

**SUMMARY SEMI-ANNUAL REPORT**

**Retail Holdings N.V.**

**For the Semi-Annual Period Ended  
June 30, 2018**

## ABOUT RETAIL HOLDINGS

Retail Holdings N.V. (“Retail Holdings”, together with its subsidiaries and affiliates, the “Company”) is a holding company with one principal asset: a 54.10 % equity interest in Sewko Holdings Limited (“Sewko”). Retail Holdings is a Curacao public company, which is the successor company to the Singer Company N.V. and its predecessor companies. Price quotations for the Retail Holdings’ Shares are available on the “Pink Sheets” quotation service under the symbol “RHDGF”. The Shares’ CUSIP number is N74108106.

Sewko has retail and financial services businesses, operated through its 100% owned subsidiary Singer Asia Limited (“Singer Asia”), and that company’s majority-owned public subsidiaries in Bangladesh and India. Sewko’s core business is the distribution in these markets of consumer durable products, primarily for the home, with supportive manufacturing, and with consumer credit and other financial services. The Company has no operating activities other than those carried out through Sewko.

Additional financial and other information about the Company, including: the Company’s audited consolidated financial statements for the twelve months ended December 31, 2017, and all prior financial statements since September 2000, together with the Auditor’s Reports thereon; the 2017 Annual Report dated March 2018, 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, 2018, unless otherwise indicated.

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Retail Holdings 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 Retail Holdings’ subsidiary, NV Adminservice Corporation, located at 118 North Bedford Road, Mt. Kisco, New York, 10549, telephone number 914-241-3404. Retail Holdings’ share transfer agent is Computershare Shareowner Services LLC at P.O. Box 30170, College Station, Texas, 77842-3170, 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. All forward-looking 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 and may be substantially different than anticipated. The Company cautions that no assurance can be given that expectations reflected in 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 assume that the information contained in this Summary Semi Annual Report is accurate as of any date other than the date for which the information is presented. You should not rely on any obligation to update or revise any information, including 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, political and security conditions, particularly in Asia, including levels of consumer spending; exchange rates, particularly between the U.S. dollar and the currencies in which Sewko makes significant sales or in which assets and liabilities are denominated; Sewko's ability to continue to win acceptance of its products and services, which are offered in highly competitive markets; Sewko's continued ability to collect on outstanding receivables due from retail and wholesale customers; 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 2017 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 2018.

As described in greater detail in the Company's 2017 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, annual, 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

	<b>Page</b>
<b>Condensed Consolidated Interim Financial Statements</b>	
Condensed Consolidated Interim Statement of Financial Position	5
Condensed Consolidated Interim Statement of Income	6
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income	7
Condensed Consolidated Interim Statement of Changes in Equity	8-9
Condensed Consolidated Interim Statement of Cash Flows	10
Notes to the Condensed Consolidated Interim Financial Statements	11-15

### PART II

Management's Summary Discussion and Analysis of Financial Position and Results of Operations, Six Months Ended June 30, 2018 and June 30, 2017	16-19
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**PART I**

