships between Damiani S.p.A., subsidiaries and related parties during the financial year ended March 31, 2016 and the prior financial year, highlighting their impact on economic and financial values of the Company.
Such relationships are mainly of real estate nature (rents, sale and lease back transactions, rental of business units) and of commercial nature (sale of jewelry products, cooperation agreements), with the different subsidiaries of the Group which distribute the products in their areas of competence. To these transactions has to be added the debt to the majority shareholders for the bond loan subscribed in 2013.
The following table shows the details of these relationships in the financial year ended March 31, 2016.

(in Euro)	Financial Year 2015/2016						Balance at March 31, 2016					
	Revenues	Other operating incomes (charges)	Financial incomes	Costs of raw materials	Costs of services	Financial adjustments and expenses	Financial receivables	Trade receivables	Other current assets	Financial debt (including leasing)	Trade payables	Other current liabilities
Damiani International B.V.	690,076	-	66,561	-	-	-	3,285,000	1,584,240	-	-	-	-
Damiani Japan K.K.	6,753,404	18,081	-	-	-	-	-	18,286,001	-	-	(760,892)	-
Damiani Usa Corp.	(216,864)	-	-	-	-	-	-	4,083,745	-	-	(1,276,038)	-
Casa Damiani Espana S.L.	-	-	-	-	-	-	-	-	-	-	(721,480)	-
Damiani Hong Kong Ltd	1,635,834	87,031	13,886	(217,539)	-	(4,607,540)	842,856	7,418,935	-	-	(621,860)	-
Laboratorio Damiani S.r.l.	6,883,818	159,764	282,475	(11,415,861)	(1,891,656)	-	3,030,001	1,720,348	-	-	(7,962,985)	(435,629)
Damiani France S.A.	(327,306)	-	-	-	-	(121,017)	-	121,982	-	(4,000,000)	(581,602)	(121,017)
Rocca International S.A.	1,675,662	-	11,395	(168)	-	-	731,388	1,557,320	-	-	(189,978)	-
Damiani Macau Ltd	281,241	-	27,036	-	-	-	723,522	1,565,280	-	-	(399,861)	-
Damiani Mexico S.A. de C.V.	501,822	-	-	-	-	-	-	1,527,416	-	-	(3,978)	-
Damiani India Co. Ltd	(133,815)	-	-	-	-	-	-	-	-	-	-	-
Damiani Shanghai Trading Co. Ltd	613,892	-	125,846	-	-	(4,146,000)	4,682,188	2,218,803	-	-	(124,472)	-
Damiani Korea Co. Ltd	1,888,202	-	6,404	-	-	-	120,000	2,632,581	-	-	(37,244)	-
Damiani international S.A.	-	376,365	-	-	(7,702,160)	-	-	856,412	-	-	(5,418,234)	-
Damiani Russia LLC	1,893,538	-	11,408	-	-	-	749,752	1,644,004	-	-	-	-
Imm.re Miralto S.r.l.	-	3,027	-	-	(524,431)	(13,050)	-	3,693	541,450	(164,450)	(5,421)	-
Montenapoleone 10 S.r.l.	-	-	-	-	(246,103)	(296,000)	-	-	-	(1,239,865)	(62,897)	-
Duomo 25 S.r.l.	-	-	-	-	-	(300,660)	-	-	-	(4,177,601)	-	-
Il Bricco	-	-	-	-	(83,333)	-	-	-	-	-	(32,305)	-
Venini S.p.A.	-	-	-	-	(1,852)	-	-	-	-	-	(376)	-
Dofa S.r.l.	-	1,000	-	-	-	-	-	1,220	-	-	-	-
Majority Shareholders	-	-	-	-	-	(232,230)	-	-	-	(5,300,980)	-	-
Total with related parties	22,139,504	645,268	545,011	(11,633,568)	(10,449,535)	(9,716,497)	14,164,707	45,221,980	541,450	(14,882,896)	(18,199,623)	(556,646)
Total from financial statements	146,258,476	7,108,830	877,095	(89,585,794)	(39,443,304)	(12,282,148)	14,406,672	76,249,699	3,685,372	(63,456,371)	(56,958,675)	(4,633,143)
%age weight	15%	9%	62%	13%	26%	79%	98%	59%	15%	23%	32%	12%

