

**SUMMARY SEMI-ANNUAL REPORT**

**Retail Holdings N.V.**

**For the Semi-Annual Period Ended  
June 30, 2014**

## ABOUT RETAIL HOLDINGS

Retail Holdings N.V. (“ReHo”, together with its subsidiaries, the “Company”) is a holding company with three principal assets: 1) a 54.10 % equity interest in Sewko Holdings Limited (“Sewko”), the parent company of Singer Asia Limited, (“Singer Asia”), a distributor of consumer durable products in Bangladesh, India, Pakistan, Sri Lanka and Thailand, with consumer credit and other financial services available to qualified customers; 2) seller notes, arising from the sale of the Singer worldwide sewing business and trademark in 2004; and 3) cash and cash equivalents. The Company has no operating activities other than those carried out through Sewko.

ReHo is a Curacao public company which is the successor company to the Singer Company N.V. and its predecessor companies. ReHo, formerly known as Singer N.V., changed its name to Retail Holdings N.V. following the sale of the sewing business and the Singer trademark in 2004.

Price quotations for ReHo Shares are available on the “Pink Sheets” quotation service under the symbol “RHDGF”. The Shares’ CUSIP number is N74108106.

Additional financial and other information about the Company, including: a copy of the Company’s audited consolidated financial statements for the twelve months ended December 31, 2013, and all prior financial statements since September 2000, together with the Auditor’s Reports thereon; the 2013 Annual Report dated March 2014, and all prior Disclosure Statements and Reports since September 2000; and copies of all semi-annual and quarterly reports and press releases since September 2000; may be found at the Corporate/Investor section of the Company’s website at [www.retailholdings.com](http://www.retailholdings.com). Investor relations requests may be addressed to Ms. Amy Pappas, Company Secretary, at the NV Adminservice Corporation office (indicated below); email [apappas@retailholdings.com](mailto:apappas@retailholdings.com)

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The Company prepares its consolidated financial statements in U.S. dollars, in accordance with International Financial Reporting Standards (“IFRS”).

All information in this Summary Semi-Annual Report is presented as of June 30, 2014, unless otherwise indicated.

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The ReHo registered office is located at Kaya W.F.G. (Jombi) Mensing 36, Willemstad, Curaçao, and its telephone number is 599-9732-2555. Certain administrative matters are handled in the United States by ReHo’s subsidiary, NV Adminservice Corporation, located at 118 North Bedford Road, Mt. Kisco, New York, 10549, telephone number 914-241-3404. ReHo’s share transfer agent is Computershare Shareowner Services LLC at P.O. Box 358015, Pittsburgh, Pennsylvania, 15252-8015, telephone number 800-851-9677 (or from outside the United States, 1-201-680-6578). The Company’s website is [www.retailholdings.com](http://www.retailholdings.com).

## **CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS**

Statements made herein with respect to the Company's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of the Company. Forward-looking statements include, but are not limited to, those using words such as believe, expect, anticipate, plans, strategy, prospects, forecast, estimate, project, may or might, and words of similar meaning in connection with a discussion of future operations, financial performance, financial position, capital resources, and strategy and plans and objectives of management. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions and beliefs, which are expressed in light of the information available to management at the time. The ultimate outcome in many cases is outside of management's control. The Company cautions that no assurance can be given that expectations reflected in such forward-looking statements will prove to be correct, that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and, therefore, that you should not place undue reliance on such forward-looking statements. You should not rely on any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The Company disclaims any such obligation. Risks and uncertainties that might affect the Company include, but are not limited to: general economic conditions, particularly in Asia, including levels of consumer spending; the payment of periodic interest and of principal at maturity on the unsecured, subordinated promissory notes issued to ReHo by a subsidiary of KSIN Holdings Ltd., now known as SVP Holdings Ltd., (the "SVP Notes"); recovery of amounts due from debtors; exchange rates, particularly between the U.S. dollar and the currencies in which Sewko/Singer Asia makes significant sales or in which assets and liabilities are denominated; Sewko/Singer Asia's ability to continue to win acceptance of its products and services, which are offered in highly competitive markets; continuing relationships with financial institutions, suppliers and other creditors; and the outcome of contingencies.

