

SEPARATOR SHEET



THE FACTION COLLECTIVE SA
COMPARED BALANCE SHEET AS OF 30.06.2018 AND 30.06.2017

ASSETS		30.06.2018	30.06.2017	LIABILITIES & EQUITY		30.06.2018	30.06.2017
CURRENT				SHORT-TERM LIABILITIES			
Petty Cash			3'994	Bank overdraft (bearing interest)			21'874
Bank		3'452	13'219	Trade payables		3'653'596	569'500
Credit Cards & Others		11'424	14'527	Other payables		278'490	146'854
Paypal & Others		12'555	23'567	Payables to shareholders (bearing interest)		2'213'775	1'500'040
		20'367		Other accrued expenses		2'154'875	1'385'016
				Advance payments from trade receivables		-	40'589
Total cash		47'798	55'308	Total short-term liabilities		8'683'067	3'654'199.74
				LONG-TERM LIABILITIES			
Trade receivables		265'877	307'552	Loans postponed		4'416'287	3'599'717
Bad debts provision		-262'495	-303'738				
Advance payments to suppliers		75'751	87'553	Total long-term liabilities		4'416'287	3'599'717
Other debtors		149'190	172'631				
Inventories		747'124	864'512				
Loan to USA		4'919'445	5'692'388				
Loan to Canada		1'079'757	1'249'409				
Total other current asset		6'974'650	8'070'507				
NON-CURRENT TANGIBLES ASSETS				FONDS PROPRE			
Vehicles		2'756	3'189	Share-Capital		802'224	903'761
Moulds		399'514	462'286	Reserve for capital contribution		12'739'293	14'163'782
Office installations		132'002	152'743	Currency Translation Adjustment		-	-279'745
IT-Hard and Software		241'768	279'755	Loss retained		-13'233'646	-11'908'315
Trademarks		-	-	Loss of the year		-4'405'395	-3'296'240
Total non-current tangibles assets		776'040	897'972	Total des fonds propres		-4'097'524	-4'616'756
NON-CURRENT FINANCIAL ASSETS							
Rent guarantee		24'230	28'037				
Participation in group companies		79	91				
Total non-current financial assets		24'309	28'128				
TOTAL ASSETS		7'822'797	9'081'915	TOTAL LIABILITIES & EQUITY		7'822'797	9'081'915

THE FACTION COLLECTIVE SA

COMPARED PROFIT AND LOSS ACCOUNTS OF 2017/2018 and 2016/2017

DESIGNATION	2017/2018		2016/2017
	<i>in Euro</i>	<i>in CHF</i>	<i>in CHF</i>
INCOME			
Total sales	3'653'702	4'195'363	3'680'186
Miscellaneous income (shipping, softgoods, Intercompany)	23'433	26'907	36'928
Revenue	3'677'135	4'222'270	3'717'115
DIRECT EXPENSES			
Total production costs	-2'450'246	-2'813'495	-2'667'638
Inventories variation	-101'048	-116'029	323'799
Other purchase costs of good sold / distribution costs	-133'409	-153'187	-351'178
Other production costs (board, transport, freight)	-388'667	-446'287	-349'688
Development costs	-170'781	-196'099	-34'451
Warranty costs	-24'149	-27'729	-51'541
Royalties costs	-56'503	-64'879	-125'619
Personnel expenses	-1'102'562	-1'266'017	-1'085'638
Total direct expenses	-4'427'366	-5'083'723	-4'341'955
Total general expenses	-2'990'233	-3'433'535	-2'193'507
Total financial results	-484'385	-556'195	-477'892
Exceptional expenses	-180'546	-207'312	-
NET LOSS	-664'931	-763'507	-675'789

**THE FACTION COLLECTIVE SA
NOTES TO THE FINANCIAL STATEMENTS**

	30.06.2018	30.06.2017
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INFORMATION IN RELATION TO THE PRINCIPLES USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The valuation principles used in the actual financial statements are in accordance with the rules set in the Swiss Code of Obligation on commercial accounting and financial reporting.

Unless otherwise stated in their description, the debts are not bearing an interest. If required, some financial statements' main positions have been recognized in the balance sheet according the information mentioned hereafter :

The financial statements are held in Euro and are converted at year end into CHF.

The following exchange CHF/EURO rates have been used :

	30.06.2018	30.06.2017
Year end exchange rate:	1.16554	1.14438
Average exchange rate :	1.2015	1.09875

INDICATIONS, VENTILATION AND EXPLENATION OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT POSITION :

INCORPORATION:

The Faction Collective SA (Ltd) in Bagnes

The full-time equivalent does not exceeds 250 employees. The company is subject to the limited statutory examination.

SIGNIFICANT EQUITY INTEREST:	30.06.2018	30.06.2017
Faction Collective LLC – USA (capital action 100 USD)		
- Capital rights held	100%	100%
- Voting right held	100%	100%
Faction Collective Ltd – Canada (capital action 1CAN)		
- Capital rights held	100%	100%
- Voting right held	100%	100%



OTHER INFORMATION REQUIRED BY LAW:

CAPITAL INCREASE:

On July 27th, 2017, the Extraordinary General Shareholder Meeting of the company "The Faction Collective SA", with headquarter in Bagne (hereafter : the « Company ») has decided to authorize "the Board of Directors may proceed to a share capital increase of the Company not later than by July 27th, 2019 through the issuance of up to 3,400,000 fully paid in registered shares of a par value of CHF 0.10, i.e. a total nominal amount of CHF 340'000.-, in whole or by instalments. It is specified that 2,000,000 of those registered shares, of a par value of CHF 0.10, representing a nominal amount CHF 200,000.-, can solely be used for a strategic purchase.

All registered shares shall be subject to the transfer restrictions set forth in Article 7 of the Articles of Incorporation. The Board of Directors shall determine the issue price, the beginning of the period of dividend entitlement and the type of contributions required."

The previous authorized capital increase has been removed.

Furthermore and according to the latest version of the articles of incorporation July 27th, 2017, the share capital may be increased conditionally through the issuance of up to 1'559'643 (previous 983'942) fully paid in registered shares of a par value of CHF 0.10 each by the Board of Directors (article 5c of the Articles of Incorporation).

GOING CONCERN

Going concern depends on the business evolution of The Faction Collective Group (including the US and Canadian entities), respectively on the commercialization success of the developed products. If the company failed to develop the business, the going concern would be compromised and the financial statements should be prepared on the basis of liquidation values.

Furthermore, if subsidiaries failed to develop the business, the going concern would be compromised and the financial statements should be prepared on the basis of liquidation values. Then there would be reasons to admit over-indebtedness in connection with the required depreciation of the financial assets.

Nevertheless and based on the presented business plan, including the 2018/2019 budget and the capital increase that will be realized during the first quarter of 2019, the board of directors is convinced that the perspectives of the company are positive and that the continuation of the company is possible at least for the next twelve months.

Furthermore, on December 18th and 20th 2018, the board of directors will proceed with a share capital increase in cash for CHF 1'941'107.25, and by set-off payables of CHF 2'713'224.75 thereof the share premium will amount to CHF 4'483'810.85. The new capital increase secure the going concern in a short term perspective.

OTHER : none

