

**Favre Leuba AG,  
Zug**

*Financial Statements for the year ended  
31 March 2017 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 2017.


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.

Furthermore, we draw attention to the fact that half of the share capital and legal reserves are no longer covered (article 725 paragraph 1 CO).

### Deloitte AG



Marco Hoogendijk  
Licensed Audit Expert  
Auditor in Charge



Flurin Bargetzi  
Licensed Audit Expert

Zurich, 18 May 2017  
MHO/FBA/fgi

### Enclosures

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

## Balance sheet for the year ended 31 March 2017 and 2016

	Notes	2017 CHF	2016 CHF
<b>Assets</b>			
<b>Current assets</b>			
Cash		1,713.50	-
Banks		11,484.05	468,776.45
<b>Cash and cash equivalents</b>		<b>13,197.55</b>	<b>468,776.45</b>
<b>Trade receivables</b>		<b>1,221,008.60</b>	-
<b>Deposits</b>		<b>19,112.85</b>	<b>19,110.00</b>
<b>Prepayments</b>		<b>530,181.98</b>	-
<b>Other short-term receivables (VAT)</b>		<b>218,161.67</b>	<b>36,886.10</b>
Inventories	3	1,436,870.07	334,296.00
Prepaid inventories		65,174.00	65,174.00
<b>Inventory</b>		<b>1,502,044.07</b>	<b>399,470.00</b>
<b>Accrued assets</b>		<b>24,763.35</b>	<b>5,780.00</b>
<b>Current assets</b>		<b>3,528,470.07</b>	<b>930,022.55</b>
<b>Non-current assets</b>			
<b>Financial assets</b>	7	<b>1,200.29</b>	<b>1,200.29</b>
<b>Non depreciable Assets (Museum)</b>		<b>43,256.52</b>	<b>35,839.77</b>
Machinery, devices		68,905.35	17,878.30
Acc. amortisation of machinery, devices		-8,679.00	-1,788.00
Tools		208,264.42	-
Acc. amortisation of tools		-41,653.00	-
Furniture, installations		28,459.72	26,370.10
Acc. amortisation of furniture, installations		-5,483.00	-2,637.00
IT, communications technology		99,220.20	34,054.20
Acc. amortisation of IT and communications technology		-34,609.00	-9,804.00
Exhibition stand		508,100.00	-
Acc. amortisation of exhibition stand		-169,367.00	-
<b>Fixed assets</b>	4	<b>653,158.69</b>	<b>64,073.60</b>
Trade Marks		2,441,288.57	2,268,784.90
Acc. amortisation of trade marks		-832,755.02	-588,626.02
Advertising film		210,000.00	-
Acc. amortisation of Advertising film		-70,000.00	-
<b>Intangible assets</b>	6	<b>1,748,533.55</b>	<b>1,680,158.88</b>
<b>Non-current assets</b>		<b>2,446,149.05</b>	<b>1,781,272.54</b>
<b>Assets</b>		<b>5,974,619.12</b>	<b>2,711,295.09</b>

## Balance sheet for the year ended 31 March 2017 and 2016

	Notes	2017 CHF	2016 CHF
<b>Liabilities and shareholder's equity</b>			
<b>Short-term liabilities</b>			
Trade payables		<u>624,763.95</u>	<u>3,462.00</u>
Other current liabilities		<u>72,325.35</u>	<u>952.65</u>
Accrued liabilities (short-term)		<u>117,342.95</u>	<u>39,226.95</u>
<b>Short-term liabilities</b>		<u><b>814,432.25</b></u>	<u><b>43,641.60</b></u>
<b>Shareholder's equity</b>			
Share capital	8	<u>7,026,000.00</u>	<u>3,172,570.00</u>
Reserves from capital contributions	8	5,916,802.68	2,970,232.68
Statutory capital reserves		<u>5,916,802.68</u>	<u>2,970,232.68</u>
Loss carried forward		-3,475,149.19	-1,591,309.49
Annual loss		-4,307,466.62	-1,883,839.70
<b>Accumulated losses</b>		<u><b>-7,782,615.81</b></u>	<u><b>-3,475,149.19</b></u>
<b>Shareholder's equity</b>		<u><b>5,160,186.87</b></u>	<u><b>2,667,653.49</b></u>
<b>Liabilities and shareholder's equity</b>		<u><b>5,974,619.12</b></u>	<u><b>2,711,295.09</b></u>

