Report of the auditor

with financial statements as of 31 December 2015 of

Finacrotec SA, Develier

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To the Board of Directors

Finacrotec SA, Develier

Lausanne, 2 June 2016
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Report of the auditor on the consolidated financial statements

As auditor and in accordance with your instructions, we have audited the accompanying consolidated financial statements of Finacrotec SA, which comprise balance sheet, income statement, cash flow statement, statement of changes in equity and notes, for the year ended 31 December 2015.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with the requirements of Swiss GAAP FER. 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 existence and 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.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER.

Ernst & Young Ltd

Pierre-Alain Coquoz
Licensed audit expert
(Auditor in charge)

Michael Ackermann
Licensed audit expert

Enclosure

- Consolidated financial statements (balance sheet, income statement, cash flow statement, statement of changes in equity and notes)

Consolidated Balance sheet

Assets (CHF)	Notes	31.12.2015	31.12.2014
Cash and cash equivalents		7'937'075	6'757'828
Receivables from goods and services	3	10'139'776	10'945'099
Other short-term receivables	4	1'043'612	1'102'390
Inventories	5	19'068'615	22'964'528
Prepayments and accrued income	6	1'105'010	616'345
Current assets		**39'294'088**	**42'386'190**
Financial assets	7	900'000	600'000
Property, plant and equipment	8	44'945'604	44'245'726
Intangible assets	9	30'340'480	32'956'075
Non-current assets		**76'186'084**	**77'801'801**
Assets		**115'480'172**	**120'187'991**

Liabilities and equity (CHF)	Notes	31.12.2015	31.12.2014
Payables from goods and services	10	3'191'777	3'763'370
Financial liabilities	11	36'188'263	41'426'404
Other short-term liabilities	12	3'177'997	4'135'358
Accrued liabilities and deferred income	13	5'461'868	6'500'718
Short-term provisions	14	20'000	10'000
Current liabilities		**48'039'905**	**55'835'850**
Financial liabilities	11	24'865'148	28'091'933
Deferred tax liabilities	15	8'291'891	8'098'558
Long-term provisions		150'000	0
Non-current liabilities		**33'307'039**	**36'190'491**
Liabilities		**81'346'944**	**92'026'341**
Share capital	16	4'203'457	4'203'457
Capital reserves		28'760'631	22'122'983
Equity attributable to owner of the Finacrotec Group		**32'964'088**	**26'326'440**
Non-controlling interests		**1'169'140**	**1'835'210**
Liabilities and equity		**115'480'172**	**120'187'991**

Consolidated income statement

in CHF	Notes	2015	2014
Net sales from goods and services	17	87'061'856	77'601'118
Other operating income		3'818'913	3'138'342
Change in inventory of finished and unfinished goods	5	-3'189'085	1'087'766
Operating revenues		**87'691'684**	**81'827'226**
Raw material expense	18	-26'349'372	-25'596'201
Personnel expense	19	-33'883'700	-31'335'961
Other operating expenses	20	-7'014'786	-5'922'942
Operating expenses		**-67'247'858**	**-62'855'104**
Earning before interest, tax and amortization (EBITDA)		**20'443'826**	**18'972'122**
Depreciation on tangible fixed assets	8	-5'612'833	-4'481'074
Amortization on intangible fixed assets	9	-2'106'207	-1'101'423
Total depreciation		**-7'719'040**	**-5'582'497**
Earnings before interest and tax (EBIT)		**12'724'786**	**13'389'625**
Net financial result	21	-1'782'385	-1'621'882
Non-operating result	22	39'374	246'431
Extraordinary result	23	-1'019'357	-1'081'840
Profit before income taxes		**9'962'418**	**10'932'334**
Income taxes	15	-2'925'060	-2'917'597
Profit for the year		**7'037'358**	**8'014'737**
Attributable to owner of Finacrotec Group		6'799'648	7'697'077
Attributable to non-controlling interests		237'710	317'660

Consolidated statement of cash flows

in CHF	2015	2014
Profit of the year	**6'799'648**	**7'697'077**
Depreciation on tangible fixed assets	5'612'833	4'481'074
Amortization on intangible fixed assets	2'106'207	1'101'423
Changes in deferred tax	193'333	1'253'749
Finance costs	1'782'385	1'621'882
Loss on the disposal of an activity	688'307	0
Changes in short term provisions	10'000	10'000
Changes in long term provisions	150'000	0
Changes in trade receivables	805'323	-2'738'060
Changes in inventories	3'987'757	-1'324'528
Changes in other short-term receivables, prepayment and accrued income	-429'887	355'783
Changes in trade payables	-571'593	-221'723
Changes in other short-term liabilities, accrued liabilities and deferred income	-1'996'211	3'597'160
Cash flow from operating activites	**19'138'102**	**15'833'837**
Increase of financial assets	-300'000	-300'000
Proceeds from disposal of property, plant and equipment	1'567'778	271'930
Purchase of of property, plant and equipment	-8'532'849	-9'755'259
Purchase of intangible assets	-178'644	-13'582'361
Acquisition of a subsidiary, net of cash acquired	0	-11'151'728
Cash flow from investing activites	**-7'443'715**	**-34'517'418**
Inflows from capital increase (including agio)	0	1'288'130
Acquisition of non-controlling interests	-162'000	-173'000
Dividends paid to non-controlling interests	-105'829	-622'000
Changes in short-term financial liabilities	-5'238'141	20'361'223
Changes in long-term financial liabilities	-3'226'785	-752'999
Interest paid	-1'782'385	-1'621'882
Cash from financing activities	**-10'515'140**	**18'479'472**
Change in cash and cash equivalents	**1'179'247**	**-204'109**
At beginning of year	6'757'828	6'961'937
At end of year	7'937'075	6'757'828
Change in cash and cash equivalents	**1'179'247**	**-204'109**

