PRADA

MILANO

DAL 1913

Separate Financial Statements 2015

PRADA spa

(Hong Kong Stock code: 1913)

Separate Financial Statements 2015

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Patrizio Bertelli

Miuccia Prada

Corporate Information

Corporate Information

Registered Office	Via A. Fogazzaro, 28 20135 Milan, Italy
Head Office	Via A. Fogazzaro, 28 20135 Milan, Italy
Place of business in Hong Kong registered under Part 16 of the Hong Kong Companies Ordinance	36/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong
Company web site	www.pradagroup.com
Hong Kong Stock Exchange Identification Number	1913
Board of Directors	Carlo Mazzi (Chairman & Executive Director) Miuccia Prada Bianchi (Chief Executive Officer & Executive Director) Patrizio Bertelli (Chief Executive Officer & Executive Director) Alessandra Cozzani (Chief Financial Officer & Executive Director) Gaetano Micciché (Non-Executive Director) Stefano Simontacchi (Non-Executive Director appointed on April 8, 2016) Gian Franco Oliviero Mattei (Independent Non-Executive Director) Giancarlo Forestieri (Independent Non-Executive Director) Sing Cheong Liu (Independent Non-Executive Director) Donatello Galli (Chief Financial Officer & Executive Director) resigned with effect from February 19, 2016
Audit Committee	Gian Franco Oliviero Mattei (Chairman) Giancarlo Forestieri Sing Cheong Liu
Remuneration Committee	Gian Franco Oliviero Mattei (Chairman) Carlo Mazzi Giancarlo Forestieri
Nomination Committee	Gian Franco Oliviero Mattei (Chairman) Carlo Mazzi Sing Cheong Liu
Board of Statutory Auditors	Antonino Parisi (Chairman) Roberto Spada (Standing member) David Terracina (Standing member)

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

Financial Review

Presentation

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

The Company's main activities are as follows:

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

The Financial Review by the Board of Directors refers to PRADA spa (the "Company"), operational holding company of the PRADA Group. It is based on the Separate Financial Statements at January 31, 2016 (financial year 2015), as prepared in accordance with IFRS adopted by the European Union. The Financial review must be read together with the Financial statements and the Explanatory notes which form an integral part of the Separate Financial Statements.

2015 highlights

The economic environment became tougher for the international luxury goods market in 2015. Difficult times on Asian markets had a significant impact on sales performance throughout the region, especially in Hong Kong and Macao where the reduction in local consumption and in the flow of tourism hit harder than elsewhere. At the same time, social and political tensions felt worldwide further contributed to a general reduction in willingness to consume and in tourist flows. Forex fluctuation also had a significant effect as the competitive advantage produced by the weaker Euro in the first half of the year decreased due to instability on financial markets over the summer period, reducing the flow of Chinese customers in particular.

A swift response to this complicated situation was needed and, bearing in mind its core commitment to research and innovation, the Group has implemented a series of measures designed to combat pressure on operating profit resulting from the lack of retail sales growth and the reduction in the wholesale. The main operating processes in the retail and production areas have been reviewed in order to make them more efficient and measures to improve the mix of products on sale have been identified. Prices have also been adjusted to take account of foreign exchange rate market trends and brand positioning. Last but not least, the range of corrective measures taken has included action to reduce costs. Nevertheless the Group continued to prefer long-term growth targets committing resources to activities and projects deemed essential to value creation. Accordingly, investment in industrial and retail structures has continued, even though priorities were adjusted during the year. Priority has also been given to initiatives designed to strengthen brand identity and develop relations with an ever more sophisticated customer base.

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

(amounts in thousands of Euro)	January 31 2016	%	January 31 2015	%
Net revenues	1,914,781	100.0%	2,027,507	100.0%
Cost of goods sold	(890,721)	-46.5%	(941,628)	-46.4%
Gross margin	1,024,060	53.5%	1,085,879	53.6%
Operating expenses	(682,777)	-35.7%	(572,899)	-28.3%
Interest and other financial income (expenses), net	7,569	0.4%	34,582	1.7%
Income before tax	348,853	18.2%	547,562	27.0%
Income tax	(100,432)	-5.2%	(162,133)	-8.0%
Net income for the year	248,421	13.0%	385,429	19.0%
ROE	15.46%		25.01%	
ROI	17.49%		28.60%	
ROS	17.82%		25.30%	
Depreciation, amortization and impairment	42,394	2.2%	32,444	1.6%
EBIT	341,284	17.8%	512,980	25.3%
EBITDA	383,677	20.0%	545,424	26.9%

Net revenues for the twelve months ended January 31, 2016 amounted to Euro 1,914.8 million, a 5.6% decrease compared to the Euro 2,027.5 million reported for prior year. The decrease is due to the lower volume of sales.

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

EBITDA for the year amounted to Euro 383.7 million, 29.6% down on 2014. The fall in EBITDA was driven by a decrease in Gross margin and by higher operating expenses.

Net financial income totaled Euro 7.6 million and mainly comprised the following income and expenses:

– dividend income of Euro 42 million;

– net exchange losses of Euro 10 million;

– net interest income of Euro 6 million;

– impairment adjustments and losses on sales of subsidiaries of Euro 28.8 million;

– other financial expenses of Euro 1.6 million;

The tax charge for the year, stated as a percentage of income before taxation, was 28.8% against 29.6% last year.

During the year, the Company did not carry out any unusual and/or atypical transactions with a significant effect on the Financial Statements.

Analysis of the statement of financial position

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

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Non-current assets excluding financial items	1,690,852	1,600,689
Current assets excluding financial assets	1,055,729	1,175,217
Current liabilities excluding financial liabilities	702,514	863,256
Net working capital	353,215	311,961
Long-term liabilities, including deferred taxation	31,940	40,719
Employee benefits	37,862	55,878
Provisions for risks	25,503	22,855
Net invested capital	1,948,761	1,793,199
Shareholders' equity	1,603,169	1,607,323
Long-term financial payables	313,926	(133,200)
Short-term financial payables (net of cash and cash equivalents)	31,665	319,076
Net financial indebtedness	345,592	185,876
Shareholders' equity and net financial indebtedness	1,948,761	1,793,199
Ratios		
Net financial indebtedness/Shareholders' equity	0.22	0.12
Current assets/Current liabilities	1.50	1.36

Net invested capital has increased by Euro 156 million (8.7%) because of a Euro 90 million increase in non-current assets as well as the effect of a Euro 41 million increase in net working capital and a Euro 24 million decrease in long-term liabilities. A breakdown of non-current assets, excluding financial items is provided below:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Property, plant and equipment	555,913	462,270
Intangible assets	125,837	119,103
Investments in subsidiaries and associated undertakings	945,527	931,599
Deferred tax assets	36,781	50,145
Other non-current assets	14,452	11,340
Derivative financial instruments, non-current	7,546	9,544
Financial receivables and other receivables from parent companies, subsidiaries, associates and related parties	4,796	16,688
Total non-current assets, excluding financial items	1,690,852	1,600,689
Proportion of property, plant and equipment already depreciated	0.67	0.66

Property, plant and equipment and Intangible assets show a net increase of around Euro 100 million. Details of capital expenditure for the period are provided in Notes 7 and 8.

Investments in subsidiaries and associated undertakings show a net increase of Euro 14 million, mainly because of capital injections and acquisitions, as highlighted in Note 9.

The following table contains a breakdown of Net working capital.

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Trade receivables	538,558	741,907
Inventories	320,717	312,797
Trade payables	(587,422)	(640,984)
Net operating working capital	271,853	413,720
Derivative financial instruments	2,058	(46,229)
Other receivables from parent, subsidiary, associated companies and related parties	26,312	6,357
Other current assets	29,792	35,982
Current tax receivables (payables)	120,004	62,642
Other liabilities to parent, subsidiary, associated companies and related parties	(4,139)	(3,768)
Other current liabilities	(92,664)	(156,743)
Other current assets (liabilities), net	81,362	(101,758)
Net working capital	353,215	311,961

The overall increase of Euro 41.2 million in net working capital is due to a Euro 142 million decrease in net operating working capital, offset by a Euro 183 million increase in other current assets, net. In more detail, the fair value of derivative instruments has passed from a negative figure of Euro 46 million to a positive amount of Euro 2 million while other current liabilities have decreased by Euro 64 million. The decrease in other current liabilities is due to the reduction in payables for investments/capex.

The decrease in net operating working capital is due to a decrease in trade receivables (-Euro 203 million) as partially offset by a decrease in trade payables (-Euro 54 million) and an increase in inventories (+Euro 8 million).

Net financial position

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Long term financial payables	371,729	129,209
Financial receivables from parent companies, subsidiaries, associates and related parties	(55,803)	(262,409)
Long term financial payables /(receivables)	315,926	(133,200)
Bank overdraft and short term loans	207,574	157,972
Financial payables to parent company, subsidiaries, associates and related parties	49,718	335,283
Financial receivables from parent company, subsidiaries, associates and related parties	(69,170)	(46,391)
Obligations under finance leases	654	-
Cash and cash equivalents	(157,110)	(127,788)
Short-term financial payables	31,665	319,076
Net financial position	347,592	185,876
Net financial position, net of payables to parent company and other Group companies	422,847	159,393

As at January 31, 2016, the net financial position shows net debt of Euro 347.6 million, an increase of Euro 161.8 million compared to the previous year.

Net long-term financial payables have increased by Euro 449 million due to arrangement of new bank loans of Euro 243 million and a decrease in net long-term financial receivables from Group companies. The decrease in this last item is due to renegotiation of intercompany loans whereby some maturity dates were transformed from short-term to long-term and the related balances reclassified accordingly.

Net short-term third party debt has increased due to the arrangement of new bank borrowing facilities totaling Euro 60 million. See Note 11 "Bank overdrafts and short-term loans" for further information about the operation.

At the reporting date, the Company had additional available lines of credit totaling Euro 411 million (Euro 397 million at January 31 2015).

As shown in the Statement of cash flows, cash flows from operating activities amounted to Euro 316 million and wholly funded all investing activities for the period (Euro 170 million) as well as contributing towards payment of dividends to shareholders (Euro 281.5 million).

Policy on hedging of financial risks

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

Research and development

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

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

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

Related party transactions

Details of related party transactions are provided in the Note 27 to the Financial Statements.

Treasury stock

As at January 31, 2016, the Company did not hold any treasury stock.

Significant events during the reporting period

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

Significant events after the reporting period

As reported in the Announcement published by the Company on February 19, 2016, Director Donatello Galli resigned from the role of Executive Director and CFO with effect from the same day. The Board of Directors then appointed Alessandra Cozzani – already an Executive Director – as the new CFO.

Outlook for 2016

Throughout 2015, the luxury goods market had to deal with an economic environment characterized by volatile financial markets and by heightening geopolitical tension in many world regions. These conditions are still present and 2016 is again set to be affected by instability which makes any short-term forecasts uncertain. Bearing this in mind and in order to ensure satisfactory profit levels, management recently implemented a thorough review of all operating processes. The results, in terms of greater efficiency and productivity, will be apparent in the months to come. At the same time, the Company continues to work towards a sound base for sustainable long-term growth with investments aimed at further developing production capacity, in order to guarantee excellence in terms of design, product quality and customer service. The Company is strongly committed towards new forms and methods of communications designed to foster and develop a relationship between its brands and an ever broader public. This will be based on a permanent dialogue and will encompass diverse cultural fields: art, cinema, architecture, design.

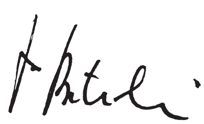
Proposed allocation of net income for the period

The Board of Directors proposes to distribute Euro 281,470,640 to the shareholders, in the form of a dividend of Euro 0.11 per share. The amount to be distributed may be analysed as follows:

- Euro 248,420,818 representing net income for the period;
- Euro 33,049,822 from utilization of Retained earnings.

Chief Executive Officer

Patrizio Bertelli



Milan, April 8, 2016

Corporate Governance

Corporate governance practices

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

Compliance with the Code

The Board has reviewed the Company's corporate governance practices and is satisfied that such practices have complied with the code provisions set out in the Code for the entire financial year ended January 31, 2016 (the "Reviewed Period"). This Corporate Governance Report summarizes the way in which the Company has applied the principles and implemented the code provisions contained in the Code for the duration of the Reviewed Period.

Directors' securities transactions

The Company has adopted written procedures governing Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Specific written acknowledgments have been obtained from each Director to confirm his/her compliance with the required standard set out in the Model Code and the Company's relevant procedures regarding directors' securities transactions for the duration of the Reviewed Period. There were no incidents of non-compliance during the Reviewed Period.

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

Board of Directors

a. Board Composition

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

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

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

b. Board Meetings

During the Reviewed Period, the Board held six meetings to discuss the Group's overall corporate strategic direction and objectives, assess its operational and financial performance (including the annual budget, as well as the annual, interim and quarterly results), and to approve connected transactions and the Group's main investments and corporate reorganization plans. The average attendance rate of the Directors for these six meetings either in person or through electronic means was 81.5%.

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

c. Board Attendance

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

Directors	Board	Audit Committee	Remunera-tion Committee	Nomination Committee	Shareholder's Meeting
Executive Directors					
Mr. Carlo MAZZI (Chairman)	6/6		2/2	1/1	1/1
Ms. Miuccia PRADA BIANCHI (Chief Executive Officer)	2/6				0/1
Mr. Patrizio BERTELLI (Chief Executive Officer)	4/6				0/1
Mr. Donatello GALLI (Chief Financial Officer)	6/6				1/1
Ms. Alessandra COZZANI	6/6				1/1
Non-Executive Director					
Mr. Gaetano MICCICHÉ	2/6				0/1
Independent Non-Executive Directors					
Mr. Gian Franco Oliviero MATTEI 1	6/6	8/8	2/2	1/1	1/1
Mr. Giancarlo FORESTIERI 2	6/6	6/8	2/2		1/1
Mr. Sing Cheong LIU 3	6/6	7/8		1/1	1/1
Statutory Auditors					
Mr. Antonino PARISI (Chairman)	6/6	8/8			1/1
Mr. Roberto SPADA	5/6	6/8			1/1
Mr. David TERRACINA	4/6	5/8			1/1
Date(s) of Meeting	Mar 27, 2015	Feb 26, 2015	Mar 17, 2015	Mar 26, 2015	May 26, 2015
	May 26, 2015	Mar 26, 2015	May 26, 2015		
	Jun 12, 2015	Jun 12, 2015			
	July 10, 2015	Sept 15, 2015			
	Sept 15, 2015	Nov 13, 2015			
	Dec 15, 2015	Dec 14, 2015			
		Dec 15, 2015			
		Jan 22, 2016			
Average Attendance Rate of Directors	81.5%	87.5%	100%	100%	66.7%

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

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

d. Roles and Responsibilities

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

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

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

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

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

e. Non-Executive Directors

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

f. Independent Non-Executive Directors

The independence of the Independent Non-Executive Directors has been assessed in accordance with the applicable Listing Rules. Each Independent Non-Executive Director meets the independence guidelines set out in Rule 3.13 of the Listing Rules and provided the Company with the annual confirmation as to his independence. This was further confirmed by the review of the Nomination Committee made on April 8, 2016. None of the Independent Non-Executive Directors of the Company has any business or financial interest in the Company or its subsidiaries and they continue to be considered independent by the Company.

g. Liability Insurance for the Directors

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

h. Directors' Training

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

All Directors are encouraged to participate in continuous professional training to develop and refresh their knowledge and skills. In this respect, during the Reviewed Period, Directors received regular updates on changes to and developments of the

Group's business and on the latest development of the laws, rules and/or regulations relating to Directors' duties and responsibilities. In addition, all Directors attended an in-house seminar conducted by the Joint Company Secretaries covering primarily the ESG reporting obligations and amendment of the Code: risk management and internal control. These initiatives are taken to ensure the Directors' awareness of the latest corporate governance practices and that their contribution to the Board remains informed and relevant.

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

Chairman and Chief Executive Officers

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

Appointment of Directors

At the shareholders' general meeting of the Company held on May 26, 2015, the Board (including the Non-Executive Directors) was appointed for a term of three financial years. The mandate of all the current Directors will lapse on the date of the shareholders' general meeting called to approve the financial statements of the Company for the year ended January 31, 2018.

The Board is empowered under the Company's by-laws to appoint any person as a Director to fill a casual vacancy.

