

Havells Sylvania Guatemala, S.A.

107744-9

Financial Statements Expressed in Quetzals
with the Independent Auditor's Report.

December 31, 2014

Havells Sylvania Guatemala, S.A.

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Independent Auditor's Report

To the shareholders of
Havells Sylvania Guatemala, S.A.

We have audited the financial statement of Havells Sylvania Guatemala, which comprise the balance sheet as December 31, 2014, income statement, statement of change in equity and statement of cash flow for the year then ended, and the summary of significant accounting policies and other explanatory notes.

Director's responsibility for the Financial Statement

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with the accounting policies expressed in Note 3, and for such internal control relevant to the preparation and the fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the International Standard on Auditing. Those standards require that we comply with ethical requirements and 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 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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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.

SALAN GARCIA Y ASOCIADOS

To the shareholders of
Havells Sylvania Guatemala, S.A.
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Basis for qualified opinion

As disclosed in note 17, the reasonable assurance regarding the recoverability of the balance of Fort Lauderdale Q.14,837,721.24 because no confirmation for amounts received was not obtained. The company did not provide the integration of property plant and equipment in the amount of Q.81,671.13 therefore could not verify the integrity of the accounts and the accuracy of the calculation of depreciation in the period 2014. Additionally, as mentioned on the same note, the cost of sales has a difference of Q. 139,312.43

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph the accompanying financial statements, is properly drawn up so as to exhibit a true and correct view of the financial position of Havells Sylvania Guatemala S.A. affair as at 31 December 2014, according with the accounting policies described in Note 3.

April 21, 2015



Luis Emilio Salan García
Contador Público y Auditor
Colegiado No. 6043

Lic. Luis Emilio Salan García
CONTADOR PÚBLICO Y AUDITOR
COLEGIADO No. 6043

Havells Sylvania Guatemala, S.A.

Statement of Financial Position

December 31, 2014 and 2013

(Expressed in Quetzals)

	Notes	2014	2013
Assets			
Cash and equivalents	4	1,973,260	2,126,400
Account receivables	5	7,103,481	7,419,075
Other account receivables	6	15,188,396	20,081,566
Inventory	7	6,697,481	7,267,518
Prepaid expenses		110,564	3,583,707
Prepaid income tax		2,199,339	1,723,857
Property, plant and equipment	8	81,671	104,698
Total		<u>33,354,193</u>	<u>42,306,822</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Account payables		380,953	431,539
Other liabilities	9	23,887,108	35,062,241
Total Liabilities		<u>24,268,061</u>	<u>35,493,780</u>
STOCKHOLDERS' EQUITY:			
Capital stocks	10	10,000	10,000
Retained earnings	11	9,076,132	6,803,042
Total Liabilities and stockholders' equity		<u>33,354,193</u>	<u>42,306,822</u>

The accompanying notes are an integral part of the financial statements.

Havells Sylvania Guatemala, S.A.
Profit and Loss Statement
Year ended December 31, 2014 and 2013
(Expressed in Quetzals)

	Notas	2014	2013
Sales	12	30,393,980	30,485,188
Cost of Sales	13	(23,470,927)	(24,912,289)
Gross profit from sales		<u>6,923,053</u>	<u>5,572,900</u>
Operative expenses	14	(5,909,611)	(10,845,106)
Operating profit		<u>1,013,442</u>	<u>(5,272,206)</u>
Other income (expenses)		2,045,048	94,486
Net income		<u>3,058,490</u>	<u>(5,177,720)</u>

The accompanying notes are an integral part of the financial statements.

Havells Sylvania Guatemala, S.A.

Statements of changes in Equity

December 31, 2014 and 2013

(Expressed in Quetzals)

	Capital Stocks	Retained earnings	Legal Reserve	Foreign Currency Translation	Total
Balance December 31, 2013	10,000	4,803,414	2,087,131	(87,504)	6,813,042
Net income		3,058,490			3,058,490
Dividends		-785,400			-785,400
Balance December 31, 2014	10,000	7,076,504	2,087,131	(87,504)	9,086,132

The accompanying notes are an integral part of the financial statements.

Havells Sylvania Guatemala, S.A.

Cash Flow Statements

December 31, 2014 and 2013

(Expressed in Quetzals)

	Notes	2014	2013
Cash flows from operating activities			
Profit before income tax		3,058,490	(5,177,720)
Adjustments for:			
Allowance for doubtful accounts	5	272,396	2,356,129
Depreciation	8	42,455	36,488
Allowance for obsolete inventory		(166,749)	148,343
Unrealized Exchange rate difference		(298,583)	0
Changes in assets and liabilities			
Notes and accounts receivable		4,281,160	2,394,652
Inventory		736,786	7,192,681
Prepaid expenses		3,473,144	93,771
Other assets			3,678
Accounts payables		(10,271,928)	(4,706,251)
Cash used in operations		1,127,170	2,341,770
Income tax paid		(475,482)	(608,712)
Net cash provided from operation activities		651,688	1,733,058
Cash flow from investing activities			
Additions of property, plant and equipment	8	(19,428)	(77,351)
Net cash used in investing activities		(19,428)	(77,351)
Net (decrease) in Cash and cash equivalents		(153,140)	1,655,707
Cash and cash equivalents beginning of the year		2,126,400	470,693
Cash and cash equivalents , end of the year		1,973,260	2,126,400

The accompanying notes are an integral part of the financial statements.