Consolidated statement of equity

CHF	Share capital	Capital reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2014	**2'915'327**	**6'557'800**	**10'329'059**	**19'802'186**	**1'623'379**	**21'425'565**
Capital increase	1'288'130	17'768'051		19'056'181		19'056'181
Net income			7'697'077	7'697'077	317'660	8'014'737
Dividends paid		-24'099'004		-24'099'004	-105'829	-24'204'833
Transaction with shareholders		3'870'000		3'870'000		3'870'000
Allocation to capital reserves				-		-
Changes in non-controlling interests				-		-
Balance at 31 December 2014	**4'203'457**	**4'096'847**	**18'026'136**	**26'326'440**	**1'835'210**	**28'161'650**
Net income			6'799'648	6'799'648	237'710	7'037'358
Dividends paid				-	-622'000	-622'000
Allocation to capital reserves			-	-		-
Changes in non-controlling interests			-162'000	-162'000	-281'780	-443'780
Balance at 31 December 2015	**4'203'457**	**4'096'847**	**24'663'784**	**32'964'088**	**1'169'140**	**34'133'228**

Financial review

Environment

The relatively bad economic context has weighted negatively on the industry in general for obvious reasons (abandon of the FX peg EUR/CHF by the SNB, Anti-corruption measures in China…).

Regarding the export industry, the Swiss producers have been forced to margin sacrifices in order to remain competitive in their respective markets. For the watch sector, the internalization of productions has accelerated for some of the main brands (Swatch group for instance), leading to a difficult situation for many subcontractors. Nevertheless, it seems that other brands have benefited from market share gains thanks to the positioning of their product ranges.

At the light of this situation, our group sales level tends to demonstrate that we have outperformed our sector, in the watch components area as well as in the industrial sector. The sales split between Watch and industry in our group has remained stable yoy, around 60% / 40% .

Fiscal year

Basically, the major points that may be underlined during the FY 2015 are the liquidities and self-financing improvements as well as the EBITDA growth. Indeed, the financial statements show that the quick ratio (Current assets/Current liabilities) made a progress of 5% and the self-financing ratio (Equity/Total assets) increased by 7% between FY 2015 and FY 2014. Concerning the operating revenues of Finacrotec Group, they rose by 7% from FY 2014 to FY 2015 which is mainly explained by the purchase of the SMTS Group. Finally, the EBITDA increased by 8% to reach KCHF 20'444 compared to KCHF 18'972 in FY 2014.

Outlook

The ambitious 2016 projections , the projects in development (STS3 for instance) as well as the projected short-term acquisitions demonstrate our willingness to continue progressing in order to place Finacrotec Group as a first tier actor in the watch and industrial areas. We should nevertheless not neglect the economic slowdown signs of the Swiss watch sector. Regarding the industry, we will continue monitoring closely the exchange rate fluctuations of the CHF/EUR rates.

Notes to the consolidated financial statements

1. Corporate information

Finacrotec SA (the Company) and its subsidiaries (collectively the Group) is an independent Group active in micro-mechanical and watchmaking sectors. The Group offers to the market high quality Swiss made products.
The Company is a limited company incorporated and domiciled in Switzerland. Its registered office is located in Rue des Romains 1, 2802 Develier.
These consolidated financial statements were approved for issue by the Board of Directors on 2 June 2016.

2. Summary of significant accounting policies

a. Basis of preparation

These consolidated financial statements provide a true and fair view of the Finacrotec Group's assets, financial position and earnings, and have been drawn up for the first time in accordance with all of the existing guidelines of the accounting and reporting recommendations of Swiss GAAP FER. The consolidated financial statements of the Group are based upon the financial statements of the Group companies as at 31 December and are established in accordance with the standardized reporting and accounting policies. The financial statements are based on the principle of historical acquisition costs and on the going concern principle. The statements are presented in Swiss francs (CHF).

b. Consolidation policies; business combinations and goodwill

The Group companies include all companies that are directly or indirectly controlled by Finacrotec SA. In this respect, control is defined as the power to control the financial and operating activities of the respective company, so as to obtain benefits from its operations. This control is normally evidenced by the holding of more than half of the voting rights on share capital of an entity. Group companies are consolidated from the date on which control is transferred to the Group. Subsidiaries intended for disposal are excluded from the consolidation from the date on which control ceases. Companies acquired over the course of the year are revalued and consolidated in accordance with Group principles upon the date of acquisition. The difference between the acquisition costs and the proportional revalued net assets is referred to as goodwill. The goodwill resulting from acquisitions is recognized in the non-current assets. The Notes to the consolidated financial statements disclose the effects of capitalization and amortization of the acquired goodwill have (see Note 24). In the event that shares of Group are sold, the difference between the proceeds from the sale and the proportional book value of the net assets, including historical goodwill, is recognized as a gain or loss in the income statement.