Important information regarding risks and uncertainties is set forth in the Company's 2013 Summary Annual Report.

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The information included in this Summary Semi-Annual Report does not purport to be inclusive of all of the information that might be included in a Form 10Q quarterly report. It only contains summary information that, in the opinion of management, is most relevant for understanding the Company's financial results during the first six months of 2014.

As described in greater detail in the Company's 2013 Summary Annual Report, it is the Company's intention not to provide regular quarterly reports including the information that might be included in a Form 10-Q quarterly report. The Company expects to issue only a Summary Annual Report, including audited consolidated financial statements and notes, with limited commentary, and a Summary Semi-Annual Report, including unaudited six-month financial statements, with limited notes and commentary, all prepared in accordance with IFRS.

# RETAIL HOLDINGS N.V.

## INDEX

### PART I

### Page

#### **Condensed Consolidated Interim Financial Statements**

Condensed Consolidated Interim Statement of Financial Position	5
Condensed Consolidated Interim Statement of Income	6
Condensed Consolidated Interim Statement of Comprehensive Income	7
Condensed Consolidated Interim Statement of Changes in Equity	8
Condensed Consolidated Interim Statement of Cash Flows	10
Notes to the Condensed Consolidated Interim Financial Statements	11

### PART II

Management's Summary Discussion and Analysis of Financial Position and Results of Operations, Six Months Ended June 30, 2014 and June 30, 2013	16
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## PART I

### RETAIL HOLDINGS N.V. AND SUBSIDIARIES

#### CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION JUNE 30, 2014 (Unaudited) AND DECEMBER 31, 2013 (Restated)

*In thousands of US Dollars*

	<u>Notes</u>	<u>June 30, 2014</u>	<u>Restated December 31, 2013</u>
<b>ASSETS:</b>			
Property, plant and equipment		61,807	61,306
Intangible assets and goodwill		6,733	6,741
Trade and other receivables due in excess of one year	9	87,215	80,950
Deferred tax assets		6,796	5,846
Employee benefits		-	34
Other non-current assets		11,250	10,005
<b>Total non-current assets</b>		<b>173,801</b>	<b>164,882</b>
Inventories		88,598	78,140
Trade and other receivables		149,076	141,410
Cash and cash equivalents		33,167	31,118
Other current assets		23,053	18,010
<b>Total current assets</b>		<b>293,894</b>	<b>268,678</b>
<b>Total assets</b>		<b>467,695</b>	<b>433,560</b>
<b>EQUITY</b>			
Share capital	10	53	53
Share premium		47,152	47,152
Reserves		(5,862)	(6,340)
Retained earnings		48,030	44,092
<b>Equity attributable to owners of the Company</b>		<b>89,373</b>	<b>84,957</b>
<b>Non-controlling interest</b>		<b>106,393</b>	<b>104,512</b>
<b>Total equity</b>		<b>195,766</b>	<b>189,469</b>
<b>LIABILITIES</b>			
Loans and borrowings over one year	11	56,652	63,971
Employee benefits		13,675	13,410
Deferred income over one year		166	158
Warranty provision over one year		554	532
Deferred tax liabilities		1,157	1,340
Other non-current liabilities		7,296	6,680
<b>Total non-current liabilities</b>		<b>79,500</b>	<b>86,091</b>
Bank overdrafts		27,896	20,008
Current tax liabilities		1,808	1,428
Loans and borrowings	11	96,598	76,824
Trade and other payables		63,371	57,259
Deferred income		915	764
Warranty provision		1,841	1,717
<b>Total current liabilities</b>		<b>192,429</b>	<b>158,000</b>
<b>Total liabilities</b>		<b>271,929</b>	<b>244,091</b>
<b>Total equity and liabilities</b>		<b>467,695</b>	<b>433,560</b>

**RETAIL HOLDINGS N.V. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME  
FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013 (Unaudited)**