**RETAIL HOLDINGS N.V. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018 (Unaudited) AND DECEMBER 31, 2017**

*In thousands of US Dollars*

	<u>Notes</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>
<b>ASSETS:</b>			
Property, plant and equipment		18,689	19,129
Intangible assets and goodwill		5,514	5,560
Trade and other receivables due in excess of one year		670	608
Employee benefits assets		5	-
Deferred tax assets		461	387
Other non-current assets		4,112	3,824
<b>Total non-current assets</b>		<b>29,451</b>	<b>29,508</b>
Inventories		62,105	45,166
Investments	9	10,854	10,854
Trade and other receivables		45,393	30,857
Current tax receivables		926	-
Other current assets		4,909	6,101
Cash and cash equivalents		16,856	57,325
<b>Total current assets</b>		<b>141,043</b>	<b>150,303</b>
<b>Total assets</b>		<b>170,494</b>	<b>179,811</b>
<b>EQUITY</b>			
Share capital	10	53	53
Treasury Shares		(7)	(7)
Reserves		(4,242)	(4,100)
Retained earnings		37,522	79,256
<b>Equity attributable to owners of Retail Holdings</b>		<b>33,326</b>	<b>75,202</b>
<b>Non-controlling interest</b>		<b>41,677</b>	<b>43,141</b>
<b>Total equity</b>		<b>75,003</b>	<b>118,343</b>
<b>LIABILITIES</b>			
Loans and borrowings over one year	11	31	38
Employee benefits		-	81
Warranty provision over one year		534	430
Deferred tax liabilities		247	72
Security deposits		2,590	2,551
<b>Total non-current liabilities</b>		<b>3,402</b>	<b>3,172</b>
Bank overdrafts		45,401	16,173
Current tax liabilities		-	537
Loans and borrowings	11	5,249	3,614
Trade payables		22,597	13,223
Other accruals and payables		17,276	23,318
Deferred income		243	259
Warranty provision		1,323	1,172
<b>Total current liabilities</b>		<b>92,089</b>	<b>58,296</b>
<b>Total liabilities</b>		<b>95,491</b>	<b>61,468</b>
<b>Total equity and liabilities</b>		<b>170,494</b>	<b>179,811</b>

**RETAIL HOLDINGS N.V. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017 (Unaudited)**  
*In thousands of US Dollars except per Share data*

	Notes	June 30, 2018	June 30, 2017 Restated
<b>Continuing operations</b>			
<b>Revenue</b>		<b>111,814</b>	<b>92,648</b>
Cost of sales		82,193	68,268
<b>Gross profit</b>		<b>29,621</b>	<b>24,380</b>
Other income/(expense)		(35)	(109)
Selling and administrative expenses		(21,252)	(18,429)
External royalty		(987)	(2,562)
<b>Results from operating activities</b>		<b>7,347</b>	<b>3,280</b>
Finance income		172	29
Finance costs		(1,733)	(926)
<b>Net finance costs</b>		<b>(1,561)</b>	<b>(897)</b>
Share of profit/(loss) of equity-accounted investee, net of tax		-	181
<b>Profit before income taxes</b>		<b>5,786</b>	<b>2,564</b>
Income tax expense	8	(2,549)	(2,418)
<b>Profit from continuing operations</b>		<b>3,237</b>	<b>146</b>
<b>Discontinued operations</b>			
Profit from discontinued operation, net of tax	2	-	5,845
<b>Profit for the period</b>		<b>3,237</b>	<b>5,991</b>
<b>Attributable to:</b>			
Owners of Retail Holdings		108	1,201
Non-controlling interests		3,129	4,790
<b>Profit for the period</b>		<b>3,237</b>	<b>5,991</b>
<b>Earnings per share (US Dollars)</b>		<b>0.02</b>	<b>0.26</b>
<b>Earnings per share – continuing operations (US Dollars)</b>		<b>0.02</b>	<b>0.03</b>

**RETAIL HOLDINGS N.V. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017 (Unaudited)**  
*In thousands of US Dollars*

	<u>June 30, 2018</u>	<u>June 30, 2017.</u>
<b>Profit for the period</b>	3,237	5,991
<b>Other comprehensive income</b>		
<b>Items that are or may be reclassified subsequently to profit or loss</b>		
Foreign currency translation differences for foreign operations	(1,278)	(2,129)
<b>Other comprehensive loss for the period, net of income tax</b>	<u>(1,278)</u>	<u>(2,129)</u>
<b>Total comprehensive income for the period</b>	<u><u>1,959</u></u>	<u><u>3,862</u></u>
<b>Total comprehensive income attributable to:</b>		
Owners of Retail Holdings	(20)	491
Non-controlling interests	1,979	3,371
	<u><u>1,959</u></u>	<u><u>3,862</u></u>