- Revenues (shown net of any returns of merchandise) to subsidiaries include jewelry sales of the Group's brands and raw materials (to which correspond to trade receivables).
- The other operating incomes towards the subsidiary Laboratorio Damiani S.r.l. include the re-charge of seconded staff. The income from Damiani International S.A. refers to a contribution received in respect of cost incurred for advertising and promotion abroad, to develop the awareness of the Group's brands. The other lower amounts towards related parties refer to services punctually re-charged.
- The financial incomes towards the subsidiaries Damiani International B.V., Laboratorio Damiani S.r.l., Rocca International S.A., Damiani Hong Kong Ltd, Damiani Macau Ltd, Damiani Shanghai Trading Co. Ltd, Damiani Korea Co. Ltd and Damiani Russia LLC are related to the interest rates paid on the financings to those companies.
- Costs from subsidiaries Damiani Hong Kong Ltd and Laboratorio Damiani S.r.l. are related to the purchases of goods and services (repairs, production costs) to which correspond the trade payables. The costs for services from Damiani International S.A. include the royalties and the commissions accrued on foreign sales done during the financial year 2015/2016 and for services outsourced made by the Swiss

subsidiary.

- The costs for services to Immobiliare Miralto s.r.l., Montenapoleone 10 S.r.l. and Il Bricco refer to rental fees for office and boutique premises. Moreover, there are financial charges to Immobiliare Miralto s.r.l., Montenapoleone 10 s.r.l. and Duomo 25 s.r.l. for a total of Euro 610 thousands corresponding to the interest portion for the repayment of debt for three sale and lease back transactions. These transactions refer to buildings in Milan and Padua, where directly managed stores are located. The outstanding debt at March 31, 2016 amounted to Euro 5,582 thousands.
- The financial items also include the write-down of the investments in Damiani Hong Kong Ltd of Euro 4,608 thousands and in Damiani Shanghai Trading Co. Ltd of Euro 4,146 thousands, resulting from the impairment test carried out at the end of the financial year.
- The short-term financial debt of Euro 4,000 thousands from the subsidiary Damiani France S.A. was signed during the financial year 2015/2016 in two tranches: the first of Euro 2,200 thousands in May 2015 and the second of Euro 1,800 thousands in July 2015. On this debt the Company pays an annual interest rate of Euribor 12 months + 3.50% spread.
- The financial debt of Euro 5,301 thousands from the majority shareholders refers to the reserved bond issued by the Company at the end of September 2013 (with effect from October 1, 2013) and signed by the executive directors and major shareholders Guido, Giorgio and Silvia Grassi Damiani. This bond will be reimbursed in a single payment at maturity (September 30, 2019) and recognizes to the bondholders a fixed rate of 3.9% per annum, capitalized from January 1, 2015 and paid at the time of loan repayment.
- Costs from strategic executives refer to services received, which are among the Company's ordinary operations.

The following table shows the details of these relationships in the financial year ended March 31, 2015.

(in Euro)	Financial Year 2014/2015						Balance at March 31, 2015					
	Revenues	Other operating incomes (charges)	Financial incomes	Costs of raw materials	Costs of services	Financial adjustments and expenses	Financial receivables	Trade receivables	Other current assets	Financial debt (including leasing)	Trade payables	Other current liabilities
Damiani International B.V.	581,212	-	349,738	-	(3,313,866)	-	14,182,056	1,772,671	322,909	-	(3,313,866)	-
Damiani Japan K.K.	7,712,333	0	-	-	(414,029)	-	-	16,037,890	-	-	(87,337)	-
Damiani Usa Corp.	1,476,549	17,309	-	-	-	0	-	4,425,374	-	-	0	-
Casa Damiani Espana S.L.	-	-	-	-	-	-	-	-	-	-	(721,480)	-
Damiani Hong Kong Ltd	1,656,370	-	8,000	(1,735,507)	-	(2,169,000)	807,332	5,465,312	10,410	-	(1,902,295)	-
Laboratorio Damiani S.r.l.	7,646,646	252,051	169,565	(14,673,366)	(1,467,098)	0	3,030,001	1,301,705	-	-	(8,459,383)	(352,684)
Damiani France S.A.	741,428	-	-	-	-	-	-	2,245,245	-	-	(437,529)	-
Rocca International S.A.	1,666,258	(14,562)	13,309	-	-	-	731,388	1,091,968	-	-	(131,667)	-
Damiani Macau Ltd	349,476	-	20,939	-	-	-	350,000	1,026,833	31,231	-	(96,795)	-
Damiani Mexico S.A. de C.V.	287,714	-	-	-	-	-	-	1,245,819	-	-	(4,053)	-
Damiani India Co. Ltd	-	-	-	-	-	-	-	199,702	-	-	-	-
Damiani Shanghai Trading Co. Ltd	738,520	-	81,628	-	(129,403)	-	3,374,506	2,313,696	98,123	-	-	-
Damiani Korea Co. Ltd	953,073	-	1,347	-	(40,441)	-	120,000	912,632	1,347	-	-	-
Imm.re Miralto S.r.l.	-	3,018	-	-	(344,959)	(15,130)	-	3,682	607,791	(199,432)	0	-
Montenapoleone 10 S.r.l.	-	1,005	-	-	(414,795)	(346,000)	-	-	-	(1,710,515)	-	-
Magenta 82 S.r.l.	-	1,005	-	-	(80,000)	-	-	-	-	-	(80,000)	-
Duomo 25 S.r.l.	-	1,005	-	-	-	(348,970)	-	-	-	(5,013,553)	(233,995)	-
Majority Shareholders	-	-	-	-	-	(274,812)	-	-	-	(5,000,000)	-	(68,750)
Executives with strategic responsabilities	-	8,957	-	-	-	-	-	-	-	-	-	-
Total with related parties	23,809,579	269,788	644,526	(16,408,873)	(6,204,591)	(3,153,912)	22,595,283	38,042,529	1,071,811	(11,923,500)	(15,468,400)	(421,434)
Total from financial statements	144,326,399	2,953,554	4,278,917	(93,483,872)	(30,936,953)	(4,964,282)	22,867,840	70,694,204	5,078,902	(60,025,658)	(58,960,134)	(3,843,301)
%age weight	16%	9%	15%	18%	20%	64%	99%	54%	21%	20%	26%	11%