*In thousands of US Dollars except per Share data*

	<u>Notes</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<b>Revenue</b>		235,063	229,293
Cost of sales		145,598	139,902
<b>Gross profit</b>		<b>89,465</b>	<b>89,391</b>
Other income		943	1,265
Selling and administrative expenses		(65,710)	(62,843)
Other expenses		(1,803)	(1,660)
<b>Results from operating activities</b>		<b>22,895</b>	<b>26,153</b>
Finance income		2,220	1,972
Finance costs		(9,256)	(10,069)
<b>Net finance costs</b>		<b>(7,036)</b>	<b>(8,097)</b>
<b>Profit before income taxes</b>		<b>15,859</b>	<b>18,056</b>
Income tax expense	8	(4,405)	(1,420)
<b>Profit for the period</b>		<b>11,454</b>	<b>16,636</b>
<b>Attributable to:</b>			
Owners of the Company		3,854	5,741
Non-controlling interests		7,600	10,895
<b>Profit for the period</b>		<b>11,454</b>	<b>16,636</b>
<b>Earnings per share (U.S. Dollars)</b>			
Basic and diluted earnings per share		0.73	1.08

**RETAIL HOLDINGS N.V. AND SUBSIDIARIES****CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013 (Unaudited)***In thousands of US Dollars*

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<b>Profit for the period</b>	<b>11,454</b>	<b>16,636</b>
<b>Other comprehensive income</b>		
<b>Items that will never be reclassified to profit or loss</b>		
Foreign currency translation differences for foreign operations	1,348	(1,455)
<b>Other comprehensive income for the period, net of income tax</b>	<b>1,348</b>	<b>(1,455)</b>
<b>Total comprehensive income for the period</b>	<b>12,802</b>	<b>15,181</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	4,415	4,901
Non-controlling interests	8,387	10,280
	<b>12,802</b>	<b>15,181</b>

**RETAIL HOLDINGS N.V. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED June 30, 2013 (Unaudited)**

*In thousands of US Dollars*

	Attributable to equity holders of ReHo						Non-controlling interest	Total equity	
	Share capital	Share premium	Translation reserve	Revaluation reserve	Investment fund reserve	Retained earnings			Total
Balance at January 1, 2013	53	50,758	(14,456)	11,789	165	37,559	85,868	98,334	184,202
<b>Total comprehensive income for the period</b>									
Profit	-	-	-	-	-	5,741	5,741	10,895	16,636
Other comprehensive income	-	-	(813)	(133)	61	45	(840)	(615)	(1,455)
<b>Total comprehensive income for the period</b>	-	-	(813)	(133)	61	5,786	4,901	10,280	15,181
<b>Transactions with owners of the Company</b>									
<b>Contributions and dividends</b>									
Dividends to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(7,614)	(7,614)
<b>Total contributions and dividends</b>	-	-	-	-	-	-	-	(7,614)	(7,614)
<b>Changes in ownership interests</b>									
Divestment of interests in subsidiaries	-	-	11	-	-	874	885	187	1,072
<b>Total change in ownership interests</b>	-	-	11	-	-	874	885	187	1,072
<b>Total transactions with owners of the Company</b>	-	-	11	-	-	874	885	(7,427)	(6,542)
Balance at June 30, 2013	53	50,758	(15,258)	11,656	226	44,219	91,654	101,187	192,841

**RETAIL HOLDINGS N.V. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED June 30, 2014 (Unaudited)**

*In thousands of US Dollars*

	Attributable to equity holders of ReHo						Non- controlling interest	Total equity	
	Share capital	Share premium	Translation reserve	Revaluation reserve	Investment fund reserve	Retained earnings			Total
Balance at January 1, 2014	53	47,152	(18,217)	11,616	261	44,092	84,957	104,512	189,469
<b>Total comprehensive income for the period</b>									
Profit	-	-	-	-	-	3,854	3,854	7,600	11,454
Other comprehensive income	-	-	536	(41)	(17)	84	562	787	1,349
<b>Total comprehensive income for the period</b>	-	-	536	(41)	(17)	3,938	4,416	8,387	12,803
<b>Transactions with owners of the Company</b>									
<b>Contributions and dividends</b>									
Dividends to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(6,506)	(6,506)
<b>Total contributions and dividends</b>	-	-	-	-	-	-	-	(6,506)	(6,506)
<b>Total transactions with owners of the Company</b>	-	-	-	-	-	-	-	(6,506)	(6,506)
Balance at June 30, 2014	53	47,152	(17,681)	11,575	244	48,030	89,373	106,393	195,766

