

**RETAIL HOLDINGS N.V.**

**2009 SUMMARY  
ANNUAL REPORT  
May 2010**

**2009 Summary Annual Report  
Retail Holdings N.V.**

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## NOTES

As used herein, except as the context otherwise requires, the term “Company” or “ReHo” refers to Retail Holdings N.V. The term “Asia Company” or “Singer Asia” refers to Singer Asia Limited.

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The Company prepares its consolidated financial statements in U.S. dollars, in accordance with International Financial Reporting Standards (“IFRSs”); prior to 2008, the Company prepared its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

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The registered office of the Company is located at Schottegatweg Oost 44, Willemstad, Curaçao, Netherlands Antilles, and its telephone number is 599-9732-2555. Certain administrative matters are handled in the United States by the Company’s subsidiary, NV Adminservice Corporation, located at 280 North Bedford Road, Mt. Kisco, New York 10549, telephone number 914-241-3404. The Company’s share transfer agent is Mellon Investor Services LLC, at P.O. Box 3315, South Hackensack, New Jersey 07606, telephone number 800-522-6645 (or from outside the United States, 1-201-680-6578). The Company’s website is [www.retailholdings.com](http://www.retailholdings.com).

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Price quotations for the Company’s common shares (the “Shares”) are available on the “Pink Sheets” quotation service under the symbol “RHDGF”. The Shares Cusip number is N74108106. Investor relation questions should be addressed to Ms. Amy Pappas, Company Secretary, at the NV Adminservice Corporation office (see above), email: [apappas@retailholdings.com](mailto:apappas@retailholdings.com).

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The information included in this Summary Annual Report does not purport to be inclusive of all of the information that might be included in a Form 20-F annual report. It only contains summary information that, in the opinion of management, is most relevant for understanding ReHo’s and the Asia Company’s financial results during 2009.

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

Statements made herein with respect to ReHo's or Singer Asia'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 or of the Asia 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 and the Asia Company disclaim any such obligation. Risks and uncertainties that might affect the Company and the Asia Company include, but are not limited to: general economic conditions, particularly in Asia, including levels of consumer spending; the payment of interest and of principal on the unsecured, subordinated, promissory notes issued to the Company by KSIN Holdings, Ltd.; exchange rates, particularly between the U.S. dollar and the currencies in which the Asia Company makes significant sales or in which assets and liabilities are denominated; the Asia Company'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 also set forth elsewhere herein including, without limitation in the section, Certain Risk Factors, and in the audited consolidated financial statements included in Financial Statements.

## INFORMATION ABOUT THE COMPANY

### Background

The Company, formerly known as Singer N.V., was organized as a new corporate entity in the Netherlands Antilles in 1999. Pursuant to a reorganization plan under Chapter 11 of the United States Bankruptcy Code, effective September 2000, ReHo became the parent company of several operating companies formerly owned by The Singer Company N.V. (“Old Singer”).

The Company is a holding company with three principal assets:

1. A 56.516% equity interest in Singer Asia, a distributor in selected emerging markets in Asia of consumer durable products, primarily for the home, with consumer credit and other financial services available to qualified customers (more fully described in the section, Information About Singer Asia Limited);
2. Seller notes, arising from the sale of the Singer worldwide sewing business and trademark in September 2004 (more fully described below and in Note 15 to the Financial Statements); and
3. Cash (\$1.9 million at December 31, 2009).

ReHo has no operating activities other than those carried out through the Asia Company.

Singer Asia was formed in 2003 to hold the Company’s interests in the operating companies in Asia. In July 2003, ReHo concluded the placement with a private investment fund, UCL Asia Partners, L.P. (the “Fund”), of a 43.2% minority equity interest in Singer Asia (since reduced to 42.984%). The Fund paid \$30.0 million in cash to acquire the stake in Singer Asia. A 0.5% equity interest in Singer Asia is owned by the Asia Company Chief Executive Officer as a result of the exercise of a portion of his options. ReHo retains a 56.516% equity interest in Singer Asia and continues to consolidate the results of these operations in its own financial statements.

In September 2004, ReHo completed the sales of the Singer worldwide sewing business and of the ownership of the SINGER<sup>®</sup> trademark to KSIN Holdings, Ltd., now called SVP Holdings Ltd. (“SVP”), an affiliate of funds managed by Kohlberg & Co., LLC. The total consideration consisted of approximately \$65.1 million of cash, \$22.5 million of unsecured, subordinated, promissory notes due from KSIN Holdings, Ltd., a subsidiary of SVP and guaranteed by SVP (the “KSIN Notes”), and the pay off or assumption by SVP of approximately \$47.0 million of sewing-related debt, subject to a post-closing price adjustment. Singer Asia continues to have a royalty bearing license for the use of the SINGER<sup>®</sup> trademark in most Asian countries and Australia/New Zealand and continues to be the exclusive distributor of Singer-brand sewing machines in much of Asia.

For additional information regarding the Company, see the Company’s website: [www.retailholdings.com](http://www.retailholdings.com).

## **Strategy and Valuation**

ReHo's strategy is to maximize and monetize the value of its assets, with the medium-term objective of liquidating the Company and distributing the resulting funds and any remaining assets to its shareholders.

The Company will seek to grow, to enhance the profitability of, and to increase the potential public market and private sales value of Singer Asia, with the objective of monetizing ReHo's investment in Singer Asia, either through a public offering and subsequent distribution of any remaining Singer Asia shares or through a sale of the Asia Company. The book value of the Company's investment in Singer Asia at December 31, 2009 was \$42.8 million. (See also the subsection, Market Valuation, in the section, Information About Singer Asia Limited.)

Principal and unpaid interest on the KSIN Notes at December 31, 2009 was \$25.8 million.

The Company's tangible net asset value at December 31, 2009 was \$69.9 million, equivalent to \$13.33 per Share outstanding. This reflects the book value of the Company's investment in Singer Asia, the amount of the KSIN Notes and unpaid interest and ReHo's cash, plus other assets less other liabilities and intangibles at ReHo. The holding company has no debt outstanding.

Pending the offering or sale of Singer Asia, realization of the principal and interest on the KSIN Notes and the ultimate liquidation of the Company, ReHo's strategy is to minimize holding company personnel and cost of administration and to use the cash in excess of requirements to purchase Shares and to pay dividends and distributions to shareholders.

## **Dividends/Distributions**

During 2007, the Company introduced a dividend/distribution program, paying a special dividend of \$1.00 per Share in that year. During 2008, the Company made a distribution to shareholders of \$0.75 per Share and during 2009, a distribution to shareholders of \$0.20 per Share. The Company's Board of Directors anticipates recommending for shareholder approval at the 2010 Annual General Meeting of Shareholders ("AGM") a proposal to make a distribution to shareholders of \$0.80 per Share. It is ReHo's intention to maintain a regular dividend/distribution program.

## INFORMATION ABOUT SINGER ASIA LIMITED

### Overview and Strategy

Singer Asia is a holding company with operating subsidiaries in Bangladesh, India, Pakistan, and Sri Lanka. The subsidiaries in Bangladesh, Pakistan and Sri Lanka are retail businesses engaged in the distribution of a wide variety of consumer durable products, with consumer credit and other financial services available to qualified customers. In each of these markets, the Asia Company is the leading retailer of durable products for the home.

The subsidiary in India is primarily a wholesale distributor of sewing products, although that company also has a right to retail nationwide.

The Asia Company has an affiliate company in Thailand that is the largest direct (door-to-door) seller of consumer durable products in that market and a licensee in Malaysia that is the largest direct seller of consumer durables in that country.

Singer Asia has been operating in South Asia since the late 1800's. It is recognized by consumers as a trusted source of reliable, quality, consumer products, as well as being identified with the availability of consumer credit. The business has the potential for long-term growth along with the emerging economies of Asia and the expansion of their middle-and lower-income class consumers

During 2009, Singer Asia pursued a cautious strategy with respect to growth and expansion, reflecting the worldwide economic downturn. An increased focus on improving sales margins, reducing overheads, generating positive cash flow and reducing borrowings and interest expense was successful in increasing the overall profitability of the Asia Company despite a decline in revenue (see the section, Operating and Financial Review).