**RETAIL HOLDINGS N.V. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED June 30, 2018 (Unaudited)**

*In thousands of US Dollars*

	Attributable to equity holders of the Company							
	Share capital	Treasury Shares	Translation reserve	Revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2018	53	(7)	(6775)	2,675	79,256	75,202	43,141	118,343
<b>Total comprehensive income for the period</b>								
Profit	-	-	-	-	108	108	3,129	3,237
Transfer from revaluation reserve	-	-	-	(14)	10	(4)	4	-
Other comprehensive income	-	-	(128)	-	-	(128)	(1,150)	(1,278)
<b>Total comprehensive income for the period</b>	-	-	(128)	(14)	118	(24)	1,983	1,959
<b>Transactions with owners of the Company</b>								
<b>Contributions and distributions</b>								
Distribution to owners of Retail Holdings	-	-	-	-	(41,852)	(41,852)	-	(41,852)
Distribution to non-controlling interests	-	-	-	-	-	-	(3,447)	(3,447)
<b>Total contributions and distributions</b>	-	-	-	-	(41,852)	(41,852)	(3,447)	(45,299)
<b>Changes in ownership interests</b>								
Divestment of interests in subsidiaries	-	-	-	-	-	-	-	-
<b>Total change in ownership interests</b>	-	-	-	-	-	-	-	-
<b>Total transactions with owners of the Company</b>	-	-	-	-	(41,852)	(41,852)	(3,447)	(45,299)
Balance at June 30, 2018	53	(7)	(6,903)	2,661	37,522	33,326	41,677	75,003



**RETAIL HOLDINGS N.V. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED June 30, 2017 (Unaudited)**

*In thousands of US Dollars*

	Attributable to equity holders of the Company								
	Share capital	Treasury shares	Share premium	Translation reserve	Revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2017	53	(7)	3,618	(21,131)	14,720	51,921	49,174	70,910	120,084
<b>Total comprehensive income for the period</b>									
Profit	-	-	-	-	-	1,201	1,201	4,790	5,991
Other comprehensive income	-	-	-	(705)	(11)	6	(710)	(1,419)	(2,129)
<b>Total comprehensive income for the period</b>	-	-	-	(705)	(11)	1,207	491	3,371	3,862
<b>Transactions with owners of the Company</b>									
<b>Contributions and distributions</b>									
Distribution to owners of Retail Holdings	-	-	-	-	-	(9,300)	(9,300)	-	(9,300)
Distribution to non-controlling interests	-	-	-	-	-	-	-	(6,197)	(6,197)
<b>Total contributions and distributions</b>	-	-	-	-	-	(9,300)	(9,300)	(6,197)	(15,497)
<b>Changes in ownership interests</b>									
Divestment of interests in subsidiaries	-	-	-	(1,483)	-	9,262	7,779	9,907	17,685
<b>Total change in ownership interests</b>	-	-	-	(1,483)	-	9,262	7,779	9,907	17,685
<b>Total transactions with owners of the Company</b>	-	-	-	(1,483)	-	38	(1,521)	(3,710)	2,189
Balance at June 30, 2017	53	(7)	3,618	(23,319)	14,709	53,090	48,144	77,991	126,135

