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DEUBER & BEURET SA

révision
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PYLANIA AG

GRENCHE
(Canton Solothurn)

**Auditors' report and financial statements
To the General meeting
As at 31 March 2023**



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Report of the statutory auditor on the financial statements to the general meeting of Pylania AG

As statutory auditor, we have audited the accompanying financial statements of Pylania AG, which comprise the balance sheet, income statement and notes for the year ended 31.03.2023.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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 Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 the internal control system relevant to the entity's preparation of the 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, 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.



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Opinion

In our opinion, the financial statements for the year ended 31.03.2023 comply with Swiss law and the company's articles of incorporation.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Swiss Law in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in Switzerland, of the state of affairs of the Company as at March 31, 2023, its profit and loss for the year ended on that date.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

Concerning the existence of a system of internal control, please refer to the notes to the financial statement.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Cortailod, 10th May 2023

Thierry Beuret
Licensed audit expert
Auditor in charge

Antoine Deuber
Licensed audit expert

Enclosed : Financial statement (balance sheet, income statement and notes)

PYLANIA SA

ASSETS	Notes	31.03.2023 CHF	31.03.2022 CHF
<u>CURRENT ASSETS</u>			
<u>Liquid Funds</u>			
Banks accounts		1'715'847	36'477
<u>Total Liquid Funds</u>		1'715'847	36'477
<u>Trade receivables</u>			
Third parties		375'314	651'324
Intercompany		255'778	195'478
<u>Total trade receivables</u>	3	631'092	846'801
<u>Other current receivables</u>			
Third parties		2'500	2'500
Guarantees		10'000	10'000
Advance to Group Companies		50'000	50'000
Transitories		70'000	0
<u>Total other current receivables</u>		132'500	62'500
<u>Inventory</u>	4	184'329	156'435
<u>Total Current assets</u>		2'663'768	1'102'213
<u>NON-CURRENT ASSETS</u>			
<u>Financial assets</u>			
Participations	5	120'000	120'000
Loan to Estima AG		536'125	325'767
Other short terme advance		5'680	0
Subordinated Loan to Estima AG	5	1'930'000	1'450'000
<u>Total financial assets</u>		2'591'805	1'895'767
<u>Investment Property</u>			
Land		80'000	80'000
Building and Surrounding		160'000	170'000
<u>Total Investment Property</u>	6	240'000	250'000
<u>Tangible assets</u>			
Infrastructure and tangible asset		19'000	24'200
Machines, Equipment, Furniture		142'000	156'700
Vehicles		8'600	2'300
EDP Hard -und Software		1	1
Advance for apartment Interlaken		150'000	0
<u>Total tangible assets</u>	7	319'601	183'201
<u>Intangible Asset</u>			
Advance for Favre Leuba Trademark	8	750'000	0
<u>Total non-current assets</u>		3'901'406	2'328'968
TOTAL ASSETS		6'565'174	3'431'181

PYLANIA SA
Grenchen

LIABILITIES AND EQUITY	31.03.2023	31.03.2021
	CHF	CHF
<u>LIABILITIES</u>		
<u>Trade accounts payables</u>		
Third parties	560	62'670
Intercompany	957'469	1'100'349
VAT due	7'290	7'324
Advance payments from customers	1'500'000	0
Accrued liabilities	9 80'177	25'000
<u>Total trade accounts payables</u>	2'545'496	1'195'343
<u>Long term liabilities</u>		
Loan Radexpo AG	0	207'000
Loan from banks	1'651'250	116'250
Loan from Independent sources	101'250	101'250
<u>Total other liabilities</u>	1'752'500	424'500
<u>Total Liabilities</u>	4'297'996	1'619'844
<u>EQUITY</u>		
<u>Share capital</u>	10 2'000'000	2'000'000
<u>Capital form agios</u>	450'000	450'000
Revaluation Reserves - 01.04	240'200	240'200
Transfer to retained earnings	-188'000	-188'000
<u>Balance revaluation reserve</u>	52'200	52'200
<u>Balances Loss</u>		
Loss brought forward	-878'863	-872'581
Transfer from Revaluation reserve	188'000	188'000
Profit of the period	455'842	-6'282
<u>Total of balances loss</u>	-235'022	-690'863
<u>Total Equity</u>	2'267'178	1'811'337
TOTAL LIABILITIES AND EQUITY	6'565'174	3'431'181

**PYLANIA SA
Grenchen**

PROFIT AND LOSS STATEMENT	01.04.2022 31.03.2023 CHF	01.04.2021 31.03.2022 CHF
Income		
Net sales	4'440'295	2'622'373
<u>Total income</u>	4'440'295	2'622'373
Expenses		
Cost of goods sold	-3'680'821	-2'152'924
Personnel Expenses	-72'437	-33'927
Repair Maintenance, Energy	-24'511	-22'529
Administratives expenses	-121'784	-122'439
Depreciation and amortisation	-38'503	-45'250
Financial expenses	-71'023	-15'170
Financial incomes	78'587	45'767
Provisions	0	-188'000
Tax expenses	-53'962	-94'184
<u>Total expenses</u>	-3'984'453	-2'628'655
NET PROFIT	<u>455'842</u>	<u>-6'282</u>

PYLANIA AG

Notes to the annual financial statements as at 31.03.2023

1. GENERAL

The purpose of the company is to develop, produce and trade in watches, watch components and similar precision techniques, as well as to hold, manage and control predominantly foreign companies and licenses in the analogous business area. The company can participate in the same or similar companies, set up agencies, branches and subsidiaries at home and abroad and carry out any activity that is suitable for promoting the purpose of the company, in particular also acquiring machines, facilities, land and real estate, encumber and sell, provided they serve the company purpose described above.