During 2009, Singer Asia made a number of changes in its equity ownership portfolio intended to increase the Asia Company's focus on the core retail operations while increasing the float and improving the liquidity of the stock of its public company subsidiaries and affiliates. In particular, Singer Asia during 2009:

- Sold 5.0% of the stock of Singer Bangladesh Limited ("Singer Bangladesh"), reducing the Asia Company's percentage ownership to 75.0%;
- Restructured the share capital of Singer India Limited ("Singer India"), injecting new capital;
- Sold 100.0% of the stock of Singer Philippines BV, which held the shares of the Asia Company's money losing operation in the Philippines; and
- Sold 4.9% of the stock of Singer Thailand Public Limited Company ("Singer Thailand"), reducing the Asia Company's percentage ownership to 48.5% (converting Singer Thailand from a subsidiary to an affiliate).

In addition, Singer Bangladesh during 2009 sold 9.4% of the stock of its affiliate, International Leasing and Financial Services Limited ("ILFS"), reducing its shareholdings to 35.5%.

Reflecting signs of economic recovery in Asia at year-end, Singer Asia has adopted a more expansive strategy for 2010, particularly with respect to financial services and growth in rural areas, while seeking to further enhance the Asia Company's profitability. The strategy is:

- To significantly extend the range and penetration of the financial services offering, particularly bill collection, funds remittance and mobile phone reloads;
- To resume the expansion in the number of retail stores, focusing mainly in the rural areas of Bangladesh and Sri Lanka;
- To maintain the higher sales margins achieved in 2009, while further driving down the total overhead to revenue ratio and borrowings and interest expense;
- To extend the range of products locally manufactured or assembled by the Singer Asia subsidiaries to further realize duty and tax advantages where available;
- To maintain the high standard of the consumer credit receivables;
- To complete the roll-out of the new management information systems; and
- To enhance staff training through the "Singer Retail Academy", which sets standards for human resource development in the Company.

Singer Asia's revenues are somewhat seasonal, generally increasing during certain holidays or festival periods. Overall, revenues tend to be slightly higher than average in the fourth quarter and, to a lesser extent, in the first quarter of each year, with the lowest revenues generally in the third quarter.

For additional information regarding Singer Asia, see the Singer Asia website: [www.singerasia.com](http://www.singerasia.com)

## **Products**

Singer Asia distributes a variety of consumer durables, especially products for the home. Products include:

- Home appliances, such as air conditioners, dishwashers, kitchen ranges, microwaves, refrigerators, freezers and bottle coolers, washing machines and dryers, as well as small kitchen appliances and sewing machines;
- Electronic equipment, such as color televisions, including plasma, LCD and LED products and home theatre, DVD players, personal computers, portable audio products, and telephone and satellite television equipment; and
- Other consumer durables such as generators, home furnishings, motorcycles and water heaters .

It is the Asia Company's strategy to broaden and update the product offering. New types of products are reviewed and added to the local product offerings on a regular basis.

Most products continue to be sold using the Singer<sup>®</sup> brand although a meaningful share, especially in Sri Lanka, and, to a lesser extent, in Bangladesh and Pakistan, are now being sold using a variety of other well-known names, often under exclusive brand distribution arrangements. The Asia Company is an exclusive distributor or co-distributor in certain markets for such well-known brands as Haier<sup>®</sup>, Hitachi<sup>®</sup>, Phillips<sup>®</sup>, Samsung<sup>®</sup>, TCL<sup>®</sup> and Whirlpool<sup>®</sup>. Reflecting the multi-brand offering, Singer shops in the retail markets have been re-branded "Singer Plus".

Most of the consumer durable products sold by the Asia Company are sourced from third party manufacturers, either in fully assembled or kit form. Singer Asia has maintained strong historical relationships with several leading global and local Asian manufacturers.

In some cases, where there are local efficiencies or tax or duty incentives, assembly of certain products is carried out by the local Singer Asia operating company. Presently, motorcycles and televisions are assembled in Bangladesh; freezers, gas appliances, refrigerators and sewing machines are manufactured and microwaves, televisions and washing machines are assembled in Pakistan; and domestic and agricultural water pumps, furniture, paddy threshers and refrigerators are manufactured, and motorcycles, washing machines and sewing machines are assembled in Sri Lanka. Singer Asia also manufactures consumer and industrial, electric wire and cable in Bangladesh.

## Consumer Credit Operations and Financial Services

Extension of consumer credit has been an integral part of the Company's operations since shortly after the business was founded almost 160 years ago. Consumer credit is a key element of the sales offering in the emerging markets in which the Asia Company operates as other forms of credit are less readily available for middle-and lower-income consumers in these markets than is the case in more developed countries.

Approximately 54% of Singer Asia's sales during 2009 were on credit. In addition to providing a strong impetus to sales, consumer credit continues to be an important component of revenue; finance charges on consumer installments represented approximately 13% of the Asia Company's total revenue in 2009.

The Asia Company's credit activities generate installment accounts receivable which are outstanding from three to 28 months and bear interest at rates based upon prevailing consumer interest rates in the various local markets. These accounts receivable are financed by the local Singer Asia companies. It is the Asia Company's consistent practice to finance such accounts receivable by borrowing funds in the country and in the currency where such accounts receivable originate. Singer Asia had a total of almost 400,000 active installment accounts at December 31, 2009, with a total installment accounts receivable, net of unearned finance charges and allowances, of \$58.0 million, as detailed below:

	<u>Number of installment receivable accounts</u>	<u>Net amount of installment accounts receivable (\$ millions)</u>
Bangladesh	65,178	8.3
Pakistan	87,606	6.8
Sri Lanka	<u>247,213</u>	<u>42.9</u>
Total	<u>399,997</u>	<u>58.0</u>

At the end of 2009, Singer Thailand, an affiliate, had an additional 164,896 active receivable accounts with a total installment accounts receivable, net of unearned finance charges and allowances, of \$28.8 million.

Singer Asia continually reviews and updates the credit granting and collection process. This includes: monitoring and refreshing point scoring systems, use of credit bureaus and consumer blacklists, use of call centers for customer verification and collection calls, use of third-party collection agencies, and enforcing strict repossession policies.

In addition to credit, Singer Asia also offers a variety of consumer protection plans including extended warranties, protection against product loss or damage due to fire, theft or natural calamities, and debt forgiveness in the event of the death or other extraordinary interruption in a customer's repayment ability.

Starting in Sri Lanka, Singer Asia has also significantly broadened the scope of the financial products and services offered to customers. These include bill collection on behalf of utility companies and financial institutions, disbursement of remittances from oversea, and the sale of mobile phone air-time. During the course of 2009, Singer (Sri Lanka) PLC ("Singer Sri Lanka") conducted 1.3 million financial services transactions. These services will be offered to customers in both Bangladesh and Pakistan from 2010.

## **Retail Distribution**

In Bangladesh, Pakistan and Sri Lanka, Singer Asia operates nationwide chains of Asia Company retail stores and smaller satellite shops, supplemented by an extensive network of wholesale dealers. In each of these countries, Singer Asia has the largest number of stores of all retailers. Store size ranges from approximately 200 square feet to approximately 14,360 square feet, with the largest stores in Sri Lanka.

The number of distribution points by country at December 31, 2009 was as follows:

	<b><u>Retail Outlets</u></b>	<b><u>Distributors and Dealers</u></b>
Bangladesh	274	224
Pakistan	169	230
Sri Lanka	<u>356</u>	<u>717</u>
Total	<u>799</u>	<u>1,171</u>

## **Bangladesh**

### **Bangladesh Financial Highlights**

(\$ millions)	<u>2009</u>	<u>2008</u>
Revenue	63.4	65.4
Results from operating activities	7.5	6.2
Net income	6.3	3.6

Singer Bangladesh operates 231 Singer Plus retail stores and 43 smaller satellite shops. The Bangladesh company has 826 employees.

Singer Bangladesh is the largest retailer in Bangladesh of durables for the home and has significant market shares across several product categories including a 24% market share in refrigerators, a 21% market share in televisions and a 10% market share in washing machines as well as a 25% market share in consumer sewing machines. Sales of sewing products represent approximately 2% of Singer Bangladesh's total sales.

Singer Bangladesh owns a 35.6% interest in a publicly listed, non-bank, financial company ILFS. ILFS's market capitalization at December 31, 2009 was \$53.1 million.

For additional information regarding Singer Bangladesh, see the Singer Bangladesh website:

[www.singerbd.com](http://www.singerbd.com)

## **Pakistan**

### **Pakistan Financial Highlights**

(\$ millions)	<u>2009</u>	<u>2008</u>
Revenue	26.5	29.8
Results from operating activities	2.3	2.8
Net income	0.5	1.0

Singer Pakistan operates 169 Singer Plus retail stores, supplemented by 230 independent dealers. The Pakistan company has 1,350 employees.