**RETAIL HOLDINGS N.V. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017 (Unaudited)**

*In thousands of US Dollars*

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>Cash flows from operating activities</b>		
Profit for the period	3,237	5,991
Adjustments for:		
Depreciation	794	1,988
Amortization of intangible assets	42	101
Impairment loss of property, plant and equipment	-	16
Loss/ (gain) from sale of property, plant and equipment	3	(34)
Net finance costs	1,561	10,159
Share of profit of equity-accounted investees, net of tax	-	(181)
Income tax expense	2,549	5,204
	<u>8,186</u>	<u>23,244</u>
Changes in:		
- Inventories	(16,939)	(10,475)
- Trade receivables	(14,598)	(13,051)
- Other current assets	1,198	(1,319)
- Trade and other payables	3,331	1,407
- Provision and employee benefits	(86)	274
- Deferred income	(15)	(411)
	<u>(18,923)</u>	<u>(331)</u>
<b>Cash (used in)/from operating activities</b>		
Interest paid	(1,733)	(10,542)
Income tax paid	(3,911)	(5,082)
	<u>(24,567)</u>	<u>(15,955)</u>
<b>Cash flows from investing activities</b>		
Interest received	172	383
Proceeds from sale of property, plant and equipment	70	34
Proceeds from sale of investment, net of cash	-	22,357
Acquisition of property, plant and equipment	(710)	(2,910)
Acquisition of intangible assets	-	(122)
	<u>(468)</u>	<u>19,742</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	5,245	24,303
Repayment of borrowings	(3,597)	(9,960)
Distribution to non-controlling interests	(3,447)	(6,197)
Distribution to owners of Retail Holdings	(41,852)	(9,300)
	<u>(43,651)</u>	<u>(1,154)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<u>(68,686)</u>	<u>2,633</u>
Cash and cash equivalents at January 1	41,152	978
Effect of exchange rate fluctuations on cash held	(1,011)	(2,768)
<b>Cash and cash equivalents at June 30</b>	<u>(28,545)</u>	<u>843</u>

**RETAIL HOLDINGS N.V. AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**1. Reporting entity**

Retail Holdings N.V. (“Retail Holdings”, together with its subsidiaries and affiliates, the “Company”) is a company domiciled in Curaçao (formerly part of the Netherlands Antilles). The Company was incorporated in December 1999. The address of the Company’s registered office is Kaya W.F.G. (Jombi) Mensing 36, Willemstad, Curaçao.

**2. Discontinued operations**

**Singer (Sri Lanka) PLC**

In September 2017, the Company sold a majority equity stake, representing 61.7% of Singer Sri Lanka PLC’s total equity, to Hayleys PLC, retaining an approximately 9.5% equity interest. Accordingly, Singer Sri Lanka has been classified as a discontinued operation and results up to the date of disposal are presented under “discontinued operations” in the Condensed Consolidated Interim Statement of Income. As required by IAS 05- “Non-current assets held for sale and discontinued operations”, the comparatives related to Singer Sri Lanka for 2017 have been reclassified as Discontinued operations, and the 2017 Condensed Consolidated Statement of Income has been restated.

**A Results of discontinued operations for period ended**

<i>In thousands of U.S. Dollars</i>	<u>June 30, 2018</u> Sri Lanka	<u>June 30, 2017</u> Sri Lanka
Revenue	-	163,511
Expenses	-	(145,618)
Results from operating activities	-	7,893
Income tax credit	-	2,786
Profit from discontinued operations, net of tax	-	5,845
Profit per share (US Dollars)	-	0.49

**B Cash flows from / (used in) discontinued operation for period ended**

<i>In thousands of U.S. Dollars</i>	<u>June 30, 2018</u> Sri Lanka	<u>June 30, 2017</u> Sri Lanka
Net cash used in operating activities	-	13,507
Net cash from investing activities	-	(18,851)
Net cash used in financing activities	-	2,207
Net cash outflow for the period	-	(3,137)

**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, 2017 (the “2017 Statements”). The 2017 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 Retail Holdings Board of Directors on August 9, 2018.

Results for the six-month period ended June 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

**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 2017 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 2017 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 2017 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, 2018 and as at June 30, 2018**

<i>In thousands of U.S. Dollars</i>	Bangladesh	India	Unallocated Amounts	Inter-segment Elimination	Total
External revenue	78,283	33,185	346	-	111,814
Inter-segment revenue	13,667	255	-	(13,922)	-
Depreciation and amortization	717	113	6	-	836
Impairment loss on accounts receivable	181	68	-	-	249
Profit / (loss) from operating activities	8,486	796	1,890	(3,825)	7,347
Interest income	1	12	159	-	172
Interest expense	1,681	41	11	-	1,733
Income tax charge	1,952	236	361	-	2,549
Profit / (loss) before tax	6,806	767	2,038	(3,825)	5,786
Capital expenditure	662	48	-	-	710
Total assets	121,105	24,222	144,214	(119,047)	170,494
Total liabilities	93,629	15,411	4,839	(18,388)	95,491
Net assets	27,476	8,811	139,375	(100,659)	75,003