Non-controlling interests in equity and in net income are disclosed separately in the consolidated balance sheet and the consolidated income statement. Changes in ownership interests in subsidiaries are recognized as equity transactions, provided that control continues. Intercompany transactions, balances and unrealized gains and losses from transactions between Group companies are eliminated in full. Representation on the board of directors or access to the current financial information of a company are also indicators of significant influence.

c. Scope of consolidation

At 31 December 2015, the Group's consolidation structure comprised 11 legal entities (2014: 11), all fully consolidated. Note 25 includes a complete list of Group companies. Vardeco Inc, an US company owned by the Group is not included in the scope. As this entity is dormant, it would have a minor impact on the consolidated result and has been assessed as not significant.

d. Accounting estimates and judgments

The preparation of consolidated financial statements in conformity with Swiss GAAP FER requires the use of certain accounting estimates and judgments. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are assumed to be reasonable under the given circumstances. Real results may differ from these estimates. Management continuously reviews and, if necessary, adapts the estimates and underlying assumptions. Any changes are recognized in the period in which the estimate is revised.

e. Foreign currency translation

Foreign currency translation
Transactions in foreign currencies are translated to Swiss francs at their respective spot rate at transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Swiss francs at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Swiss francs at foreign exchange rates ruling at the dates the values were determined.

f. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise petty cash, cash at banks and short-term deposits with an original maturity of three months or less. They are recorded at their nominal value. In the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Notes to the consolidated financial statements

g. Receivables from goods and services

Receivables from goods and services are recognized and carried at the original net invoice amount less an allowance for any specifically impaired receivables. Provision is made for receivables where specific risks have been identified. Bad debts are written off when there is objective evidence that the Group will not be able to collect the receivables. Allowances for impaired receivables as well as losses on trade receivables are recognized as other operating expenses.

h. Inventories

Inventories are valued at the lower of acquisition or production cost and fair value less cost to sell. Any discounts received are treated as cost reductions. Manufacturing costs comprise all costs directly attributable to material and production, as well as overhead costs incurred in building up the inventory at its current location and/or to its current condition. Acquisition costs are determined according to the weighted average method. Some production companies value their own produced inventories using the standard cost method or the retail method depending on their activity. As these costs and the margin for the retail method are regularly reviewed and updated, this method approximates the result of the weighted average method. Inventories with unsatisfactory inventory turnover are revalued accordingly.

i. Property, plant and equipment

Property, plant and equipment are recorded in the balance sheet at historical cost less accumulated depreciation and any impairments. Acquisition costs comprise the purchase price as well as the costs directly attributable to the utilization of the property, plant and equipment. Investments in existing property, plant and equipment are only capitalized if their value in use is sustainably increased or their useful life is extended considerably. Self-constructed assets are only capitalized if they are clearly identifiable and the costs can be reliably determined, and if the assets generate measurable benefits for the Group over a period of several years. Maintenance and repair costs that do not add value are charged directly to the result for the period.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

– Land	none
– Buildings	50 years
– Vehicles	4 years
– Machines and technical equipment, workshop	10, 15 and 20 years according to the type of machines
– Measuring instruments, tools, processing	10 years
– Furniture	5 years
– IT equipment	3 years

The residual values and the remaining useful life of property, plant and equipment are reviewed yearly and adjusted where necessary. The Group does not capitalize any interest expenses incurred during the construction period.

First application of Swiss GAAP FER

The Group owns several buildings whose book value under the previous standard was not representative of their economic value. As there was no tracking of the acquisition price, it was not possible to determine acquisitions prices and book values at transition date. As a consequence, the Group decided to use the fair value as deemed cost to re-measure the buildings value at transition date. Nevertheless, as all the buildings were acquired through business combinations, the Group decided to roll-back each fair value until the corresponding business combination date in order to allocate part of the Goodwill value to the buildings.

The fair value of each building was determined by an independent experts as a mix of the yield value and the estimated current cost and this value was then rolled back until the corresponding business combination date by using the corresponding index.

j. Intangible assets

Goodwill

The difference between the acquisition costs and the actual value of the net identifiable assets of the acquired company at the time of the purchase represents goodwill from business combinations. The goodwill resulting from acquisitions is recognized in Group long term assets at the time of the acquisition and amortized over a 20 years period.

Capitalized development costs

Research costs are expensed when incurred. Development costs are only capitalized if they can be identified as intangible assets that will generate economic benefits in the future and the costs can be measured reliably. Other development costs are expensed when incurred. Once a product enters commercial production, the capitalized development costs are amortized on a straight-line basis over the estimated useful life that is usually 5 years.

k. Impairment of assets

The recoverable value of non-current assets (including goodwill) is verified on every balance sheet date. If there are indications of a sustained impairment, the recoverable amount of the respective assets will be determined. The recoverable amount is the higher of the net selling price and value in use. If the recoverable amount of an individual asset cannot be determined, the Group estimates the recoverable amount of the smallest group of assets to which the individual asset belongs. If the book value of an asset exceeds the recoverable amount, an impairment loss is recognized separately in the income statement. In the event that a Group company is sold, any goodwill acquired at an earlier point in time is taken into consideration when determining the gain or loss in the income statement.