Singer Pakistan is the largest retailer in Pakistan of durables for the home. The Pakistan company's stores sell a broad range of consumer durable products with the emphasis on refrigerators, freezers and air conditioners, televisions, gas appliances, washing machines and sewing machines. The company's dealers primarily sell Singer-brand gas appliances and, to a lesser extent, other products assembled at the Singer Pakistan factory. Sales of sewing products make up about 11% of Singer Pakistan's total sales.

For additional information regarding Singer Pakistan, see the Singer Pakistan website: [www.singer.com.pk](http://www.singer.com.pk)

## **Sri Lanka**

### **Sri Lanka Financial Highlights**

(\$ millions)	<u>2009</u>	<u>2008</u>
Revenue	103.8	126.7
Results from operating activities	12.5	16.4
Net income	2.4	3.6

Singer Sri Lanka operates: 162 Singer Plus retail stores; 128 smaller Singer satellite shop; 12 Singer "Mega" stores, a larger format store offering a wider range of consumer durable brands and products including furniture; 42 Sisil World<sup>®</sup> retail stores offering a somewhat different product and brand mix under the Sri Lanka heritage brand, Sisil<sup>®</sup>; and 12 Singer Homes<sup>®</sup> furniture showrooms offering a variety of modern and traditional bedroom, dining room and occasional furniture and accessories. One of the Singer Mega stores is the largest consumer durables, department store in the country. The Sri Lanka company also operates a furniture factory which is one of the leading manufacturers of furniture in the country. In addition, Singer Sri Lanka has more than 717 independent dealers. Singer Sri Lanka has 1,116 employees; an additional 389 individuals are employed at the two manufacturing subsidiaries.

Singer Sri Lanka is the largest retailer in Sri Lanka of durables for the home and has a very significant market share across several product categories including a 52% market share in refrigerators, a 38% market share in televisions, a 37% market share in washing machines as well as an 80% market share in consumer sewing machines. Singer was recognized again in 2009 as one of Sri Lanka’s “Superbrands” and by an A.C. Nielsen countrywide poll as the “Most Popular Brand in Sri Lanka” for the 5th consecutive year. Sales of sewing products represent about 9% of Singer Sri Lanka’s total sales.

During 2007 and 2008, the Sri Lanka company substantially broadened its financial services offering; customers can now pay utility and credit card bills, receive remittances from overseas, and purchase mobile phone uploads at store locations.

Singer Sri Lanka, together with Singer Asia, own controlling stakes (54% and 84%, respectively) in two Sri Lanka, publicly listed, manufacturing companies: Regnis (Lanka) PLC, a manufacturer of refrigerators and assembler of washing machines; and Singer Industries (Ceylon) PLC, a manufacturer of sewing cabinets and stands and assembler of sewing machines. Singer Sri Lanka also owns 100% of Singer Finance (Lanka) Ltd., a finance company subsidiary with a deposit-taking license.

For additional information regarding Singer Sri Lanka, see the Singer Sri Lanka website: [www.singersl.com](http://www.singersl.com)

## Wholesale Distribution and Direct Selling

Singer Asia operates a primarily wholesale distribution business in India, although that company also has the right to retail nationwide, and through an affiliate, a direct selling business in Thailand.

### India

#### India Financial Highlights

(\$ millions)	<u>2009</u>	<u>2008</u>
Revenue	16.6	15.0
Results from operating activities	0.2	(0.1)
Net income	0.3	(0.2)

Singer Asia presently operates two companies in India: Singer India, a 85.9% owned, public company, and Brand Trading (India) Pvt. Ltd. (“BT India”), a 100% owned subsidiary. Singer India became a subsidiary of Singer Asia in March 2009 as a result of the restructuring of the India company’s share capital and injection of new funds, which increased Singer Asia’s ownership from 49.6% (see Note 7 to the Financial Statements). Continuing a business started in 1870, Singer India is only one of two multi-nationals with a right to retail nationwide in India.

Singer India sources Singer and Merritt® brand consumer sewing machines from suppliers in India and from SVP, which it sells to distributors and dealers throughout India. Singer India also continues to operate 17 Singer retail stores in attractive locations in India. BT India acts as a dealer for Singer India selling consumer sewing machines to military canteens throughout India. Sales of sewing products currently represent almost all of Singer India’s and BT India’s sales.

Singer India is currently undergoing a business restructuring. In May 2005, Singer India was registered as a “Sick Company” by the Board for Industrial & Financial Reconstruction (“BIFR”) pursuant to the Sick Industrial Company’s (Special Provisions) Act 1985 of India; this registration provides certain legal protection against creditors. In April 2008, BIFR approved a reorganization plan; Singer India’s secured creditors have approved the plan and have accepted and received a one-time settlement of all amounts due. While there can be no assurance that BIFR registration and the steps being taken by Singer India will permit the successful financial restructuring of Singer India, it is now significantly more likely than not that Singer India will successfully emerge from BIFR during 2010.

For additional information about Singer India, see the Singer India website: [www.singerindia.net](http://www.singerindia.net).

## **Thailand**

### **Thailand Financial Highlights**

(\$ millions)	<u>2009</u>	<u>2008</u>
Revenue	46.8	56.6
Results from operating activities	3.5	3.8
Net income	2.3	0.0

The Asia Company affiliate, Singer Thailand, operates 175 Singer direct selling locations, which are located primarily outside of Bangkok. The direct selling locations serve primarily as a base for canvassers (direct selling agents)/collectors who sell and collect door-to-door, and as local warehouses. Singer Thailand has more than 2,800 canvassers/collectors, most of whom are on a commission-only basis. Including these canvasser/collectors, the company has a total of 4,632 personnel.

Singer Thailand is Thailand’s largest direct seller of durables for the home, a position strengthened by the exit from the market of the Thai company’s two largest direct competitors. Singer Thailand has a small, but still significant, approximately 5%, market share across several consumer durable product categories. Sales of sewing products represent approximately 5% of Singer Thailand’s total sales. Singer Thailand has received the coveted Garuda award from the King of Thailand for the Thai company’s contribution to the social welfare of the people of Thailand.

For additional information regarding Singer Thailand, see the Singer Thailand website: [www.singerthai.co.th](http://www.singerthai.co.th)

## **License**

Singer Asia has a royalty bearing license from SVP, the owner of the Singer trademark, allowing the company: to use the Singer name in its company and its subsidiary company names; to use the SINGER® trademark on its and its affiliate stores and on the non-sewing products it manufactures or sources, subject to appropriate quality and other standards; and to license the Singer name and trademark to third party licensees in most countries of Asia including China and in Australia and New Zealand, but excluding Japan and Korea. The royalty paid to SVP is set at 1.0% of Singer Asia’s consolidated revenues.

Singer Asia, in turn, has entered into royalty-bearing license arrangements with third-party licensees. In Malaysia, these licensing arrangements allow a local company, Singer (Malaysia) Sdn. Bhd. (“Singer Malaysia”), to use the Singer name in its company name and to use the SINGER® trademark on its stores and on the products it manufactures or sources. Singer Malaysia is the largest direct seller in Malaysia of durables for the home. Singer Malaysia pays the Asia Company a royalty calculated as a percentage of revenue. For additional information regarding Singer Malaysia, see the Singer Malaysia website: [www.singer.com.my](http://www.singer.com.my)

The Asia Company is seeking to identify licensees in additional markets throughout Asia where it does not have and does not contemplate having its own retail, direct selling or wholesale operations. Licenses may take the form of a pan-Asian license of the SINGER® trademark for a specific non-sewing product category or categories or of a license of the SINGER® trademark for distribution locations and for non-sewing products in a particular market.

## Organizational Structure and Valuation

Singer Asia’s investment portfolio of principal operating companies is as follows:

<u>Name</u>	<u>Country of Incorporation</u>	<u>Singer Asia’s Economic Interest (%)</u>
Singer Bangladesh Limited	Bangladesh	75.0
Singer India Limited	India	85.9
Singer Pakistan Limited	Pakistan	70.3
Singer (Sri Lanka) PLC	Sri Lanka	87.5
Singer Thailand Public Company Limited	Thailand	48.5

ReHo’s economic interest in each case is 56.516% of the Asia Company’s economic interest.

