

FAVRE LEUBA AG, SWITZERLAND

Financial Statement for the year ended 31st March 2019

Favre-Leuba AG

Balance sheet

Amount in CHF

Particulars	Notes	As at	
		31 March 2019	31 March 2018
ASSETS			
Current assets			
Cash and cash equivalents		62,041	130,335
Trade accounts receivable			
- due from third parties		711,761	1,582,931
- due from group companies		-	151,989
Other short-term receivables			
- due from government authorities		110,476	94,043
- due from third parties		108,338	951,168
Inventories	2.1	4,975,786	3,300,647
Prepaid expenses and accrued income		37,784	24,999
	Total current assets	6,006,186	6,236,112
Non-current assets			
Deposits		27,772	23,061
Investments	2.2	1,200	1,200
Property, plant and equipment	2.3	487,422	764,982
Intangible assets	2.4	1,120,278	1,434,406
	Total non-current assets	1,636,671	2,223,648
	TOTAL ASSETS	7,642,857	8,459,761
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term liabilities			
Trade accounts payable			
- due to third parties		894,346	921,141
Other short-term liabilities			
- due to third parties		25,835	51,601
Accrued expenses and deferred income	2.5	689,626	1,049,787
	Total short-term liabilities	1,609,808	2,022,528
Long-term liabilities			
Other long-term liabilities		-	21,466
	Total long-term liabilities	-	21,466
	TOTAL LIABILITIES	1,609,808	2,043,994
Shareholder's equity			
Share capital	2.6	15,984,600	11,526,000
Legal capital reserves			
- Reserves from capital contributions		12,695,411	10,230,305
Accumulated losses brought forward		-15,340,538	-7,782,616
Loss for the year		-7,306,424	-7,557,922
	TOTAL EQUITY	6,033,049	6,415,766
	TOTAL LIABILITIES AND EQUITY	7,642,857	8,459,761

Favre-Leuba AG

Income statement

Particulars	Notes	<i>Amount in CHF</i>	
		For the year ended 31 March 2019	For the year ended 31 March 2018
<i>Operating income</i>			
Revenue from sale of goods and services		1,103,622	920,210
Total operating income		1,103,622	920,210
<i>Operating expenses</i>			
Raw materials and supplies		742,274	527,191
Personnel expenses		1,699,885	1,599,067
Advertisement and promotion		3,551,122	4,965,261
Other operating expenses	2.7	495,968	641,065
Depreciation on non-current assets		655,814	656,358
Total operating expenses		7,145,064	8,388,942
Operating result		-6,041,441	-7,468,731
Financial expenses		23,304	13,150
Prior period expenses	2.8	1,216,277	65,174
Loss for the year before taxes		-7,281,021	-7,547,055
Direct taxes		25,402	10,867
Loss for the year		-7,306,424	-7,557,922

Favre-Leuba AG

1 Significant accounting policies and notes for the year ended 31 March 2019

a) General information

These financial statements were prepared according to the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

In order to ensure the comparability with the current year financial statements certain prior year figures have been reclassified and adapted to the new presentation.

b) Use of estimates and judgements

The preparation of financial statements in conformity of Swiss Law, requires management to make judgements, estimates and assumptions that affect the reported amount of assets and liabilities, revenue and expenses and disclosure of contingent liabilities, Such estimates and assumptions, are based on management's evaluation of relevant facts and circumstances as on the date of financial statements. The actual outcome may diverge from these estimates.

Estimates and assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

c) Revenue recognition

From sale of goods: Revenue is recognised when risks and rewards associated with the ownership of the products are transferred to the customer and the recoverability of the receivables is reasonably assured.

In respect of sales to distributors, where recoverability of receivable is dependent on such distributor selling to retailers/ customers, revenue recognition is deferred till the distributor sells.

From service income: Service income is recognised when service is completed.

d) Property, plant and equipment

Property, plant and equipment (PPE) is valued at acquisition or manufacturing costs less accumulated depreciation and impairment losses. PPE is depreciated using the straight-line method. As soon as there are indicators that book values may be overstated, these are reviewed and, if necessary, adjusted.

The antique watches for representation purpose only (so called "non depreciable assets") are valued at acquisition cost. There are no regular depreciation of these assets.

e) Intangible assets

The trade marks are valued at acquisition cost. The depreciation is recognised on a systematic basis over 10 years (straight line and indirect method).

f) Inventories

Inventories are recorded at acquisition or manufacturing costs: If the net realizable value at the balance sheet date is lower than acquisition or manufacturing costs, net realizable values are used. Acquisition costs are calculated using the weighted average cost method, manufacturing costs using standard costs.

g) Leases

Leasing and rental contracts are recognised based on legal ownership. Therefore, any leasing or rental expenses are recognised as expenses in the period they are incurred. However, the leased or rented objects themselves are not recognised in the balance sheet.