On February 19, 2016, the Nomination Committee and the Board accepted the resignation of Mr. Donatello Galli, the former Executive Director and Chief Financial Officer of the Company, and on the same day, the Nomination Committee recommended and the Board approved the appointment of Ms. Alessandra Cozzani, an existing Executive Director with the additional role as the Chief Financial Officer.

On April 8, 2016, the Nomination Committee recommended and on the same date, the Board approved, the appointment of Mr. Stefano Simontacchi as Non-Executive Director of the Company with effect from April 8, 2016, to fill the casual vacancy caused by Mr. Galli's resignation. Mr. Stefano Simontacchi's appointment as Non-Executive Director will be subject to election by the shareholders at the forthcoming shareholders' general meeting and his mandate as Non-Executive Director if so elected shall lapse at the same time as the other current Directors.

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

Corporate Governance Functions of the Board

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

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

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

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

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

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

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

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

(i) reviewed connected transactions of the Company;

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

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

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

Board Committees

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

In addition, the Board has established a supervisory body under the Italian Legislative Decree no. 231 of June 8, 2001.

a. Audit Committee

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

During the Reviewed Period, the Audit Committee held eight meetings (with an attendance rate of 87.5%) mainly to review with senior management, the Group's internal and external auditor and the board of statutory auditors, the significant internal and external audit findings and financial matters as required under the Committee's terms of reference. The Audit Committee's review covers the audit plans as well as the findings of both the internal and the external auditors, internal controls, risk assessment, annual review of the continuing connected transactions of the Group, tax updates and financial reporting matters (including the annual results for the year ended

January 31, 2015, the first quarter results as of April 30, 2015, the interim financial results as of July 31, 2015 and third quarter results as of October 31, 2015) before recommending them to the Board for approval.

The Audit Committee has also held a meeting on April 8, 2016 to review the annual results for the year ended January 31, 2016 before recommending it to the Board for approval.

Auditor's compensation

The total fees accrued in favor of Deloitte & Touche S.p.A. and its network for the audit of the Consolidated financial statements and the Separate financial statements for the year ended January 31, 2016, together with non-audit services rendered to Prada S.p.A. amounting to Euro 879 thousand, are illustrated below. The other services provided by Deloitte Network to the Company mainly relate to advisory services to support the analysis of human resources data management and to the organization process aimed at creating a Data Warehouse.

Type of service	Audit Firm	Fees in thousands of Euro
Audit services	Deloitte & Touche spa	485
Other services	Deloitte Network	879
Total fees of audit firm for period ended January 31, 2016		1,364

b. Remuneration Committee

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

During the Reviewed Period, the Remuneration Committee held two meetings (with an attendance rate of 100%) mainly to recommend certain updates to the long-term incentive plan connected to the Group's results, the proposed allocation of the aggregate basic remuneration of the Board to the directors and of the aggregate basic remuneration of the Board of the Statutory Auditors (which were both approved by the shareholders at the general meeting on May 26, 2015) and the proposed allocation of the additional remuneration of the directors vested with special authorities (that is to the executive directors and members of the Board's committees).

Remuneration Policy

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

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

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

The aggregate basic remuneration of the Board is approved by the shareholders in a general meeting. The additional remuneration of each Director vested with special authorities (that is to the Executive Directors and members of the Board's Committees) is determined by the Board - having considered the recommendation of the Remuneration Committee and the opinion of the Board of Statutory Auditors.

Under the current compensation arrangements, the Executive Directors receive compensation in the form of fees, salaries and other benefits, discretionary bonuses and/or other incentives, including non-monetary benefits and other allowances and contributions such as to retirement benefits schemes. The Non-Executive Directors (including Independent Non-Executive Directors) receive compensation in the form of fees, salaries and contributions to retirement benefits scheme, as the case may be. No Director is allowed to approve his/her own remuneration.

c. Nomination Committee

The Company has established a Nomination Committee in compliance with the Code. The primary duties of the Nomination Committee are to determine the policy for the nomination of Directors and to make recommendations to the Board regarding the structure, size and composition of the Board itself, on the selection of new Directors and on the succession plans for Directors. The Nomination Committee also assesses the independence of Independent Non-Executive Directors. The recommendations of the Nomination Committee are then put forward to the Board for consideration and, where appropriate, adoption. The Nomination Committee consists of two Independent Non-Executive Directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Sing Cheong Liu and one Executive Director, Mr. Carlo Mazzi.

During the Reviewed Period, the Nomination Committee held one meeting to assess and confirm the independence of the Independent Non-Executive Directors of the Company for the 2014 financial year and to recommend to the shareholders the current structure of the Board and the re-election of nine directors at the shareholders' general meeting held on May 26, 2015.

On February 19, 2016, the Nomination Committee (with all members attending) and the Board accepted the resignation of Mr. Donatello Galli, the former Executive Director and Chief Financial Officer of the Company, and on the same day, the Nomination Committee recommended and the Board approved the appointment of Ms. Alessandra Cozzani, an existing Executive Director with the additional role as the Chief Financial Officer.

On April 8, 2016, the Nomination Committee recommended and on the same date, the Board approved the appointment of Mr. Stefano Simontacchi as Non-Executive Director of the Company with effect from April 8, 2016, to fill the casual vacancy caused by Mr. Galli's resignation. In addition, they recommended to the shareholders the election of Mr. Stefano Simontacchi as Non-Executive Director at the forthcoming shareholders' general meeting. The Nomination Committee also assessed and confirmed the independence of the Independent Non-Executive Directors of the Company for the Reviewed Period.

d. Supervisory Body

In compliance with Italian Legislative Decree no. 231 of June 8, 2001, the Company has established a supervisory body whose primary duty is to ensure the functioning, effectiveness and enforcement of the Company's Model of Organization, adopted by the Company pursuant to the Decree. The supervisory body consists of three members appointed by the Board selected among qualified and experienced individuals, including Independent Non-Executive Directors, qualified auditors, executives or external individuals. The supervisory body consists of Mr. David Terracina (Chairman), Mr. Franco Bertoli and Mr. Gian Franco Oliviero Mattei.

Board of statutory auditors

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

At the shareholders' general meeting of the Company held on May 26, 2015, the board of statutory auditors (including the alternate statutory auditors) was appointed for a term of three financial years. The mandate of the Board of Statutory Auditors will expire at the shareholders' general meeting called to approve the financial statements of the Company for the year ended January 31, 2018.

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

Directors' responsibility and auditors' responsibility for Separate financial statements

The Directors are responsible for preparing the Separate financial statements of the Company for the year ended January 31, 2016 with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Company itself. In preparing these Separate financial statements, the Directors have selected suitable accounting policies and made judgments and estimates that are prudent and reasonable. The non-executive director appointed on April 8, 2016, having been duly informed about the principles and criteria underlying the preparation of the Separate financial statements of the Company for the year ended January 31, 2016, has duly acknowledged them. The Separate financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union.

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

Internal control

The Board places great importance on maintaining a sound and effective system of internal control to safeguard the shareholders' investment and the Company's assets. The Board is also responsible for assessing the overall effectiveness of the internal control system including financial, operational and compliance controls and risk management functions.

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

To better control its activities in moving toward achievement of the established objectives, the Company has adopted the "Enterprise Risk Management – Integrated Framework" as reference method to identify and deal with specific risks arising out of the continuous changes which affect the regulatory framework and the Company's operations.

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

Joint Company Secretaries

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

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

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

Shareholders' Rights

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

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

b. Putting forward proposals at shareholders' general meeting

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

c. Making an enquiry to the Board

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

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

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

Constitutional Documents

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

Communication with Shareholders

a. Investor relations and communications

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

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

b. Shareholders' Meetings

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

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

The last shareholders' general meeting of the Company was held on May 26, 2015 at the Company's registered office at Via A. Fogazzaro n. 28, Milan, Italy with a video-conference system located at the registered office of Prada Asia Pacific Limited at 36/F, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong (the "2015 Shareholders' General Meeting"). The Directors, including the Chairman of the Board, the Chairman of the Board Committees and the auditor of the Company, Deloitte & Touche S.p.A., attended the 2015 Shareholders' General Meeting.

Separate resolutions were proposed at the 2015 Shareholders' General Meeting relating to each issue and the voting results of such resolutions were disclosed in the announcement of the Company dated May 26, 2015. The number of votes cast in favour of each resolution (and the corresponding percentage level) is set out below:

Brief summary of the Ordinary Resolutions passed at the 2015 Shareholders' General Meeting		Number of Votes cast in favour (%)
1.	To approve the Audited Separate Financial Statements and the Audited Consolidated Financial Statements of the Company for the year ended January 31, 2015 together with the Reports of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors.	2,437,083,011 (99.90%)
2	To approve the allocation of the net income for the year ended January 31, 2015 to Shareholders as a final dividend of Euro 11 cents per share and to retained earnings.	2,437,083,011 (99.90%)
3.	To approve the Board of Directors will consist of nine Directors and will be appointed for a term of three financial years.	2,436,935,534 (99.90%)
4.	To re-elect Mr. Carlo MAZZI as Director of the Company.	2,427,022,857 (99.49%)
5.	To re-elect Ms. Miuccia PRADA BIANCHI as Director of the Company.	2,427,704,847 (99.52%)
6.	To re-elect Mr. Patrizio BERTELLI as Director of the Company.	2,428,032,347 (99.53%)
7.	To re-elect Mr. Donatello GALLI as Director of the Company.	2,429,336,549 (99.59%)
8.	To re-elect Ms. Alessandra COZZANI as Director of the Company.	2,436,308,549 (99.87%)
9.	To re-elect Mr. Gaetano MICCICHÈ as Director of the Company.	2,229,312,499 (91.39%)
10.	To re-elect Mr. Gian Franco Oliverio MATTEI as Director of the Company.	2,428,902,675 (99.57%)
11.	To re-elect Mr. Giancarlo FORESTIERI as Director of the Company.	2,436,796,211 (99.89%)
12.	To re-elect Mr. Sing Cheong LIU as Director of the Company.	2,436,373,736 (99.87%)
13.	To re-elect Mr. Carlo MAZZI as Chairman of the Board of Directors.	2,419,333,786 (99.18%)
14.	To approve the aggregate basic remuneration of the Board of Directors for its three-year term.	2,249,876,629 (92.23%)
15.	To re-elect Mr. Antonino PARISI as effective member of the Board of Statutory Auditors of the Company for a term of three financial years.	2,417,340,311 (99.09%)
16.	To re-elect Mr. Roberto SPADA as effective member of the Board of Statutory Auditors of the Company for a term of three financial years.	2,409,119,099 (98.76%)
17.	To re-elect Mr. David TERRACINA as effective member of the Statutory Auditors of the Company for a term of three financial years.	2,417,340,311 (99.09%)
18.	To elect Ms. Stefania BETTONI as alternate statutory auditor of the Company for a term of three financial years.	2,417,340,311 (99.09%)
19.	To re-elect Mr. Cristiano PROSERPIO as alternate statutory auditor of the Company for a term of three financial years.	2,417,340,311 (99.09%)
20.	To approve the aggregate remuneration of the Board of Statutory Auditors for its three-year term.	2,437,083,011 (99.90%)
23.	To elect as Chairman of the Board of Statutory Auditors for a term of three financial yearss.	Mr. Antonino PARISI 2,358,402,644 (96.68%)

All resolutions put to the shareholders at the 2015 Shareholders' General Meeting were duly passed. Computershare Hong Kong Investor Services Limited, the Company's Hong Kong share registrar, acted as scrutineer for the vote taking at the 2015 Shareholders' General Meeting.

c. Corporate Communications

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

Financial Statements

Statement of financial position

(amounts in Euro)	Note	January 31 2016	January 31 2015
Assets			
Current assets			
Cash and cash equivalents	1	157,110,450	127,787,969
Trade receivables, net	2	538,558,345	741,906,807
Inventories	3	320,716,642	312,796,775
Derivative financial instruments	4	11,275,513	6,478,732
Financial and other receivables from parent company, subsidiaries, associates and related parties	5	95,481,368	52,747,407
Other current assets	6	158,866,447	107,677,969
Total current assets		1,282,008,763	1,349,395,659
Non-current assets			
Property, plant and equipment	7	555,912,576	462,269,754
Intangible assets	8	125,837,147	119,103,441
Investments in subsidiaries and associated undertakings	9	945,527,134	931,598,587
Deferred tax assets	26	36,781,398	50,145,019
Other non-current assets	10	16,451,780	11,340,219
Derivative financial instruments - non current	4	7,545,907	9,544,294
Financial and other receivables from parent company, subsidiaries, associates and related parties	5	330,164,119	309,564,076
Total non-current assets		2,018,220,061	1,893,565,389
Total assets		3,300,228,824	3,242,961,048
Liabilities and Shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans	11	207,574,259	157,971,753
Financial and other payables to parent company, subsidiaries, associates and related parties	12	53,856,528	339,050,737
Trade payables	13	587,421,931	640,984,035
Current tax liabilities	14	9,070,686	9,053,188
Derivative financial instruments	4	9,217,812	52,707,897
Obligations under finance leases	15	653,672	-
Other current liabilities	16	92,664,475	156,742,674
Total current liabilities		960,459,362	1,356,510,283
Non-current liabilities			
Long-term financial payables	17	371,729,170	129,209,196
Employee benefits	18	37,862,381	55,877,874
Provisions	19	25,502,846	22,854,586
Deferred tax liabilities	26	4,844,616	7,612,430
Other non-current liabilities	20	17,257,004	5,844,170
Derivative financial instruments - non current	4	9,838,701	13,878,544
Financial and other payables to parent company, subsidiaries, associates and related parties	12	269,565,537	43,850,938
Total non current liabilities		736,600,256	279,127,738
Total liabilities		1,697,059,618	1,635,638,021
Share capital		255,882,400	255,882,400
Other reserves		1,098,865,988	966,011,544
Net income/(loss) of the year		248,420,818	385,429,083
Shareholders' equity	21	1,603,169,207	1,607,323,027
Total liabilities and shareholders' equity		3,300,228,824	3,242,961,048

Income statement

(amounts in Euro)	Note	January 31 2016	January 31 2015
Net revenues	22	1,914,781,496	2,027,507,034
Cost of goods sold	23	(890,721,141)	(941,628,037)
Gross Margin		1,024,060,355	1,085,878,997
Operating expenses	24	(682,776,702)	(572,898,684)
Interest and other financial income (expenses), net	25	7,568,880	34,582,059
Income before taxation		348,852,533	547,562,372
Income taxes	26	(100,431,715)	(162,133,289)
Net income for the year		248,420,818	385,429,083

Statement of comprehensive income

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Net income for the year	248,421	385,429
Items recycled to P&L:		
Fair value movements recognized in cash flow hedge reserve	38,711	(43,658)
Tax impact of above item	(10,646)	12,006
Change in Cash Flow Hedge reserve less tax impact	28,066	(31,652)
Items not recycled to P&L:		
Gains/ (losses) recognized in actuarial gains/(losses) reserve	830	(2,950)
Tax impact of above item	-	340
Change in Actuarial reserve less tax impact	830	(2,610)
Net gains (losses) recognized directly in equity	28,896	(34,262)
Total comprehensive income for the year	277,317	351,167

Statement of cash flows

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Cash flows generated by operating activities:		
Income before taxation	348,853	547,562
Adjustments for:		
Depreciation and amortization	41,779	32,317
Impairment of fixed assets	615	127
Losses/(gains) on disposal of fixed assets	(22)	2,140
Impairment of investments	28,793	32,417
Non-monetary financial income (expenses)	(47,947)	(98,110)
Provisions and other non-monetary charges	24,251	40,053
Changes in statement of financial position:		
Trade receivables, net	197,322	(115,213)
Inventories, net	(30,345)	(124,724)
Trade payables	(54,139)	202,594
Other current assets and liabilities	(36,800)	(15,803)
Other non-current assets and liabilities	(1,623)	(19,421)
Cash flows generated by operating activities	470,737	483,939
Interest paid, net	(7,862)	(6,988)
Income taxes paid, net	(147,325)	(204,745)
Net cash flows generated by operating activities	315,550	272,206
Cash flow generated (used) by investing activities:		
Purchase of property, plant and equipment	(174,164)	(100,331)
Disposal of property, plant and equipment	-	3,355
Purchase of intangible assets	(24,429)	(11,588)
Disposal of intangible assets	97	1,318
Investments in subsidiaries	(13,161)	(54,861)
Dividends received	42,039	92,982
Cash flows generated (used) by investing activities	(169,618)	(69,125)
Cash flows generated (used) by financing activities		
Dividends paid	(281,470)	(281,470)
Change in short-term bank loans	49,125	161,476
Change in short-term intercompany loans	(48,629)	3,212
Repayment of loans from subsidiaries	25,095	89,981
Disbursement of loans to subsidiaries	(118,700)	(160,973)
Repayment (Disbursement of) long-term loans to related parties	38	(741)
Repayment of short-term portion of long-term bank loans	(7,636)	(12,984)
New long term borrowings arranged	265,654	-
Cash flow generated (used) by financing activities	(116,523)	(201,499)
Change in cash and cash equivalents net of bank overdraft	29,409	1,582
Exchange differences	(1)	2
Opening cash and cash equivalents, net of bank overdraft	127,699	126,115
Closing cash and cash equivalents, net of bank overdraft	157,107	127,699
Cash and bank balances	157,110	127,788
Bank overdraft	(3)	(89)
Closing cash and cash equivalents, net of bank overdraft	157,107	127,699