Notes to the consolidated financial statements

l. Provisions

Provisions are recognized:

– when the Group has a present legal or constructive obligation as a result of past events,

– when it is probable that an outflow of resources will be required to settle the obligation, and

– when a reliable estimate of the amount of the obligation can be made.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate receivable, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted, using a current discount rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision in function of time is recognized as interest expense.

m. Financial liabilities

Financial debts are recognized as nominal values. Any transaction costs incurred are posted directly in the income statement. Financial debts are shown on the balance sheet as current liabilities, unless the Group has an unconditional right to postpone the settlement of the debt until at least 12 months after the balance sheet date.

n. Income taxes

The tax expense for the period comprises current income taxes and deferred taxes. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized directly in equity.

Current income tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred tax

Deferred tax is recognized in full, using the balance sheet approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax regulations and rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply.

Deferred tax assets are recognized for all deductible temporary differences, carry forward tax losses and tax credits to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax is recognized on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is not intended that the temporary difference will reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

o. Pensions and other post-employment benefits

Pension obligations

Group companies operate various pension schemes, which conform to the legal regulations and provisions in force. The actual economic effects of pension schemes on the Group are calculated at balance sheet date. An economic obligation is recognized as a liability if the requirements for the recognition of a liability are met. An economic benefit is capitalized provided that this can be used for future Group pension contributions. Freely available employer contribution reserves are capitalized.

Employees of Finacrotec Group companies are insured as part of separate legal entities and financed by contributions from both employers and employees. Surpluses or deficits are calculated based on the Pension Fund's financial statements, which have been drawn up in accordance with Swiss GAAP FER 26. The Group's pension costs include the employer contributions accrued in the period as well as any economic effects from the excess/shortfall and the change in employer contribution reserves.

p. Share capital and treasury shares

Shares issued by Finacrotec Group are recognized in equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Share capital consists of registered shares, each with a nominal value of CHF 1. Each share carries one vote and confer equal entitlement to dividends.

Own equity instruments that are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. In the event of a resale at a later point in time, a gain or loss is recognized as an addition to or reduction of capital reserves.

Notes to the consolidated financial statements

q. Sales and revenue recognition

Net sales include the inflow of economic benefits from the sale of goods and services within the scope of ordinary business during the period under review. Sales reductions such as discounts, rebates and other concessions as well as payments to third parties such as commissions, credit card fees and any value added tax have been deducted from net sales reported. All intercompany sales are eliminated during consolidation.

Revenues are reported if a Group company has transferred the significant risks and rewards of ownership of products sold to the client, and the collectability of the related receivables is reasonably secured. Revenue from services is recognized in the accounting period in which the service is rendered. Accruals for discounts granted to clients are established during the same period as the sales which gave rise to the discounts under the terms of the contract.

r. Dividends

Dividend payments to shareholders are recognized in the Group's financial statements in the period in which the Annual General Meeting of the holding company has given its approval.

s. Leases

Finance leases

Most equipment acquired in the recent past are leased. A finance lease is where the lessor transfers to the lessee practically all of the risks and rewards associated with the ownership of the leased item. At the beginning of the term of the lease contract, the lower of fair value of the leased item or net present value of the future lease payments is shown in the balance sheet as assets and liabilities. Each lease payment is apportioned between the finance charges and the reduction of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recorded directly in the income statement as expenditure. Capitalized leased assets are depreciated over the lower of estimated economic useful life of the asset or contract period.

Operating leases

An operating lease is where a significant portion of the risks and rewards of ownership are retained by the lessor. Operating lease payments are recognized as expenses in the income statement on a straight-line basis over the lease term.

t. Non-operating activities

Non-operating result is expense and income which arise from events or transactions that clearly differ from the usual business activities of the organisation. Expense and income from non-operating tangible fixed assets also form part of the non-operating result.

u. Extraordinary

Expense and income which arise extremely rarely in the context of the ordinary operations and which are not predictable are considered as extraordinary.

Notes to the consolidated financial statements

3. Receivables from goods and services	31.12.2015	31.12.2014
Trade receivables - gross	10'609'555	11'419'099
Allowance for impaired receivables	-469'779	-474'000
	10'139'776	**10'945'099**

4. Other short-term receivables	31.12.2015	31.12.2014
Other receivables to third parties	806'132	1'062'063
Other receivables to parent entities	9'111	11'470
Other receivables to shareholders	228'369	28'857
	1'043'612	**1'102'390**

5. Inventories	31.12.2015	31.12.2014
Ray materials, auxiliary material and supplies	3'831'119	4'445'144
Goods in progress	4'684'976	5'680'535
Finished goods	11'315'676	13'134'349
Allowance for impaired inventories	-763'156	-295'500
	19'068'615	**22'964'528**
Change in inventory of finished and unfinished goods as well as unbilled goods and services	-3'189'085	1'087'766
Raw material expense	-706'828	236'762
	-3'895'913	**1'324'528**

6. Prepayments and accrued income	31.12.2015	31.12.2014
Prepayment and accrued income to third parties	1'105'010	594'345
Prepayment and accrued income to shareholders	0	22'000
	1'105'010	**616'345**

7. Financial assets	31.12.2015	31.12.2014
Asset from the employer contribution reserve to pension institution	900'000	600'000
	900'000	**600'000**