**RETAIL HOLDINGS N.V. AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**7. Operating segments (continued)**

For the six months ended June 30, 2017 and as at June 30, 2017

<i>In thousands of U.S. Dollars</i>	Bangladesh	India	Sri Lanka (Discontinued)	Unallocated Amounts	Inter-segment Elimination	Total
External revenue	64,087	28,027	163,511	534	-	256,159
Inter-segment revenue	-	792	-	-	(792)	-
Depreciation and amortization	488	76	1,525	7	-	2,096
Impairment loss on accounts receivable	251	39	1,184	-	-	1,474
Impairment loss on inventory	(184)	-	(271)	-	-	(455)
Profit / (loss) from operating activities	6,064	766	16,545	(2,202)	-	21,173
Interest income	1	16	354	12	-	383
Interest expense	852	38	9,645	7	-	10,542
Share of loss of equity-accounted investee	181	-	-	-	-	181
Income tax charge	1,427	226	2,786	765	-	5,204
Profit / (loss) before tax	5,394	743	7,283	8,120	(10,345)	11,195
Capital expenditure	402	-	2,422	86	-	2,910
Total assets	87,228	20,361	287,836	70,397	(46,495)	419,327
Total liabilities	66,286	11,433	229,769	5,043	(19,339)	293,192
Net assets	21,301	8,928	58,029	65,356	(27,479)	126,135

There is no material change in the operating segments' total assets as compared to the amounts disclosed in the 2017 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, 2018, was 44.1 percent (six months ended June 30, 2017, 94.3 percent).

**9. Investments**

Investments consist of 35,562,883 shares of Singer (Sri Lanka) PLC, not included as part of the Sri Lanka share sale that took place in September 2017. These shares represent approximately 9.5% of that company's total outstanding shares. The Company has the right to put these shares to Hayleys PLC in the period September 15 -December 15, 2018 for a total consideration of approximately \$10.3 million. The comparable market price of the shares at June 30, 2018 was \$7.8 million.

**10. Share capital**

**Issuance and repurchase of ordinary shares**

There was no any issuance or repurchase of ordinary shares during the period.

As at June 30, 2018, 4,650,244 Retail Holdings shares are issued and outstanding.

**11. Loans and borrowings**

	<u>Currency</u>	<u>Interest rate nominal</u>	<u>Face value</u>	<u>Carrying amount</u>	<u>Year of maturity</u>
<i>In thousands of US Dollars</i>					
Balance at January 1, 2018			3,652	3,652	
Secured bank loans	BDT	9.9%-12%	5,090	5,090	2019
Secured bank loan	INR	5.81%	155	155	2019
<b>Repayments</b>					
Secured bank loans	BDT	9.9%-12%	3,593	3,593	2018
Secured bank loan	INR	7.99%	4	4	2018
Currency translation changes				20	
Balance at June 30, 2018				<u>5,280</u>	

## PART II

### Management Discussion and Analysis

The following discussion and analysis should be read in conjunction with these Condensed Consolidated Interim Financial Statements and the 2017 Statements. Certain comparative figures for the six months ended June 30, 2017 are restated, as indicated. Additional information about the restatement is included in Note 2. to these Financial Statements.

### Results of Operations

#### Six Months Ended June 30, 2018

##### *Continuing Operations*

The Company's consolidated Revenue from continuing operations was \$111.8 million for the six months ended June 30, 2018. This compares to consolidated Revenue from continuing operations of \$92.6 million for the same period in 2017, an increase, as measured in U.S. dollars, of 20.7%. The increase reflects revenue growth at the Company's operations, both in Bangladesh and India. Measured in local currency, Revenue at Singer Bangladesh and Singer India grew 26.2% and 16.1%, respectively, during the first half of 2018, as compared with the same period prior year.