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

(amounts in thousands of Euro)	Number of shares	Share capital	Share premium reserve	Legal reserve	Other reserves	Retained earnings	Cash flow hedge reserve	Net income (loss) for the year	Share-holders' equity
Balance at January 31, 2014	2,558,824,000	255,882	410,047	51,177	182,899	241,883	3,679	395,574	1,541,141
Allocation of 2013 net income	-	-	-	-	-	395,574	-	(395,574)	-
Other movements	-	-	-	-	-	(3,514)	-	-	(3,514)
Dividends paid	-	-	-	-	-	(281,471)	-	-	(281,471)
Comprehensive income for the year (recycled to P&L)	-	-	-	-	-	-	(31,652)	385,429	353,777
Comprehensive income for the year (not recycled to P&L)	-	-	-	-	-	(2,610)	-	-	(2,610)
Balance at January 31, 2015	2,558,824,000	255,882	410,047	51,177	182,899	349,862	(27,973)	385,429	1,607,323
Allocation of 2014 net income	-	-	-	-	-	385,429	-	(385,429)	-
Dividends paid	-	-	-	-	-	(281,471)	-	-	(281,471)
Comprehensive income for the year (recycled to P&L)	-	-	-	-	-	-	28,066	248,421	276,487
Comprehensive income for the year (not recycled to P&L)	-	-	-	-	-	830	-	-	830
Balance at January 31, 2016	2,558,824,000	255,882	410,047	51,177	182,899	454,650	93	248,421	1,603,169

Notes to the Financial Statements

Corporate information

PRADA spa is a joint-stock company, registered and domiciled in Italy. Its registered office is in via A. Fogazzaro 28, Milan, Italy. At January 31, 2016, 79.98% of the share capital was owned by PRADA Holding spa, an Italian company, while the remaining shares were listed on the Main Board of the Hong Kong Stock Exchange.

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

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

These Financial Statements were approved by the Board of Directors on April 8, 2016.

Basis of preparation

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

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

Amendments to IFRS

New standards and amendments issued by the IASB, endorsed by the European Union and applicable to the PRADA spa from February 1, 2015

The following new IFRS and amendments to existing IFRS have been endorsed by the European Union and are applicable to the PRADA spa effective from February 1, 2015. These changes do not have any significant impact to the Company as of the date of these separate financial statements:

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

- Amendments to "IAS 19 Employee Benefits". The IASB has amended the requirements in IAS 19 for contributions from employees or third parties that are linked to a service.

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

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

New standards and amendments issued by the IASB, endorsed by the European Union, but not yet applicable to the Company as effective from annual periods beginning on or after January 1, 2016.

- Amendment to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization". The IASB amended "IAS 16 Property, Plant and Equipment" and "IAS 38 Intangible assets" clarifying that, even though the selection of an amortization methodology involves the use of judgement, a revenue-based method is not considered to be an appropriate manifestation of consumption for depreciating an asset.

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

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

- Annual Improvements to IFRSs (2012–2014 Cycle). Such improvements, effective for annual periods beginning on or after January 1, 2016, impact:
  - "IFRS 5 Non-current Assets Held for Sale and Discontinued Operations", changing the methods of disposal.
  - "IFRS 7 Financial Instruments: Disclosures", applying disclosure requirements

  to a servicing contract.
  - "IAS 19 Employee Benefits", clarifying the discount rate to be used for actuarial assumption.
  - "IAS 34 Interim Financial Reporting".

- Amendments to "IAS 27 Separate Financial Statements". The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

New standards and amendments issued by the IASB, but not yet endorsed by the European Union at the date of these financial statements

- "IFRS 16 Leases". This new standard will replace the actual "IAS 17 Leases". Under this new standard, the lessee will record a right-of-use assets and the related financial liability. The asset, recorded in the balance sheet of the lessee, will result in the recording of interest expense and will be depreciated over their useful life. The financial liability is initially measured at the present value of the future lease payments over the term of the lease, discounted at the implicit interest rate of the lease if it can be reasonably determined. If this implicit rate was not readily determinable, the lessee must use its incremental borrowing rate. Also in the new standard, as already happen with the application of the current IAS 17, the lessors are required to classify the lease on the basis of their nature (operating or financial). If the agreement transfers substantially all the risks and rewards the appropriate classification is the finance lease, otherwise it will be an operating lease. For finance leases a lessor recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognizes operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis. The standard provides for exceptions to the recognition of a finance lease (opting for the accounting of an operating leases), related to the duration of the contract (less than 12 months, without purchase options) and the amount of the leased asset (low value like for example the cost of personal computers or small office items). The new standard "IFRS 16" will be effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted if the company has simultaneously applied the "IFRS 15 Revenue from contracts with customers".

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

- Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses": the changes are related to the recognition of deferred taxes on unrealized losses, clarifying the following aspects:
  - Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
  - The carrying amount of an asset does not limit the estimation of probable future taxable profits.
  - Estimates for future taxable profits exclude tax deductions resulting from the

  reversal of deductible temporary differences.
  - An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

  These amendments are applicable for annual periods beginning on or after January 1, 2017. Early application is permitted.

- Amendments to "IAS 7 Cash flow statement": These changes should enable a greater understanding and measurement of liabilities arising from financing activities, including changes in cash flows and non-monetary changes (such as the gain or loss on foreign exchange). To achieve this objective, the IASB requires that the main changes in liabilities arising from financing activities are reported in the explanatory notes (as necessary), such as:
  - changes in cash flows;
  - changes arising from the acquisition or loss of control of subsidiaries or other businesses;
  - the effect of changes in foreign exchange rates;
  - changes in fair value;
  - other changes.

  These amendments are applicable for annual periods beginning on or after January 1, 2017.

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

- "IFRS 14 Regulatory Deferral Accounts". This Standard, effective for annual periods beginning on or after January 1, 2016, permits an entity that adopts IFRS to continue to use, in its first and subsequent IFRS financial statements, its previous GAAP accounting policies for the recognition, measurement, impairment and de-recognition of regulatory deferral account balances without specifically considering the requirements of paragraph 11 of IAS 8.

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

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

As at the date of these Separate financial statements, the Directors have not completed the analysis necessary to assess the impacts of the new standards, amendments and operational guides not yet applicable to the Company. However, given the significance that rental contracts have for the Company, it is reasonable to conclude that the impact of ''IFRS 16 Leasing" will be material.

Financial statements

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

The Income Statement is classified by destination.

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

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

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

Main accounting policies

Cash and cash equivalents

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

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

Trade receivables and payables

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

Trade payables are recorded at nominal amount.

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

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

Inventories

Raw materials, work in progress and finished products are recorded at the lower of acquisition cost, production cost and net realizable value. Cost comprises direct production costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Acquisition or production cost is determined on a weighted average basis. Provisions, adjusting the value of the inventory, are made for slow moving and obsolete inventories and if estimated selling prices are lower than cost.

Derivative financial instruments

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

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

If a hedging instrument or a hedging relationship has expired but the hedged transaction has not yet occurred, any accumulated gains or losses, recognized in shareholders' equity until then, are recorded in the income statement when the transaction takes place. If the hedge transaction is no longer expected to take place, any related cumulative gain or loss outstanding in equity will be recognized immediately in the income statement.

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

Assets held for sale

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

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

Impairment losses are recorded immediately in the Income Statement.

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

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

Intangible assets

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

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

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

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

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

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

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

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

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

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

Goodwill is not amortized but tested for impairment every year to check if its value has been impaired. If specific events or altered circumstances indicate the possibility that goodwill has been impaired, the impairment test is performed more frequently. If goodwill is initially recorded during the current year, the impairment test is performed before the end of the year.

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

Impairment of assets

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

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

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

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

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

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

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

Prada's Cash Generating Units include brands, sales channels and geographical areas.

Investments

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

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

Deferred tax assets

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

– deductible temporary differences;

– carryforward of unused tax losses.

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

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

Deferred tax assets are not discounted.

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

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

Obligations under finance leases

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

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

Non-current financial liabilities

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

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

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

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

Employee benefits

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

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

The actuarial valuation is carried out by an independent actuary using the Projected Unit Credit Method.

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

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

Other long-term employee benefits are recorded among non-current liabilities and their value corresponds to the present value of the defined benefit obligation at the reporting date, adjusted according to the period of the underlying agreement. Like defined benefit plans, other long term benefits are also valued using the Projected Unit Credit Method.

Provisions for risks and charges

Provisions for risks and charges cover costs of a determinate nature that were certain or probable but whose amount or due date was uncertain at year end. Provisions are only recorded when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made based on available information.

Where the Company expects reimbursement of a charge that has been provided for (e.g. under an insurance policy) the reimbursement is recognized as a separate asset but only when the reimbursement is certain.

Deferred tax liabilities

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

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

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

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

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

Deferred tax liabilities are not discounted.

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

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

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

Revenue recognition

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

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

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

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

Accounting for costs

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

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

Operating leases

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

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

Financial expenses

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

Income taxes

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

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

Changes of accounting policy, errors and changes in accounting estimates

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

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

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

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

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

Financial risk management

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

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

Financial instruments are accounted for based on hedge accounting rules. At the inception of the hedge contract, the Company formally documents the hedging relationship assuming that the hedging is effective during the different accounting periods it is designated for.

Exchange rate risk

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

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

Interest rate risk

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

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

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

Use of estimates

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

Such assumptions relate primarily to transactions and events not settled as of the year-end. Accordingly, upon settlement, the actual results may differ from the estimated amounts. Estimates and assumptions are periodically reviewed and the effects of any differences are immediately charged to the Income statement.

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

Significant acquisitions and divestments

On April 22, 2015, Montenapoleone 9 srl was incorporated by PRADA spa and Marchesi Angelo srl, with ownership interests of 90% and 10%, respectively, in order to develop the commercial business of the Marchesi brand.

On May 19, 2015, PRADA spa incorporated PRADA Denmark aps in order to develop its commercial activities in Denmark.

On November 9, 2015, PRADA spa incorporated PRADA Finnish Oy in order to develop its commercial activities in Finland.

In 2015, PRADA spa acquired the remaining 40% of the quota capital of Pellettieri d'Italia srl. On November 24, 2015, Pellettieri d'Italia srl was merged through incorporation into Prada spa.

On December 4, 2015, PRADA spa incorporated PRADA Belgium SPRL in order to develop its commercial activities in Belgium.

Statement of financial position

1. Cash and cash equivalents

The following table details the balance at January 31, 2016 and 2015:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Cash on hand	2,250	2,176
Bank deposit accounts	1	1
Bank current accounts	154,859	125,611
Total cash and cash equivalents	157,110	127,788

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

2. Trade receivables

Trade receivables may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Trade receivables - Third parties	119,524	176,102
Trade receivables - Parent company	478	140
Trade receivables - Subsidiaries and associates	394,648	529,255
Trade receivables – Related companies	23,909	36,410
Total trade receivables	538,559	741,907

The decrease in trade receivables is due to the lower level of retail and wholesale sales.

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

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

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

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Trade receivables, gross	122,746	180,290
Allowance for bad and doubtful debts	(3,222)	(4,188)
Trade receivables, net	119,523	176,102

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

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Opening balance	4,188	4,884
Contributed upon merger	-	232
Increases	350	-
Utilized	(1,316)	(927)
Closing amount	3,222	4,189

Gross trade receivables at January 31, 2016 are analyzed by maturity date as follows:

(amounts in thousands of Euro)	January 31 2016	Current	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables, third parties	122,746	111,464	3,275	1,344	1,410	723	4,530
Trade receivables, parent, subsidiaries, associates and related parties	419,035	227,662	18,488	50,787	19,063	14,981	88,054
Total	541,781	339,126	21,763	52,131	20,473	15,704	92,584

(amounts in thousands of Euro)	January 31 2015	Current	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables, third parties	180,290	153,643	10,542	3,827	3,966	2,064	6,248
Trade receivables, parent, subsidiaries, associates and related parties	565,804	372,879	30,615	34,849	22,344	15,479	89,638
Total	746,094	526,522	41,157	38,676	26,310	17,543	95,886

3. Inventories

Inventories may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Raw materials	102,553	101,425
Work in progress	15,699	36,199
Finished products	252,348	238,691
Allowance for obsolete and slow-moving inventories	(49,883)	(63,518)
Inventories, net	320,717	312,797

Inventories are valued at weighted average cost.

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

(amounts in thousands of Euro)	Raw materials	Finished products	Total
Balance at January 31, 2015	26,374	37,144	63,518
Utilized	-	(13,635)	(13,635)
Balance at January 31, 2016	26,374	23,509	49,883

The allowance for obsolete finished products has decreased following the scrapping of items already provided for in prior years.

4. Derivative financial instruments: assets and liabilities

Derivative financial instruments - assets and liabilities, current portion:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Financial assets regarding derivative instruments, current	11,276	6,479
Financial liabilities regarding derivative instruments, current	(9,218)	(52,708)
Net carrying amount	2,058	(46,229)

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

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Financial assets regarding derivative instruments, non-current	7,546	9,544
Financial liabilities regarding derivative instruments, non-current	(9,839)	(13,879)
Net carrying amount	(2,293)	(4,334)

The net carrying amount of derivative financial instruments, current and non-current combined, is as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015	IFRS7 Category
Forward contracts	7,738	5,864	Level II
Options	2,309	38	Level II
Interest rate swap – fair value to profit and loss	8,775	10,121	Level II
Positive fair value	18,822	16,023	
Forward contracts	(4,175)	(19,570)	Level II
Options	(2,479)	(34,287)	Level II
Interest rate swap – cash flow hedge	(3,953)	(2,965)	Level II
Interest rate swap – fair value to profit and loss	(8,450)	(9,764)	Level II
Negative fair value	(19,057)	(66,586)	
Net carrying amount	(235)	(50,563)	

All of the derivative instruments reported above are classified as Level II of the fair value hierarchy proposed by IFRS 7. The Company has not entered into any derivative contracts that may be classed as Level I or III.

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

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

Foreign exchange transactions

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

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

The notional amounts of the derivative contracts, designated as foreign exchange risk hedges (as translated at the European Central Bank exchange rate at January 31, 2016), are stated below.

Contracts in place at January 31, 2016 to hedge projected future trade cash flows:

(Amounts in thousands of Euro)	Options	Forward sale contracts	Forward purchase contracts	January 31 2016
Currency				
Hong Kong Dollar	99,881	-	(37,602)	62,279
US Dollar	145,421	21,062	(74,725)	91,758
Chinese Renmimbi	11,837	121,849	(43,643)	90,043
Japanese Yen	53,611	53,875	(7,561)	99,925
GB Pound	57,322	21,463	(22,615)	56,170
Korean Won	-	46,451	-	46,451
Swiss Franc	-	15,210	(8,674)	6,536
Other	164	86,214	(18,114)	68,264
Total	368,236	366,124	(212,934)	521,426

All contracts in place as at the reporting date will mature by January 31, 2017.

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

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

All contracts in place as of January 31 2015 matured by January 31, 2016.