**RETAIL HOLDINGS N.V. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013 (Unaudited)**

*In thousands of US Dollars*

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
<b>Cash flows from operating activities</b>		
Profit for the period	11,454	16,636
Adjustments for:		
Depreciation	2,237	2,271
Amortization of intangible assets	47	43
Loss / (gain) from sale of property, plant and equipment	11	(104)
Net finance costs	7,036	8,097
Income tax expense	4,405	1,420
	<b>25,190</b>	<b>28,363</b>
Changes in:		
- Inventories	(9,793)	(2,209)
- Trade receivables	(11,854)	(19,367)
- Other current assets	(6,782)	(7,569)
- Trade and other payables	2,664	4,815
- Provision and employee benefits	299	130
- Deferred income	159	11
<b>Cash (used in) / from operating activities</b>	<b>(117)</b>	<b>4,174</b>
Interest paid	(8,676)	(9,875)
Income tax paid	(4,055)	(3,159)
<b>Net cash used in operating activities</b>	<b>(12,848)</b>	<b>(8,860)</b>
<b>Cash flows from investing activities</b>		
Interest received	2,220	1,972
Proceeds from sale of property, plant and equipment	60	985
Proceeds from sale of investment	-	1,845
Acquisition of property, plant and equipment	(2,119)	(4,550)
<b>Net cash generated from investing activities</b>	<b>161</b>	<b>252</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	17,717	28,594
Repayment of borrowings	(6,195)	(3,834)
Dividends to non-controlling interests	(6,506)	(7,614)
<b>Net cash from financing activities</b>	<b>5,016</b>	<b>17,146</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(7,671)</b>	<b>8,538</b>
Cash and cash equivalents at January 1	11,110	(2,822)
Effect of exchange rate fluctuations on cash held	1,832	2,491
<b>Cash and cash equivalents at June 30</b>	<b>5,271</b>	<b>8,207</b>

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### 1. Reporting entity

Retail Holdings N.V. (“ReHo”) is a company domiciled in Curacao (formerly part of the Netherlands Antilles), incorporated in December 1999. The address of ReHo’s registered office is Kaya W.F.G. (Jombi) Mensing 36, Willemstad, Curacao. These condensed, consolidated, interim financial statements, as at and for the six months ended June 30, 2014, comprise ReHo and its subsidiaries (together referred to as the “Company”).

#### 2. Restatement of previously issued financial statements

Subsequent to the issue of the Company’s 2013 annual report on 28 March 2014, certain misstatements were discovered at one of the Company’s subsidiaries, Singer Pakistan Limited. The misstatements mainly relate to overstatements of inventory as at 31 December 2013, as measured under IFRS and the Company’s accounting policies, amounting to \$3.1 million. The restatement of the Company’s Statement of Financial Position as at 31 December 2013 reflects the correction of these misstatements. Since the misstatements were made in December 2013, they have no impact on the Company’s Condensed Consolidated Interim Statement of Income, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the six months ended June 30, 2014 and June 30, 2013.

The following table summarizes the effect of the misstatements on the Company’s financial position as at 31 December 2013:

#### 31 December 2013

	As previously reported	Misstatements	Restated
Other non-current assets	10,013	(8)	10,005
Inventories	81,256	(3,116)	78,140
Trade and other receivables	141,603	(193)	141,410
Other current assets	18,284	(274)	18,010
Others	185,995	-	185,995
<b>Total assets</b>	<b>437,151</b>	<b>(3,591)</b>	<b>433,560</b>
Reserves	6,329	11	6,340
Retained earnings	45,917	(1,825)	44,092
Non-controlling interests	106,906	(2,394)	104,512
Others	47,205	-	47,205
<b>Total equity</b>	<b>193,699</b>	<b>(4,230)</b>	<b>189,469</b>
Deferred tax liabilities	2,205	(865)	1,340
Current tax liabilities	775	653	1,428
Trade and other payables	56,408	851	57,259
Others	184,064	-	184,064
<b>Total liabilities</b>	<b>243,452</b>	<b>639</b>	<b>244,091</b>

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### 3. Statement of compliance

These condensed, consolidated, interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting issued by the International Accounting Standards Board (the “IASB”). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited, consolidated financial statements of the Company as at and for the year ended December 31, 2013 (the “2013 Statements”). The 2013 Statements may be found at the Corporate/Investor section of the Company’s website at [www.retailholdings.com](http://www.retailholdings.com).