(*) The figures for the financial statements at March 31, 2015 have been reclassified to conform to the economic and financial representation adopted in the financial statements at March 31, 2016.

- Revenues (shown net of any returns of merchandise) to subsidiaries include jewelry sales of the Group's brands and raw materials (to which correspond to trade receivables).
- The other operating incomes towards the subsidiaries Damiani Usa Corp. and Laboratorio Damiani S.r.l. include the re-charge, according to the existing agreements between the parties, of services drawn up centrally and enjoyed by the subsidiaries and the re-charge of seconded staff. The other lower amounts towards related parties refer to services punctually re-charged.
- The financial incomes towards the subsidiaries Damiani International B.V., Laboratorio Damiani S.r.l., Rocca International S.A., Damiani Hong Kong Ltd, Damiani Macau Ltd, Damiani Shanghai Trading Co. Ltd and Damiani Korea Co. Ltd are related to the interest rates paid on the financings to those companies.
- Costs from subsidiaries Damiani Hong Kong Ltd and Laboratorio Damiani S.r.l. are related to the purchases of goods and services (repairs, production costs) to which correspond the trade payables. The costs for services from Damiani International B.V. include the royalties and the commissions accrued on foreign sales done during the financial year 2014/2015. The costs for services to Damiani Japan K.K., Damiani Shanghai Trading Co. Ltd and Damiani Korea Co. Ltd refer to contributions for advertising & promotion paid to the foreign subsidiaries on the basis of their turnover done in the financial year.
- The costs for services to Immobiliare Miralto s.r.l., Montenapoleone 10 S.r.l. and Magenta 82 s.r.l. refer

to rental fees for office and boutique premises. Moreover, there are financial charges to Immobiliare Miralto s.r.l., Montenapoleone 10 s.r.l. and di Duomo 25 s.r.l. for a total of Euro 710 thousands corresponding to the interest portion for the repayment of debt for three sale and lease back transactions. These transactions refer to buildings in Milan and Padua, where directly managed stores are located. The outstanding debt at March 31, 2015 amounted to Euro 6,924 thousands.

- The financial items also include the write-down of the investment in Damiani Hong Kong Ltd of Euro 2,169 thousands resulting from the impairment test carried out at the end of the financial year.
- The financial debt of Euro 5,000 thousands from the majority shareholders refers to the reserved bond issued by the Company at the end of September 2013 (with effect from October 1, 2013) and signed by the executive directors and major shareholders Guido, Giorgio and Silvia Grassi Damiani. On the bond accrues interest at a fixed rate of 5.5% per annum.
- Costs from strategic executives refer to services received, which are among the Company's ordinary operations.

In both periods there are also loans contracts between Damiani S.p.A. and a number of subsidiaries, negotiated at markets conditions and described in the previous notes.

32. COMMITMENTS AND CONTINGENT LIABILITIES

There are not outstanding commitments and liabilities arising from obligations under way and which is likely the use of resources to fulfill the obligation which are not already reflected in the values of the financial statements at March 31, 2016.
With regard to tax audits in progress, it is provided an update at the date of approval of these financial statements. The situations described below did not reveal issues such as to generate liabilities classified as "probable" for the Company. Consequently, in the financial year 2015/2016 was provided the necessary information but there are not the conditions for the recognition of a liability in the financial statements, in accordance with the adopted accounting standards.