## Income statement for the year ended 31 March 2017 and 2016

	Notes	2017 CHF	2016 CHF
<b>Revenues from Sales of goods and services</b>	<b>9</b>	<b>1,268,387.74</b>	<b>577.20</b>
<b>Direct expenses</b>			
Purchase of materials		-639,782.18	-7,719.05
External services		-811.21	-2,400.00
<b>Materials expenditure</b>		<b>-640,593.39</b>	<b>-10,119.05</b>
<b>Direct expenses</b>		<b>-640,593.39</b>	<b>-10,119.05</b>
<b>Result after direct expenses</b>		<b>627,794.35</b>	<b>-9,541.85</b>
<b>Personnel expenses</b>			
Salaries		-1,312,232.00	-728,003.85
<b>Salary expenditure</b>		<b>-1,312,232.00</b>	<b>-728,003.85</b>
Old age pension insurance, redundancy ins., family fund		-81,951.70	-52,512.25
Pension funds		-94,352.80	-61,502.60
Other staff insurances		-9,856.45	-7,333.95
<b>Social security expenses</b>		<b>-186,160.95</b>	<b>-121,348.80</b>
Other personnel expenses		-3,793.10	-36,085.47
<b>Personnel expenses</b>		<b>-1,502,186.05</b>	<b>-885,438.12</b>
<b>Result after employee-related expenses</b>		<b>-874,391.70</b>	<b>-894,979.97</b>
<b>Other operational expenses</b>			
Third party rent		-36,724.35	-30,397.40
Cleaning, auxiliary material		-8,891.74	-4,068.70
<b>Premises' expenses</b>		<b>-45,616.09</b>	<b>-34,466.10</b>
Repair and maintenance/ Leased movable assets		-4,655.69	-32,601.47
Vehicle expenses		-26,012.43	-1,782.70
Insurances, duties, fees, permits		-3,698.97	-2,558.65
Energy and waste disposal		-6,095.50	-852.15

## Income statement for the year ended 31 March 2017 and 2016

	Notes	2017 CHF	2016 CHF
Office stationery		-9,168.33	-16,057.92
Telephones, postage, fax		-17,428.01	-8,015.75
Contributions		-5,200.00	-
Bookkeeping and consulting expenses		-29,031.99	-24,183.05
Management consultancy		-56,977.70	-396,369.51
Audit		-63,765.00	-9,430.00
Other administrative expenses		-	-14,682.77
<b>Administrative expense</b>		<b>-181,571.03</b>	<b>-468,739.00</b>
<b>IT expenses</b>		<b>-82,686.28</b>	<b>-35,855.10</b>
Publicity	11	-1,599,503.16	-42,474.49
Travel and entertainment expenses		-148,662.94	-4,709.82
Publicity		-1,748,166.10	-47,184.31
Marketing contributions		-566,627.22	-
Development prototyper		-162,958.84	-118,705.00
<b>Research and Development expenses</b>		<b>-729,586.06</b>	<b>-118,705.00</b>
<b>Other operational expenses</b>		<b>-2,828,088.15</b>	<b>-742,744.48</b>
<b>Operating result before depreciation, amortisation, financial income and taxes</b>		<b>-3,702,479.85</b>	<b>-1,637,724.45</b>
<b>Depreciation and value adjustments on fixed assets</b>			
Depreciation machinery, devices		-6,891.00	-1,788.00
Depreciation furniture, installations		-2,846.00	-2,637.00
Depreciation tools		-41,653.00	-9,804.00
Depreciation IT, communications technology		-24,805.00	-
Depreciation exhibition stand		-169,367.00	-
<b>Depreciation and amortization of tangible fixed assets</b>		<b>-245,562.00</b>	<b>-14,229.00</b>
<b>Depreciation and amortization of intangible assets</b>		<b>-314,129.00</b>	<b>-226,878.00</b>
<b>Operating result before financial expenses and taxes</b>		<b>-4,262,170.85</b>	<b>-1,878,831.45</b>
Finance expenses		-44,665.62	-2,008.25
Extraordinary result		-582.95	-
<b>Loss before taxes</b>		<b>-4,307,419.42</b>	<b>-1,880,839.70</b>
Diect taxes		-47.20	-3,000.00
<b>Annual loss</b>		<b>-4,307,466.62</b>	<b>-1,883,839.70</b>

## Notes for the year ended 31 March 2017 and 2016

### 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.

### 3. Inventories

Inventories and prepayments are measured at acquisition cost.

### 4. Fixed 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 8 employees (2016: 4).

### 6. Intangible assets

	2017	2016
	CHF	CHF
Intangible assets	2,651,288.57	2,268,784.90
Less: Accumulated amortisation	-902,755.02	-588,626.02
Total intangible assets at the end of the year	<u>1,748,533.55</u>	<u>1,680,158.88</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 2017 and 2016

7. Investments	2017	2016
	CHF	CHF
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 7,026,000.00 (2016: CHF 3,172,570.00) divided into 702,600 (2016: 317,257.00) equity shares of CHF 10.00 each.

The share capital was increased from CHF 3,172,570.00 to CHF 7,026,000.00 by cash contribution by the parent company viz. Titan Company Limited.

The contributed surplus reserve of CHF 1,300,000.00 and CHF 1,646,570.00 was approved by the extraordinary shareholders meetings as per 21 September 2016 and per 27 March 2017. 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.

10. Leasing	2017	2016
	CHF	CHF
Outstanding leasing payments as at 31.03.		
Due within < 12 months	13,674.60	-
Due within > 12 months	25,070.10	-
Total outstanding leasing payments as at 31.03.	<u>38,744.70</u>	

11. Publicity	2017	2016
	CHF	CHF
Advertisements, electronic media	489,841.48	29,929.50
Direct marketing	720.37	-
Sponsoring	28,824.73	-
Merchandising	90,323.68	-
Sales promotion	2,753.67	-
Fair exhibition	217,071.32	12,544.99
Brand development	646,942.15	-
Public relation	123,025.76	-
Total publicity	<u>1,599,503.16</u>	<u>42,474.49</u>