These condensed, consolidated, interim financial statements were approved by the ReHo Board of Directors on August 18, 2014.

Results for the six month period ended June 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

#### 4. Significant accounting policies

The accounting policies applied by the Company in these condensed, consolidated, interim financial statements are consistent with those applied by the Company in the 2013 Statements and as described therein.

#### 5. Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed, consolidated, interim financial statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty are the same as those in the 2013 Statements and as described therein.

#### 6. Financial risk management

The Company’s financial risk management objectives and policies are consistent with those disclosed in the 2013 Statements and as described therein.

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### 7. Operating segments

The Company's operating segment reporting format is geographical because the Company has only one business segment which is the retail business. Its risks and return are affected predominantly by the different geographical areas in which it operates and the Company's management structure and internal reporting system to the CEO is set up accordingly. A geographical segment is a distinguishable component of the Company that is engaged in providing products and services within a particular economic environment, which is subject to risks and returns that are different from those of other segments.

#### For the six months ended June 30, 2014

<i>In thousands of U.S. Dollars</i>	<b>Bangladesh</b>	<b>India</b>	<b>Pakistan</b>	<b>Sri Lanka</b>	<b>Thailand</b>	<b>Unallocated Amounts</b>	<b>Inter- segment Elimination</b>	<b>Total</b>
External revenue	41,775	21,003	10,267	107,030	54,704	284	-	235,063
Inter-segment revenue	-	505	-	-	-	-	(505)	-
Depreciation and amortization	412	53	190	1,284	296	2	-	2,237
Impairment losses on accounts receivable	198	16	104	1,481	2,449	-	-	4,248
Impairment losses on inventory	34	-	4	200	(220)	-	-	18
Profit / (loss) from operating activities	2,630	669	549	12,495	7,157	(605)	-	22,895
Interest income	433	24	20	329	18	1,226	170	2,220
Interest expenses	361	6	962	7,257	935	-	(170)	9,351
Income tax charge / (credit)	804	224	(116)	2,815	-	678	-	4,405
Profit before tax	2,713	684	(360)	5,513	6,240	10,653	(9,584)	15,859
Capital expenditure	445	-	71	1,178	308	117	-	2,119
Total assets	65,050	12,624	26,827	212,645	108,538	119,677	(77,666)	467,695
Total liabilities	34,745	5,766	21,184	158,376	58,394	4,206	(10,742)	271,929
Net assets	30,305	6,858	5,643	54,269	50,144	115,471	(66,924)	195,766

**RETAIL HOLDINGS N.V. AND SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**For the six months ended June 30, 2013**

<i>In thousands of U.S. Dollars</i>	<b>Bangladesh</b>	<b>India</b>	<b>Pakistan</b>	<b>Sri Lanka</b>	<b>Thailand</b>	<b>Unallocated Amounts</b>	<b>Inter- segment Elimination</b>	<b>Total</b>
External revenue	34,595	18,296	13,031	99,210	63,263	898	-	229,293
Inter-segment revenue	-	-	-	-	-	-	-	-
Depreciation and amortization	393	44	158	1,352	322	2	-	2,271
Impairment losses on accounts receivable	(14)	1	22	844	1,409	-	-	2,262
Impairment losses on inventory	(314)	(11)	(1)	(497)	39	-	-	(784)
Profit / (loss) from operating activities	2,776	786	1,382	12,618	8,749	(158)	-	26,153
Interest income	110	43	28	293	11	1,814	(327)	1,972
Interest expenses	327	5	944	8,098	711	(343)	327	10,069
Income tax charge / (credit)	518	(1,793)	154	1,452	250	839	-	1,420
Profit before tax	2,598	833	446	4,729	8,049	11,827	(10,426)	18,056
Capital expenditure	448	-	170	2,791	1,088	53	-	4,550
Total assets	56,794	11,103	27,504	191,533	105,473	117,225	(76,072)	433,560
Total liabilities	24,645	4,861	19,057	138,802	60,811	6,260	(10,345)	244,091
Net assets	32,149	6,242	8,447	52,731	44,662	110,965	(65,727)	189,469