On September 5, 2012 the Provincial Directorate II of the Tax Agency in Milan initiated in Rocca S.p.A. (later merged into Damiani S.p.A.) a tax audit on IRES and IRAP (income taxes) for the period 2009/2010 and for VAT purposes for the year 2009. On July 2, 2014 the Office notified Rocca S.p.A. an assessment notice for formulating a relief for an amount of Euro 277 thousands. The company filed an appeal to the Provincial Tax Commission in Milan and on November 6, 2015 it was held the hearing to deal with the dispute. The Company is waiting for the judgment and the Directors believe that there are no probable risks for the Company in excess of what was accounted in the specific fund.

On March 13, 2014 the Provincial Directorate of the Tax Agency in Alessandria has initiated an audit in Damiani S.p.A. in the field of transfer pricing with reference to the tax period 2011/2012. On December 15, 2015 the Company received the summary report about this matter (called "PVC") from the Tax Agency, with reliefs of Euro 8,714 thousands for IRES (income tax) and of Euro 8,669 thousands for IRAP (local tax). In the following months, meetings were held between the Company and the Provincial Directorate of the Tax Agency. Damiani S.p.A. opened a procedure with the Office, still in progress, to provide further elements of analysis to refute the findings of the PVC. Simultaneously, on February 22, 2016 the same Provincial Directorate has initiated a further verification in Damiani S.p.A. relating to transfer pricing for the tax years 2012/2013 and 2013/2014. The verification is in progress. At the present time, based on the advancement of the audits and related assessments in progress also with the Office, the Directors of Damiani S.p.A. believe there is no probable risks for the Company.

On February 13, 2015 the tax police – department of Alessandria (Italy) - started an audit for VAT at the Administrative Offices of the former subsidiary Rocca S.p.A., merged in Damiani S.p.A. on December 16, 2014. On May 19, 2015, the financial police drew up the report "PVC" reporting reliefs for Euro 442 thousands. On September 18, 2015 the Provincial Directorate II of the Tax Agency in Milan issued notices of assessment relating to reliefs for years 2010 and 2011 Against them, the Company has submitted to the Tax Agency in Milan instance of tax settlement in November 2015. On February 12, 2016 were signed the acts of accession with the Office, agreeing a reduction compared with the assessed value and a rescheduling of the payment (final payment in November 2019). On May 20, 2016 has been noticed to Damiani S.p.A. also the assessment for the 2012 with a relief of Euro 34 thousands. The Company is considering what action to take in this regard.

On December 29, 2015 and January 5, 2016 the Tax Agency – Provincial Directorate II in Milan notified to Damiani S.p.A. notice of assessment for withholding taxes not operated for Euro 2,280 thousands and act of protest of the relevant sanctions. The contested measure was carried out in March 2010 by the subsidiary Rocca S.p.A. (merged into Damiani S.p.A. in December 2014) as part of a reorganization of the Italian network of directly operated stores of the Group. On May 26, 2016 the Company filed the appeal initiating the dispute with the Tax Agency. It is believed, in fact, that the proceeds of the sale of the lease cannot be considered productive of a taxable profit according to the Italian rules in force. Therefore, at the present time the Company, supported by the opinion of its tax advisers, believes it is not probable an outflow of resources to fulfill the established dispute. It is waiting to be set for the hearing of the dispute procedure.

33. ATYPICAL AND/OR UNUSUAL AND NON-RECURRING TRANSACTIONS

In the financial year 2015/2016 there were no positions or transactions deriving from atypical and/or unusual transactions as defined in the Consob ruling n.15519 as of July 27, 2006 and in Consob communication DEM 6064293 as of July 28, 2006.
In the financial year 2015/2016 it should be noted as non-recurring operation:

- On July 24, 2015 Damiani S.p.A. has terminated early the lease relating to a building in Italy which ran a direct sales activity. Consequently, the Company has thus formalized with the new tenant an agreement that provides for the payment to Damiani S.p.A. an amount of Euro 8.5 million as key money. The boutique has ceased its sales activity in early January 2016.

34. CAPITAL MANAGEMENT

The primary objective of Damiani S.p.A., parent company of Damiani Group, is to guarantee the best possible balance between assets and liabilities (solvency ratio), both at the Company level and at the level of the entire Group. On this basis, the Company acts, although in a context of complex financial market and limited availability of credit, to identify the sources necessary to support the growth plans of the Group in the medium term. These sources must be found to the best market conditions, both in terms of cost and time, with the overall objective of maintaining the capital structure to an appropriate level of solidity.
Damiani S.p.A. manages its capital structure and changes it according to the economic conditions and the targets of its strategic plans.

35. FINANCIAL RISK MANAGEMENT

At March 31, 2016 Damiani S.p.A. had a negative net financial position of about Euro 60 million, in worsening of Euro 2.6 million compared with March 31, 2015.
In the following paragraphs are described the main financial risks to which the Company is exposed and that are part of the wider management at Group level (described in the consolidated report on operations and in the notes of the consolidated financial statements) constantly monitored in order to identify appropriate actions to mitigate them.