Notes to the consolidated financial statements

8. Property, plant and equipment

	Undeveloped Land	Land, buildings and properties	Technical equipment & machinery	Other equipment & fixtures	In progress	Total
Historical cost, 31 December 2014	**147'382**	**26'165'706**	**63'977'067**	**2'402'568**	**0**	**92'692'723**
Acquisition of subsidiaries						0
Divestments of businesses			-1'299'546			-1'299'546
Additions		1'423'684	5'400'371	1'708'794		8'532'849
Disposals		-168'803	-640'388	-111'401		-920'592
Transfers						0
Historical cost, 31 December 2015	**147'382**	**27'420'587**	**67'437'504**	**3'999'961**	**0**	**99'005'434**
Accumulated depreciation, 31 December 2014	**0**	**-12'025'444**	**-35'577'522**	**-844'031**	**0**	**-48'446'997**
Depreciation on divestments of businesses			-246'237			-246'237
Annual depreciation		-335'111	-3'952'947	-1'078'538		-5'366'596
Impairment						0
Depreciation on disposals						0
Transfers						0
Accumulated depreciation, 31 December 2015	**0**	**-12'360'555**	**-39'776'706**	**-1'922'569**	**0**	**-54'059'830**
Net book values :						
Balance at 31 December 2014	**147'382**	**14'140'262**	**28'399'545**	**1'558'537**	**0**	**44'245'726**
Balance at 31 December 2015	**147'382**	**15'060'032**	**27'660'798**	**2'077'392**	**0**	**44'945'604**

	Undeveloped Land	Land, buildings and properties	Technical equipment & machinery	Other equipment & fixtures	In progress	Total
Historical cost, 31 December 2013	**147'382**	**23'589'021**	**57'746'838**	**1'727'571**	**0**	**83'210'812**
Acquisition of subsidiaries						0
Divestments of businesses						0
Additions	1'418	2'615'429	6'449'439	688'973		9'755'259
Disposals		-38'744	-219'210	-13'976		-271'930
Transfers						0
Historical cost, 31 December 2014	**147'382**	**26'165'706**	**63'977'067**	**2'402'568**	**0**	**92'692'723**
Accumulated depreciation, 31 December 2013	**0**	**-11'724'620**	**-31'988'851**	**-252'452**	**0**	**-43'965'923**
Depreciation on divestments of businesses						0
Annual depreciation		-300'824	-3'588'671	-591'579		-4'481'074
Impairment						0
Depreciation on disposals						0
Transfers						0
Accumulated depreciation, 31 December 2014	**0**	**-12'025'444**	**-35'577'522**	**-844'031**	**0**	**-48'446'997**
Net book values :						
Balance at 31 December 2013	**147'382**	**11'864'401**	**25'757'987**	**1'475'119**	**0**	**39'244'889**
Balance at 31 December 2014	**147'382**	**14'140'262**	**28'399'545**	**1'558'537**	**0**	**44'245'726**

Notes to the consolidated financial statements

9. Intangible assets

	Goodwill	Capitalized development costs	Other intangible assets	Total
Historical cost, 31 December 2014	**40'512'909**	**0**	**0**	**40'512'909**
Acquisition of subsidiaries				0
Divestments of businesses	-688'032			-688'032
Additions		178'644		178'644
Disposals				0
Transfers				0
Historical cost, 31 December 2015	**39'824'877**	**178'644**	**0**	**40'003'521**
Accumulated depreciation, 31 December 2014	**-7'556'834**	**0**	**0**	**-7'556'834**
Depreciation on divestments of businesses	-39'996			-39'996
Annual depreciation	-2'017'553	-48'658		-2'066'211
Impairment				0
Depreciation on disposals				0
Transfers				0
Accumulated depreciation, 31 December 2015	**-9'614'383**	**-48'658**	**0**	**-9'663'041**
Net book values :				
Balance at 31 December 2014	**32'956'075**	**0**	**0**	**32'956'075**
Balance at 31 December 2015	**30'210'494**	**129'986**	**0**	**30'340'480**

	Goodwill	Capitalized development costs	Other intangible assets	Total
Historical cost, 31 December 2013	**22'028'464**	**0**	**0**	**22'028'464**
Acquisition of subsidiaries	18'484'445			18'484'445
Divestments of businesses				0
Additions				0
Disposals				0
Transfers				0
Historical cost, 31 December 2014	**40'512'909**	**0**	**0**	**18'484'445**
Accumulated depreciation, 31 December 2013	**-6'455'411**	**0**	**0**	**-6'455'411**
Depreciation on divestments of businesses				0
Annual depreciation	-1'101'423			-1'101'423
Impairment				0
Depreciation on disposals				0
Transfers				0
Accumulated depreciation, 31 December 2014	**-7'556'834**	**0**	**0**	**-1'101'423**
Net book values :				
Balance at 31 December 2013	**15'573'053**	**0**	**0**	**15'573'053**
Balance at 31 December 2014	**32'956'075**	**0**	**0**	**32'956'075**

In 2014, the Group worked in the development of automation of the incabloc shock protection system. As there was no tracking of the time spent on these internal projects, the criteria for capitalization were not met

10. Payables from goods and services	**31.12.2015**	**31.12.2014**
Payables to third parties	3'191'777	3'662'733
Payables to shareholders	0	100'637
	3'191'777	**3'763'370**