Havells Sylvania Guatemala, S.A.

Notes of financial statements

Year ended December 31, 2014 and 2013

(Expressed in Quetzals)

1. General Information

Havells Sylvania Guatemala, S.A., was established under the laws of the Republic of Guatemala and was authorized to operate for an indefinite term. Its legal status was recognized on March 8, 1974. The Company's main activity is selling home appliances, lighting, fixtures and the same activities. The financial statements were approved and authorized for issue by the Director's Company in January 15, 2015.

2. Currency unit

The financial statements of the Company are prepared using the currency in Quetzals, official currency of the Republic of Guatemala identified by the symbol (Q).

Transactions in foreign currencies are translated into Quetzals currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Gains and losses on exchange differences arising from the settlement of such transactions and from the translation at the exchange rate of the closing date of the period for assets and liabilities denominated in foreign currencies are recognized in the income statement.

The assets and liabilities in foreign currencies are translated using the exchange rates prevailing at the balance sheet date.

The reference exchange rate according to the Central Bank of Guatemala at the year ended in December 31, 2014 is Q. 7.59675 and the year ended December 31, 2013 is Q.7.84137

3. Summary of significant accounting policies

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, net of discounts, returns and value added taxes

Cash and Cash equivalents

Cash and cash equivalents include balances on hand and cash in banks. The balances in banks are available at sight and there is no restriction limiting their use.

Inventories

Inventories are valued using a weighted average cost, which does not exceed net realizable value. The Company created allowance for obsolete inventory.

Havells Sylvania Guatemala, S.A.

Notes of financial statements

Year ended December 31, 2014 and 2013

(Expressed in Quetzals)

Trade accounts receivable

Trade accounts receivable are amounts due from customers for merchandise sold in the ordinary course of business. Accounts receivable are initially recognized at fair value, less allowance for doubtful accounts. The Company gives credit to their customers within 30, 45 and 60 days previous authorization of Management, according to the customer credit record.

The Company calculates the Allowance for doubtful accounts on the basis of a provision matrix that specifies fixed provision rates according to ageing of the loan portfolio established by the parent company

Employee benefits

The expenses related to employee benefits are on legal basis, 8.33% for the thirteenth and fourteenth salary, 8.33% for severance payments and 4.16% for vacation reserve

The company has not adopted the universal allowance. The expense for these employee benefits is covered by the entity.

According to the Labour Code of the Republic of Guatemala, companies are obliged to pay compensation to employees fired under certain circumstances, on the basis of one month's salary plus bonus and twelfth of fourteen bonus for each year of service. The Company pays compensation in accordance with law.

Property, Furniture, and Equipment - These assets are recorded at cost of acquisition. Any profit or loss resulting from the sale or retirement of these assets is credited or debited against results. Significant additions and replacements of fixed assets are capitalized, while the disbursements for minor renovations, maintenance, and repairs that do not improve assets nor increase their useful life are charged to operating expenses when incurred.

Depreciation on building, furniture and equipment is calculated using the straight-line method, based on the estimated useful life of assets, as shown below:

Furniture and equipment	20.00%
Leasehold improvements	5.00%
Computer Equipment	33.33%
Machinery	20.00%

Havells Sylvania Guatemala, S.A.

Notes of financial statements

Year ended December 31, 2014 and 2013

(Expressed in Quetzals)

4. Cash and cash equivalents

A detail of the cash and cash equivalents balance at December 31, 2014 and 2013 is shown below:

	2014	2013
Banks	1,963,260	2,116,400
Cash on hand	10,000	10,000
TOTAL	1,973,260	2,126,400

The balances in banks and Cash on hand are available at sight and there is no restriction limiting their use.

5. Account receivables

A detail of accounts receivable at December 31, 2014 and 2013 is shown below:

	2014	2013
Receivable from customers	9,079,871	11,114,748
Less		
Allowance for doubtful accounts	(1,976,390)	(3,695,673)
Account receivables net	7,103,481	7,419,075

6. Other accounts receivables

A detail of other accounts receivable at December 31, 2014 and 2013 is shown below:

	Note	2014	2013
Employees		2,494	31,652
Suppliers advances		6,271	1,500
Sales tax credit		274,186	445,663
Related Parties	15	14,905,445	19,602,751
TOTAL		15,188,396	20,081,566

Havells Sylvania Guatemala, S.A.

Notes of financial statements

Year ended December 31, 2014 and 2013

(Expressed in Quetzals)

7. Inventories

A detail of inventory at December 31, 2014 and 2013 is presented below:

	2014	2013
Merchandise in warehouses	7,432,393	7,181,992
Merchandise in transit	431,683	1,418,870
Sub Total	<u>7,864,076</u>	<u>8,600,862</u>
Allowance for obsolete inventory	(1,166,594)	(1,333,344)
TOTAL	<u><u>6,697,481</u></u>	<u><u>7,267,518</u></u>

These inventories are free of liens or pledges.