Credit risk
The credit risk is defined as the possibility of incurring a financial loss, which could be brought about by the non-fulfillment of a contractual obligation by a counterpart.
With reference to the dealership, the Company deals with a customer base consisting mainly of jewelry shops and distributors and therefore collaterals are not generally required. The Company carries out a preliminary information survey to customers through a specific information company and monitors all customers with the attribution of a specific trust. An automatic control is also operating with the help of an information company for reporting possible negativity (eg. Protests) that trigger the immediate blocking procedures and starting the process of debt collection. When there are critical situations with some customers, the credit management department formalizes plans to return while generating a lengthening of the average collection times, minimizes the risk of loss. This constant monitoring to date has determined the containment of losses to an acceptable level. The deterioration in market conditions and difficult access to credit may impact on the solvency of some clients (mainly domestic). The Company shall conduct timely assessment of risks in the closing of the financial year.
With regard to trade and financial receivables towards the subsidiaries, the Company monitors the results of those subsidiaries and believes that these receivables are recoverable according to their business plans.
The table below shows the maximum potential exposure to the credit risk at March 31, 2016 and at March 31, 2015.

(in thousands of Euro)	March 31, 2016	March 31, 2015 (restated)*
Deposits	3,182	2,392
Trade receivables	76,250	70,694
Financial receivables towards subsidiaries	14,165	22,595
Other non current assets	242	273
Other current assets	4,074	5,530
Total maximum exposure to the credit risk	**97,912**	**101,484**

(*) The figures for the financial statements at March 31, 2015 have been reclassified to conform to the economic and financial representation adopted in the financial statements at March 31, 2016.

Liquidity risk

As part of the overall financing needs, for the ongoing management and to support its development, the Company as financial holding uses various forms of financing both in the medium/long term and short term (lines of credit and factoring), with the goal of containing the cost and risk of exposure to fluctuations in interest rates and maintain the structure of the sources balanced with the uses.
During the financial year 2015/2016, the Company continued to pursue the dual objective of balance between loans and sources, acquiring a number of medium/long term loans that could support the development projects in particular in the retail sector, both abroad and in Italy, and containment of the related cost.
As for the first goal and then in terms of liquidity risk, the situation doesn't present a high risk profile, since almost 50% of the gross indebtedness to third parties has a medium/long term maturity. Furthermore, the Company has bank credit lines that at March 31, 2016 are not used for approximately Euro 20.5 million (on a total of Euro 48.5 million).
Furthermore, under the proper balance between resources generated or absorbed by operating activities the Company also includes assessments made by management to bring the inventories (main item of the working capital) to a better dimension related to the current volume of activity. In order to achieve this balance the Company can carry out different types of interventions that can be: i) fusion of the finished product with recovery of valuable raw materials (in the financial year 2015/2016 have not been implemented operations of this type); ii) the destocking operations on channels other than ordinary. The use of one rather than another type of intervention varies over time in the light of developments in the prices of raw materials and related production requirements, and in terms of convenience as brand equity.
The table below shows the detail of the liquidity risk:

	Analysis of the due date at March 31, 2016			
(in thousands of Euro)	within 1 year	1 to 5 years	over 5 years	Total
Trade payables	56,959	-	-	56,959
Long term financial debts to banks and other lenders	3,981	14,088	2,904	20,973
Long term financial debts towards related parties	-	5,301	-	5,301
Long term financial debt to leasing	1,036	4,546	-	5,582
Short term borrowings	31,602	-	-	31,602
Other current liabilities	5,801	-	-	5,801
Total exposure	**99,378**	**23,935**	**2,904**	**126,217**

	Analysis of the due date at March 31, 2015 (restated)*			
(in thousands of Euro)	within 1 year	1 to 5 years	over 5 years	Total
Trade payables	58,960	-	-	58,960
Long term financial debts to banks	2,706	8,143	2,904	13,753
Long term financial debts towards related parties	-	5,000	-	5,000
Long term financial debt to leasing	1,031	5,611	282	6,924
Short term borrowings	34,348	-	-	34,348
Other current liabilities	4,704	-	-	4,704
Total exposure	**101,749**	**18,754**	**3,186**	**123,689**

(*) The figures for the financial statements at March 31, 2015 have been reclassified to conform to the economic and financial representation adopted in the financial statements at March 31, 2016.