## Offices

Singer Asia and its principal operating companies maintain management or administrative offices in the following locations:

<b>Bangladesh, Dhaka</b>	5-B, Road #126, Gulshan -1, Dhaka -1212
<b>Hong Kong, PRC</b>	Asia Administration: 7 <sup>th</sup> Floor, Baskerville House, 13 Duddell Street, Central
<b>India, New Delhi</b>	A26/4 IInd Floor, Mohan Co-operative Industrial Area, New Delhi 110044
<b>Pakistan, Karachi</b>	No. 608, 6 <sup>th</sup> Floor, Beaumont Plaza, Beaumont Road, Karachi-3
<b>Sri Lanka, Colombo</b>	320, Dr. Colvin R. De Silva Mawatha, Colombo 2
<b>Thailand, Bangkok</b>	72 CAT Telecom Tower, 17 <sup>th</sup> Floor, Charoen Krung Road, Bangkok 10005

## Market Valuation

The shares of all of Singer Asia's principal operating companies and of two subsidiaries in Sri Lanka are publicly traded. The public companies and the market value of Singer Asia stakes in the public companies (in turn, 56.516% of which accrue to ReHo) are as follows:

<u>Company</u>	<u>Listing</u>	<b>Value of Singer Asia's Holding at December 31, 2009 (\$ millions)</b>
Singer Bangladesh Limited	Dhaka and Chittagong	\$ 67.9
Singer India Limited	Bombay	6.0
Singer Pakistan Limited	Karachi and Lahore	7.8
Singer (Sri Lanka) PLC	Colombo	38.1
Other Sri Lanka public subsidiaries	Colombo	3.8
Singer Thailand Public Company Limited	Bangkok	5.0
		<hr/>
		\$ 128.6
		<hr/> <hr/>

In addition, Singer Asia at December 31, 2009 had a net equity investment of \$1.8 million in a 100% owned subsidiary in India and \$12.0 million in cash in the holding company. The Asia holding company has no debt outstanding.

## OPERATING AND FINANCIAL REVIEW

### Management Discussion and Analysis

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements of the Company for the twelve months ended December 31, 2009

### Results of Operations

#### Year Ended December 31, 2009 and December 31, 2008

Faced with an uncertain economic outlook, the Company during 2009 sought to improve sales margins, reduce overheads, generate a positive cash flow and reduce borrowings and interest expense. The successful implementation of this strategy, coupled with an increase in other income, enabled the Company to report strong profits for the year despite a decline in revenue.

The overall results of operations, particularly comparisons to prior year, are impacted by the consolidation of the results for Singer India from March 2009 and the sale of the Philippine operation in April 2009 (see Notes 6 and 7 to the Financial Statements).

For the year ended December 31, 2009, the Company reported consolidated revenue from continuing operations of \$256.6 million compared to consolidated revenue of \$291.2 million for the same period in 2008, a decrease of \$34.7 million or 11.9%. Revenue at the retail operating units in Bangladesh, Pakistan and Sri Lanka decreased by \$28.2 million to \$193.7 million, or by 12.7% as compared to the same period in 2008. Revenue at Singer Thailand decreased by \$9.8 million to \$46.8 million, or by 17.3% as compared to the same period prior year. The decline in revenue was due primarily to the worldwide economic downturn and its impact on the individual countries.

The Company's revenue from continuing operations for 2009 includes \$33.6 million of finance earnings on consumer credit sales compared to \$42.2 million for the same period in 2008. The decrease in finance earnings is due primarily to lower sales at the retail operating units and in Thailand.

Gross profit from continuing operations for the year ended December 31, 2009 was \$100.5 million, representing a gross profit as a percentage of revenue of 39.2%, as compared to \$110.3 million and a gross profit percentage of 37.9% for the year ended December 31, 2008. The increase in gross profit percentage is primarily due to a greater focus on higher margin products, cost savings on product purchases in a soft market and a strategy to limit discounting.

Other income from continuing operations for the year ended December 31, 2009 was \$10.7 million as compared to \$4.1 million for the year ended December 31, 2008. Other income in 2009 includes \$3.5 million from reversal of a provision for possible claims under an indemnity given by the Company to SVP, the purchaser of the Singer sewing business and trademark. The time period for the buyer to make claims under the indemnity ended in September 2009. Also included is a \$2.9 million gain on the sale of 5.0% of the shares of Singer Bangladesh, a \$2.0 million gain realized by Singer Bangladesh on the sale of shares of ILFS, which is an operating equity accounted investee of Singer Bangladesh, and a \$0.3 million

gain on the sale of 5.1% of the shares of Singer India. Other income in 2008 arose primarily from gains from the sale of excess assets, from the sale of a stake in a former equity accounted investee in Sri Lanka, and from the sale of a former factory site in Thailand.

Selling and administrative expenses from continuing operations for the year ended December 31, 2009 were \$78.9 million, representing 30.8% of revenue, as compared to \$88.8 million and 30.5% of revenue for the year ended December 31, 2008. The decline in selling and administrative expenses is due to a reduction in revenue related expenses and the implementation, beginning in the summer of 2008, of cost-saving measures throughout the Company's subsidiaries and affiliates.

There was no impairment charge for the year ended December 31, 2009, while an impairment charge for goodwill of \$12.3 million was recorded for the year ended December 31, 2008. The impairment charge in 2008, which was a non-cash charge, was based on an analysis of the market value less cost to sell and the discounted cash flows of the Company's operating subsidiaries with associated goodwill.

Other expense from continuing operations, royalty, was \$2.6 million and \$2.9 million for the years ended December 31, 2009 and December 31, 2008, respectively. The decline in royalty expense is due to the drop in revenue at Singer Asia. The royalty expense is for the use of the Singer trademark by Singer Asia and its subsidiaries.

Results from operating activities from continuing operations for the year ended December 31, 2009 were a profit of \$29.7 million as compared to a \$10.3 million profit for the same period in 2008, an increase of \$19.4 million or 188.0%. The improvement in results from operating activities is due to the increase in other income, the absence of a charge for impairment of goodwill, the reduction in selling and administrative expenses and the improvement in margin, offset, in part, by lower revenue.

Finance income, primarily interest on the KSIN Notes held by ReHo, was \$3.3 million, both for the year ended December 31, 2009 and December 31, 2008.

Finance costs from continuing operations, which primarily represents interest expense on borrowings at the Singer Asia operating companies to finance working capital, was \$16.8 million and \$20.0 million for the years ended December 31, 2009 and December 31, 2008, respectively. The decrease in finance costs is due to the lower levels of borrowings and some reduction in interest rates. Funded debt, including Singer Thailand, declined from \$137.2 million at December 31, 2008 to \$95.6 million at December 31, 2009.

Share of profit of equity accounted investees from continuing operations was \$1.1 million, both for the year ended December 31, 2009 and December 31, 2008. The drop in profit due to the sale, in 2008, of the Company's equity stake in Commercial Leasing Company PLC, an equity accounting investee in Sri Lanka, was offset by an increase in profit from ILFS, an equity accounted investee in Bangladesh.

The Company's profit from continuing operation before income tax was \$17.3 million for the year ended December 31, 2009, compared to a \$5.4 million loss for the same period in 2008. The increase in profit of \$22.6 million reflects the flow through of the improved results from operating activities and the lower finance costs.

Income tax expense from continuing operation decreased to \$1.9 million for the year ended December 31, 2009 from \$4.7 million for the same period prior year. Current tax expense for the year ended December 31, 2009 was \$2.6 million, as compared to \$2.5 million for the year ended December 31, 2008. Current tax expense did not increase proportionately with the increase in profit from continuing operations before income tax, primarily reflecting higher other income, which generally is earned tax free, and a shift in the profit mix from Singer Sri Lanka, which operates in a higher tax jurisdiction, to Singer Bangladesh, which operates in a lower tax jurisdiction. Deferred tax expense was reduced by \$ 2.8 million for the year ended December 31, 2009 as compared with prior year reflecting changes in the recognition of deferred taxes in Thailand based on the utilization of net operating loss carry forwards.

The Company's profit from continuing operations was \$15.4 million for the year ended December 31, 2009 compared to a loss of \$10.1 million for the same period in 2008. This is an increase in profit of \$25.5 million.

The Company's profit from discontinued operations was \$1.9 million for the year ended December 31, 2009 as compared to a \$0.6 million loss from discontinued operations for the same period in 2008. The profit for the year ended December 31, 2009 comprised a \$0.2 million loss from the Philippines operations, a \$0.5 million loss on the write-off of receivables due from the Philippines company and a \$2.6 million gain on disposal, primarily reflecting a reversal of the Company's negative equity from past losses in the Philippines. The gain on disposal also includes \$0.9 million for foreign currency translation differences, which is reversed in the statement of comprehensive income.