The Company's Revenue from continuing operations for the first six months of 2018 includes \$0.4 million of finance earnings on consumer credit sales, compared to \$0.3 million of such earnings for the same period in 2017, an increase of 33.3%. This somewhat faster growth in finances earnings in the first half of 2018 is attributable to the decision of the Company's Bangladesh clients to make greater use of the credit offering.

Gross profit from continuing operations for the six months ended June 30, 2018 was \$29.6 million, representing a gross profit margin of 26.5%, as compared to \$24.4 million and a gross profit margin of 26.3% for the six months ended June 30, 2017. This slight improvement in gross profit margin largely reflects better sourcing.

Other income/expense from continuing operations for the six months ended June 30, 2018 and June 30, 2017 improved from an expense of \$109,000 to an expense of \$35,000.

Selling and administrative expenses ("S&A") from continuing operations for the six months ended June 30, 2018 were \$21.3 million, representing 19.0% of Revenue, as compared to \$18.4 million and 19.9% of Revenue for the six months ended June 30, 2017. The decrease in S&A expenses as a percentage of Revenue in 2018 as compared to the same period prior year, is due to the slower growth in Selling and administrative expenses, which increased by 15.3%, primarily reflecting tight control of period expense, as compared to the growth in Revenue.

Royalty paid to SVP for the use of the Singer trademark by Singer Asia and its operating companies, decreased to \$1.0 million for the six months ended June 30, 2018 from \$2.6 million for the six months ended June 30, 2017. This is mainly due to the elimination of Singer Sri Lanka Revenue from the royalty calculation. Singer Asia currently pays royalty to SVP at 0.88% (was previously 1.0%) of consolidated Revenue, including Revenue at Bangladesh and India. Singer Asia receives royalty from Bangladesh and India at essentially 1.0% of Bangladesh and India Revenue, and receives ongoing royalty from Australia, Malaysia and Thailand at various rates. For the six months ended June 30, 2018, royalty income at Retail Holdings exceeded royalty expense by 0.6 million.

Profit from operating activities from continuing operations for the six months ending June 30, 2018 and June 30, 2017 were \$7.3 million and \$3.3 million, respectively. The improvement in Results from operating activities reflects the flow through of higher Revenue and improved profit margins and lower S&A expenses relative to Revenue.



Net finance costs from continuing operations for the six months ended June 30, 2018 were \$1.6 million as compared to \$0.9 million of such costs for the same period in 2017. The increase in Net finance costs primarily reflects an increase in interest expense at Bangladesh, as a result both of higher borrowings to fund a growing business and an increase in interest rates.

In 2016, Singer Bangladesh made an additional investment in its subsidiary, International Appliances Limited (“IAL”) with the intention of acquiring an additional 10% of the IAL shares. The recognition of this investment occurred on October 2017, at which time Singer Bangladesh’s holding in IAL increased to 83.83%. Subsequent to this transaction, effective October 2017, the investment in associate was converted to investment in subsidiary.

The Company’s profit from continuing operations before income tax was \$5.8 million for the six months ended June 30, 2018, compared to profit of \$2.6 million for the same period in 2017. The increase in profit is due to an increase in Results from operating activities, offset, in part, by the growth in Net finance cost.

Income tax expense from continuing operations for six month ended June 30, 2018 and June 30, 2017 was \$2.5 million and \$2.4 million, respectively. The effective tax rate for the 2018 and 2017 periods was 44.1% and 94.3%, respectively.

For the six months ended June 30, 2018, the Company’s net profit from continuing operations was \$3.2 million compared to a net profit of \$ 0.1 million for the same period in 2017.

### ***Discontinued operations***

There was no profit from discontinued operations for the six-months ended June 30, 2018, as no additional entities were divested during the period. The profit from discontinued operations for the six months ended June 30, 2017 was \$5.8 million.

The Company’s total net profit for the period ended June 30, 2018, was \$3.2 million, compared to a profit of \$6.0 million in the same period prior year. The decrease in net profit was largely due to the loss of earnings from Sri Lanka, a discontinued operation during the period ended June 30, 2017.