Interest rate risk

With regard to the second objective mentioned in the previous paragraph and closely related to liquidity risk is the risk of fluctuations in interest rates. The Company is active to minimize its burden diversifying the sources of financing in consideration of the rates applied and their variability over time.
In line with the downward trend in market interest rates, the Company during the financial year 2015/2016 contained the cost related to loans obtained both with reference to the medium/long term than on short lines. On the different components, remuneration are at fixed rates (bond signed in September 2013 by relevant shareholders, Simest S.p.A. contribution in Damiani Hong Kong Ltd made in December 2013, for which Damiani S.p.A. has a repayment obligation), at variable rate (the syndicated loan and the short lines) as well as subsidized rate (Simest S.p.A. funding for development programs in China). Overall, the indebtedness cost has been reduced by about one percentage point, from 3.94% to 2.99% per annum, with

reduction in both medium/long term components and short term ones, that are on average less costly. Considering the current balance of the sources, the risk is therefore lower than the previous year.

Price fluctuations' risk and raw materials' availability

Among its raw materials Damiani S.p.A. mainly uses precious stones, gold, pearls and other precious materials, whose market prices and availability can vary significantly due to factors as government regulations, market trends and investors' speculative positions, relationships with suppliers (above all regarding the purchase of diamonds) and consequent conditions of supply.

During the year 2015/2016 the average price of gold began to raise, with an average value of 33.5 Euro/gram from April 2015 to March 2016, +5.5% compared with the average over the previous twelve months. In subsequent months (April-May 2016) the price of gold remained constantly over 35 Euro/gram. This increase, if should stabilize, would be negative on production costs, and in the formulation of forecasts of purchase of the raw material, even if it should be activated mechanisms of hedging the risk of price fluctuations and manufacturing process planning (also affected by seasonal events of the market). The risks related to price of raw materials and to the strong and sudden fluctuations are amplified by changes in the exchange rate, because some materials have official prices in currencies other than Euro and the same purchases are settled in US Dollar (diamonds) and Yen (pearls), while the Group's functional currency is the Euro.

Damiani S.p.A. mitigates this risk as follows: a) proceeds to forward purchases of raw materials (gold only) with fixed prices and quantities in relation to the dynamics of the production process. At March 31, 2016 active contracts relating to purchases of gold were 15 for a total quantity of 73 kilograms and an agreed equivalent of Euro 2,359 thousands; b) purchases finished products from suppliers with a well established relationships and defined agreements for a medium-term time (normally six months) that enable to mitigate the effects associated with rapid and frequent price fluctuations; c) the retail price is increased (usually annually) in relation to the increase in the production costs.

If there were in the medium-long term an uptrend in the price of raw materials used in the production process, or sudden strong swings, it could inevitably cause a reduction of margins for the Group, as it would be impossible to fully pass on the retail price the increase in the cost of acquisition/production.

Exchange rate risk

The Company makes some purchases of raw materials and finished products in US Dollar and Japanese Yen, which exposes it to the consequent exchange rate risk. If this risk is considered significant, specific currency forward contracts are signed, for the purpose of hedging the exchange rate risk.

At March 31, 2016 there were outstanding currency forward contracts entered into by Damiani S.p.A. for a total of Euro 3,196 thousands. At March 31, 2015 contracts were instead equal to a total of Euro 5,770 thousands.

Financial instruments at fair value and relative valuation hierarchy levels

The table below gives details of assets and liabilities valued at fair value. No significant differences emerge from a comparison of the book value and fair value of the different categories of financial instruments used by the Company and booked to the financial statements.

	Book value						Fair value	
	Total		current		non current			
(in thousands of Euro)	March 31, 2016	March 31, 2015 (restated)*	March 31, 2016	March 31, 2015 (restated)*	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015 (restated)*
Cash and cash equivalent	3,277	2,493	3,277	2,493	-	-	3,277	2,493
Trade receivables	76,250	70,694	76,250	70,694	-	-	76,250	70,694
Other financial assets	4,315	5,803	4,073	5,530	242	273	4,315	5,803
Financial receivables to subsidiaries	14,165	22,595	14,165	22,595	-	-	14,165	22,595
Total financial assets	**98,007**	**101,585**	**97,765**	**101,312**	**242**	**273**	**98,007**	**101,585**
Trade liabilities	56,959	58,960	56,959	58,960	-	-	56,959	58,960
Financial debts	63,456	60,026	36,618	38,085	26,838	21,941	63,456	60,026
Other liabilities	5,801	4,704	5,801	4,704	-	-	5,801	4,704
Total financial liabilities	**126,215**	**123,690**	**99,377**	**101,749**	**26,838**	**21,941**	**126,215**	**123,690**

(*) The figures for the financial statements at March 31, 2015 have been reclassified to conform to the economic and financial representation adopted in the financial statements at March 31, 2016.