Contracts in place at January 31, 2016 and 2015 to hedge projected future financial cash flows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Forward Contracts		
Currency		
Brazilian Real	8,331	25,138
GB Pound	49,915	21,116
Swiss Franc	8,973	5,088
Russian Ruble	-	9,384
US Dollar	7,212	-
Total	74,431	60,726

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

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

Interest rate transactions

The Company enters into Interest Rate Swaps agreements (IRS) in order to hedge the risk of interest rate fluctuations regarding several loans payable. The key features of the IRS agreements in place as at January 31, 2016 and January 31, 2015:

Contract	Currency	Notional amount	Interest rate	Maturity date	January 31 2016	Hedged loan – lending institution	Amount	Maturity
					Fair value			
IRS	Euro/000	60,000	0.105%	23/05/2030	(653)	Unicredit	60,000	03/2019
IRS	Euro/000	53,167	1.457%	23/05/2030	(3,299)	Intesa-Sanpaolo	53,167	05/2030
Total IRS – *Cash flow hedges*					(3,952)			

Contract	Currency	Notional amount	Interest rate	Maturity date	January 31 2015	Hedged loan – lending institution	Amount	Maturity
					Fair value			
IRS	Euro/000	600	2.210%	01/07/2015	(6)	MPS	600	07/2015
IRS	Euro/000	55,000	1.457%	23/05/2030	2,959	Intesa-Sanpaolo	55,000	05/2030
Total IRS – *Cash flow hedges*					2,953			

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

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

The Company entered into an IRS agreement, in relation to loans arranged by a UK subsidiary and signed an IRS agreement with the same characteristics with said subsidiary. These contracts have been accounted for as non-hedging instruments (*fair value to profit and loss*):

Contract	Currency	Notional amount	Interest rate paid	Interest rate received	Maturity date	January 31 2016	January 31 2015	Counter-party
						Fair value Euro/000	*Fair value Euro/000*	
IRS	GBP/000	58,800	2.778%	Libor GBP/365	31/01/2029	(8,450)	(9,764)	Unicredit
IRS	GBP /000	58,800	Libor GBP/365	2.83%	31/01/2029	8,775	10,121	Kenon Ltd
Total IRS – *Fair value to profit and loss*						325	357	

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

(amounts in thousands of Euro)	
Closing balance at January 31 2014	5,075
Change in fair value, recognized in Equity	(67,805)
Change in fair value, charged to Income Statement	24,147
Closing balance at January 31 2015	(38,583)
Change in fair value, recognized in Equity	(10,760)
Change in fair value, charged to Income Statement	49,471
Closing balance at January 31 2016	128

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

Information on financial risks

Capital Management

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

Categories of financial assets and liabilities according to IAS 39

Financial assets

Financial assets at January 31, 2016	Loans and receivables	Derivative financial instruments	Total	Note
Cash and cash equivalents	157,110		157,110	1
Trade receivables, net	538,558		538,558	2
Derivative financial instruments		18,821	18,821	4
Financial receivables from parent, subsidiary and associated companies and related parties	394,538		394,538	5
Total	1,090,206	18,821	1,109,027	

Financial assets at January 31, 2015	Loans and receivables	Derivative financial instruments	Total	Note
Cash and cash equivalents	127,788		127,788	1
Trade receivables, net	741,907		741,907	2
Derivative financial instruments		16,023	16,023	4
Financial receivables from parent, subsidiary and associated companies and related parties	339,267		339,267	5
Total	1,208,962	16,023	1,224,985	

Financial liabilities

Financial liabilities at January 31, 2016	Loans and receivables	Derivative financial instruments	Total	Note
Financial payables - third party	579,957		579,957	11,17
Financial payables - parent, subsidiary and associated companies and related parties	319,283		319,283	12
Trade payables	587,422		587,422	13
Derivative financial instruments		19,057	19,057	4
Total	1,486,662	19,057	1,505,719	

Financial liabilities at January 31, 2015	Loans and receivables	Derivative financial instruments	Total	Note
Financial payables - third party	287,181		287,181	11,17
Financial payables - parent, subsidiary and associated companies and related parties	365,750		365,750	12
Trade payables	640,984		640,984	13
Derivative financial instruments		66,586	66,586	4
Total	1,293,915	66,586	1,360,501	

Fair Value

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

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

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

The bonds, reported at an amount of Euro 129 million (nominal amount of Euro 130 million as adjusted by Euro 0.6 million under the amortized cost method), are included under financial liabilities. Their fair value, calculated based on the official Irish Stock Exchange listing as at January 31, 2016 is equal to Euro 136.9 million.

Credit risk

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

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

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

At the same time, the fact that the total receivables balance is not highly concentrated on individual customers and the fact that net sales are evenly spread around the world lead to a reduced risk of financial losses.

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

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

Liquidity risk

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

The Directors believe that the funds and lines of credit currently available, in addition to those that will be generated by operating and financing activities, will allow the Company to meet its needs resulting from investing activities, working capital management and repayment of loans as they fall due. This can be achieved without using all available fund and surplus resources can thus be used to pay dividends.

At January 31, 2016, the Company had unused and available bank borrowing facilities totaling Euro 411 million.

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

Financial liabilities under derivative financial instruments

(amounts in thousands of Euro)	Future contractual cash flows at Jan. 31, 2016	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	more than 3 years
Forward contracts designated as cash flow hedges						
Cash outflows	(4,183)	(2,548)	(1,286)	(349)	(-)	-
Other contracts designated as cash flow hedges (Options)						
Cash outflows	-	-	-	-	-	-
Interest rate swaps	(3,730)	(457)	(538)	(1,033)	(800)	(902)
Net value	(7,913)	(3,005)	(1,824)	(1,382)	(800)	(902)

(amounts in thousands of Euro)	Future contractual cash flows at Jan. 31, 2015	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	more than 3 years
Forward contracts designated as cash flow hedges						
Cash outflows	(24,027)	(8,632)	(10,772)	(4,041)	(581)	-
Cash inflows	-	-	-	-	-	-
Other contracts designated as cash flow hedges (Options)						
Cash outflows	(31,887)	(18,059)	(13,828)	-	-	-
Cash inflows	-	-	-	-	-	-
Interest rate swaps	(2,848)	14	(345)	(642)	(548)	(1,327)
Net value	(58,762)	(26,678)	(24,945)	(4,682)	(1,130)	(1,327)

Financial liabilities

(amounts in thousands of Euro)	Reported amount at January 31 2016	Future contractual cash flows at January 31 2016	upon request	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Financial payables to banks	580,486	599,542	-	196,356	14,554	25,283	215,453	104,372	43,524
Financial payables to subsidiaries, parent company and related parties	319,283	325,876	49,718	1,650	1,650	258,907	13,951	-	-
Financial leases	654	654	-	436	218	-	-	-	-
Total	900,423	926,072	49,718	198,442	16,422	284,190	229,404	104,372	43,524

(amounts in thousands of Euro)	Reported amount at January 31 2015	Future contractual cash flows at January 31 2015	upon request	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Financial payables to banks	287,972	363,921	89	153,472	8,428	7,995	7,985	137,984	47,968
Financial payables to subsidiaries, parent company and related parties	365,750	368,850	99,454	804	237,335	353	16,943	13,962	-
Total	653,722	732,771	99,543	154,275	245,763	8,348	24,928	151,946	47,968

Exchange rate risk

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

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

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

The following table shows the sensitivity of the Company's net income and shareholders' equity to a range of fluctuation in the main foreign currencies against Euro, based on the statement of financial position at January 31, 2016.

(amounts in thousands of Euro)	Euro --> + 5%		Euro --> - 5%	
	Positive/ (negative) effect on net income	Positive/ (negative) effect on shareholders' equity	Positive/ (negative) effect on net income	Positive/ (negative) effect on shareholders' equity
GB Pound	(168)	3,941	837	51
Hong Kong Dollar	5,422	7,802	(6,425)	(10,848)
Japanese Yen	(210)	4,828	17	(3,652)
Chinese Remnimbi	557	6,394	(672)	(6,926)
US Dollar	(5,078)	128	5,557	(1,691)
Other currencies	(1,344)	6,009	4,464	(2,233)
Total	(821)	29,102	3,778	(25,299)

The total impact on shareholders' equity (positive by Euro 29.1 million and negative by Euro 25.3 million) is the sum of the effect on the income statement and on the cash flow hedge reserve of an hypothetical strengthening/weakening of the Euro against other currencies. The effects on net income and shareholders' equity are stated before the effect of taxation.

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

Interest rate risk

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

The following table shows the sensitivity of the Company's net income and shareholders' equity to a shift in the interest rate curve in relation to its financial position as at January 31, 2016.

(amounts in thousands of Euro)	Shift in interest rate curve	Positive/ (negative) effect on net income for the period	Positive/ (negative) effect on shareholders' equity	Shift in interest rate curve	Positive/ (negative) effect on net income for the period	Positive/ (negative) effect on shareholders' equity
Euro	+ 0.50%	(1,838)	1,075	-0.50%	1,842	(1,178)
GB Pound	+ 0.50%	(108)	(108)	- 0.50%	(822)	(822)
Hong Kong Dollar	+ 0.50%	(514)	(514)	- 0.50%	514	514
US Dollar	+ 0.50%	79	79	- 0.50%	(79)	(79)
Other currencies	+ 0.50%	188	188	- 0.50%	(188)	(188)
Total		(2,193)	720		1,267	(1,753)

The total impact on shareholders' equity is the sum of the effect of an hypothetical shift in the interest rate curve on the income statement and on shareholders' equity. The effects on the income statement and on equity are stated before taxation.

The sensitivity analysis was based on the period end net financial position so it might not reflect the actual exposure to the interest rate risk during the year. Therefore, this analysis should be considered as indicative only.

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

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

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Financial receivables	69,170	46,391
Other receivables	26,311	6,357
Financial receivables and other receivables – due within a year	95,481	52,748

Financial receivables include correspondence current accounts of Euro 15.4 million and short-term loans of Euro 53.7 million which bear interest and form part of the Group's centralized treasury management.

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

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

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Financial receivables	325,368	292,877
Prepaid Sponsorship expenses	3,164	12,379
Other receivables	1,632	4,309
Financial receivables and other receivables – due after more than a year	330,164	309,565

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

Prepaid sponsorship expenses refer to costs relating to future periods but already paid to Luna Rossa Challenge srl, in accordance with agreements in place at January 31, 2016.

Other receivables refer to deferred rental income from Fratelli Prada spa and Progetto Prada in compliance with IAS 17 "Leases". See Note 27 for a description of the operation and details by counterparty.

6. Other current assets

Other current assets are detailed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
VAT and other tax receivables	129,075	71,896
Other current assets	3,741	4,395
Prepayments and accrued income	26,050	31,387
Total other current assets	158,866	107,678

Tax receivables include VAT receivables of Euro 40.2 million and current income tax receivables of Euro 86.6 million.

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

Prepayments and accrued income include the following prepaid expenses: design, advertising campaign and fashion show costs totaling Euro 16.9 million; software assistance costs of Euro 3.7 million; industrial property rental costs of Euro 2.5 million; deferred costs on loans of Euro 1 million; insurance premiums of Euro 0.9 million; and other costs of Euro 1 million. Prepaid design costs mainly includes costs incurred to develop collections that will generate revenue the following year.

7. Property, plant and equipment

Changes in the historical cost of Property, plant and equipment during the year ended January 31, 2016 and in prior year were as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other tangibles	Assets under construction	Total historical cost
Balance at January 31, 2014	198,912	110,462	54,909	42,349	63,584	66,749	536,965
Additions	78,130	8,777	7,478	2,762	3,947	70,924	172,018
Disposals	(1,418)	(562)	(1,394)	(1,884)	(679)	(1,443)	(7,381)
Other movements	1,908	273	1,557	2,424	141	(3,136)	3,167
Impairment	-	(1)	(116)	-	-	(37)	(155)
Balance at January 31, 2015	277,532	118,948	62,433	45,651	66,993	133,057	704,614
Additions	56,515	13,508	4,331	5,287	2,779	26,616	109,036
Disposals	-	(15)	(3)	-	(646)	(3)	(667)
Other movements	116,704	2,170	1,140	372	19,420	(120,895)	18,911
Impairment	-	(859)	-	(1)	(287)	-	(1,147)
Balance at January 31, 2016	450,751	133,752	67,901	51,309	88,259	38,775	830,747

Changes in accumulated depreciation of Property, plant and equipment during the year ended January 31, 2016 and in prior year were as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other tangibles	Assets under construction
Balance at January 31, 2014	30,013	91,482	26,930	28,512	42,033	218,969
Depreciation	5,665	8,138	4,422	2,732	4,120	25,076
Disposals	(746)	(531)	(812)	(1,422)	(622)	(4,132)
Other movements	-	115	676	1,614	96	2,500
Impairment	-	(1)	(68)	-	-	(69)
Balance at January 31, 2015	34,932	99,202	31,148	31,435	45,627	242,344
Depreciation	11,413	9,713	4,688	3,019	5,128	33,961
Disposals	(1)	(15)	(1)	(136)	(635)	(788)
Other movements	-	1	1	2	5	9
Impairment	-	(796)	392	-	(287)	(692)
Balance at January 31, 2016	46,344	108,105	36,228	34,320	49,838	274,834

Changes in the net book value of Property, plant and equipment in the year ended January 31, 2016 and in prior year were as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other tangibles	Assets under construction	Total historical cost
Balance at January 31, 2014	168,899	18,981	27,978	13,837	21,551	66,749	317,996
Additions	78,130	8,777	7,478	2,762	3,947	70,924	172,018
Depreciation	(5,665)	(8,138)	(4,422)	(2,732)	(4,120)	-	(25,076)
Disposals	(672)	(31)	(582)	(463)	(58)	(1,443)	(3,248)
Other movements	1,908	158	881	811	45	(3,136)	667
Impairment	-	-	(48)	-	-	(37)	(86)
Balance at January 31, 2015	242,600	19,746	31,285	14,215	21,366	133,057	462,270
Additions	56,515	13,508	4,331	5,287	2,779	26,616	109,035
Depreciation	(11,412)	(9,713)	(4,688)	(3,019)	(5,128)	-	(33,960)
Disposals	1	-	(2)	136	(11)	(3)	121
Other movements	116,704	2,168	1,139	370	19,415	(120,895)	18,901
Impairment	-	(62)	(392)	-	-	-	(454)
Balance at January 31, 2016	404,408	25,647	31,673	16,989	38,421	38,775	555,913

At January 31, 2016, "Land and buildings" included capitalized interest expenses of Euro 1.3 million.

Additions to Land and buildings mainly includes the investment in the art gallery and cultural center managed by Fondazione Prada and designed by architect Rem Koolhaas. The remaining additions regard industrial facilities in order to increase competitiveness.

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

Additions to Leasehold improvements regard the refurbishment of leased industrial and commercial property.

Additions to Assets under construction, totaling Euro 27 million, mainly include Euro 16 million of capex on a real estate property in Milan and Euro 11 million on properties in Tuscany that are not yet ready for use.

Other tangible assets includes the historical archive of finished products which embodies the identity and the legacy of the Group brands and is a constant source of inspiration.

8. Intangible assets

Changes in the historical cost of Intangible assets during the year ended January 31, 2016 and in prior year were as follows:

(amounts in thousands of Euro)	Other intangible assets	Trade-marks	Store Lease Acquisitions	Software	Goodwill	Assets in progress	Total historical cost
Balance at January 31, 2014	25,833	2,102	3,205	62,489	85,425	947	180,000
Additions	168	-	7,630	2,782	-	1,513	12,093
Disposals	(273)	-	(1,400)	(16)	(671)	-	(2,360)
Other movements	273	-	1,400	633	671	(628)	2,348
Impairment	-	-	-	-	-	(41)	(41)
Balance at January 31, 2015	26,001	2,102	10,835	65,887	85,425	1,791	192,041
Additions	17	-	226	6,584	337	7,426	14,590
Disposals	-	-	-	(96)	-	-	(96)
Other movements	226	-	-	1,542	-	(1,542)	226
Balance at January 31, 2016	26,244	2,102	11,061	73,917	85,762	7,675	206,761

Changes in the accumulated amortization of Intangible assets during the year ended January 31, 2016 and in prior year were as follows:

(amounts in thousands of Euro)	Other intangible assets	Trade-marks	Store Lease Acquisitions	Software	Goodwill	Total accumulated amortization
Balance at January 31, 2014	7,580	2,099	405	52,424	3,303	65,811
Amortization	2,125	1	1,789	3,325	-	7,240
Disposals	(174)	-	(187)	(10)	(671)	(1,042)
Other movements	161	-	93	3	671	928
Balance at January 31, 2015	9,692	2,100	2,101	55,742	3,303	72,938
Amortization	1,949	1	2,186	3,681	-	7,817
Disposals	8	-	-	-	-	8
Other movements	-	-	-	-	161	161
Balance at January 31, 2016	11,649	2,101	4,287	59,423	3,464	80,924

Changes in the net book value of Intangible assets during the year ended January 31, 2016 and in prior year were as follows:

(amounts in thousands of Euro)	Other intangible assets	Trade-marks	Store Lease Acquisitions	Software	Goodwill	Assets in progress	Total net book value
Balance at January 31, 2014	18,253	3	2,800	10,064	82,123	946	114,188
Additions	168	-	7,630	2,782	-	1,513	12,093
Amortization	(2,125)	(1)	(1,789)	(3,325)	-	-	(7,240)
Disposals	(98)	-	(1,213)	(6)	-	-	(1,317)
Other movements	112	-	1,306	630	-	(628)	1,420
Impairment	-	-	-	-	-	(41)	(41)
Balance at January 31, 2015	16,310	2	8,734	10,145	82,123	1,790	119,103
Additions	17	-	226	6,584	337	7,427	14,590
Amortization	(1,949)	(1)	(2,186)	(3,681)	-	-	(7,817)
Disposals	-	-	-	(96)	-	-	(96)
Other movements	217	-	-	1,542	-	(1,542)	217
Impairment	-	-	-	-	(161)	-	(161)
Balance at January 31, 2016	14,595	1	6,774	14,494	82,299	7,675	125,837

Goodwill

Goodwill amounted to Euro 82.3 million at January 31, 2016 and included Euro 78.3 million relating to sales and distribution activities in Italy. As required by IAS 36, goodwill with an indefinite useful life is not amortized but tested for impairment at least once a year.

