

***FAVRE LEUBA AG,
ZUG***

*Financial Statements for the year ended
31 March 2016 and Report of the Statutory
Auditor on the Limited Statutory Examination*

Report of the statutory auditor on the limited statutory examination

To the General Meeting of
FAVRE LEUBA AG, ZUG

As statutory auditor, we have examined the financial statements (balance sheet, income statement and notes) of Favre Leuba AG for the year ended 31 March 2016.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the «Swiss Standard on the Limited Statutory Examination». This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of company personnel and analytical procedures as well as detailed tests of company documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements do not comply with Swiss law and the company's articles of incorporation.

Deloitte AG



Marco Hoogendijk
Licensed Audit Expert
Auditor in Charge



Philipp Oelkuch
Licensed Audit Expert

Zurich, 20 April 2016
MHO/POE/fji

Enclosures

- Financial statements (balance sheet, income statement and notes)

Balance sheet for the year ended 31 March 2016 and 2015

	Notes	2016 CHF	2015 CHF
Assets			
Current assets			
Due from banks		468'776.45	157'537.15
Cash and equivalents and securities		<u>468'776.45</u>	<u>157'537.15</u>
Deposits		<u>19'110.00</u>	-
Other short-term receivables		<u>36'886.10</u>	<u>18'087.80</u>
Inventories	3	334'296.00	-
Prepayments		65'174.00	-
Inventories and receivables not yet invoiced		<u>399'470.00</u>	-
Accrued assets		<u>5'780.00</u>	-
Current assets		<u><u>930'022.55</u></u>	<u><u>175'624.95</u></u>
Non-current assets			
Non depreciable Assets		<u>35'839.77</u>	<u>21'262.00</u>
Financial assets	7	<u>1'200.29</u>	<u>1'200.29</u>
Machinery, devices		17'878.30	-
Acc. amortisation of machinery, devices		-1'788.00	-
Furniture, installations		26'370.10	1'200.29
Acc. amortisation of furniture, installations		-2'637.00	-
IT, communications technology		34'054.20	-
Acc. amortisation of IT and communications technology		-9'804.00	-
Movable tangible assets	4	<u>64'073.60</u>	<u>1'200.29</u>
Trade Marks		2'268'784.90	1'808'740.17
Acc. amortisation of trade marks		-588'626.02	-361'748.02
Intangible assets	6	<u>1'680'158.88</u>	<u>1'446'992.15</u>
Non-current assets		<u><u>1'781'272.54</u></u>	<u><u>1'469'454.44</u></u>
Assets		<u><u>2'711'295.09</u></u>	<u><u>1'645'079.39</u></u>

Balance sheet for the year ended 31 March 2016 and 2015

	Notes	2016 CHF	2015 CHF
Liabilities and shareholder's equity			
Short-term liabilities			
Liabilities from goods and services		<u>3'462.00</u>	<u>29'484.00</u>
Other current liabilities		<u>952.65</u>	<u>-</u>
Accrued liabilities (short-term)		<u>39'226.95</u>	<u>27'799.20</u>
Short-term liabilities		<u><u>43'641.60</u></u>	<u><u>57'283.20</u></u>
Shareholder's equity			
Share capital	8	<u>3'172'570.00</u>	<u>1'472'570.00</u>
Reserves from capital contributions	8	2'970'232.68	1'706'535.68
Statutory capital reserves		<u>2'970'232.68</u>	<u>1'706'535.68</u>
Loss carried forward		-1'591'309.49	-670'494.63
Annual loss		-1'883'839.70	-920'814.86
Accumulated losses		<u>-3'475'149.19</u>	<u>-1'591'309.49</u>
Shareholder's equity		<u><u>2'667'653.49</u></u>	<u><u>1'587'796.19</u></u>
Liabilities and shareholder's equity		<u><u>2'711'295.09</u></u>	<u><u>1'645'079.39</u></u>

Income statement for the year ended 31 March 2016 and 2015

	Notes	2016 CHF	2015 CHF
Revenues from Sales of goods and services	9	577.20	-
Direct expenses			
Purchase of materials		-7'719.05	-
External services		-2'400.00	-
Materials expenditure		-10'119.05	-
Direct expenses		-10'119.05	-
Loss after direct expenses		-9'541.85	-
Personnel expenses			
Salaries		-728'003.85	-
Salary expenditure		-728'003.85	-
Old age pension insurance, redundancy ins., family fund		-52'512.25	-
Pension funds		-61'502.60	-
Other staff insurances		-7'333.95	-
Social security expenses		-121'348.80	-
Other personnel expense		-36'085.47	-
Personnel expenses		-885'438.12	-
Loss after employee-related expenses		-894'979.97	-
Other operational expenses			
Third party rent		-30'397.40	-11'662.65
Cleaning, auxiliary material		-4'068.70	-
Premises' expenses		-34'466.10	-11'662.65
Repair and maintenance/ Leased movable assets		-32'601.47	-
Vehicle expenses		-1'782.70	-