The Company's profit for the year ended December 31, 2009 was \$17.3 million compared to a loss of \$10.7 million for the same period in 2008. The increase in profit of \$28.0 million reflects the flow through of the improved profit from continuing operations before income tax, the lower income tax and the profit from discontinued operations.

The profit attributable to owners of the Company was \$9.9 million for the year ended December 31, 2009 as compared to a loss of \$11.4 million for the same period prior year. A profit of \$7.4 million was attributable to non controlling interests for the year ended December 31, 2009 as compared to a profit of \$0.7 million for the year ended December 31, 2008. The improvement in profit attributable to owners of the Company is greater than the improvement in profit attributable to non-controlling interests as both the \$3.5 million income in 2009, due to the reversal of the KSIN Notes warranty provision, and a \$11.4 million expense in 2008, due to goodwill impairment, were incurred at the Retail Holdings level where there is no non-controlling interest.

The profit attributable to equity holders of the Company from continuing operations is equivalent to basic and diluted earnings per Share of \$1.78 for the year ended December 31, 2009 compared to a basic and diluted loss per Share of \$2.10 for the year ended December 31, 2008.

The profit attributable to equity holders of the Company is equivalent to basic and diluted earnings per Share of \$1.87 for the year ended December 31, 2009 compared to a basic and diluted loss per Share of \$2.16 for the year ended December 31, 2008. This is an increase in basic and diluted earnings per Share of \$4.03.

## **Liquidity and Capital Resources**

### **Year Ended December 31, 2009**

The Company's overall financial position, particularly comparisons to prior year, are impacted by the consolidation of Singer India, the sale of the Philippine operation and the sale of controlling interest in Singer Thailand, resulting in Singer Thailand not being consolidated and being accounted as an equity accounted investee at December 31, 2009 (see Notes 6, 7 and 8 to the Financial Statements).

For the year ended December 31, 2009, the Company had a net cash inflow from operations of \$64.2 million. This was primarily due to the \$17.3 million profit for the period and the \$54.9 million reduction in net working capital (inventories and receivables less payables). Approximately \$26.4 million of the reduction in working capital was due to changes in controlling interest, primarily the deconsolidation of Singer Thailand at year end.

Net cash from investing activities for the year ended December 31, 2009 was an inflow of \$5.3 million, primarily reflecting sales of investment of \$7.9 million, interest received of \$2.9 million and proceeds from asset sales of \$2.8 million, offset in part, by capital expenditure of \$7.3 million.

Distributions paid to the Company's shareholders during the year ended December 31, 2009 utilized \$1.1 million of cash. Net borrowings decreased by \$46.3 million during the year.

The net effect of the cash flow movements and exchange rate fluctuations was to increase the Company's net cash and cash equivalents by \$22.6 million for 2009. As a result, cash and cash equivalents, net of overdrafts, changed from a negative \$14.0 million as at December 31, 2008 to a positive \$8.6 million at December 31, 2009.

Current assets less current liabilities at December 31, 2009 were \$31.1 million, a decrease of \$4.8 million from the corresponding \$35.9 million at December 31, 2008.

Neither the Company nor Singer Asia, nor any of the Company's other current subsidiaries, were in default at December 31, 2009, or December 31, 2008, or at any time during 2009 or 2008 with respect to any interest or principal payments or with respect to any financial covenants under any of their lending arrangements.

For a discussion of liquidity and capital resources during 2008, see the Company's 2008 Annual Report, dated April 2009.

## **Other**

### **Research and Development**

The Company does not carry out significant research and development, thus amounts spent on research and development for the years ended December 31, 2009 and 2008 were not material.

## **Environment**

The Company is subject to a variety of environmental and pollution control laws and regulations in many jurisdictions in which it operates, and faces exposure from actual and potential claims involving such matters. 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 years ended December 31, 2009 and December 31, 2008.

## **Market Risks**

For a discussion of credit risk, liquidity risk, currency risk and interest rate risk, see Note 31 to the Financial Statements.

The Company does not have any derivative financial instruments outstanding. The Company does not hold or issue financial instruments for trading purposes. The Company does not have any foreign exchange forward contracts outstanding. The Company does not have any interest rate forward contracts outstanding.

## **Accounting Policies**

The Company's financial statements and accompanying notes are prepared in accordance with International Financial Reporting Standards ("IFRSs"). The significant accounting policies used by the Company in preparing its consolidated financial statements are described in Note 3 to the Financial Statements, which should be read to ensure a proper understanding and evaluation of the estimates and judgments made by management in preparing the financial statements. Recent accounting pronouncements are also described in Note 3.

Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities revenue and expense. These estimates are based on management's application of accounting policies, historical experience and assumptions that are believed to be reasonable.

## CERTAIN RISK FACTORS

There are a number of important risks to the Company and to the Asia Company, certain of which are discussed below.

### **Economic Developments and Exogenous Events May Adversely Impact Results**

Purchases of the Asia Company's products are to a significant extent discretionary. The worldwide economic downturn that began during 2008 may continue to depress consumption in Singer Asia's major markets (Bangladesh, Pakistan, Sri Lanka and Thailand), and in Asia generally, during 2010 and beyond, which could adversely impact the Asia Company's level of sales and its results of operations and financial condition. Declines in manufactured exports, worker remittances, foreign investment, commodity prices and financial liquidity could continue to adversely impact consumer income and confidence, and consumer spending. Any adverse impact will likely vary by sector and by country and may continue to be offset, in part, by lower energy prices and interest rates.

The level of consumer spending in Singer Asia's markets may also be negatively impacted by exogenous, unanticipated political or natural events.

### **The Seller Notes Owned by The Company Are Subject to Non-Performance Risks**

The Company is owed principal and interest by SVP, the company that acquired the Singer worldwide sewing business and trademark in 2004. The worldwide economic downturn has negatively impacted SVP's results of operations and financial condition. As a result of this and of other factors, an Event of Default with respect to the KSIN Notes, issued to the Company by an SVP subsidiary, occurred in October 2009. While the default has been cured and SVP is now current in all of its obligations to the Company, continuing sluggish demand and liquidity restraints could make it difficult for SVP to meet its future obligations to ReHo (see Note 37 to the Financial Statements).

### **The Consumer Finance Business Is Subject to Funding and Non-Performance Risks**

Extension of consumer credit is an integral part of Singer Asia's operations. In most countries, accounts receivable are financed by the local operating companies who rely primarily on bank lending. A significant economic downturn in a market, a sharp drop in the market price on products sold on credit, a negative exogenous shock, a loss of critical personnel, changes in local laws or practice, or civil disorder, among other factors, could reduce collection performance, impairing the value of the Asia Company's receivables, negatively impacting the Company's results of operations and financial condition.

### **International Operations Have Special Risks**

All of Singer Asia's operating activities are conducted in emerging markets. There are a number of special risks inherent in doing business in these markets, including, among others, less stable political systems, uncertainty with respect to regulatory and legal procedures, potential breakdowns in civil order, reduced protection for intellectual property rights, and potential adverse changes in tax regimes. If Singer Asia is unable to manage the risks inherent in its international activities, this may adversely affect the Company's results of operations and financial condition.

### **There Are Intense Competitive Pressures**

Singer Asia's operations face a broad range of competitors and potential competitors, from large international companies to small independent dealers. Some of these competitors have greater financial, technical and marketing resources available to them than does the Asia Company. Others may be willing to engage in unethical or illegal business practices that may give them at least a temporary advantage. If Singer Asia is unable to effectively respond to these competitive pressures, this may adversely affect the Company's results of operations and financial position.

### **Foreign Exchange Fluctuations May Negatively Impact Results**

Local currency denominated financial results in each of the operating companies are translated into U.S. dollars by applying the weighted average market exchange rate during each financial reporting period. Local currency denominated assets and liabilities are translated into U.S. dollars by applying the market exchange rate at the end of each financial reporting period. Accordingly, the financial results as reported in the consolidated income statement, and the assets and liabilities as reported in the consolidated balance sheet, are subject to foreign exchange rate fluctuations which may negatively impact the Company's results of operations and financial condition.

### **Facilities and Information Systems Are Subject to Damage**

Facilities are located throughout the world and are subject to the possibility of disaster or outage or similar disruption as a result of any of a number of events. As the role of information systems becomes more important in the Company's and the Asia Company's operating activities, shutdowns of information systems due to disasters, software and hardware defects, and computer viruses pose increasing risks. This may affect operating activities, generate expenses relating to physical or personal damage, or may otherwise have a negative impact on the Company's results of operation and financial condition.