The profit attributable to equity holders of Retail Holdings was \$108,000 for the six months ended June 30, 2018, compared to \$1.2 million for the same period prior year. A profit of \$3.1 million is attributable to minority shareholders of the Company and its subsidiaries for the six months ended June 30, 2018, as compared to \$4.8 million profit for the six months ended June 30, 2017. The decrease in percentage of profits attributable to the owners of Retail Holdings in the first half of 2018, as compared to the same period prior year, from 20.0% to 3.3%, is due to an increase in S&A expenses at Retail Holdings corporate, primarily reflecting both: (i) an increase in the Chairman’s bonus accrual, which accrual for 2018 (payable in May 2019), is based on the amount distributed to shareholders, anticipated to be \$10.00 per share in 2018 as compared to distributions of \$3.00 per Share in 2017, and (ii) a lag in reducing other corporate S&A expenses as the size and scope of the Company is reduced through divestitures.

The profit attributable to Retail Holdings’ shareholders is equivalent to earnings per Share of \$0.02 for the six months ended June 30, 2018, as compared to \$0.26 per Share for the same period prior year.

### **Liquidity and Capital Resources**

#### **Six Months Ended June 30, 2018**

For the six months ended June 30, 2018, the Company had a net cash inflow from operations, before changes in working capital, and payments for interest and income tax, of \$8.2 million. Net working capital increased by \$27.1 million, largely because of an increase in inventories and receivables in Bangladesh, reflecting the growth in those businesses. Cash used to pay interest and tax totaled \$5.6 million. As a result, the Company had a net cash outflow from operating activities of \$24.6 million for the six months ended June 30, 2018.

Net cash from investing activities for the six months ended June 30, 2018 was an outflow of \$0.5 million. Cash used to acquire property, plant and equipment amounted to \$0.7 million.

Distributions to owners of Retail Holdings, \$9.00 per share, paid in January 2018, utilized \$41.9 million of cash during the first six months of 2018. Distributions paid by the Company to non-controlling interests during the six months ended June 30, 2018 utilized \$ 3.4 million of cash.

Net borrowings increased by \$1.6 million during the first six months of 2018.

The net effect of the cash flow movements decreased the Company's cash and cash equivalents net of bank overdrafts and exchange fluctuations, by \$69.7 million for the six months ended June 30, 2018. Cash and cash equivalents declined from \$57.3 million on December 31, 2017, to \$16.9 million on June 30, 2018, while bank overdrafts increased from \$16.2 million to \$45.4 million. Cash and cash equivalents, as at June 30, 2018 and December 31, 2017, were distributed as follows (in USD thousands):

	<u>As at June 30, 2018</u>	<u>As at December 31, 2017</u>
At Retail Holdings corporate	2,220	44,252
At Sewko / Singer Asia corporate	11,700	9,700
At operating companies	3,166	3,373
Total cash and cash equivalents	<u>16,856</u>	<u>57,325</u>

Current assets less current liabilities as at June 30, 2018 were \$49.0 million compared to \$92.0 million at December 31, 2017, a decrease of \$43.0 million. This was largely due to the decrease in cash and cash equivalents primarily as a result of the payment to Retail Holdings shareholders of \$9.00 per Share or a total of \$41.9 million.

For a discussion of liquidity and capital resources during 2017, see the Company's 2017 Annual Report, dated March 2018.

Neither Retail Holdings, Sewko, Singer Asia or any of the Company's other subsidiaries were in default at June 30, 2018, at December 31, 2017, or at any time during the first six months of 2018 or during 2017 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, 2018 and June 30, 2017 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, 2018 and June 30, 2017.

### **Market Risks**

The Company is subject to default risk with respect to consumer installment and trade receivables. A significant economic downturn in the Company's countries of operations could impair collection performance, reducing the value of the Company'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 exposure is to currencies of the Indian subcontinent countries, Bangladesh and India. 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.