Income statement for the year ended 31 March 2016 and 2015

	Notes	2016 CHF	2015 CHF
Insurances, duties, fees, permits		-2'558.65	-
Energy and waste disposal		-852.15	-
Office stationery		-16'057.92	-
Telephones, postage, fax		-8'015.75	-
Bookkeeping and consulting expenses		-24'183.05	-2'071.25
Management consultancy		-396'369.51	-272'576.12
Audit		-9'430.00	-9'000.00
Other administrative expenses		-14'682.77	-75'629.02
Administrative expense		-468'739.00	-359'276.39
IT expenses		-35'855.10	-
Publicity		-42'474.49	-
Travel and entertainment expenses		-4'709.82	-1'742.07
Publicity		-47'184.31	-1'742.07
Alimeter project expenses		-	-238'694.00
Market and Brand development		-118'705.00	-127'478.73
Reserach and Development expenses		-118'705.00	-366'172.73
Other operational expenses		-742'744.48	-738'853.84
Operating result before depreciation, amortisation, financial income and taxes		-1'637'724.45	-738'853.84
Depreciation and value adjustments on fixed assets			
Depreciation of machinery, devices		-1'788.00	-
Depreciation furniture, installations		-2'637.00	-
Depreciation of IT, communications technology		-9'804.00	-
Depreciation and amortization of tangible fixed assets		-14'229.00	-
Depreciation and amortization of intangible assets		-226'878.00	-180'874.02
Operating result before financial expenses and taxes		-1'878'831.45	-919'727.86

Income statement for the year ended 31 March 2016 and 2015

	Notes	2016 CHF	2015 CHF
Finance expenses		-2'008.25	-1'087.00
Loss before taxes		-1'880'839.70	-920'814.86
Capital taxes		-3'000.00	-
Annual loss		-1'883'839.70	-920'814.86

Notes for the year ended 31 March 2016 and 2015

1. General

Favre Leuba AG was incorporated on 13 January 2012 with its domicile in Zug, Switzerland. The principal activity of the Company is holding trademarks and brands plus trading watches. The Company is a wholly owned subsidiary of Titan Industries Limited, India ("the parent company").

2. Accounting principles

The Company prepares the financial statements in line with Swiss law.

The Board of Directors decided to apply the new Swiss financial reporting law for the first time as of 1 April 2015. The previous year's figures have been adjusted to the new Swiss financial reporting law for comparison purposes. The financial statements 2014/2015 has been approved by the Board of Directors and by the members in Annual General Meeting and is legally binding.

3. Inventories

Inventories and prepayments are measured at acquisition cost.

4. Movable tangible assets

The depreciation of tangible fixed assets is recognised on a systematic basis (straight line and indirect method).

5. Declaration on the number of full-time positions

The Company has 4 employees (2015: 0).

6. Intangible assets

	Swiss Francs	
	2016	2015
Intangible assets	2'268'784.90	1'808'740.17
Capitalised expenses	460'044.73	-
Less: Accumulated amortisation	588'626.02	361'748.02
Total tangible assets at the end of the year	<u>1'680'158.88</u>	<u>1'446'992.15</u>

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.

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

Notes for the year ended 31 March 2016 and 2015

7. Investments

	Swiss Francs	
	2016	2015
10'000 ordinary shares of HK\$1 each in Titan Watch Company Limited, Hongkong.	1'200.29	1'200.29

With the above mentioned acquisition the Company got a significant and historic brand for an attractive price. The goal of the investment is to get an easier access to the Swiss watch industry as well as obtaining business potential.

8. Shareholder's equity

The authorised share capital of the Company is CHF 3'172'570 (2015: CHF 1'472'570) divided into 317'257 (2015: 147'257) equity shares of CHF 10 each.

The share capital was increased from CHF 1'472'570 to CHF 3'172'570 by cash contribution by the parent company viz. Titan Company Limited.

The contributed surplus reserve of CHF 1'300'000 was approved by the extraordinary shareholders meeting as per 23 June 2015. However the confirmation from the federal tax authorities is pending.

9. Revenue Recognition

Sales revenues are recorded when Favre Leuba AG has transferred the significant risks and rewards of ownership for the products sold to the customer and the recoverability of the receivables is reasonably assured. As a rule this is when the goods are handed over to the customer.