### **The Company's Shares Are Currently Quoted Only On "Pink Sheets"**

The Company does not anticipate that its Shares will be listed on any U.S. or overseas securities exchange, the NASDAQ National Market System, the NASDAQ Small Cap Market, the OTC Bulletin Board, or a similar trading system. Price quotations for the Company's Shares are only available on the "Pink Sheets" quotation service, under the symbol "RHDGF". Brokers should be able to continue trading ReHo's Shares using the "Pink Sheets" quotation service as long as the Company is current in providing to the United States Securities and Exchange Commission the materials that it makes available to its shareholders or is required to file in the Netherlands Antilles. If the Shares cease to be traded, shareholders seeking to sell or buy Shares will only be able to do so with considerable difficulty and at prices that may not reflect the Shares' inherent value. Even to the extent that quotations on the "Pink Sheets" service continue, there is no assurance that there will be adequate liquidity or that there may not be wide swings in prices and significant differences between "bid" and "asked" prices, which will make trading difficult and could cause prices for the Company's Shares to deviate substantially from their inherent value.

### **The Company Provides Only Limited Disclosure**

Pursuant to the laws and regulations of the Netherlands Antilles, the Company is required to provide certain information to shareholders on an annual and semi-annual basis. The Company also intends to make available the information required by Rule 15c2-11 under the Securities Exchange Act of 1934, as amended, although it is not required to do so. The Company issues 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 IFRSs. The decision to not provide quarterly reports and more comprehensive annual and semi-annual reports could make it more difficult for investors to assess the Company and its results and prospects and, thereby, could result in less liquidity for the Company's Shares and prices that may not reflect the Shares' inherent value.

## DIRECTORS, CORPORATE OFFICERS AND EMPLOYEES

### Board of Directors

The Board of Directors of the Company consists of five directors, with each director serving until the conclusion of the next AGM.

The following table sets forth certain information regarding the directors of the Company at December 31, 2009:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Stephen H. Goodman.....	65	Director, Chairman of the Board, President and Chief Executive Officer of the Company; Director, Chairman of the Board of Singer Asia
Antonio Costa .....	67	Director, Chairman of the Compensation Committee of the Company
Alex Johnston .....	45	Director of the Company and of Singer Asia
Stewart M. Kasen.....	70	Director, Chairman of the Audit Committee of the Company
Malcolm J. Matthews .....	69	Director of the Company and of Singer Asia

**Stephen H. Goodman.** Mr. Goodman was appointed a Director, Chairman, President and Chief Executive Officer of the Company in September 2000. From the beginning of 1998 through that date he was a Director, President and Chief Executive Officer of Old Singer. Prior to joining Old Singer, Mr. Goodman was a Managing Director of Bankers Trust Company. Mr. Goodman is Chairman of the Board of Singer Asia; he also served during 2009 on the board of a Singer Asia subsidiary.

**Antonio Costa.** Mr. Costa is an independent retail consultant. From 2000 to 2007 he was the President and a Director of Singer Produtos Electricos S.A. (“Singer Produtos”). Singer Produtos and certain of its affiliates, which operated consumer products distribution businesses in Portugal and Spain, were acquired from Old Singer in September 2000. Prior to that acquisition, Mr. Costa was Vice President, Europe, of Old Singer and was an officer and director of various Old Singer companies in Europe. Mr. Costa was appointed a Director of the Company in August 2001.

**Alex Johnston.** Mr. Johnston is a senior communications advisor to PepsiCo, Inc. where he contributes across the whole North American beverage portfolio. From 2005 to 2008 he was the Managing Partner of Fleming Media, a rights and media acquisition fund backed by the Fleming family. Mr. Johnston was a co-founder of Freud Communications, the largest consumer public relations agency in the United Kingdom, where he was Creative Director for many years. Mr. Johnston was appointed a Director of the Company in September 2000. Mr. Johnston also serves on the board of Singer Asia.

**Stewart M. Kasen.** Mr. Kasen is an independent retail consultant. From 2007 to 2009 he was the Chairman of the Board of Lenox Group Inc., a firm that sought protection under Chapter 11 of the US Bankruptcy Code in November 2008. From 2002 to 2007 he was the President and Chief Executive Officer of S&K Famous Brands, Inc. In 2001 and 2002, he served as President of Schwarzschild Jewelers. Mr. Kasen also has served as the Chairman, President and Chief Executive Officer of Factory Card Outlet Corp. and Best Products, Co., Inc., as well as President and Chief Executive Officer of

Emporium-Capwell Co. and Thalhimer Bros. Co., Inc. Currently, Mr. Kasen also serves on the board of Markel Corp. Mr. Kasen was appointed a Director of the Company in September 2000.

**Malcolm J. Matthews.** Mr. Matthews is a member of the Board of Directors and a consultant to TAL Apparel Ltd., a multi-national garment manufacturer. Mr. Matthews served as a consultant to Old Singer during 1999 and 2000. He is the former Managing Director/Chief Executive Officer of the Hong Kong & China Gas Company, a Hong Kong public utility. Mr. Matthews had been deputy Chairman of the Federation of Hong Kong Industries and President of the Hong Kong Institution of Engineers. Mr. Matthews was appointed a Director of the Company in September 2000. Mr. Matthews also serves on the board of Singer Asia.

Messrs. Kasen (Chairman), Costa, Johnston and Matthews are members of the Audit Committee of the Board of Directors, which is authorized to act on behalf of the Board in respect of matters relating to the selection of auditors and audit and accounting issues. Messrs. Costa (Chairman), Kasen, Matthews and Johnston are members of the Compensation and Nominating Committee of the Board, which is authorized to act on behalf of the Board in respect of matters relating to compensation and benefits, selects nominees to the Board, and also serves as the Stock Option Committee, which acts as administrator under the Company's stock option plan.

The Board of Directors has determined that at least one member of the Audit Committee of the Company's Board of Directors, Mr. Stewart M. Kasen, Chairman of the Audit Committee, is an audit committee financial expert as that term is defined in Regulations under the United States Securities Exchange Act of 1934, as amended. Each of the Company's directors, other than Mr. Goodman, meet the independence standards contained in the New York Stock Exchange Listed Company Manual, although the Company is not listed on and is not subject to the rules and regulations of the New York Stock Exchange. The Audit Committee and the Compensation and Nominating Committee consist of only independent directors.

In addition to Messrs. Goodman (Chairman), Johnston and Matthews, Mr. Tobias Brown and Mr. Peter James O'Donnell, both representatives of the Fund, and Mr. Gavin Walker, an employee of the Asia Company, serve as directors of Singer Asia.

## Corporate Officers

The following information sets forth certain information regarding the other officers of the Company at December 31, 2009:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Gavin J. Walker .....	40	Vice President of the Company President and Chief Executive Officer of Singer Asia
Hemaka D. S. Amarasuriya .....	66	Vice President of the Company and of Singer Asia
K.K. Gupta.....	70	Vice President of the Company and of Singer Asia
Kamal Shah.....	69	Vice President of the Company and of Singer Asia
Amy Pappas.....	50	Secretary of the Company
Asoka Pieris.....	45	Controller of the Company and Chief Financial Officer of Singer Asia

In November 2009 Mr. Daniel Philiponet retired as Vice President of the Company and of Singer Asia.

**Gavin J. Walker.** Mr. Walker was appointed a Vice President of the Company in August 2005. Prior to joining the Company, Mr. Walker served as Managing Director and Chief Executive of a private company in the United Kingdom and of a private company in South Africa. Earlier, he had served as Chief Executive Officer of Profurn Ltd, a South African public company that was a multi-brand retailer of electrical appliances and furniture, with operations in 16 African countries and Australia. Mr. Walker serves as the President and Chief Executive Officer of Singer Asia and is on the boards of all of the principal Singer Asia subsidiaries.

**Hemaka D. S. Amarasuriya.** Mr. Amarasuriya was appointed a Vice President of the Company in October 2005. Prior to that time, he was an area manager for the Company and for Old Singer. He is the Chairman and Managing Director of Singer (Sri Lanka) PLC and holds similar positions in its subsidiary companies. He is a founder President of the Industrial Association of Sri Lanka, served as the immediate past President of the Employer's Federation of Ceylon and has served on a number of important government and quasi-government bodies. Currently Mr. Amarasuriya also serves on the boards of Bata Shoe Company of Ceylon Ltd. and the National Development Bank PLC. Mr. Amarasuriya has been with the Company and with Old Singer for over 36 years.