2. Disclosure on balance sheet and income statement items

2.1 Inventories

Particulars	<i>Amount in CHF</i>	
	As at 31 March 2019	As at 31 March 2018
Finished trade goods	2,844,687	3,003,659
Others	2,260,163	296,988
	5,104,850	3,300,647
Less: Provision for non-moving inventory/ slow moving inventory	129,064	-
	4,975,786	3,300,647

2.2 Investments

Direct investments

Company name :	Titan Watch Company Ltd.,
Domicile :	Hong Kong
Voting and capital rights in %:	100.00
Capital in CHF:	1,200

2.3 Property, plant and equipment's, net

Particulars	<i>Amount in CHF</i>	
	As at 31 March 2019	As at 31 March 2018
Machinery, devices	48,703	55,720
Tools	236,556	284,209
Furniture, installations	24,322	26,405
IT, communications technology	96,514	143,093
Exhibition stand	21,465	212,298
Antique watches	59,862	43,257
	487,422	764,982

2.4 Intangible assets, net

Particulars	<i>Amount in CHF</i>	
	As at 31 March 2019	As at 31 March 2018
Trade mark	1,120,277	1,364,406
Advertising film	1	70,000
	1,120,278	1,434,406

2. Disclosure on balance sheet and income statement items (continued)

2.5 Accrued expenses and deferred income

Particulars	<i>Amount in CHF</i>	
	As at 31 March 2019	As at 31 March 2018
Accruals for advertising and PR	463,810	879,988
Deferred revenue	21,121	-
Other accrued expenses	204,695	169,799
	689,626	1,049,787

2.6 Equity

Particulars	<i>Amount in CHF</i>	
	As at 31 March 2019	As at 31 March 2018
Share capital	15,984,600	11,526,000
Legal capital reserves		
- Reserves from capital contributions	12,695,411	10,230,305

During the financial year 2018/2019 there was capital increases by cash injection. On March 8, 2019, the company increased its share capital by CHF 7,000k (par value CHF 4,459k, reserves from capital contributions CHF 2,541k). The issuing costs were not treated as an expense but deducted from the share premium (reserves from capital contributions).

As at March 31, 2019, the share capital consists of 1,598,460 registered shares at a par value of CHF 10 each.

The financial statements have been prepared on the assumptions of going concern. The Directors are aware, that the ability to continue as going concern is dependent on the continued financial support from the shareholder during the ramp-up phase of the business. The shareholder have confirmed his ongoing support in the amount CHF 21 million. The shareholder and the Board of Directors have approved the four year business plan at the meeting on May 10, 2018.

If for any reason the shareholder would not support the Company as described above and as a result the Company is unable to continue with the current working capital base, it could have an impact on the Company's ability to realise its assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements.

2. Disclosure on balance sheet and income statement items (continued)

2.7 Other operating expenses

Particulars	<i>Amount in CHF</i>	
	For the year ended 31 March 2019	For the year ended 31 March 2018
Premises' expenses	44,959	40,089
Repair and maintenance	10,447	27,591
Vehicles expenses	20,570	19,486
Insurances, duties, fees	38,823	8,799
Energy and waste disposal	2,935	2,020
Administrative expenses	142,627	127,359
IT expenses	100,238	106,277
Travel	105,836	162,969
Design and Development expenses	29,532	87,559
Other expenses	-	58,917
	495,968	641,065

2.8 Prior period expenses

Particulars	<i>Amount in CHF</i>	
	For the year ended 31 March 2019	For the year ended 31 March 2018
Revenue from sale of goods and services	1,205,209	-
Raw materials and supplies	-560,040	-
Personnel expenses	417,500	-
Advertisement and promotion	129,869	-
Other operating expenses	23,739	-
Purchase of components	-	65,174
	1,216,277	65,174

3.1 Ownership

Favre Leuba AG is a wholly-owned subsidiary of Titan Company Limited, India.

3.2 Full-time equivalents

The annual average number of full-time equivalents for the reporting year, as well as the previous year, did not exceed 10.

3.3 Leasing obligations

The maturity of leasing obligations which have a residual maturity of more than twelve months or which cannot be cancelled within the next twelve months is as follows:

Particulars	2018-19	2017-18
Up to 1 year	-	13,675
1 - 5 year	-	12,535
	-	26,210