There is no material change in the operating segments' total assets as compared to the amounts disclosed in the 2013 Statements.

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### 8. Income tax expense

Income tax expense is recognized based on management's best estimate of the weighted average income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Company's consolidated effective tax rate in respect of the six months ended June 30, 2014 was 28 percent (six months ended June 30, 2013: 8 percent).

#### 9. Trade and other receivables due in excess of one year

Trade and other receivables due in excess of one year include unsecured, subordinated promissory notes due from SVP Holdings, Ltd. (the "SVP Notes") in the amount of USD 23,841 thousand as at June 30, 2014 (December 31, 2013: USD 23,259 thousand).

#### 10. Share capital

##### Issuance and repurchase of ordinary shares

During the six months ended June 30, 2014, no ordinary shares were issued and none were repurchased.

As of June 30, 2014, 5,297,382 shares are issued and outstanding.

#### 11. Loans and borrowings

<i>In thousands of U.S. Dollars</i>	Currency	Interest rate nominal	Face value	Carrying amount	Year of maturity
Balance at January 1, 2014				140,795	
<b>New Issues</b>					
Secured bank loans	PKR	11.9%	760	760	2019
Unsecured bank loans	SLR	7.0%	20,601	20,601	-
Unsecured bank loans	THB	4.0%	11,707	11,707	-
Public Deposits	SLR	9.5%	7,564	7,564	-
Debentures	SLR	14.7%	120	120	2015-2018
Finance Leases	PKR	13.4%-16.4%	8	8	-
Finance Leases	SLR	-	5	5	-
<b>Repayments</b>					
Secured bank loans	PKR	11.7%	343	343	2014-2016
Secured bank loans	SLR	12.3%	2,000	2,000	2015-2017
Unsecured bank loan	SLR	9.8%	16,769	16,769	2014
Unsecured bank loan	THB	4.3%	3,729	3,729	2014-2017
Debentures	THB	5.3%	4,319	4,319	2014-2016
Promissory Notes	SLR	11.6%	1,150	1,150	2014-2015
Balance at June 30, 2014				<u>153,250</u>	

## **PART II**

### **Management Summary Discussion and Analysis**

The following summary discussion and analysis should be read in conjunction with the unaudited, consolidated, interim financial statements of the Company for the six months ended June 30, 2014 and 2013, and the audited, consolidated financial statements of the Company for the twelve months ended December 31, 2013.

Information as of December 31, 2013 has been restated as indicated in Note 2 of the Notes to the Condensed Consolidated Interim Financial Statements. The restatement has no impact on the Company's unaudited, consolidated, interim financial statements for the six months ended June 30, 2014 and June 30, 2013.

### **Results of Operations**

#### **Six months ended June 30, 2014 and June 30, 2013**

For the six months ended June 30, 2014, consolidated revenue was \$235.1 million, record revenue for the first half of the year. This compares to consolidated revenue of \$229.3 million for the same period in 2013, an increase, as measured in U.S. dollars, of 2.5%.

The Company's financial results for the six months ended June 30, 2014 were adversely impacted by the depreciation against the U.S. dollar of the currencies of all of the Company's countries of operation, except Bangladesh. The depreciation (comparing the six-month period ended June 30, 2014 against the same period in 2013) was especially large in India (9.4%) and Thailand (8.4%), with less substantial depreciations in Sri Lanka (2.9%) and Pakistan (2.2%), and a modest appreciation in Bangladesh of 0.9%.