**K.K. Gupta.** Mr. Gupta was appointed a Vice President of the Company in September 2007. Mr. Gupta is the Chairman and CEO of Singer India Ltd. From September 2004 to October 2005 he was Vice Chairman and Managing Director of that company. From October 2005 to October 2007 he was the Chairman and Managing Director of Brand Trading (India) Pvt. Ltd. From early 2002 until his rejoining the Company in September 2004, Mr. Gupta was the Managing Director of Paradeep Phosphates Ltd. From 1997 to 2001, he was the Managing Director and helped set up Gautier India Ltd., a JV between the Birla Group and Gautier, France. Mr. Gupta was an employee of Old Singer until 1996, serving as Vice President of the West Asia Region. Currently, Mr. Gupta also serves on the board of Hettich India Ltd. Mr. Gupta has been with the Company and with Old Singer for over 32 years.

**Kamal Shah.** Mr. Shah was appointed a Vice President of the Company in September 2000, responsible for specific retail and sewing markets in Asia, Africa and South America. Prior to that time, he was Vice President of Old Singer, responsible for these markets. Mr. Shah is Chairman and Chief Executive Officer of Singer Pakistan Limited. He has served as a member of the Pakistan Prime Minister's Tax Reform Commission and a Member of the Engineering and Exports Council. He has also served as a member of the Management Committee of the Overseas Investors Chamber of Commerce and Vice President of the American Business Council in Pakistan. Mr. Shah serves on the boards of a number of ReHo and other Singer Asia subsidiaries outside Pakistan. Mr. Shah has been with the Company and with Old Singer for over 42 years.

**Amy Pappas.** Ms. Pappas was appointed Secretary of the Company in August 2007. From August 2006 until that date she served as Assistant Secretary of the Company. Prior to that time, Ms. Pappas was an executive assistant at Growth Capital Partners, a venture capital firm. Ms. Pappas serves on the boards of a number of ReHo subsidiaries.

**Asoka Pieris.** Mr. Pieris was appointed Controller of the Company in August 2009. Mr. Pieris is the Chief Financial Officer of Singer Asia. From July 2008 to June 2009, he served as Chief Accounting Officer of Singer Asia. Prior to that time, he was Finance Director of Singer (Sri Lanka) PLC. Mr. Pieris serves on the Boards of a number of Singer Asia subsidiaries. Mr. Pieris has been with the Company and Old Singer for over 19 years

In addition to Messrs. Walker, Amarasuriya, Gupta, Shah and Pieris, Mr. Hamim Rahmatullah (Managing Director, Singer Bangladesh), Mr. Gelmart Gellecanao (Vice President Credit, Singer Asia), and Ms. Karen Tse (Financial Controller, Singer Asia) serve as officers of Singer Asia.

## **Employees**

At December 31, 2009 the Company had approximately 3,794 employees (8,426 personnel including Thailand), of whom only three were not employees of Singer Asia or its subsidiaries. The work locations of all of the Singer Asia employees are in Asia; the three non-Singer Asia employees work in Mt. Kisco, New York. The Company anticipates that the number of employees will grow modestly over the next several years.

ReHo and its subsidiaries are strongly committed to the personal and career growth of the Company's employees. Various in-house and external management programs provide staff with problem solving and teamwork skills. A wide variety of other training and development programs are offered to employees in every operation and at all levels of seniority. An important focus of the Company's training is to improve the quality of customer interaction, particularly in respect of front-line sales staff in the marketing channels.

The Company has adopted a Code of Business Conduct that applies to all of its directors and to all of its employees including its and Singer Asia's corporate officers and other key employees. The Company has posted the text of the Code of Business Conduct on the Company's website at [www.retailholdings.com](http://www.retailholdings.com).

## **Compensation**

An aggregate of approximately \$ 1.9 million in compensation, including salary and bonus, was paid by the Company to all of its directors and corporate officers as a group (12 persons) in the year ended December 31, 2009. The corresponding amount in the year ended December 31, 2008 was \$2.4 million (paid to 11 persons). Such amount does not include amounts expended by the Company for automobiles made available to senior management, expenses (including business travel, professional and business association dues and other similar expenses) reimbursed to directors and officers, housing allowances for officers in non-U.S. locations, employer paid taxes, or the cost of medical and similar plans available to all employees.

The Company has adopted a short term bonus plan for 2009 (the "2009 APA Program") which provides cash awards to selected employees, with the amount of each award based on an assessment of the participants' and their business units' contributions toward achieving the Company's objectives for the year. Employees eligible to participate in the APA Program include most senior corporate officers, but not the Chief Executive Officers of the Company or of Singer Asia, general managers of business units and other key managers. Approximately \$0.6 million in bonuses are being distributed in 2010 under the 2009 APA Program. Approximately \$0.1 million in bonuses were distributed in 2009 under a similar bonus plan for the year 2008.

In addition to salaries and bonuses, employees also receive a variety of other remuneration and benefits that vary by management, ranging from medical and accident insurance to special programs intended to cover special need and contingencies. These special programs may include: company discounts, death benefits, distress loans, educational aid schemes, housing assistance, professional subscription assistance, subsistence allowances, travel expense reimbursement, uniforms and vehicle loans.

Neither ReHo or Singer Asia have pension plans for their corporate officers; some of the individual Singer Asia operating units have pension or equivalent plans for their officers and other employees (see Note 20 to the Financial Statements).

The Company terminated its 401(k) profit sharing plan for eligible U.S. employees at the end of 2009. A plan similar to a 401(k) plan continues for Singer Asia corporate officers. For the years ended December 31, 2009 and 2008, the Company and Singer Asia provided voluntary 401(k) and equivalent employer contributions of less than \$50,000 each year, representing 3% of each employee's base salary, subject to a cap.

## **Social Responsibilities**

The Company and its subsidiaries take very seriously their responsibilities towards their communities and society at large. Established procedures are in place to help ensure compliance with all applicable statutory and regulatory requirements and with the Company's Code of Business Conduct with respect to relations with customers, suppliers and fellow employees. (A copy of the Code may be found on the Company's website.)

The Company's operations use energy and materials, generate waste, and otherwise may impact the environment. ReHo and its subsidiaries are committed to keeping this impact as small and as benign as possible. This involves substantial recycling, productivity improvements to reduce the use of energy and other consumables, and the control and treatment of factory waste and pollutants, among other measures. Environmental impact is part of the planning of any activity or project. The Company and its subsidiaries comply with all applicable national and international environmental standards.

In the Indian subcontinent and Thailand, the plight of the disadvantaged, particularly of women, has led the operating companies to set up sewing and fashion academies offering vocational training; this training helps the graduates to earn steady income. The academies also undertake projects aimed at helping children and the elderly.

Where possible, underprivileged females and handicapped individuals are employed in the Company's distribution, manufacturing and assembly operations. The Company's subsidiaries also provide training on a continuing basis to young people working as trainees, apprentices and technicians within the network of marketing, manufacturing and service facilities.

ReHo and its subsidiaries operate in many communities. While the needs of the different communities vary, four of the most common needs are addressed through: donations and support for the disadvantaged; donations, sponsorship and support for the elderly; donations and support for medical facilities and programs, particularly in rural and outlying areas; and donations, sponsorship and support for education and youth.

## SHARE INFORMATION

### Shareholding

The following chart summarizes the Company's share capital at December 31, 2009:

<b>Class</b>	<b>Shares Authorized</b>	<b>Shares Issued, Outstanding and Fully-Paid</b>	<b>Shares Issued and Outstanding but not Fully-Paid</b>	<b>Par Value per Share</b>
<b>Preferred Shares</b>				
Series A	40	0	0	\$ 0.01
Other Preferred	999,960	0	0	\$ 0.01
<b>Shares</b>	20,000,000	5,241,699	0	\$ 0.01

Under the terms of the reorganization plan, holders of allowed general unsecured claims ("Claims") against Old Singer received substantially all of the Shares of the Company. The initial Share distribution was made in November 2001. The final distribution was completed in February 2005. The total Shares distributed were 8,121,828.

Pursuant to the terms of the reorganization plan, the Company issued to the U.S. Pension Benefit Guarantee Corporation 40 shares of Series A Convertible Preferred Stock ("Preferred Shares") with a liquidation preference of \$20.0 million. In 2003, a subsidiary of the Company purchased all of the Preferred Shares. These shares were cancelled in August 2006 and are not included as outstanding in the Financial Statements.