11. Financial liabilities	**31.12.2015**	**31.12.2014**
Fixed term bank advance	29'800'000	34'593'750
Liabilities to shareholders	9'069'711	11'619'711
Bank debt	5'858'606	7'930'687
Mortgage	11'297'815	9'799'080
Leasing	5'027'280	5'575'109
	61'053'412	**69'518'337**
Current	**36'188'263**	**41'426'404**
Non-current	**24'865'148**	**28'091'933**

Notes to the consolidated financial statements

12. Other short-term liabilities	**31.12.2015**	**31.12.2014**
Third parties	1'137'932	1'663'148
Pension Funds	52'186	96'144
Other short-term liabilities to parent entities	191'198	636'082
Other short-term liabilities to shareholders	1'796'681	1'739'985
	3'177'997	**4'135'358**

13. Accrued liabilities and deferred income	**31.12.2015**	**31.12.2014**
Accrued liabilities due to third parties	4'189'728	5'384'136
Accrued liabilities due to shareholders	1'272'140	1'116'582
	5'461'868	**6'500'718**

14. Provisions	**31.12.2015**		**31.12.2014**
	Warranties	**Other provisions**	**Total**
At 1 January 2015	**10'000**	**0**	**10'000**
Acquisition of subsidiaries			
Creation	10'000	150'000	160'000
Utilisation			
Released			
At 31 December 2015	**20'000**	**150'000**	**170'000**
Current	**20'000**	**0**	**20'000**
Non-current	**0**	**150'000**	**150'000**
At 1 January 2014	**0**	**0**	**0**
Acquisition of subsidiaries			
Creation	10'000		10'000
Utilisation			
Released			
At 31 December 2014	**10'000**	**0**	**10'000**
Current	**10'000**	**0**	**10'000**
Non-current	**0**	**0**	**0**

Warranties

A provision is recognized for expected warranty claims on products sold based on a specific analysis made at each closing date.

Other provisions

One company of the group is involved in litigation arising from past event with pension fund. Management estimated the outcome of this lawsuit on the basis of currently available information and recorded adequate provision in 2015.

15. Income tax

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

Income tax expense

	2015	**2014**
Current income taxes		
Current year income taxes	-2'714'851	-1'663'848
Adjustments in respect of prior years	-16'876	0
Deferred taxes		
Relating to origination and reversal of temporary differences	-193'333	-1'253'749
Relating to capitalization and use of taxes carried forward	0	0
	-2'925'060	**-2'917'597**

Notes to the consolidated financial statements

Deferred tax
As the Group operates in various Swiss states, it is subject to income taxes in different tax jurisdictions. Nevertheless, the tax rates applied by theses states are all in the same range and therefore, the Group consistently applies a group-average tax rate of 21.5% for deferred tax computation.

Deferred tax liabilities relate to the following balance sheet items:

	31.12.2015	31.12.2014
Receivables from goods and services	-161'352	-151'575
Inventories	-2'586'402	-2'734'370
Prepayments and accrued income	-27'735	-
Property, plant and equipment	-4'430'009	-4'053'763
Intangible assets	-27'947	-
Long-term provisions	-1'058'446	-1'158'850
	-8'291'891	**-8'098'558**
Tax (expense)/income from the change in deferred tax from temporary differences	**-193'333**	**-1'253'749**

Deferred tax assets resulting from deductible temporary differences, tax credits or losses carried forward are recognized only to the extent that realization of the related tax benefit is probable.

Finacrotec, the ultimate parent company has no loss carried forward amounting (2014: 870'112). No deferred tax asset has been recognized as the corresponding tax rate would be 0%.

16. Share capital and reserves

Share capital
Over the past three years, the share capital of Finacrotec Group Ltd has developed as follows:

Balance sheet date	Registered shares	Share capital in CHF
31.12.2013	2'915'327 at CHF 1.00	2'915'327
31.12.2014	4'203'457 at CHF 1.00	4'203'457
31.12.2015	4'203'457 at CHF 1.00	4'203'457

At year-end 2015, the authorized capital amounts to CHF 739'231 (2014: Nil). All issued shares are fully paid. No benefit or participation certificates exist.

Capital reserves
Capital reserves include non-distributable, statutory or legal reserves amounting to CHF 4 million (2014: CHF 4 million).

17. Net sales from goods and services	2015	2014
Net sales from goods and services	87'061'856	77'601'118
	87'061'856	**77'601'118**

Net sales by industry	2015	2014
Net sales watchmaking industry	53'978'351	42'722'846
Net sales other industries	33'083'505	34'878'272
	87'061'856	**77'601'118**

Net sales by country	2015	2014
Net sales in Switzerland	63'570'178	56'662'207
Net sales in foreign countries	23'491'678	20'938'911
	87'061'856	**77'601'118**

As 2014's data were not available, a projection from 2015's percentages was applied.