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

Value in use is calculated as the sum of the present value of future free cash-flows expected from the business plan projections prepared for each CGU and the present value of the operating activities of the sector at the end of the business plan period (terminal value).

The business plans cover a period of five years and the discount rate used to discount cash flows is calculated using the weighted average cost of capital approach (WACC). The weighted average cost of capital used for discounting purposes was 9.15%. A sensitivity analysis was performed to ensure that changes in the main assumptions (WACC and "g" growth rate) did not significantly affect the coverage results. The outcome of this simulation did not highlight any indication that values in use could have been lower than the carrying amount.

The impairment test performed as at January 31, 2016 did not identify any impairment losses on goodwill.

9. Investments

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Investments in subsidiaries and associated undertakings	945,514	931,586
Other investments	13	13
Total	945,527	931,599

Investments in subsidiaries and associated undertakings at January 31, 2016 and 2015 are analyzed as follows:

(amounts in thousands of Euro)	Note	January 31 2015	Increases	Decreases	January 31 2016
Investments in subsidiaries:					
Artisans Shoes srl		2,706	-	-	2,706
Church Holding UK plc		108,828	-	-	108,828
IPI Logistica srl		1,798	-	-	1,798
Marchesi Angelo Srl	(1)	8,617	46	-	8,663
Montenapoleone 9 srl	(2)	-	900	-	900
Pellettieri d'Italia srl	(3)	601	1,370	1,971	-
Post Development Corp.		54,807	-	-	54,807
PRADA Belgium sprl	(4)	-	804	-	804
PRADA Bosphorus Deri Mamuller Limited Sirketi		13,536	-	-	13,536
PRADA Brazil Importaçao e Comercio de Artigos de Luxo ltda	(5)	17,853	2,286	20,139	-
Prada Canada Corp.		5,086	-	-	5,086
PRADA Czech Republic sro		1,894	-	-	1,894
PRADA Denmark Aps	(6)	-	7	-	7
PRADA Far East bv		383,590	-	-	383,590
PRADA Finnish Oy	(7)	-	3	-	3
PRADA Hellas Single Partner Limited Liability Company		1,764	-	-	1,764
PRADA Hong Kong P.D. limited		1,120	-	-	1,120
PRADA Kazakhstan llp		5,390	-	-	5,390
PRADA Maroc sarlau	(8)	3,667	-	3,667	-
PRADA Middle East Fzco		2,069	-	-	2,069
Prada Panama sa		1,760	-	-	1,760
PRADA Portugal. Unipessoal lda		955	-	-	955
Prada Retail Aruba nv		1,623	-	-	1,623
Prada Retail South Africa pty ltd	(9)	1,794	1,914	-	3,708
Prada Retail SPC		3,041	-	-	3,041
PRADA Rus llc	(10)	16,801	31,976	-	48,777
PRADA sa		23,315	-	-	23,315
PRADA Saudi Arabia ltd		3,935	-	-	3,935
PRADA Stores srl		80,237	-	-	80,237
PRADA Switzerland sa		36,177	-	-	36,177
PRADA Ukraine llc		-	-	-	-
PRADA USA Corp.		145,759	-	-	145,759
PRM Services S. De R.L. de CV		407	-	-	407
Tannerie Limoges sas		720	-	-	720
Investments in associated undertakings:					
PAC srl - in liquidation	(11)	1,738	-	1,738	-
Pelletteria Ennepì srl	(12)	-	2,138	-	2,138
Investments in other entities		13	-	-	13
Total		931,599	41,444	27,515	945,527

Investments were tested for impairment and impairment losses of Euro 24 million were identified at January 31, 2016, as follows:

(amounts in thousands of Euro)	January 31 2016
PRADA Maroc sarlau	(3,667)
PRADA Brazil Importaçao e Comercio de Artigos de Luxo ltda	(20,139)
Total	(23,806)

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

Notes:

(1) The increase is due to acquisition related expenses.

(2) On April 22, 2015, PRADA spa and Marchesi Angelo srl incorporated Montenapoleone 9 srl in order to develop the commercial activities of the Marchesi brand. The increase refers to payment of the subscribed quota capital.

(3) The increase represents the sum of the acquisition cost of a 40% interest in Pellettieri d'Italia srl and the waiver of receivables in order to cover losses. On November 24, 2015, Pellettieri d'Italia srl was merged through incorporation into the Company.

(4) On December 4, 2015, the Company incorporated PRADA Belgium SPRL in order to develop the retail business in Belgium. The increase represents the share capital paid.

(5) The increase refers to the recapitalization of the company on January 22, 2016. The decrease regards the impairment adjustment made following the impairment tests.

(6) On May 19, 2015, PRADA spa incorporated PRADA Denmark aps in order to develop the retail business in Denmark. The increase represents the share capital paid.

(7) On November 9, 2015, the Company incorporated PRADA Finnish Oy in order to develop the retail business in Finland. The increase represents the share capital paid.

(8) The decrease refers to an impairment adjustment made following an impairment test.

(9) The increase refers to capital paid into the company on March 20, 2015.

(10) The increase refers to a share capital increase performed through the conversion of loans of Euro 26 million and payment of Euro 6 million.

(11) At January 31, 2015, Investment in associated undertaking included a 49% interest in Pac srl (in liquidation), an unlisted company based in Italy. During the year, the liquidation process of said entity was almost completed, although some formalities had not yet been concluded at year end. Accordingly, at January 31, 2016, the value of the investment was written off.

(12) On October 16, 2015, the Company acquired a 40% interest in Pelletteria Ennepì srl, a company specializing in the production of wallets, travel items, bags and small leather goods.

Additional information on subsidiaries and associated undertakings:

(Amounts in currency /000)	Carrying amount	Local currency	Share Capital	Latest net income / (loss)	Share-holders' equity	% interest held
Artisans Shoes srl	2,706	EURO	1,000	1,126	8,059	66.70%
Church Holding UK plc	108,828	GBP	78,126	530	122,938	100.00%
IPI Logistica srl	1,798	EURO	600	105	2,665	100.00%
Marchesi Angelo Srl	8,662	EURO	23	175	920	80.00%
Montenapoleone 9 srl	900	EURO	1,000	(2,149)	(1,149)	90.00%
Post Development Corp.	54,807	USD	45,138	920	78,940	100.00%
PRADA Belgium sprl	804	EURO	800	0	800	100.00%
PRADA Bosphorus Deri Mamuller Limited Sirketi	13,536	TRY	41,000	(5,594)	19,033	100.00%
PRADA Brazil Importaçao e Comercio de Artigos de Luxo ltda	-	BRL	97,000	(50,411)	(4,769)	100.00%
PRADA Canada Corp.	5,086	CAD	300	3,145	39,789	100.00%
PRADA Czech Republic sro	1,894	CZK	2,500	3,334	28,096	100.00%
PRADA Denmark Aps	7	DKK	50	(1)	49	100.00%
PRADA Far East bv	383,590	EURO	20	63,064	490,746	100.00%
PRADA Finnish Oy	3	EURO	3	(216)	(214)	100.00%
PRADA Hellas Single Partner Limited Liability Company	1,764	EURO	2,850	6	979	100.00%
PRADA Hong Kong P.D. limited	1,120	HKD	11,000	555	14,683	100.00%
PRADA Kazakhstan llp	5,390	KZT	500,000	(229,124)	14,281	100.00%
PRADA Maroc sarlau	-	MAD	95,000	(54,269)	(17,094)	100.00%
PRADA Middle East Fzco	2,069	AED	18,000	55,846	170,885	60.00%
PRADA Panama sa	1,760	PAB	30	76	2,172	100.00%
PRADA Portugal. Unipessoal lda	955	EURO	5	170	2,289	100.00%
PRADA Retail Aruba nv	1,623	USD	2,011	32	2,104	100.00%
PRADA Retail South Africa pty ltd	3,041	ZAR	50,000	(13,613)	34,959	100.00%
PRADA Retail SPC	48,777	QAR	15,000	4,541	22,204	100.00%
PRADA Rus llc	23,315	RUB	250	(32,010)	2,075,971	100.00%
PRADA sa	3,935	EURO	31	19,963	276,294	100.00%
PRADA Saudi Arabia ltd	3,709	SAR	11,000	21,401	302,545	75.00%
PRADA Stores srl	80,237	EURO	520	(1,553)	26,156	100.00%
PRADA Switzerland sa	36,177	CHF	24,000	(4,206)	15,863	100.00%
PRADA Ukraine llc	-	UAH	30,000	(86,367)	(140,818)	100.00%
PRADA USA Corp.	145,759	USD	152,211	15,105	263,977	100.00%
PRM Services S. De R.L. de CV	407	MXN	7,203	(3,124)	8,033	100.00%
Tannerie Limoges sas	720	EURO	1,200	(666)	108	60.00%
Pelletteria Ennepì S.r.l.[1]	2,138	EURO	93	90	2,907	40.00%
	945,514					

1) Figures at 31/12/2014

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

10. Other non-current assets

Other non-current assets may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Long-term prepaid expenses	9,030	2,720
Advances and payments on account	3,773	2,831
Other financial receivables	2,000	3,900
Sundry other long-term receivables	708	652
Long-term guarantee deposits	571	537
Other tax receivables	370	700
Total	16,452	11,340

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

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

11. Short-term financial payables and bank overdrafts

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Bank overdrafts	3	89
Short-term loans	185,098	150,106
Current portion of long term loans	22,551	7,777
Deferred costs on loans	(78)	(1)
Short-term financial payables and bank overdrafts	207,574	157,971

Short-term financial payables mainly include finance of Euro 125 million on the revolving line of credit of Euro 315 million arranged by PRADA spa in 2014 with a syndicate of banks. The revolving line of credit is subject to compliance with several covenants determined based on the PRADA spa consolidated financial statements. Specifically, the ratio between total net bank borrowing and EBITDA must not exceed 3 and the ratio between EBITDA and total net interest expenses must not exceed 4. Both covenants were respected at January 31, 2016.

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

Intesa San Paolo	3,667	Euro/000	May 2030	2.737%
Intesa San Paolo	16,667	Euro/000	December 2018	0.600%
Interest accruing and due	2,217	Euro/000	July-August 2016	

The amount of Euro 3.7 million at January 31, 2016 (zero at January 31, 2015) regards a mortgage loan approved by IntesaSanpaolo for PRADA spa in 2014 and disbursed in 2015. This loan is secured by a mortgage on the Milan property used as the Group's headquarters.

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

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

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Financial payables	49,718	335,283
Other payables	4,139	3,768
Total payables due within a year	53,857	339,051

Financial payables to subsidiaries have decreased due to the reclassification from current to non-current following the renegotiation of loan agreements.

Other payables include sundry interest-free payables to subsidiaries.

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

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

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Financial payables	269,566	30,467
Payables to related parties for investments	-	13,384
Total payables due after more than a year	269,566	43,851

Following the buyback of quotas by the non-controlling quotaholder of Fin-reta srl in the first half of 2015, said company is no longer a related party but a third party. Consequently, the related payables have been reclassified to "Other non-current liabilities". See note 20 for further information.

13. Trade payables

Trade payables may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Trade payables – third parties	173,246	301,457
Trade payables – subsidiaries and associated undertakings	405,279	318,494
Trade payables – related parties	8,897	21,033
Total	587,422	640,984

The decrease in Trade payables towards third parties is essentially due to different production scheduling adopted in the last months of the current period.

The increase in Trade payables towards subsidiaries and associated undertakings is due to the higher net expense from the share of profits and losses of the retail companies, as described in Note 24 "Operating expenses". A detailed breakdown of this item by creditor is provided in Note 27 "Transactions with parent, subsidiary and associated companies and related parties".

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

Total trade payables are summarized below by maturity date.

(amounts in thousands of Euro)	January 31 2016	Current	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables - third parties	173,246	160,278	5,544	3,356	873	139	3,057
Trade payables – parent, subsidiaries, associates and related parties	414,176	387,210	834	4,749	1,051	777	19,554
Total	587,422	547,488	6,378	8,105	1,924	916	22,611

(amounts in thousands of Euro)	January 31 2015	Current	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables - third parties	301,457	275,618	16,259	4,516	1,038	463	3,563
Trade payables – parent, subsidiaries, associates and related parties	339,527	316,895	3,394	3,458	1,682	3,616	10,482
Total	640,984	592,513	19,653	7,974	2,720	4,079	14,045

14. Current tax liabilities

Current tax liabilities are detailed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
VAT and other taxes	4,485	4,178
Social security and pension contribution liabilities	4,586	4,875
Total	9,071	9,053

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

15. Obligations under finance leases

The increase in obligations under finance leases is due to a new contract signed during the year.

16. Other current liabilities

Other current liabilities may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Provision for Returns	34,768	34,336
Payables for capex	30,129	92,784
Payables to employees	26,974	28,618
Deferred income	417	622
Other payables	375	382
Total	92,664	156,743

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

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

"Payables for capital expenditure" include liabilities as at January 31, 2016 for capital expenditure described in Notes 7 and 8 on Property, plant and equipment and Intangible assets. The decrease is due to settlement of the balance of Euro 55 million, due to Beni Stabili, on the purchase price of the property in Milan used as the Company's headquarters.

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

17. Long-term financial payables

Long-term financial payables are analyzed below:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Bonds	130,000	130,000
Long-term bank borrowings	242,833	-
Deferred costs on long term loans	(1,104)	(791)
Total	371,729	129,209

Long-term financial payables at January 31, 2016 are analyzed as follows:

Amounts in Euro/000	Principal	Loan currency	Lender	Maturity date	Interest rate (1)
PRADA spa	130,000	Euro	Bonds	August 2018	2.750%
PRADA spa	60,000	Euro	Monte dei Paschi di Siena	December 2018	0.558%
PRADA spa	33,333	Euro	Intesa San Paolo	December 2018	0.600%
PRADA spa	40,000	Euro	Intesa San Paolo	February 2019	0.608%
PRADA spa	60,000	Euro	Unicredit	March 2019	0.755%
PRADA spa	49,500	Euro	Intesa San Paolo	May 2030	2.737%
Total	372,833				

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

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

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

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

On June 23, 2014, PRADA spa arranged with Intesa-Sanpaolo Group a long-term loan secured by a mortgage on the property in Milan used as the Group Head Office. The loan was disbursed in 2015 in the amount of Euro 55 million and its outstanding, long-term amount at January 31 2016 was Euro 49.5 million.

The bonds are listed on the Irish Stock Exchange and mature interest at a fixed rate. At January 31, 2016, the fair value of the bonds payable was Euro 136.9 million while their carrying amount was Euro 129.4 million i.e. amortized cost.

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

18. Employee benefits

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Post-employment benefits	20,423	22,214
Other long term employee benefits	17,439	33,664
Total	37,862	55,878

Post-employment benefits

Liabilities for post-employment benefits totaled Euro 20.4 million at January 31, 2016, regarded the TFR liability and were all classified as defined benefit plans.