With regard to the financial instruments booked at fair value, IFRS 7 requires these values to be classified on the basis of hierarchy levels that reflect the significance of the method used to calculate the fair value. These levels are as follows:

- level 1: financial instrument listed on an active market

- level 2: fair value is measured on the basis of valuation techniques that are based on observable market data, different from the listing
- level 3: fair value is calculated on the basis of valuation techniques that are not based on observable market data.

All assets and liabilities valued at fair value at March 31, 2016 are classified at level 2 and during the financial year 2015/2016 there were no transfer from level 1 or 3 to level 2.

36. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

There are no significant events to report after the close of the financial year affecting the financial structure of the Company.

37. AUDIT COSTS

The following table, compliant to article 149-duodecies of Consob Issuers' Regulation, shows the contractual fees accrued in the financial year ended March 31, 2016 for services provided by the independent audit company and by entities belonging to the same network.

(in thousands of Euro)			
Type of service	**Service provider**	**Services**	**Fees**
Audit	Reconta Ernst & Young S.p.A.	Professional fees	280
		Other expenses	29
	Total		**309**

For the Board of Directors
CEO
Giorgio Grassi Damiani

ANNEX 1

Key data of subsidiaries

Damiani International S.A.	
Registered office	Manno, Switzerland
Key figures (in thousands of Euro)	FY closed at March 31, 2016
Share capital	1,000,000
Revenues from sales and services	399
Operating result	1,872
Net result	1,280
Total assets	19,544
Shareholders' equity	2,137
Total liabilities	17,407
Financial report according to local GAAP	

Laboratorio Damiani S.r.l.	
Registered office	Valenza (AL), Italy
Key figures (in thousands of Euro)	FY closed at March 31, 2016
Share capital	850
Revenues from sales and services	14,003
Operating result	1,199
Net result	716
Total assets	12,949
Shareholders' equity	4,325
Total liabilities	8,624
Financial report according to local GAAP	

Damiani International B.V.	
Registered office	Amsterdam, Netherlands
Key figures (in thousands of Euro)	FY closed at March 31, 2016
Share capital	194
Revenues from sales and services	695
Operating result	(501)
Net result	(16,616)
Total assets	9,574
Shareholders' equity	680
Total liabilities	8,894
Financial report according to local GAAP	

Damiani Japan K.K.	
Registered office	Tokio, Japan
Key figures (in thousands of Jpy)	FY closed at March 31, 2016
Share capital	495,000
Revenues from sales and services	1,937,824
Operating result	(291,298)
Net result	(298,545)
Total assets	3,048,183
Shareholders' equity	269,956
Total liabilities	2,778,227
Average exchange rate 2015/2016	*Euro/Jpy 132.5828*
Exchange rate at March 31, 2016	*Euro/Jpy 127.90*
Financial report according to local GAAP	

Damiani USA, Corp.	
Registered office	New York, USA
Key figures (in thousands of Usd)	FY closed at March 31, 2016
Share capital	900
Revenues from sales and services	2,581
Operating result	124
Net result	(577)
Total assets	6,625
Shareholders' equity	(132)
Total liabilities	6,757
Average exchange rate 2015/2016	*Euro/Usd 1.1036*
Exchange rate at March 31, 2016	*Euro/Usd 1.1385*
Financial report according to local GAAP	

Casa Damiani Espana S.L.	
Registered office	Valencia, Spain
Key figures (in thousands of Euro)	FY closed at March 31, 2016
Share capital	721
Revenues from sales and services	-
Operating result	(1)
Net result	(1)
Total assets	831
Shareholders' equity	831
Total liabilities	-
Financial report according to local GAAP	

Damiani Hong Kong Ltd.	
Registered office	Hong Kong, Hong Kong
Key figures (in thousands of Hkd)	FY closed at March 31, 2016
Share capital	72,500
Revenues from sales and services	32,810
Operating result	(17,673)
Net result	(37,313)
Total assets	60,330
Shareholders' equity	(20,278)
Total liabilities	80,608
Average exchange rate 2015/2016	*Euro/Hkd 8.5606*
Exchange rate at March 31, 2016	*Euro/Hkd 8.8282*
Financial report according to local GAAP	

Damiani France S.A.	
Registered office	Paris, France
Key figures (in thousands of Euro)	FY closed at March 31, 2016
Share capital	39
Revenues from sales and services	1,054
Operating result	16,385
Net result	12,856
Total assets	18,180
Shareholders' equity	13,551
Total liabilities	4,629
Financial report according to local GAAP	

Damiani Macau Ltd.	
Registered office	Macau
Key figures (in thousands of Pataca)	FY closed at March 31, 2016
Share capital	22,500
Revenues from sales and services	6,956
Operating result	(10,405)
Net result	(10,835)
Total assets	21,258
Shareholders' equity	(3,267)
Total liabilities	24,525
Average exchange rate 2015/2016	*Euro/Pataca 8.8186*
Exchange rate at March 31, 2016	*Euro/Pataca 9.0941*
Financial report according to local GAAP	