2. SIGNIFICANT ACCOUNTING POLICIES

Accounting basis - The financial statements have been prepared in accordance with the provisions of the Swiss Code of Obligations and in respect with the Notified Accounting (Accounting Standards) Rules 2015.

Translation of foreign currencies - The Company's books and records are maintained in Swiss Francs (CHF). Assets and liabilities in foreign currencies are translated into Swiss Francs at the daily rate of exchange ruling. Gains and losses are recognized in the income statement.

Inventories - Inventories are valued at acquisition cost, less any provisions

Intangible assets - Intangible assets were composed of : Patents, which have been amortised and subsidiary less provision.

Fixed assets - Fixed assets are stated at acquisition cost less accumulated depreciation. Depreciation has been provided on Written Down value Method.

Revenue Recognition - Sale of goods : Sales are recognised when the substantial risks and rewards of ownership in the goods are transferred to the buyer as per the terms of contract and are recognised net of trade discount, rebates, sale tax and excise duties.

Export incentives are accounted for on export of goods if the entitlements can be estimated with reasonable accuracy and conditions precedents to claims are fulfilled.

Dividend income is recognised when the shareholder's right to receive payment is established.

PYLANIA AG

Notes to the annual financial statements as at 31.03.2023

2. SIGNIFICANT ACCOUNTING POLICIES

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the interest rate applicable. Discount or premium on debt securities held is accrued over the period to maturity.

Use of estimates - In preparation of financial statements requires estimates and assumptions to be made which affect the reported amounts of assets / liabilities and disclosures of contingent liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although those estimates are based upon Management's best knowledge of current events and actions, actual result could differ from these estimates.

Lease - Assets acquired under leases other than finance leases are classified as operating leases. The total lease rentals (including scheduled rental increases) in respect of an asset taken on operating lease are charged to the Statement of Profit and Loss on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit. Initial direct costs incurred specifically for an operating lease are deferred and charged to the Statement of Profit and Loss over the lease term.

Investments - Long-term investments are carried at 'cost'. However, the provision for diminution in the value is made to recognise a decline other than temporary in the value of the investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis.

Tax provision - Income-tax expense comprises Current Tax charge or credit. Provision for current tax is made on the assessable Income at the tax rate applicable to the relevant assessment year.

Impairment of assets - At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets suffered any an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash-flow expected from the continuing use of the assets and from its disposal is discounted to their present value using a pre-tax discount rate that reflects the current market assessments of time value of money and the risk specific of the assets. Reversal of impairment loss is recognised immediately as income in the Statement of Profit and Loss.

PYLANIA AG

Notes to the annual financial statements as at 31.03.2022

3 ACCOUNT RECEIVABLES - ALLOWANCE FOR DOUBTFUL DEBTS

The company did not identify any risk on the receivables, there is not provision made on the debtors. The Standard credit period varies from 30 days to 90 days and there is no factoring agreement made by the company Pylania AG.

4 INVENTORIES

	<u>2023/2022</u>	<u>2022/2021</u>
Inventories	184'329	156'435
Work in process (WIP)	-	-
Total	<u>184'329</u>	<u>156'435</u>

Inventories are valued at acquisition costs, less a provision for obsolete items if necessary. No provision are necessary at March 31st.
There were not inventory written off during the period under control
There is no hidden reserve as at 31st March 2023

5 PARTICIPATION SUBSIDIARY

Pylania AG owns 30% of the share capital of Estima AG Grenchen (CHF 120'000.-)
In addition Pylania had provided subordinated loans of CHF 1,930,000 to Estima.

6 AMD INVESTMENT PROPERTY

	<u>2023/2022</u>	<u>2022/2021</u>
Land - Opening balance as at 01.04.	80'000.00	80'000.00
+ addition during the year	0.00	0.00
- Disposal during the year	0.00	0.00
Book value before amortisation	<u>80'000.00</u>	<u>80'000.00</u>
-Amortisation	0.00	0.00
Net book value at end of the period	<u>80'000.00</u>	<u>80'000.00</u>