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

	January 31 2016	January 31 2015
Average duration of plan (years)	10.9	11.1
Discount rate	1.513%	0.9%
Inflation rate	1.5%	1.0%

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

The actuarial gains and losses are determined as follows:

	Defined Benefit Plans in Italy (TFR)
Actuarial adjustments due to	
(a) Changes in financial assumptions	(873)
(b) Changes in other assumptions (e.g. demographic assumptions, remuneration increases)	73
(c) Other	(30)
Actuarial (gains)/losses	(830)

The sensitivity analysis performed on the main actuarial assumptions applied at January 31, 2016 highlighted that an increase or decrease of 50 basis points in the parameters (discount rate, rate of inflation, likelihood of termination of employment relationship and percentage of advances on TFR) would have an impact of less than 5% on the total amount of the obligations. Consequently, the result of the test was considered immaterial in terms of possible impact on the financial statements.

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

(amounts in thousands of Euro)	2016	2017	2018	2019	After 2019
Defined Benefit Plans (TFR)	1,375	957	1,007	1,044	20,388

Movements on liabilities for post-employment benefits in the period ended January 31, 2016 are shown in the following table:

(amounts in thousands of Euro)	
Balance at January 31, 2015	22.214
Current service costs	87
Financial expenses	24
Increase due to merger	84
Transfers	(14)
Acquisition of branches	568
Actuarial (Gains)/Losses	(830)
Indemnities paid	(1.710)
Balance at January 31, 2016	20.423

Other long-term employee benefits

Other long-term employee benefits have been classed under the IAS 19 category "Other long-term employee benefits" and relate to long-term retention and performance plans recognized in favor of Company employees. As at January 31, 2016, their actuarial valuation, obtained using the Projected Unit Cost Method, was Euro 17.4 million (Euro 33.7 million as at January 31, 2015). This valuation was performed by independent actuary Federica Zappari.

Movements on other long-term employee benefits in the twelve months ended January 31, 2016 are shown below:

(amounts in thousands of Euro)	Other long-term benefits
Balance at January 31, 2015	33,664
Increases	4,948
Utilization for payments	(21,172)
Balance at January 31, 2016	17,439

19. Provisions for risks and charges

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

(amounts in thousands of Euro)	Provision for litigation	Provision for tax disputes	Provision for coverage of losses of subsidiaries / associates	Other provision	Total
Balance at January 31, 2015	351	21,766	-	737	22,855
Increases	-	163	1,725	1,024	2,912
Increases due to mergers	-	-	-	49	49
Reversals	-	(264)	-	(49)	(312)
Balance at January 31, 2016	351	21,666	1,725	1,761	25,503

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

Provision for tax disputes

On December 30, 2005, PRADA spa (for companies incorporated into PRADA spa, Genny Spa and Byblos Spa, the respective sellers of the "Genny" and "Byblos" businesses) received two notices of tax assessment for VAT purposes for the 2002 fiscal year. The assessments regarded the sales of the "Genny" and "Byblos" businesses which the authorities sought to treat as sales of the respective brands. The amount assessed was about Euro 21 million. The Company successfully appealed at the first and second levels of appeal. The Tax Authority then announced its appeal to the Supreme Court of Cassation against which the Company submitted a counter appeal. No further developments took place in 2015.

On August 4, 2006, PRADA spa (for IPI Italia spa, a company incorporated into it and the seller of the "Genny" business), received a demand for VAT penalties totaling Euro 5.7 million for the year 2002 in relation to its alleged failure to issue a "self-invoice" for the value of the "Genny" brand. Even though it submitted its defensive arguments against this claim, on October 9, 2007, the Company received a request for penalties against which it filed appeals at two levels but was unsuccessful with both. Finally, the Company then made a further appeal to the Supreme Court of Cassation against which the Tax Authority filed its own counter appeal. No further developments took place in 2015.

In October 2012, October 2013 and October 2014, the Italian Tax Authorities rejected PRADA spa's request not to apply the Italian Controlled Foreign Companies rules (CFC) to its Dutch sub-holding company PRADA Far East bv for the tax years from 2010 to 2013. In order to reduce the risk of application of additional penalties in case of assessment, Prada spa paid some Euro 66 million, including Euro 42 million recorded in the 2012 income statement, Euro 22 million in the 2013 income statement and Euro 3 million in the 2014 income statement. The amounts paid followed the *"ravvedimento operoso"* procedure (or voluntary settlement of dispute) and represented the taxes due in Italy by PRADA spa on the taxable income of PRADA Far East bv – a total of Euro 42 million for 2010 and 2011 and a total of Euro 22 million for 2012. The tax due for 2013 was not paid due to the credit arising from payments made on account. In October 2012, October 2013, May 2014 and October 2014, the Italian tax authorities also declared inadmissible the requests filed by PRADA spa for the tax years from 2010 to 2014 not to apply CFC rules to other Group countries operating in countries on the fiscal black list. In January 2013, January 2014 and January 2015, PRADA spa filed appeals to the Rome Provincial Tax Commission in relation to the rejection of its requests regarding PRADA Far East bv and the declaration of inadmissibility of its petitions regarding the other "black list" companies; it also requested the reimbursement of the amounts paid in relation to PRADA Far East bv. In October 2015, the Italian tax authorities upheld Prada spa's request for the non-application of CFC rules for 2014 in relation to Group subsidiaries operating in countries on the fiscal black list; this decision is effective from 2014 onwards on condition that there are no significant changes to the structure of the companies involved. Meanwhile, the petition to set aside the CFC rules for Dutch sub-holding company Prada Far East for the 2014 fiscal year was not presented because the legal requirements for it to be classed as a CFC were no longer met for that year. Consequently, no tax costs resulting from CFC rules have been recorded for said company in the 2015 income statement.

In May 2012, the Italian Customs Authority began an audit of PRADA spa on the 2007-2011 tax years and with reference to the method used to value imported products in specific circumstances. This audit led to the detection of customs irregularities subject to administrative and criminal penalties; PRADA spa provided all of the documentation requested. In March 2012, the Company applied to the Central Italian Customs Authority in Rome for a ruling on the same issue and, in 2013, it submitted two explanatory statements to the Public Prosecutor and the Customs Head Office.

The customs authorities suspended their judgment until completion of the criminal proceedings which were discontinued in 2015. Although, in August and September 2014, PRADA spa received two amended notices of assessment from the customs authorities in relation customs duties (and related demands for payment), the Directors do not believe that any provision need be made. Indeed, the company has submitted its comments in relation to the amended notices of assessment. Moreover, after its petition for suspension of the demand for payment was rejected, the Company has paid the tax demands issued in the meantime while also filing the necessary appeals by the legally required deadlines.

Except where there is an express statement that no provision has been made, the Directors, supported by the opinion of their tax advisors, believe that the provisions totaling Euro 21.7 million carried at January 31, 2016 in respect of the tax disputes described above represents the best estimate of the obligations that the Company could be called upon to fulfill.

Provision for litigation

This provision represents the Directors' assessment of litigation risks at the end of financial year 2015.

There were no significant developments in relation to ongoing litigation during 2015.

Other provisions

Other provisions for risks amounted to Euro 1.8 million as at January 31, 2016 and related to obligations to return premises under lease agreements in their original state.

20. Other non-current liabilities

Other non-current liabilities amount to Euro 17 million and include Euro 8.7 million outstanding payables for the right of usufruct of retail premises. The rest of the balance regards liabilities recognized in order to record on a straight-line basis the concession fees for the premises in Galleria Vittorio Emanuele II in Milan and rental costs for other outlet stores.

21. Shareholders' equity

Shareholders' equity is analyzed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Share capital	255,882	255,882
Other reserves	1,098,866	966,012
Net income for the period	248,421	385,429
Total shareholders' equity	1,603,169	1,607,323

Share capital

At January 31, 2016, some 80% of the share capital of PRADA spa was held by PRADA Holding spa while the remainder was listed on the Main Board of the Hong Kong Stock Exchange.

Share premium reserve

The share premium reserve is unchanged compared to January 31, 2015.

Dividends

During the period, the Company distributed dividends of Euro 281.5 million, as approved by the Annual General Meeting held on May 26, 2015 to approve the financial statements for the year ended January 31, 2015. Payment of the dividends was completed by January 31, 2016.

Availability of shareholders' equity

(amounts in thousands of Euro)	January 31 2016	Possible utilization	Amount distributable	Summary of utilization in the last three years	
				Coverage of losses	Distribution of dividends
Share capital	255,882				
Share premium reserve	410,047	A, B, C	410,047	-	-
Legal reserve	51,176	B	-	-	-
Other reserves	182,899	A, B, C	182,899	-	-
Retained earnings	454,651	A, B, C	434,135	-	588,530
Cash flow hedge reserve	93		-	-	-
Distributable amount			1,027,081		588,530

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

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

A non-distributable portion of retained earnings amounting to Euro 20,516 million refers to restricted reserves under Art. 7 of Legislative Decree 38/2005.

Income statement

22. Net revenues

Net revenues are mainly generated by sales of finished products and are stated net of returns and discounts. Net sales for the twelve months ended January 31, 2016 amounted to Euro 1,870 million, 5.9% less than in prior year (Euro 1,988 million in 2014) because of lower sales both to Group companies and in the wholesale channel.

Royalties income of Euro 42 million was earned by the Company from *Fragrance and Skincare* sl and Luxottica Group on sales of cosmetics and eyewear, respectively. Franchising royalties income totaled Euro 2.9 million, broadly in line with prior year (Euro 2.7 million).

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Net sales	1,869,706	1,987,923
Royalties	45,075	39,584
Net revenues	1,914,781	2,027,507

23. Cost of goods sold

Cost of goods sold may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Purchases of raw materials and production costs	826,647	942,289
Logistics costs, duties and insurance	87,774	110,128
Change in inventories	(23,701)	(110,790)
Total	890,721	941,628

Cost of goods sold has decreased by Euro 51 million in absolute terms because the lower volume of production. Compared to prior year, cost of goods sold has remained stable at 46.5% of net revenues.

24. Operating expenses

Operating expenses may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Advertising and communications costs	126,642	122,895
Product design and development costs	112,782	116,207
Selling costs	358,099	264,070
General and administrative costs	85,253	69,727
Operating expenses	682,777	572,899

Advertising and communications costs include expenses incurred to organize advertising campaigns, fashion shows and other events plus overheads regarding this area of the business. The increase compared to prior year is mainly due to the higher cost of sponsorship of Fondazione Prada which organized a series of exhibitions and cultural events in 2015.

Product design and development costs include both the design phase – i.e. research and testing of shapes, fabrics, leather and production techniques plus definition of the design concept - and the product development phase, involving planning of products, production of prototypes and manufacture of the products themselves. Product design and development costs decreased by Euro 3.4 million compared to 2014.

Selling costs have increased by Euro 94 million mainly because of a rise in net expenses from participation in the profits and losses of retail companies which have gone from Euro 140 million to Euro 242 million.

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

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

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Interest income / (expenses), net	5,908	5,129
Exchange gains / (losses) - realized	3,313	(2,209)
Exchange gains / (losses) – unrealized	(13,392)	(27,379)
Dividends	42,039	92,982
Other financial income / (expenses)	(30,299)	(33,940)
Total	7,569	34,582

Net interest income, amounting to Euro 5.9 million represents the difference between total interest income of Euro 16.8 million (Euro 15.3 million in 2014) and interest expenses of Euro 10.9 million (Euro 10.2 million in 2014).

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

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

26. Income taxes

Income taxes for the twelve months ended January 31, 2016 and January 31, 2015 are analyzed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Current taxes	103,093	163,070
Prior year taxes	(2,611)	3,423
Deferred taxes	(50)	(4,360)
Total	100,432	162,133

The decrease in current income taxes in absolute terms is essentially due to the reduction in income before taxation. As a percentage of income before taxation, the tax burden decreased from 29.6% to 28.8%.

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

(amounts in thousands of Euro)	January 31 2016
Opening balance, net	42,532
Deferred taxes for the period	(10,595)
Closing balance, net	31,937

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

(amounts in thousands of Euro)	Deferred tax assets, net		Income Statement effect	Equity effect
	January 31 2016	January 31 2015		
Employee benefits – defined benefit plans	607	607	-	-
Inventories	15,510	19,792	(4,281)	-
Property, plant and equipment	(2,970)	(4,482)	1,512	-
Intangible assets	(120)	(100)	(20)	-
Provisions for risks and charges	11,297	11,188	109	-
Allowance for doubtful debts	(1,414)	(1,331)	(83)	-
Derivative instruments	(35)	10,610	-	(10,645)
Other temporary differences	9,063	6,248	2,815	
Total	31,937	42,532	50	(10,645)

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

(amounts in thousands of Euro)	IRES	Eff. IRES rate	IRAP	Eff. IRAP rate	Total taxation	Total Eff. rate
Theoretical tax on income before taxation	95,934	27.50%	13,710	3.93%	109,644	31.43%
Dividends exempted	(10,983)	-3.15%	-	-	(10,983)	-3.15%
ACE	(8,390)	-2.40%	-	-	(8,390)	-2.40%
Impairment adjustment to investments	7,062	2.02%	-	-	7,062	2.02%
Taxation of revenue allocated to OCI	228	0.07%	-	-	228	0.07%
Other permanent differences	1,426	0.37%	67	-0.11%	1,493	0.26%
Adjustments in annual tax return “UNICO”	(2,059)	-0.59%	(557)	-0.16%	(2,616)	-0.75%
Difference between income before taxation and net value of production	-	-	3,993	1.14%	3,993	1.14%
Taxes for period	83,219	23.82%	17,213	4.81%	100,432	28.62%
Temporary differences	492	0.15%	(442)	-0.13%	50	0.03%
Current taxation	83,711	23.97%	16,771		100,482	28.65%

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

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

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

The tables mentioned above provide details of related party transactions in accordance with IAS 24 “Related Party Disclosures”. The related party disclosures provided below are also consistent with the Listing Rules of the Hong Kong Stock Exchange.

The transactions with related party “Fratelli Prada spa – franchising” refer to the transactions between the Company and Fratelli Prada spa in relation to the franchising agreement for the Prada stores in Milan. The transactions reported for the twelve months ended January 31, 2016 fall within the scope of application of Chapter 14A of the Hong Kong Stock Exchange Listing Rules as they were qualified as continuing connected transactions subject to reporting and disclosure but exempted from independent shareholders' approval requirements. As requested by the Listing Rules, comprehensive disclosure of these continuing connected transactions was included in the PRADA spa Announcement dated January 29, 2014 while a summary update is reported in the Corporate Governance section of these Separate Financial Statements.

The transactions with related party "Fratelli Prada spa – Galleria" refer to the transactions between the Company and Fratelli Prada spa in relation to the business management agreement over the use by the latter of part of the Galleria Vittorio Emanuele II property in Milan to conduct retail business. The transactions reported refer to the period from February 1 to April 1, 2015, following the termination agreement signed by the parties on March 31, 2015, contents of which are reported in the Prada spa announcement dated April 2, 2015.

The transactions with related party "Progetto Prada Arte srl - Galleria" refer to the transactions between the Company and Progetto Prada Arte srl in relation to the temporary business partnership agreement regarding the use by the latter of part of the Galleria Vittorio Emanuele II property in Milan to carry out cultural activities. The transactions reported for the twelve months ended January 31, 2016 fall within the scope of application of Chapter 14A of the Hong Kong Stock Exchange Listing Rules as they were qualified as continuing connected transactions subject to reporting and disclosure but exempted from independent shareholders' approval requirements. As requested by the Listing Rules, comprehensive disclosure of these continuing connected transactions was included in the PRADA spa Announcement dated January 29, 2013 while a summary update is reported in the Corporate Governance section of these Separate Financial Statements.

The transactions with related party Luna Rossa Challenge srl reported for the twelve months ended January 31, 2016 fall within the scope of application of Chapter 14A of the Hong Kong Stock Exchange Listing Rules as they were qualified as continuing connected transactions subject to reporting and disclosure but exempted from independent shareholders' approval requirements. As requested by the Listing Rules, comprehensive disclosure of these continuing connected transactions was included in the PRADA spa Announcement dated February 27, 2014 while a summary update is reported in the Corporate Governance section of these Separate Financial Statements.