Measured in local currency, revenue at Singer India grew 26.8% during the first half of 2014, as compared with the same period prior year. Revenue at Singer Bangladesh grew 19.7% and at Singer Sri Lanka 11.2%, while revenue in local currency declined 5.6% at Singer Thailand and 19.5% at Singer Pakistan. Revenue, as measured in U.S. dollars, grew 20.8% at Singer Bangladesh during the first half of 2014, as compared with the same period prior year. U.S. dollar revenue grew 14.8% at Singer India and 7.9% at Singer Sri Lanka, while revenue, as measured in U.S. dollars, declined 13.5% at Singer Thailand and 21.2% at Singer Pakistan. The relatively weak performance at Singer Sri Lanka largely reflects economy-wide factors, particularly sluggish consumer durable demand that became evident in the second half of 2013 and continued through the first half of 2014. The revenue decline at Singer Thailand and Singer Pakistan largely reflect local political uncertainties and turmoil in each of these markets, which intensified in the first half of 2014.

The Company's revenue for the first six months of 2014 includes \$29.6 million of finance earnings on consumer credit sales, compared to \$29.4 million of such earnings for the same period in 2013, an increase of 0.7%. The slower growth in finance earnings compared to total revenue is due largely to the reduced revenue contribution from Thailand, which has the highest proportion of credit sales.

Gross profit for the six months ended June 30, 2014 was \$89.5 million, representing a gross profit margin of 38.1%, compared to \$89.4 million and a gross profit margin of 39.0% for the six months ended June 30, 2013. The reduction in gross profit margin is due mainly to the decrease in revenue contribution from Thailand, which has the highest gross profit margin.

Other income for the six months ended June 30, 2014 was \$0.9 million as compared to \$1.3 million in other income for the six months ended June 30, 2013.

Selling and administrative expenses (“S&A”) for the six months ended June 30, 2014 were \$65.7 million, representing 27.9% of revenue, as compared to \$62.8 million and 27.4% of revenue for the six months ended June 30, 2013. The increase in S&A expenses relative to revenue reflects the continuing commitment to opening new stores, renovating and expanding existing stores, and introducing new products, brands and services, despite what is perceived to be a temporary economic slowdown in a number of the Company’s markets.

Other expenses, primarily royalty paid to SVP for the use of the Singer trademark by Singer Asia and its operating companies, increased from \$1.7 million for the six months ended June 30, 2013 to \$1.8 million for the six months ended June 30, 2014, reflecting the growth in revenue.

Results from operating activities for the six months ended June 30, 2014 were a profit of \$22.9 million, compared to a profit of \$26.2 million for the same period in 2013. The 12.6% decrease in results from operating activity is largely due to the increase in S&A.

Net finance costs for the six months ended June 30, 2014 were \$7.0 million as compared to \$8.1 million of such costs for the same period in 2013. The decrease in net finance costs primarily reflects the reduction in interest rates, especially in Sri Lanka.

The Company’s profit before income tax decreased by 12.2% to \$15.9 million for the six months ended June 30, 2014, from \$18.1 million for the same period in 2013. The lower profit before income tax reflects the flow through of the drop in results from operating activities, offset, in part, by lower net finance costs.

Income tax expense was \$4.4 million for the six months ended June 30, 2014, compared to \$1.4 million for the six months ended June 30, 2013. This represents an increase in the effective tax rate from 7.7% in the 2013 period to 27.7% in the 2014 period. For the six months ended June 30, 2013, a one-time deferred tax credit of \$1.8 million from unutilized tax losses was recognized at Singer India, following its exit from BIFR. In addition, the share of pre-tax profit from Singer Thailand, which has one of the lowest effective tax rates in the Company, reflecting prior tax losses, decreased for the six months ended June 30, 2014 as compared to the same period in 2013.

For the six months ended June 30, 2014, the Company’s net profit was \$11.5 million compared to a net profit of \$16.6 million for the same period in 2013, a decrease of 30.7%.

The profit attributable to equity holders of the Company was \$3.9 million for the six months ended June 30, 2014 as compared to \$5.7 million for the same period prior year. A profit of \$7.6 million is attributable to minority shareholders for the six months ended June 30, 2014 as compared to \$10.9 million for the six months ended June 30, 2013. A reduction in the share of profit attributable to the owners of the Company in the first half of 2014 as compared to the same period prior year, 33.9% and 34.3%, respectively, largely reflects the decline in the share of attributable after-tax profit from Singer Sri Lanka, where the Company’s equity ownership is the highest amongst the subsidiaries.