PYLANIA AG

Notes to the annual financial statements 31.03.2023

6	AMD INVESTMENT PROPERTY	<u>2023/2022</u>	<u>2022/2021</u>
	Building and surrounding - Open balance as at 01.04	170'000.00	378'000.00
	- accumulation amortisation	0.00	0.00
	+ addition during the year	0.00	0.00
	- Disposal during the year	0.00	0.00
	Book value before amortisation	<u>170'000.00</u>	<u>378'000.00</u>
	Adjustment of Fair value of Property		-188'000.00
	-Amortisation 5% of WDV	-10'000.00	-20'000.00
	Net book value at end of the period	<u><u>160'000.00</u></u>	<u><u>170'000.00</u></u>
7	TANGIBLE ASSETS		
	Infrastrucutre and facilities - Open balance as at 01.0	24'200.00	30'300.00
	+ addition during the year	0.00	0.00
	- Disposal during the year	0.00	0.00
	Book value before amortisation	<u>24'200.00</u>	<u>30'300.00</u>
	-Amortisation 20% of WDV	-5'200.00	-6'100.00
	Net book value at end of the period	<u><u>19'000.00</u></u>	<u><u>24'200.00</u></u>
7	<u>Machinery, equipment, furniture - Open balance as at 01.04.</u>		
	Open balance as at 01.04.	156'700.00	170'100.00
	+ addition during the year	4'903.00	4'650.00
	- Disposal during the year	0.00	0.00
	Book value before amortisation	<u>161'603.00</u>	<u>174'750.00</u>
	-Amortisation 10% of WDV	-19'603.00	-18'050.00
	Net book value at end of the period	<u><u>142'000.00</u></u>	<u><u>156'700.00</u></u>

PYLANIA AG

Notes to the annual financial statements 31.03.2023

7 Vehicles - Open balance as at 01.04.

Open balance as at 01.04.	2'300.00	3'400.00
+ addition during the year	10'000.00	0.00
- Disposal during the year	0.00	0.00
Book value before amortisation	<u>12'300.00</u>	<u>3'400.00</u>
-Amortisation 30% of WDV	<u>-3'700.00</u>	<u>-1'100.00</u>
Net book value at end of the period	<u><u>8'600.00</u></u>	<u><u>2'300.00</u></u>

7 EDP hard and software - Open balance as at 01.04.

2023/2022

2022/2021

Open balance as at 01.04.	1.00	1.00
+ addition during the year	0.00	0.00
- Disposal during the year	0.00	0.00
Book value before amortisation	<u>1.00</u>	<u>1.00</u>
-Amortisation 30% of WDV	<u>0.00</u>	<u>0.00</u>
Net book value at end of the period	<u><u>1.00</u></u>	<u><u>1.00</u></u>

Company has paid advance of CHF 150,000 for purchase of apartment in Unterseen, Interlaken

PYLANIA AG

Notes to the annual financial statements 31.03.2023

8 INTANGIBLE ASSETS

Company has entered an agreement for purchase of Favre Leuba Trademark for a consolidated value of CHF 1,500,000 and paid an advance of CHF 750,000. Balance amount will be payable subject to satisfactory completion of due diligence and activities by the seller.

9 ACCRUED EXPENSES AND PROVISIONS	<u>2023/2022</u>	<u>2022/2021</u>
Current charges	177	10'000
Taxes	80'000	15'000
Total	<u>80'177</u>	<u>25'000</u>

10 SHARE CAPITAL

20'000 registered shares at a nominal value of CHF 100.- each (nominal value CHF 2'000'000.-)

Equity participations					
Name and legal form	Votes	Regist. Office	2023		2022
			Capital (CHF)	Votes	Capital (CHF)
KDDL Limited	37.75%	India	755'000	37.75%	755'000
Kamla International Holdings	62.25%	Switzerland	1'245'000	47.25%	945'000
Pilatus Commodites DmCC				15.00%	300'000
Total			2'000'000		2'000'000

11 OPERATION LEASE OR FINANCE LEASE COM	<u>2023/2022</u>	<u>2022/2021</u>
Not later than a year		
Later than 1 year but not		
Later than 5 year	0.00	0.00
Total	<u>0.00</u>	<u>0.00</u>

PYLANIA AG

Notes to the annual financial statements 31.03.2023

12 RISK ASSESSMENT

Risk management is linked with the Company's strategy. Monitoring and controlling system as well as the "Early-Warning" platform allows the Company to identify and to act by anticipation on events, which could affect the Company.

Process regarding risk assessment reviews have been allocated to the various service lines as

situations at risk are assessed regularly using standard processes and compared to similar requirements. Measures can be initiated by anticipation if threats would happen; responsible people have to report without delay to the Board of directors of any relevant changes on identified risks;

markets are constantly observed and permanent contacts are kept with clients, suppliers and banks. This allows identifying and reacting rapidly to any changes on commercial environment.

Integrated information and controlling systems support risk management measures. Based on quarterly financial reports, variations compared to budget are identified and analysed.

Risk management has been delegated to the management by the Board of directors. At least once a year, the approach, documentation summary, as well as risk data base are reviewed by the Board of directors with the management

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

	CHF	CHF
	2022-2023	2021-2022
Accumulated result	-690'863	-872'581
Transfer from Revaluation reserve		188'000
Profit/ (Loss) for the year	455'842	-6'282
Amount to be carried forward	-235'022	-690'863