Other than the "non-exempt continuing connected transactions" and the "non-exempt connected transactions", no other transactions reported in the Separate Financial Statements fall within the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Hong Kong Stock Exchange Listing Rules or, if they did fall within the definition of "connected transactions" or "continuous connected transactions" in terms of said Chapter 14A, they are exempt from the reporting, disclosure and independent shareholders' approval requirements of Chapter 14A.

Statement of financial position

(amounts in thousands of Euro)	Trade receivables Jan 31, 2016	Trade receivables Jan 31, 2015	Trade payables Jan 31, 2016	Trade payables Jan 31, 2015
Parent company	478	140	-	1
PRADA Holding Spa	478	140	-	1
Subsidiaries and associates	394,641	529,255	405,279	318,494
Artisans Shoes Srl	336	477	18,389	27,241
Church Footwear (Shanghai) Co. Ltd	3	7	-	-
Church & Co. (USA) Ltd	30	20	1	1
Church & Co. Plc	30,000	19,369	2,912	1,101
Church Austria Gmbh	144	129	-	-
Church Denmark Aps	53	46	-	-
Church English shoes Sa	3	2	-	-
Church Footwear Ab	168	159	-	-
Church France Sa	234	122	5	-
Church Holding UK Plc	368	367	-	-
Church Hong Kong Retail Ltd	218	186	-	-
Church Ireland Retail Ltd	2	1	-	-
Church Italia Srl	299	1,458	54	45
Church Japan Co.. Ltd	0	5	-	-
Church Netherlands Bv	200	183	-	-
Church Singapore Pte Ltd	121	167	-	-
Church Spain Sl	50	38	-	-
Church UK Retail Ltd	1,149	1,005	8	8
Church's English Shoes Sw.Sa	14	28	6	6
IPI Logistica Srl	388	594	3,216	3,162
Kenon Ltd.	1	(1)	-	-
Marchesi Angelo srl	4	-	0	10
Montenapoleone 9 srl	1,710	-	24	-
Pellettieri d'Italia Srl	-	37	(0)	1,248
Post Development Corp.	3	3	-	-
PRADA (Thailand) Co..Ltd	404	688	2,372	214
PRADA Asia Pacific Ltd	35,417	111,029	52,449	11,587
PRADA Australia Pty. Ltd	628	524	2,815	663
PRADA Austria Gmbh	2,307,86	3,421	312	1,059
PRADA Bosphorus Deri Mamuller Limited Sirketi	6,732	3,137	3,935	5,224
PRADA Brasil Importaçao e Comercio de Artigos de Luxo Ltda	2,146	4,789	-	16,337
PRADA Canada Corp.	4,172	2,350	2,374	2,674
PRADA Company Sa	(10)	(10)	-	-
PRADA Czech Republic Sro	1,166	755	157	611
PRADA Dongguan Trading Co. Ltd	59	57	464	349
PRADA Emirates Llc (1)	948	1,153	70	23
PRADA China Ltd	-	-	-	-
PRADA Far East Bv	3,596	3,139	916	1,058
PRADA Fashion Commerce (Shanghai) Co. Ltd	24,711	17,363	57,959	31,431
PRADA Belgium Sprl	438	-	466	-
PRADA Denmark	311	-	197	-
PRADA Finnish Oy	94,47	-	338	-
PRADA Germany Gmbh	11,707	15,120	270	3,050
PRADA Hellas S. Ltd	1,288	126	48	122
PRADA Hong Kong P.D. Ltd	155	201	517	280
PRADA India Fashion Private Ltd.	-	19	-	-
PRADA Japan Co.. Ltd	5,530	22,485	397	1,208
PRADA Kazakhstan Llp	3,222	5,613	297	556

(amounts in thousands of Euro)	Trade receivables	Trade receivables	Trade payables	Trade payables
	Jan 31, 2016	Jan 31, 2015	Jan 31, 2016	Jan 31, 2015
PRADA Korea Ltd	25,903	15,848	617	394
PRADA Kuwaitt Wll	554	559	4	-
PRADA Macau Co.. ltd	584	-	1,860	-
PRADA Maroc Sarlau	3,710	2,599	2,569	3,675
PRADA Middle East Fzco	21,432	21,294	976	1,069
PRADA Montecarlo Sam	84	(376)	2,204	1,816
PRADA New Zealand Pty ltd	349	260	639	375
PRADA Panama, S.a.	1,529	279	957	268
PRADA Portugal, Unipessoal Lda	1,313	2,612	61	249
PRADA Retail Aruba N.v.	694	2,165	84	380
PRADA Retail France Sas	15,672	20,585	11,908	14,598
PRADA Retail Malaysia Sdn	123	101	16	71
PRADA Retail Mexico S. de r.l.	7,558	6,970	4,197	4,967
PRADA Retail South Africa (Pty) Ltd	4,273	312	1,579	222
PRADA Retail Spc	1,616	2,954	12	27
PRADA Retail UK Ltd	2,406	28,584	4,115	6,742
PRADA Rus Llc	8,323	8,312	356	4,088
PRADA Sa	536	15,903	66,963	29,204
PRADA Saudi Arabia Ltd.	887	199	1	-
PRADA Singapore Pte, Ltd	494,60	275	14,965	14,816
PRADA Spain Sa	8,758	10,461	67	420
PRADA Stores Srl	37,857	44,450	3,647	7,964
PRADA Sweden Ab	(611)	(762)	144	262
PRADA Switzerland Sa	(1,899)	5,252	1,781	1,381
PRADA Taiwan Ltd Taipei	348	564	4,215	5,038
PRADA Ukraine Llc	5,383	3,261	1,245	991
PRADA Usa Corp.	101,816	91,734	124,873	101,632
PRADA Vietnam Limited Liability Company	1,154	822	1,674	858
Prm Services, S. de R.l. de CV	52	133	1	-
Tannerie Limoges sas	1,077	425	79	-
Space Hong Kong Ltd	-	24	-	0
Space Usa Corp.	-	24,507	-	5,947
TRS Guam Boutique	201	136	-	-
TRS Hawaii Llc	925	1,190	2,296	1,669
TRS Hong Kong Ltd	14	10	-	-
TRS Hong Kong Ltd - Macau	103	366	-	0
TRS New Zealand Pty. Ltd	51	28	-	-
TRS Okinawa Kk	709	746	205	103
TRS Saipan Boutique	120	55	-	-
TRS Singapore Pte Limited	20	57	-	-

(amounts in thousands of Euro)	Trade receivables Jan 31, 2016	Trade receivables Jan 31, 2015	Trade payables Jan 31, 2016	Trade payables Jan 31, 2015
Related parties	**23,909**	**36,410**	**8,897**	**21,033**
Chora Srl	-	-	4,279	3,233
Conceria Superior Spa	2	1	3,081	12,226
F.lli PRADA Spa	23,783	30,173	913	2,617
Gran Caffè snc	-	-	-	2
HMP Srl	8	8	-	-
Le Mazza Srl	63	105	823	867
Luna Rossa Challenge 2013 NZ Ltd	-	1,278	-	-
Luna Rossa Challenge Srl	53	721	7	154
Peschiera Immobiliare Srl	-	-	64	-
PRA 1 Srl	-	-	144	75
Progetto PRADA Arte Srl	-	336	(500)	1,781
Progetto PRADA Arte Srl (Galleria) (2)	-	566		
Rubaiyat Modern Lux. Prod. Ltd	-	2,342	-	-
Stiching Fondazione PRADA	-	880	-	-
Other (3)	-	-	86	78
Total	**419,027**	**565,805**	**414,176**	**339,527**

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

(amounts in thousands of Euro)	Financial receivables	Other receivables	Financial receivables	Other receivables
	Jan 31, 2016	Jan 31, 2016	Jan 31, 2015	Jan 31, 2015
Subsidiaries and associates	**393,835**	**6,757**	**338,526**	**3,173**
Artisans Shoes srl	4,892	456	5,420	1,304
Church & Co. plc	2,201	-	2,206	-
Church Holding UK plc	1,493	-	1,522	-
Church Italia srl	-	1,108	-	179
IPI Logistica srl	-	24	-	10
Montenapoleone 9 srl	-	1	-	-
PRADA Asia Pacific ltd	-	68	-	65
PRADA Austria gmbh	7,002	-	7,003	-
PRADA Belgium Sprl	-	222	-	-
PRADA Bosphorus Deri Mamuller Limited Sirketi	10,920	-	12,793	-
PRADA Brasil Importaçao e Comercio de Artigos de Luxo Ltda	17,214	5	24,083	-
PRADA Czech Republic sro	864	-	1,571	-
PRADA Denmark Aps	-	92	-	-
PRADA Dongguan Trading Co. Ltd	-	5	-	3
PRADA Finnish	-	14	-	-
PRADA Fashion Commerce (Shanghai) Co. Ltd	-	17	-	0
PRADA Germany gmbh	27,358	116	17,345	116
PRADA Hellas S. ltd	1,845	0	2,003	-
Prada Hong Kong P.D. Ltd.	-	80	470	84
PRADA Maroc Sarlau	2,982	-	5,667	-
PRADA Middle East Fzco	3,681	-	3,556	(0)
PRADA Montecarlo sam.	3,520	-	4,238	-
PRADA Portugal, Unipessoal lda	1,262	-	1,895	-
PRADA Retail Aruba N.v.	-	-	-	327
PRADA Retail Mexico S. de r.l.	-	12	-	3
PRADA Retail France sas	60,883	-	60,684	-
PRADA Retail South Africa (Pty) Ltd	-	45	-	45
PRADA Retail UK	43,966	-	17,594	-
PRADA Rus LLC	0	-	17,205	-
PRADA Sa	-	118	-	125
PRADA Saudi Arabia Ltd.	7,212	-	-	6
PRADA Singapore Pte, ltd	-	-	-	24
PRADA Spain sa	16,120	-	16,141	(0)
PRADA Stores srl	148,559	4,352	127,357	795
PRADA Switzerland Sa	23,630	-	5,141	1
PRADA Ukraine Llc.	4,581	-	4,632	1
PRADA USA Corp.	-	15	-	18
Prm Services, S. de R.l. de CV	-	7	-	4
Tannerie Limoges sas	3,652	-	-	60

(amounts in thousands of Euro)	Financial receivables	Other receivables	Financial receivables	Other receivables
	Jan 31, 2016	Jan 31, 2016	Jan 31, 2015	Jan 31, 2015
Related parties	703	24,350	741	19,871
Chora srl	-	5,848	-	2,924
F.lli Prada spa	-	-	-	3,174
Luna Rossa Challenge Srl	-	16,790	-	12,379
Peschiera Immobiliare srl	-	-	-	82
PRA 1 Srl	-	80	-	90
Progetto Prada Arte Srl	-	-	-	88
Progetto Prada Arte Srl – Galleria (1)	703	1,632	741	1,134
Total	394,538	31,107	339,267	23,044

Note:
(1) Sundry receivables regard a non-monetary receivable for deferred rental income due from Progetto Prada Arte srl following application of "IAS 17 Leases" to the temporary business partnership contract between PRADA spa and Progetto Prada Arte srl. It earns interest at a rate of 2.5% and will last for the concession period.

(amounts in thousands of Euro)	Fair value IRS "fair value to profit and loss"	
	January 31, 2016	January 31, 2015
Kenon Ltd	8,775	10,121

(amounts in thousands of Euro)	Financial payables	Other payables	Financial payables	Other payables
	Jan 31, 2016	Jan 31, 2016	Jan 31, 2015	Jan 31, 2015
Subsidiaries and associates	319,283	4,105	365,750	3,497
Artisans Shoes srl	0	84	-	161
Church Italia srl	-	68	-	57
IPI Logistica srl	224	6	465	3
Marchesi Angelo srl	-	4	-	-
Pellettieri d'Italia srl	-	-	-	372
Post Development Corp.	22,283	134	22,104	129
PRADA Dongguan Trading Co. Ltd	-	61	-	61
PRADA Far East bv	240,326	-	236,625	-
PRADA Germany gmbh	1,959	1	2,689	-
PRADA Retail France sas	2,643	4	6,692	-
PRADA Retail UK	61	-	-	-
PRADA sa	51,567	1,572	96,959	1,573
PRADA Spain sa	-	148	-	-
PRADA Stores srl	-	2,005	-	1,140
PRADA Switzerland Sa	17	20	18	-
PRADA USA Corp.	205	-	198	-
Related parties	-	34	-	13,655
Fin-Reta Srl	-	-	-	13,384
F.lli Prada Spa	-	8	-	8
Luna Rossa Challenge srl	-	26	-	21
Progetto Prada Arte Srl	-	-	-	211
Stiching Fondazione Prada	-	-	-	32
Total	319,283	4,139	365,750	17,152

(amounts in thousands of Euro)	Other liabilities	
	January 31, 2016	January 31, 2015
Members of the Board of Directors	2,652	143
Others [1]	72	354

Note:
(1) Relative of a Director

Income Statement

(amounts in thousands of Euro)	Net Revenues Jan 31, 2016	Net Revenues Jan 31, 2015	Cost of goods sold Jan 31, 2016	Cost of goods sold Jan 31, 2015
Subsidiaries and associates	1,342,308	1,441,947	78,810	93,923
Artisans Shoes Srl	(0)	-	57,379	75,012
Church & Co. Plc	10,572	6,637	1,758	1,217
Church France Sa	-	-	5	-
Church Italia Srl	1,331	2,488	0	-
IPI Logistica Srl	-	-	2,847	3,586
Montenapoleone 9 srl	2	-	-	-
Pellettieri d'Italia Srl	-	-	-	7,238
PRADA (Thailand) Co.,Ltd	1	-	2	(1)
PRADA Asia Pacific Ltd	487,729	600,221	1,329	1,049
PRADA Australia Pty. Ltd	2	-	39	-
PRADA Austria Gmbh	20,664	15,963	(1)	6
PRADA Bosphorus Deri Mamuller Limited Sirketi	8,817	8,371	48	11
PRADA Brasil Importaçao e Comercio de Artigos de Luxo Ltda	(38)	-	(2)	(0)
PRADA Canada Corp.	22,898	21,811	4	(0)
PRADA Czech Republic Sro	4,413	3,093	1	(0)
PRADA Dongguan Trading Co. Ltd	-	-	2,537	1,796
PRADA Emirates Llc	967	921	26	7
PRADA Far East Bv	26,522	21,735	-	-
PRADA Fashion Commerce (Shanghai) Co. Ltd	8	-	0	10
PRADA Germany Gmbh	46,360	35,410	83	22
PRADA Hellas S. Ltd	1,722	1,528	-	6
PRADA Hong Kong P.D. Ltd.	146	-	1,707	1,618
PRADA Japan Co., Ltd	118,323	118,546	339	580
PRADA Kazakhstan Llp	2,121	2,507	-	-
PRADA Korea Ltd	20	-	143	386
PRADA Kuwait Wll	478	395	(4)	-
PRADA Maroc Sarlau	(1,079)	1,263	-	-
PRADA Middle East Fzco	55,017	43,142	(16)	(16)
PRADA Macau	-	-	(3)	-
PRADA Montecarlo Sam	2,396	2,010	(1)	-
PRADA Panama	1,545	-	-	-
PRADA Portugal, Unipessoal Lda	4,247	5,913	(0)	6
PRADA Retail Aruba N.v.	(325)	720	-	-
PRADA Retail France Sas	67,133	70,683	3,376	198
PRADA Retail Malaysia Sdn	1	-	25	16
PRADA Retail Mexico S. de r.l.	4,712	2,843	(2)	-
PRADA Retail New Zealand	-	-	43	-
PRADA Retail Spc	(16)	(14)	2	(0)
PRADA Retail UK Ltd	86,631	105,053	3,346	390
PRADA Rus Llc	15,112	13,277	11	12
PRADA Saudi Arabia ltd	185	-	(3)	-
PRADA Singapore Pte, Ltd	2	539	165	60
PRADA South Africa (Pty) ltd	3,257	-	-	-
PRADA Spain Sa	17,860	14,680	2	6
PRADA Stores Srl	36,981	25,347	573	22
PRADA Sweden Ab	563	89	(0)	(0)
PRADA Switzerland Sa	11,185	18,510	80	27
PRADA Taiwan Ltd Taipei	3	-	17	(2)
PRADA Ukraine Llc	1,937	1,065	-	-
PRADA Usa Corp.	267,317	215,072	2,784	662
PRADA Vietnam Limited Liability Company	1,109	623	-	-
Tannerie Limoges sas	-	-	174	-