Damiani Mexico S.A. de C.V.	
Registered office	Mexico - Distrito Federal, Mexico
Key figures (in thousands of Mxn)	FY closed at March 31, 2016
Share capital	3,000
Revenues from sales and services	11,958
Operating result	(2,866)
Net result	(2,863)
Total assets	24,666
Shareholders' equity	(3,823)
Total liabilities	28,489
Average exchange rate 2015/2016	*Euro/Mxn 18.3650*
Exchange rate at March 31, 2016	*Euro/Mxn 19.59*
Financial report according to local GAAP	

Damiani Shanghai Trading Co. Ltd	
Registered office	Shanghai, China
Key figures (in thousands of Cny)	FY closed at March 31, 2016
Share capital	45,000
Revenues from sales and services	12,166
Operating result	(18,280)
Net result	(19,399)
Total assets	43,147
Shareholders' equity	(17,733)
Total liabilities	60,880
Average exchange rate 2015/2016	*Euro/Cny 7.0186*
Exchange rate at March 31, 2016	*Euro/Cny 7.3514*
Financial report according to local GAAP	

Damiani Korea Co. Ltd	
Registered office	Seoul, South Korea
Key figures (in thousands of Krw)	FY closed at March 31, 2016
Share capital	1,900,000
Revenues from sales and services	3,916,674
Operating result	(517,280)
Net result	(503,343)
Total assets	5,077,315
Shareholders' equity	551,104
Total liabilities	4,526,211
Average exchange rate 2015/2016	*Euro/Krw 1,277.0275*
Exchange rate at March 31, 2016	*Euro/Krw 1,294.80*
Financial report according to local GAAP	

Damiani India PVT. Ltd.	
Registered office	New Delhi, India
Key figures (in thousands of Inr)	FY closed at March 31, 2016
Share capital	70,000
Revenues from sales and services	2,049
Operating result	(23,782)
Net result	(24,843)
Total assets	2,898
Shareholders' equity	2,555
Total liabilities	343
Average exchange rate 2015/2016	*Euro/Inr 72.2549*
Exchange rate at March 31, 2016	*Euro/Inr 75.4290*
Financial report according to local GAAP	

Rocca International S.A.	
Registered office	Lugano, Switzerland
Key figures (in thousands of Chf)	FY closed at March 31, 2016
Share capital	600
Revenues from sales and services	2,412
Operating result	(80)
Net result	25
Total assets	4,698
Shareholders' equity	1,529
Total liabilities	3,169
Average exchange rate 2015/2016	*Euro/Chf 1.0736*
Exchange rate at March 31, 2016	*Euro/Chf 1.0931*
Financial report according to local GAAP	

Damiani Russia LLC	
Registered office	Moscow (Russia)
Key figures (in thousands of Rub)	FY closed at March 31, 2016
Share capital	10
Revenues from sales and services	66,284
Operating result	1,654
Net result	(3,245)
Total assets	167,310
Shareholders' equity	(3,235)
Total liabilities	170,545
Average exchange rate 2015/2016	*Euro/Rub 76.9656*
Exchange rate at March 31, 2016	*Euro/Rub 76.3050*
Financial report according to local GAAP	

For the Board of Directors
CEO
Giorgio Grassi Damiani

Attestation regarding the Financial Statements of Damiani S.p.A., pursuant to article 154 bis of the Legislative Decree 58/1998

1. The undersigned Mr. Giorgio Grassi Damiani, CEO, and Mr. Gilberto Frola, Executive in charge of drawing up the accounting documents of Damiani S.p.A., also considering the provisions of article 154-bis, paragraph 3 and 4, of the Legislative Decree n. 58 of February 24, 1998, certify:

- The adequacy in relation to the characteristics of the Company and
- The effective application of the administrative and accounting procedures for the preparation of the financial statements of Damiani S.p.A. as of March 31, 2016.

2. Furthermore it is certified that the financial statements:

a) Are prepared in conformity with the International Accounting Standards as endorsed by the European Union pursuant to the EC regulation n. 1606/2002 of the European Parliament and Council dated July 19, 2002
b) Agree with the contents of the accounting books and entries
c) Provide a true and fair representation of the economic and financial position of the Issuer
d) The report on operations contains a reliable analysis of the results of operations, and the situation of the Company, with a description of the main risks and uncertainties to which it is exposed.

Milan, June 14 2016

Giorgio Grassi Damiani
CEO

Gilberto Frola
Executive in charge of drawing up the accounting documents