18. Raw material expense	2015	2014
Material costs	-16'036'319	-13'889'964
Tools and supply	-1'329'844	-1'398'945
Cost of external services	-7'663'149	-9'033'215
Energy	-818'935	-774'107
Others ray material expenses	-501'125	-499'970
	-26'349'372	**-25'596'201**

19. Personnel expense	2015	2014
Wages and salaries	-28'213'272	-26'071'327
Social security costs	-4'498'117	-4'135'355
Others personal expenses	-1'172'311	-1'129'279
	-33'883'700	**-31'335'961**

20. Other operating expenses	2015	2014
Equipment maintenance	-3'688'478	-3'001'338
Leasing	-41'334	-290'025
Vehicle	-193'920	-221'179
Administration and IT	-1'928'329	-1'651'279
Insurance	-276'358	-260'329
Marketing and sales	-866'910	-595'251
Change in bad debt allowance	-19'457	96'459
	-7'014'786	**-5'922'942**

Notes to the consolidated financial statements

21. Net financial result	2015	2014
Financial income	3'931	61'452
Financial income to shareholders	0	0
	3'931	**61'452**
Financial expense	-1'446'821	-1'683'334
Financial expense to shareholders	-339'495	0
	-1'786'316	**-1'683'334**
	-1'782'385	**-1'621'882**

22. Non-operating result	2015	2014
Non-operating income	39'374	270'734
Non-operating expense	0	-24'303
	39'374	**246'431**

Non-operating income generated in 2015 relates to a refund of non-operating tax. In 2014, the corresponding amount was mostly related to equipment sale.

23. Extraordinary result	2015	2014
Non-recurring income	186'890	155'626
	186'890	**155'626**
Non-recurrent expense	-367'940	-1'237'466
Result from non-core business disposal	-688'307	0
Allocation to legal provision	-150'000	0
	-1'206'247	**-1'237'466**
	-1'019'357	**-1'081'840**

Non-recurring income is due prior years incomes and expenses adjustment including an indirect tax penalty provision (135 KCHF) and indemnity to paid further to the breach of contract (KCHF 150).
Non-core business disposal cost represents the net result on the disposal of the milling activity.

24. Business combinations

On 18.11.2014 SMTS Holding SA and its stake in STS Saulcy Traitement de Surface SA and STS 2 Saulcy Traitement de Surface SA were taken over. These companies are active in the watchmaking industry.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date, as well as the consideration paid and the goodwill arising on acquisition:

	2015	2014
Purchase consideration paid (incl. acquisition-related costs)	**0**	**25'592'625**
	Actual values	Actual values
Current assets		8'215'427
Property, plant and equipment		2'960'024
Intangible assets		-
Financial assets		19'980
Current liabilities		-3'006'341
Deferred tax liabilities		-534'000
Long term liabilities		-178'395
Provisions		85'000
Net assets acquired		**7'561'695**
Goodwill	**0**	**18'484'445**
Cash and cash equivalents acquired		2'640'897
Consideration payable		7'800'000
Consideration paid in shares of the parent		4'000'000
Cash outflow on acquisition		11'151'728
	0	**25'592'625**

In 2014, part the consideration payable was contingent to the realization of performance criteria. As the Group considered probable that the criteria will be met, the full amount was included in the purchase price consideration. An amount of CHF 3'000'000 was paid in 2015 as the corresponding criteria was met at this point of time. As per December 31, 2015 CHF 3'800'000 is still payable.

Notes to the consolidated financial statements

25. Finacrotec Group Companies - as at 31.12.2015

	Country	Field of Activity	Capital in millions	Finacrotec Group Share-holdings % voting	% rights	Consolidation
Europe						
Finacrotec SA, Develier	Switzerland	Holding	100'000	100%	100%	Fully consolidated
Acrotec SA, Develier	Switzerland	Holding	4'043'417	100%	100%	Fully consolidated
Vardeco SA, Develier	Switzerland	Industrial	300'000	100%	100%	Fully consolidated
Kif Parechoc SA, Le Chenit	Switzerland	Watch	720'000	93.78%	93.78%	Fully consolidated
Générale Ressorts SA, Bienne	Switzerland	Watch-Industrial	2'425'000	100%	100%	Fully consolidated
Décovi Holding SA, Val Terbi	Switzerland	Holding	250'000	100%	100%	Fully consolidated
Décovi SA, Val Terbi	Switzerland	Industrial-Watch	150'000	100%	100%	Fully consolidated
K2A Sàrl, Le Chenit	Switzerland	Watch	20'000	100%	100%	Fully consolidated
SMTS Holding SA, Le Chenit	Switzerland	Holding	120'000	100%	100%	Fully consolidated
STS Saulcy traitement de Surface SA, Le Chenit	Switzerland	Watch	100'000	100%	100%	Fully consolidated
STS2 Saulcy Traitement de Surface SA, La Chaux-de-Fonds	Switzerland	Watch	100'000	100%	100%	Fully consolidated
Vardeco Inc, US	United States	Dormant				None

26. Retirement benefit obligations

Employer contribution reserves (ECR) in CHF

2015	Nominal value	Waier of use	Balance sheet	Accumulation	Balance sheet	Result from ECR in personnel expenses	
	31.12.2015	31.12.2015	31.12.2015	2015	31.12.2014	2015	2014
Patronage funds / patronage pension plans	-	-	-	-	-	-	-
Pension institutions	900'000	-	900'000	300'000	600'000	-	-
	900'000	-	**900'000**	**300'000**	**600'000**	-	-