8. Property, plant and equipment

A detail of property, plant and equipment at December 31, 2014 and 2013 is presented below:

	December 2013	Additions	Disposals	December 2014
Computer equipment	573,073			573,073
Office equipment	6,071	19,428		25,499
Office furniture	371,682			371,682
Lifts and auxiliary equipment	50,257			50,257
SUB TOTAL	<u>1,001,084</u>	<u>19,428</u>	<u>-</u>	<u>1,020,511</u>
(-) Accumulated depreciation	<u>(896,385)</u>	<u>(42,455)</u>		<u>(938,840)</u>
TOTAL	<u><u>104,698</u></u>	<u><u>(23,027)</u></u>	<u><u>-</u></u>	<u><u>81,671</u></u>

These fixed assets are free of liens or pledges.

Havells Sylvania Guatemala, S.A.

Notes of financial statements

Year ended December 31, 2014 and 2013

(Expressed in Quetzals)

9. Other liabilities

A detail of other liabilities at December 31, 2014 and 2013 is presented below:

	Note	2014	2013
Employee benefits		367,010	387,592
IVA payable		-	5,750
Other liabilities related to tax		40,014	48,716
Related Parties	15	23,240,441	31,355,090
Other		239,642	3,265,093
TOTAL		23,887,108	35,062,241

10. Stockholders' Equity

At December 31, 2014 the share capital of the Company consists of 10,000 fully paid common shares with a par value of each Q.1.00

11. Retained Earnings

Retained earnings include the translation adjustment for 1999 for Q.-87,503.63

12. Revenue from sales

A detail of revenue from sales at December 31, 2014 and 2013 is presented below

	2014	2013
Sales of Goods	36,630,284	32,887,648
(-) Return and discount on sales	(6,087,069)	(2,330,372)
(-) Price difference	(149,236)	(72,086)
TOTAL	30,393,980	30,485,190

13. Cost of Sales

A detail of cost of sales at December 31, 2014 and 2013 is presented below:

	2014	2013
(+) Beginning Inventory	7,267,518	14,608,541
(+) Purchases	132,559	
(+) Imports	22,768,331	17,571,267
(-) Inventory Final Merchandise	(6,697,481)	(7,267,518)
Cost of sales	23,470,927	24,912,290

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(Expressed in Quetzals)

14. Operation expenses

A detail of operation expenses at December 31, 2014 and 2013 is presented below:

	2014	2013
Administration expenses	706,921	1,010,869
Customer services expenses	150,210	153,095
Sales expenses	4,802,466	9,415,361
Manufacturing expenses	250,014	265,781
Total Operating expenses	<u>5,909,611</u>	<u>10,845,106</u>

15. Related Parties

A detail of related parties at December 31, 2014 and 2013 is presented below:

	2014	2013
Accounts receivables		
Havells Sylvania Costa Rica, S.A.	47,192	-
Havells Sylvania Salvador, S.A. de C.V.	-	5,062,827
Havells Sylvania Panama, S.A. de C.V.	-	54,711
Fort Lauderdale	14,837,721	14,485,213
Havells Sylvania Chile, S.A.	20,532	-
TOTAL	<u>14,905,445</u>	<u>19,602,751</u>
	2014	2013
Account payables		
Havells Sylvania Costa Rica, S.A.	18,983,834	22,787,883
Havells Sylvania Salvador, S.A. de C.V.	3,552,195	3,991,144
Havells Sylvania Colombia, S.A.	1,094	2,431,978
Havells Sylvania Panamá, S.A.	-	36,525
Havells SLI de Mexico, S.A. de C.V.	63,821	6,188
IC Play Trade Eupricon		62,751
Panama Trading Hub	639,497	2,038,621
TOTAL	<u>23,240,441</u>	<u>31,355,090</u>

Havells Sylvania Guatemala, S.A.

Notes of financial statements

Year ended December 31, 2014 and 2013

(Expressed in Quetzals)

16. Contingencies

After the closing date of the financial statements, the company proceeded to grinding statements of Sales Tax Credit for the months of January, July, October and December 2014 for the correction of the balances declared, establishing in December 2014 tax credit Q.97,893 the next period and the balance of withholding sales tax for next period Q.189,745.

17. Limitations on scope

The following scope limitations so the figures shown may not show the appropriate balance-sheet figures were taken.

- a) Confirmation of account balances, was not taken to Fort Lauderdale receivable in the amount of Q.14,837,721.24, so no reasonable certainty is obtained over the recoverability of the balance of that account.
- b) The company did not provide the auxiliary fixed assets in the net amount of Q.81,671.13, so it could not verify the integrity of the accounts that make up the category of property, plant and equipment on the balance sheet and the accuracy of calculation of depreciation in the period 2014.
- c) Cost of sales showed a difference of Q. 139,312.43 which no documentation was presented to support that amount.