The profit attributable to ReHo shareholders is equivalent to basic earnings and diluted earnings per share of \$0.73 for the six months ended June 30, 2014 as compared to basic and diluted earnings per share of \$1.08 per share for the same period prior year.

## **Liquidity and Capital Resources**

### **Six Months Ended June 30, 2014**

For the six months ended June 30, 2014, the Company had a net cash outflow from operations of \$12.8 million. This is primarily due to a \$19.0 million increase in net working capital (changes in inventories, receivables and payables) offset, in part, by the \$11.5 million profit for the period. The increase in net working capital reflects the growth in revenue and accompanying growth of the balance sheet.

Net cash from investing activities for the six months ended June 30, 2014 was an inflow of \$0.2 million, primarily due to interest received of \$2.2 million. Cash used to acquire property, plant and equipment amounted to \$2.1 million.

Dividends paid by the Company to non-controlling interests during the six months ended June 30, 2014 utilized \$6.5 million of cash.

Net borrowings increased by \$11.5 million during the first six months of 2014.

The net effect of the cash flow movements and exchange rate fluctuations was to decrease the Company's cash and cash equivalents by \$5.8 million for the six months ended June 30, 2014. As a result, cash and cash equivalents, net of bank overdrafts, decreased to \$5.3 million as at June 30, 2014. Cash and cash equivalents at ReHo corporate increased from \$1.6 million as at December 31, 2013 to \$4.5 million as at June 30, 2014.

Current assets less current liabilities as at June 30, 2014 were \$101.5 million compared to \$110.7 million as at December 31, 2013, a decrease of \$9.2 million.

For a discussion of liquidity and capital resources during 2013, see the Company's 2013 Annual Report, dated March 2014.

Neither the Company, Sewko, Singer Asia or any of the Company's other subsidiaries were in default at June 30, 2014, at December 31, 2013, or at any time during the first six months of 2014 or during 2013 with respect to any interest or principal payments or with respect to any financial covenants under any of their lending arrangements.

## **Other**

### **Research and Development; Environment**

The Company does not carry out significant research and development. Amounts spent on research and development for the six months ended June 30, 2014 and 2013 were not material.

The Company believes that any costs resulting from environmental matters known to it will not have a material, adverse impact on the Company's financial condition or results of operation. The amount spent on environmental and pollution matters was not material for the six months ended June 30, 2014 and June 30, 2013.

## **Market Risks**

The Company is exposed to default risk. ReHo is owed principal and interest pursuant to the terms of the SVP Notes. The issuer of the Notes is current in all of its obligations to ReHo. A significant economic downturn, changes in consumer preferences or other developments could adversely impact that company's results of operations and make it more difficult for SVP to meet their obligations to ReHo.

Singer Asia, in turn, is subject to default risk with respect to consumer installment and trade receivables. A significant economic downturn in Singer Asia's markets could impair collection performance, impairing the value of Singer Asia's receivables.

The Company is exposed to various foreign currency risks including, but not limited to, foreign denominated assets and liabilities, and revenues and expenses. Primary currency exposures include the currencies of the Indian subcontinent countries (Bangladesh, India, Pakistan and Sri Lanka) and Thailand. The Company mitigates the risk from foreign currency fluctuations by seeking to match the currency of its liabilities with the currency of its assets. The Company has no foreign exchange forward contracts outstanding.

The Company is exposed to market risk for changes in interest rates relating principally to its debt obligations, primarily those with variable interest rates. The Company mitigates the risk from interest rate increases by seeking to reduce the mismatch between the duration of its assets, and its liabilities and equity, and by adjusting the interest rate charged on new installment receivables. The Company has no interest rate forward contracts outstanding.

The Company does not have any derivative financial instruments outstanding to hedge default, foreign currency, interest rate or other risks. The Company does not hold or issue financial instruments for trading purposes.