2014	Nominal value	Waier of use	Balance sheet	Accumulation	Balance sheet	Result from ECR in personnel expenses	
	31.12.2014	31.12.2014	31.12.2014	2014	31.12.2013	2014	2013
Patronage funds / patronage pension plans	-	-	-	-	-	-	-
Pension institutions	600'000	-	600'000	300'000	300'000	-	-
	600'000	-	**600'000**	**300'000**	**300'000**	-	-

Economic benefit / economic obligation and pension benefit expenses

	Surplus/ deficit	Economical part ot the organisation		Change to prior year period or recognised in the current result of the period respectively	Contributions for the business period	Pension costs within personnel expense	
	31.12.2015	31.12.2015	31.12.2014			2015	2014
Patronage funds / patronage pension plans	6'457'613				-	-	-
Pension plans without surplus / deficit					2'660'056	2'660'056	2'767'000
Pension plans with surplus					462'698	462'698	567'424
Pension plans with deficit							
Pension institutions without own assets							
	6'457'613	-	-	-	**3'122'754**	**3'122'754**	**3'334'424**

Notes to the consolidated financial statements

27. Related party transactions

Terms and conditions of transactions with related parties

Unless specified below, the transactions with related parties are made at terms equivalent to those that prevail in arm's length. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2015, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2014: CHF Nil).

The following table provides the total amount of transactions that have been entered into and the outstanding balances with related parties for the relevant fiscal year:

		Sales and interest charged to related parties	Purchase and interest from/due to related parties	Other transactions with related parties	Amounts owed by related parties	Amounts owed to related parties
Shareholders of the ultimate parent company						
	2015	587'842	-739'495		275'053	-11'297'325
	2014		-247'173		111'057	-10'676'844

Transaction with shareholders in their capacity as shareholders

On 18 November 2014, part of the acquisition of SMTS Holding SA was paid in shares (refer to note 24), through a share capital increase of Finacrotec SA, the ultimate parent at par value (CHF 160'000). As this transaction was made with shareholders in their capacity as shareholders, it was recorded at fair value. The fair value of these shares was estimated to CHF 4 million. The difference between the contractual amount and fair value (CHF 3.87 million) was recognized within capital reserve.

Shareholders of the ultimate parent

The amount owed by related parties corresponds to the current account with a shareholder of the ultimate parent, with is part of the key management personnel, for CHF 221'073 (2014: CHF 28'857)

Several shareholders of the ultimate parents landed money to the Group for a total amount of CHF 11'297'325 (2014: CHF 10'676'844). Most of these borrowings are postponed. Interest is charged 3,5% to 4,35% depending on the interest market conditions when the loan was granted.

Two shareholders of the ultimate parent were authorized to use the Group credit limit for private use for a total amount of CHF 416'472. The corresponding interests and reimbursements are fully supported by the two shareholders and as a consequence, there is no financial impact for the Group.

In 2015, service fees were paid by the Group to 3A Holding SA and Quilvest SA, shareholders of the ultimate parent, for CHF 0.4 million mainly to cover the assistance provided in the financial reporting.

28. Commitments and contingencies

a. Contingent assets and liabilities	31.12.2015	31.12.2014
Earn-out purchase USIDEV, 40% of 2013-2014-2015 revenue, maximum KCHF 1'750	1'750'000	1'750'000
	1'750'000	**1'750'000**

b. Pledged assets	31.12.2015	31.12.2014
Building	12'021'382	12'388'444
Machine under lease	4'668'721	4'462'532
Vehicle under lease	643'312	0
Cash and cash equivalents	778'990	68'896
Subsidiaries investment	0	11'394'462
	18'112'405	**28'314'335**

c. Leasing

The Group's fixed operating leasing commitments that cannot be cancelled within 12 months and which are not recognized in the balance-sheet are due as follows:

	31.12.2015	31.12.2014
Less than 1 year		230'774
Between 1 and 5 years		222'942
Overs 5 years		0
	0	**453'716**

Notes to the consolidated financial statements

29. Subsequent events after the year-end closing

In February 2016, the Group acquired 100% of the voting shares of mu-DEC SA SA, a company based in La Chaux-de-Fonds, specialising in the manufacture of geometrically complex components and 100% of the voting shares of DJC SAS - Décolletage Jean Cordier, a company based in Thyez, France and specializing in medium and high volume production of precision turned parts made out of stainless steel, special steel, aluminium, brass or standard steel. The Group proceeded to two successive share capital increases in February 2016 in order to partially finance these two acquisitions for a total amount of CHF 260'769.

In February 2016, the Group acquired 100% of the voting shares of mu-DEC SA, a company based in La Chaux-de-Fonds, specialized in the manufacture of geometrically complex components as well as 100% of the voting shares of DJC SAS - Décolletage Jean Cordier, a company based in Thyez, France and specialized in medium and high volume production of precision turned parts made out of stainless steel, special steel, aluminium, brass or standard steel. In addition, through their respective holding companies, the Group acquired Petitpierre SA based in Cortaillod and Precipro SA based in Le Locle, which are respectively specialized in the engineering and manufacturing of machinery for automation and in the precious metal turning & milling for luxury applications . The Group proceeded to four successive share capital increases in February 2016 and in June 2016 in order to partially finance these four acquisitions for a total amount of CHF 1'000'000.

In June 2016 the main shareholder of Finacrotec SA, Quilvest PDI Sàrl sold its participation and has been replaced by Castik Capital Sàrl who became the main shareholder of our group.