(amounts in thousands of Euro)	Net Revenues	Net Revenues	Cost of goods sold	Cost of goods sold
	Jan 31, 2016	Jan 31, 2015	Jan 31, 2016	Jan 31, 2015
Space Hong Kong Ltd	-	64	-	-
Space USA Corp.	-	67,932	-	-
TRS Guam Boutique	-	-	(1)	-
TRS Hawaii Llc	7,938	8,639	-	-
TRS Hong Kong Ltd - Macau	-	-	(2)	-
TRS Okinawa Kk	5,543	4,871	-	-
Related parties	31,465	38,118	25,145	20,477
Conceria Superior Spa	-	-	22,499	18,476
Gran Caffè srl	-	-	7	-
F.lli PRADA Spa	31,243	37,942	70	17
Le Mazza Srl	-	-	2,082	1,715
Luna Rossa Challenge Srl	11	8	-	-
Pelletteria Reta Srl	-	-	17	9
Progetto PRADA Arte Srl	-	1	470	260
Rubaiyat Modern Lux. Prod. Ltd	211	167	-	-
Total	1,373,773	1,480,066	103,955	114,400

(amounts in thousands of Euro)	Operating expenses	Operating expenses	Interest and other financial income (expenses), net	Interest and other financial income (expenses), net
	Jan 31, 2016	Jan 31, 2015	Jan 31, 2016	Jan 31, 2015
Parent company	(327)	(69)	-	-
PRADA Holding Spa	(327)	(69)	-	-
Subsidiaries and associates	233,925	144,058	57,334	105,501
Artisans Shoes Srl	3,279	2,990	8	22
Artisans Shoes Srl – dividends paid	-	-	2,039	1,022
Church & Co. (USa) Ltd	(19)	(28)	-	-
Church & Co. Plc	(1,105)	(1,086)	64	63
Church Austria Gmbh	(16)	(63)	-	-
Church Denmark Aps	(7)	(44)	-	-
Church English shoes Sa	(13)	(8)	-	-
Church Footwear (Shanghai) Co. Ltd	(14)	(18)	-	-
Church Footwear Ab	(9)	(25)	-	-
Church France Sa	(138)	(98)	-	-
Church Holding UK Plc	(1)	(1)	56	46
Church Hong Kong Retail	(30)	(64)	-	-
Church Japan Co., Ltd	(8)	(12)	-	-
Church Ireland Retail Ltd	(5)	(8)	-	-
Church Italia Srl	(558)	(783)	-	-
Church Netherlands Bv	(17)	(18)	-	-
Church Singapore Pte Ltd	(7)	(58)	-	-
Church Spain Sl	(12)	(11)	-	-
Church UK Retail Ltd	(144)	(200)	-	-
Church's Eng. Shoes Sw.Sa	(23)	(33)	-	-
IPI Logistica Srl	364	150	-	(1)
IPI Logistica Srl - dividends paid	-	-	-	960
Kenon Ltd	(3)	(2)	1,844	1,712
Marchesi Angelo Srl	2	9	-	-
Montenapoleone 9 S.r.l.	(1,575)	-	-	-
Pellettieri d'Italia Srl	-	396	-	-
Post Development Corp.	-	(3)	(178)	(250)
PRADA (Thailand) Co.,Ltd	1,678	(662)	-	-
PRADA Asia Pacific Ltd	39,750	(16,305)	0	(8)
PRADA Australia Pty. Ltd	2,099	(217)	-	-
PRADA Austria Gmbh	(664)	(372)	205	3
PRADA Belgium sprl	356	-	-	-
PRADA Bosphorus Deri Mamuller Limited Sirketi	2,021	3,040	1,693	1,080
PRADA Brasil Importaçao e Comercio de Artigos de Luxo Ltda	(54)	14,463	4,036	2,948
PRADA Canada Corp.	802	(195)	-	-
PRADA Denmark Aps	45	-	-	-
PRADA Czech Republic Sro	(281)	(168)	35	56
PRADA Dongguan Trading Co. Ltd	(54)	(65)	-	-
PRADA Emirates Llc [1]	(554)	(835)	-	-
PRADA Far East Bv	(498)	(497)	(2,587)	(3,223)
PRADA Far East bv – dividends paid	-	-	20,000	71,000
PRADA Fashion Commerce (Shanghai) Co. Ltd	45,531	22,822	-	-
PRADA Finnish Oy	244	-	-	-
PRADA Germany Gmbh	(1,725)	(2,271)	270	124
PRADA Hellas S. Ltd	(444)	(447)	95	69
PRADA Hong Kong P.D. Ltd	1,558	1,514	22	63
PRADA India Fashion Private Ltd	19	(19)	-	-
PRADA Japan Co., Ltd	(2,502)	(7,269)	-	-

(amounts in thousands of Euro)	Operating expenses	Operating expenses	Interest and other financial income (expenses), net	Interest and other financial income (expenses), net
	Jan 31, 2016	Jan 31, 2015	Jan 31, 2016	Jan 31, 2015
PRADA Kazakhstan Llp	(412)	83	-	-
PRADA Korea Ltd	(14,176)	(17,060)	-	-
PRADA Kuwait Wll	(257)	(286)	-	-
PRADA Macau Co., Ltd.	1,214	-	-	-
PRADA Maroc Sarlau	(239)	1,850	90	78
PRADA Middle East Fzco	(1,367)	(1,142)	-	-
PRADA Montecarlo Sam	1,351	275	208	97
PRADA New Zealand Pty Ltd	510	227	-	-
PRADA Panama, S.a.	603	(6)	-	-
PRADA Portugal, Unipessoal Lda	(633)	(689)	19	35
PRADA Retail Aruba N.v.	(126)	(72)	-	-
PRADA Retail France Sas	9,058	9,008	1,444	1,001
PRADA Retail Malaysia Sdn	(258)	(223)	-	-
PRADA Retail Mexico S. de r.l.	2,852	3,537	-	-
PRADA Retail South Africa (Pty) Ltd	817	(80)	-	-
PRADA Retail Spc	(1,754)	(2,951)	-	95
PRADA Retail UK	(3,794)	5,872	528	224
PRADA Rus Llc	(1,614)	290	1,738	2,240
PRADA Sa	37,399	38,941	(233)	(155)
PRADA Sa – dividends paid	-	-	20,000	20,000
PRADA Saudi Arabia Ltd.	(593)	(196)	-	-
PRADA Singapore Pte, Ltd	12,783	12,949	-	-
PRADA Spain Sa	(1,391)	(1,481)	493	613
PRADA Stores Srl	(9,388)	(5,718)	4,326	4,550
PRADA Sweden Ab	(177)	(73)	-	-
PRADA Switzerland Sa	(207)	(2,585)	793	813
PRADA Taiwan Ltd Taipei	3,048	3,465	-	-
PRADA Ukraine Llc	245	655	275	222
PRADA Usa Corp.	113,021	87,327	-	-
PRADA Vietnam Limited Liability Company	1,514	698	-	-
Prm Services, S. de R.l. de CV	(100)	(156)	-	-
Tannerie Limoges sas	(217)	(17)	52	-
Space Hong Kong Ltd	-	(56)	-	-
Space USA Corp.	-	(731)	-	-
TRS Guam Boutique	(213)	(153)	-	-
TRS Hawaii Llc	(250)	(225)	-	-
TRS Hong Kong Ltd	(4)	(6)	-	-
TRS Hong Kong Ltd - Macau	(231)	(430)	-	-
TRS New Zealand Pty. Ltd	(23)	(29)	-	-
TRS Okinawa Kk	(158)	(130)	-	-
TRS Saipan Boutique	(124)	(57)	-	-
TRS Singapore Pte Limited	(53)	(66)	-	-
Companies controlled by PRADA Holding spa	-	(6)	-	-
EXHL Italia Srl	-	(6)	-	-

(amounts in thousands of Euro)	Operating expenses	Operating expenses	Interest and other financial income (expenses), net	Interest and other financial income (expenses), net
	Jan 31, 2016	Jan 31, 2015	Jan 31, 2016	Jan 31, 2015
Related parties	18,765	22,890	18	(133)
Chora Srl	2,605	3,156	(1)	(15)
Conceria Superior Spa	130	34	-	-
Fin-Reta Srl	125	120	-	(137)
F.lli PRADA Spa	2,406	(5,007)	-	-
Gran Caffè snc	1	4	-	-
HMP Srl	13	35	-	-
Le Mazza Srl	16	3	-	-
Luna Rossa Challenge 2013 NZ Ltd	-	6	-	-
Luna Rossa Challenge Srl	13,546	12,157	-	-
Pelletteria Reta Srl	51	(0)	-	-
Peschiera Immobiliare Srl	522	505	-	-
PRA 1 Srl	1,187	797	-	-
Progetto PRADA Arte Srl	(252)	7,506	-	-
Progetto PRADA Arte Srl (Galleria)(2)	(1,318)	(1,517)	19	19
Rubaiyat Modern Lux. Prod. Ltd	(858)	(2,172)	-	-
Stiching Fondazione PRADA	(152)	6,700	-	-
Others (3)	742	563	-	-
Total	252,363	166,874	57,352	105,368

Notes:
(1) Company consolidated on basis of definition of control expressed in IFRS 10
(2) Amount includes non-monetary deferred rental income of Euro 387 thousand recognized in relation to Progetto Prada Arte srl following application of "IAS 17 Leases" to the temporary business partnership agreement between PRADA spa and Progetto Prada Arte. The interest is earned on the financial receivable relating to the investment in the premises in Galleria Vittorio Emanuele II.
(3) Relative of a Director

Commitments

Guarantees given

– Guarantees given relate to:

– sureties of Euro 321 million in favor of third parties and related parties on behalf of Group companies

– comfort letters for Euro 273 million issued to banks on behalf of subsidiaries.

Operating leases

As at January 31, 2016, operating lease and concession fee commitments were broken down by due date as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Due within a year	20,249	19,266
Due between one and five years	71,210	67,951
Due after more than five years	90,931	101,212
Total commitments for operating lease/concession fees	182,390	188,429

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

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Due within a year	4,023	8,388
Due between one and five years	15,938	32,128
Due after more than five years	17,998	87,421
Total rental/lease income commitments	37,959	127,937

Other commitments

At January 31, 2016, the Company had no significant binding purchase commitments.

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

Additional information

Remuneration of the Board of Directors

(amounts in thousands of Euro)	January 31 2016
Directors' fees	22,575
Remuneration and other benefits	4,772
Bonuses and other incentives	1,555
Benefits in kind	136
Pension, healthcare and TFR contributions	377
Total	29,415

Fees of Deloitte & Touche Spa

The fees of independent audit firm Deloitte & Touche spa for the statutory audit of PRADA spa (audit of the Separate and Consolidated Financial Statements, checks that the accounting records are properly maintained and operations are correctly reflected in the accounting records) amounted to Euro 0.5 million.

The following table shows the fees paid to Deloitte & Touche spa and its network for the audit of the financial statements for the period ended January 31 2016 and for other non-audit services. The Other advisory services amounting to Euro 879 thousand provided by Deloitte to PRADA spa relate to the transformation of information systems in support of human resources processes.

Auditor's compensation

The total fees and expenses accrued in favor of Deloitte & Touche S.p.A. and its network for the audit of the Consolidated financial statements and the Separate financial statements for the year ended January 31, 2016, together with non-audit services, are illustrated below:

Type of service	Audit Firm	Fees in thousands of Euro
Audit services	Deloitte & Touche spa	485
Other advisory services	Deloitte Network	879
Total fees of audit firm for period ended January 31, 2016		1,364

The Other advisory services amounting to Euro 879 thousand provided by Deloitte relate to the transformation of information systems in support of human resources processes and to the organization process aimed at creating a Data Warehouse and some customer segmentation activities.

Income statement by nature

(amounts in thousands of Euro)	January 31 2016
Net revenues	2,139,473
Change in inventories	8,252
Purchases of raw materials and finished goods	643,950
Labor costs	233,943
Amortization, depreciation and impairment	42,394
Other operating expenses	886,155
EBIT	341,284
Interest income (expenses), net	5,908
Exchange gains (losses) - realized	3,313
Exchange gains (losses) - unrealized	(13,392)
Dividends	42,039
Other financial income (expenses)	(30,299)
Interest and other financial income (expenses)	7,569
Income before taxation	348,853
Taxation	100,432
Net income for the period	248,421

Headcount

The average headcount by business division at January 31, 2016 and 2015 is shown below:

(number of employees)	January 31 2016	January 31 2015
Production	1,427	1,349
Product design and development	999	932
Communications	54	54
Selling	589	595
General and administrative services	520	529
Total	3,589	3,458

Employee remuneration

Employee remuneration in the periods ended January 31, 2016 and January 31, 2015 is analyzed by business division as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Production	73,601	70,907
Product design and development	64,351	63,481
Communications	6,252	6,453
Selling	36,922	41,009
General and administrative services	52,817	45,850
Total	233,943	227,700

Independent Auditors’ Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 OF
LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
PRADA S.p.A.

Report on the Financial Statements

We have audited the accompanying financial statements of Prada S.p.A., which comprise the statement of financial position as of January 31, 2016, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, n° 3, of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Prada S.p.A. as at January 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations with the financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations, which is the responsibility of the Directors of Prada S.p.A., with the financial statements of Prada S.p.A. as at January 31, 2016. In our opinion the report on operations is consistent with the financial statements of Prada S.p.A as at January 31, 2016.

DELOITTE & TOUCHE S.p.A.

Patrizia Arienti
Partner

Milan, Italy
April 8, 2016

Statutory Auditors' Report

PRADA Spa

Registered Offices at Via Antonio Fogazzaro, 28 – 20135 Milan

Registered with the Business Registry of Milan under no. 1343952

Taxpayer's code no. and VAT no. 10115350158

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

Dear Shareholders,

during the financial year closed as at January 31st, 2016, the Board of Statutory Auditors carried out the supervisory activity set forth by the law, pursuant to the "Rules of conduct of the Board of Statutory Auditors" recommended by the Italian Board of Chartered Accountants and Accounting Consultants.

In particular, the following is reported.

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

During the financial year from February 2nd, 2015 to January 1st, 2016, the Board of Statutory Auditors met nine times and took part in all the Shareholders' Meetings, Board of Directors' Meetings and Audit Committee's Meetings, held in compliance with the law and by-laws regulating them and for which it can be reasonably assured that the actions resolved are compliant with the law and the Company's by-laws and are not manifestly imprudent, hazardous, could not potentially determine a conflict of interest or compromise the integrity of the company's assets.

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

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

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

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

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

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

No complaints pursuant to art. 2408 of the Italian Civil Code was filed against the Company during the fiscal year closed as at January 31st, 2016.

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

The Board of Statutory Auditors examined the financial statements as of January 31st, 2016 prepared in accordance with IAS/IFRS international accounting standards and relevant interpretation principles (SIC/IFRIC) adopted by the European Union and in force on the financial statements preparation date.

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

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

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

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

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

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

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

On today's date, Deloitte & Touche S.p.A. issued an Independent Auditors' Report in accordance with art. 14 of Legislative Decree 39/2010, certifying that the financial statements as at January 31st, 2016 are compliant with the rules regulating their preparation criteria. They therefore give a true and fair view of the financial position of the Group and of its operations and cash flows of the period. Pursuant to art. 14, paragraph 2, letter e) of the above-mentioned Decree, the Independent Auditors' Report also certifies that the Directors' Report is consistent with the financial statements closed as at January 31st, 2016, and it does not contain any exceptions or requests for disclosures.

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

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

On today's date, Deloitte & Touche S.p.A. issued an Independent Auditors' Report on the consolidated financial statements certifying that the Prada Groups' consolidated financial statements as at January 31st, 2016 are compliant with the rules regulating presentation criteria and give a true and fair view of the financial position of the Group and of the results of its operations and its cash flows. Said report also certifies that the Directors' Report is consistent with the Prada Group's consolidated financial statements as at January 31st, 2016.

Lastly, after taking into account the foregoing and within the limits of our responsibility, we have not found any reasons hindering the approval of the financial statements as at January 31st, 2016, showing a net profit for the year of Euro 248,420,818.00, and to the appropriation of the net profit for the year as proposed by the Directors.

Milan, 8 April 2016

The Board of Statutory Auditors

Antonino Parisi (Chairman)

Roberto Spada (Regular Auditor)

David Terracina (Regular Auditor)