Under the terms of the reorganization plan, certain subsidiaries of the Company held Claims against Old Singer. As a consequence of these Claims, and as part of the distribution of the Shares referred to above and the ultimate wind-up of certain of the subsidiaries and the transfer of Shares from the subsidiaries to the Company, the Company received 1,830,528 Shares. In 2005, the Company received a further 190,660 Shares, most of which Shares were unclaimed by creditors and were forfeited pursuant to a United States Bankruptcy Court Order.

ReHo has actively sought to reduce the number of Shares and options for Shares outstanding. In 2002, 2003 and 2004 the Company and its subsidiaries purchased from former, third-party creditors their Claims against Old Singer, as a result of which the Company ultimately received 251,003 Shares. In the period 2003 to 2006, the Company, through negotiated transactions and open market purchases, purchased an additional 1,335,648 Shares. In 2009, the Company purchased a further 26,567 Shares. The Company is seeking on a selective basis to purchase additional Shares through negotiated transactions and open market purchases.

The 3,634,406 Shares transferred to, or purchased by the Company and its subsidiaries initially were treated as Treasury Shares. Subsequently, these Shares were cancelled. None of the cancelled Shares or Treasury Shares is included as outstanding in the Financial Statements.

During 2004, 2005 and 2006, the Company purchased from current and former directors and employees, 138,750 outstanding vested, but unexercised options. A total of 754,277 options for Shares have been exercised including 101,500 options exercised in 2008. 100,000 options for Shares remain vested but unexercised.

5,241,699 Shares were issued and outstanding at December 31, 2009. There are no differences in voting rights among the Shares.

The Company does not have sufficient data to accurately estimate the number of outstanding Shares which are held by residents of the United States or the current number of record holders in the United States.

The Company believes that it has somewhat less than 1,500 shareholders. To the knowledge of the Company, it is not directly owned or controlled by any other corporation, by any government or by any other natural or legal person, severally or jointly. The Company is not aware of any arrangement, the operation of which at a subsequent date would result in a change of control of the Company.

### **Director and Employee Share and Option Ownership**

At December 31, 2009, the total number of Shares and options for Shares of the Company beneficially owned by the persons listed in the previous section under “Board of Directors” and “Corporate Officers” was 1,026,389, representing approximately 21.7% of the total Shares and options outstanding. To the knowledge of the Company, none of the persons listed beneficially owns more than 1.0% of the Company’s Shares and options outstanding other than Stephen H. Goodman, who beneficially owns 948,856 Shares and 100,000 options for Shares, representing approximately 19.6% of ReHo’s total Shares and options outstanding. A trust for which Mr. Goodman’s spouse is the trustee owns an additional 301,228 Shares, representing approximately 5.6% of ReHo’s total Shares and options outstanding.

Nil options for Shares were granted during 2009 and 2008; nil and 101,500 options for Shares were exercised during 2009 and 2008, respectively. Nil options were repurchased by the Company unexercised, and nil options were forfeited during the two years (see Note 21 to the Financial Statements).

## Trading

The following table sets forth the high and low closing sales prices of ReHo's Shares on the "Pink Sheets" quotation service for the periods indicated:

	<u>High</u>	<u>Low</u>
<b>Annual highs and lows</b>		
The year ended December 31, 2009	5.90	3.00
The year ended December 31, 2008	10.00	5.25
The year ended December 31, 2007	9.00	5.80
The year ended December 31, 2006	6.94	4.30
The year ended December 31, 2005	7.00	2.00
<b>Quarterly highs and lows</b>		
The year ended December 31, 2009		
4th Quarter	5.00	3.50
3rd Quarter	4.95	3.30
2nd Quarter	4.25	3.00
1st Quarter	5.90	4.00
<b>Monthly highs and lows</b>		
2010		
April	4.50	4.22
March	4.50	4.05
February	4.40	4.05
January	4.80	4.00
2009		
December	5.00	3.91
November	4.50	3.50
October	4.50	3.85

The last reported sale price of the Company's Shares on the "Pink Sheets" quotation service at May 10, 2010 was \$4.50.

## Distributions

During 2007, the Company paid a special dividend to shareholders of \$1.00 per Share. The dividend, totalling \$5.2 million, was paid on July 26, 2007 to shareholders of record on July 19, 2007. The distribution was classified as an ordinary dividend for U.S. Federal income tax purposes.

During 2008 and 2009, the Company made distributions to shareholders of \$0.75 and of \$0.20 per Share, respectively. A distribution, totalling \$4.0 million, was paid on September 4, 2008 to shareholders of record on August 27, 2008; a distribution of \$1.1 million was paid on September 11, 2009 to shareholders of record on August 27, 2009. The distributions were classified as a non-dividend distribution reflecting a return of capital for U.S. Federal income tax purposes.

The Company's Board of Directors anticipates recommending a distribution of \$0.80 per Share for 2010. It is ReHo's intention to maintain a regular dividend/distribution program.

### **Shareholders' Meetings, Articles of Association**

All shareholders' meetings are to be held in Curaçao, the Netherlands Antilles.

The AGM must be held to adopt the financial statements of the Company. Such financial statements and the annual financial report must be prepared within six months after the close of the preceding fiscal year and made available to the shareholders of the Company. Shortly thereafter the financial statements and the annual financial report must be presented to the AGM for adoption of the financial statements.

ReHo's Articles of Association are posted on the Company's website at [www.retailholdings.com](http://www.retailholdings.com).

### **Enforceability of Foreign Judgments**

The Company has been advised by its Netherlands Antilles counsel, that it is unlikely either that: (i) the courts of the Netherlands Antilles would enforce judgments entered by United States courts predicated upon the civil liability provisions of the United States Federal securities laws, or (ii) actions can be brought in the Netherlands Antilles in relation to liabilities predicated upon the United States Federal securities laws.

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

# RETAIL HOLDINGS N.V. AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2009

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## **Independent auditor's report**

To the Board of Directors of  
Retail Holdings N.V.

We have audited the accompanying consolidated financial statements of Retail Holdings N.V. (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation 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 principles used and the reasonableness of accounting estimates made by management, 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 opinion.

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2009 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Phoomchai Audit Ltd.  
10 May 2010  
Bangkok

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION 31 DECEMBER

*In thousands of U.S. Dollars*

	<i>Note</i>	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>			
Property, plant and equipment	<i>10</i>	31,444	42,455
Intangible assets	<i>11</i>	6,726	3,678
Trade and other receivables over one year	<i>15</i>	46,016	51,319
Investments in equity accounted investees	<i>12</i>	14,648	5,165
Deferred tax assets	<i>13</i>	997	6,976
Other non-current assets		5,195	4,873
<b>Total non-current assets</b>		<b>105,026</b>	<b>114,466</b>
Inventories	<i>14</i>	38,378	60,378
Trade and other receivables	<i>15</i>	53,241	98,046
Cash and cash equivalents	<i>16</i>	20,087	19,316
Other current assets		5,954	11,666
<b>Total current assets</b>		<b>117,660</b>	<b>189,406</b>
<b>Total assets</b>		<b>222,686</b>	<b>303,872</b>
<b>EQUITY</b>			
	<i>17</i>		
Share capital		52	53
Share premium		81,428	82,551
Reserves		(411)	(71)
Deficit		(8,501)	(18,502)
<b>Total equity attributable to equity holders of the Company</b>		<b>72,568</b>	<b>64,031</b>
<b>Non-controlling interest</b>		<b>44,630</b>	<b>47,218</b>
<b>Total equity</b>		<b>117,198</b>	<b>111,249</b>
<b>LIABILITIES</b>			
Loans and borrowings over one year	<i>19</i>	11,587	20,137
Employee benefits	<i>20</i>	2,811	10,679
Deferred income over one year	<i>22</i>	103	171
Warranty provision over one year	<i>23</i>	123	195
Other non-current liabilities		4,327	7,912
<b>Total non-current liabilities</b>		<b>18,951</b>	<b>39,094</b>
Bank overdraft	<i>16</i>	11,478	33,348
Loans and borrowings	<i>19</i>	46,354	83,686
Trade and other payables	<i>24</i>	26,949	35,058
Deferred income	<i>22</i>	1,051	745
Warranty provision	<i>23</i>	705	692
<b>Total current liabilities</b>		<b>86,537</b>	<b>153,529</b>
<b>Total liabilities</b>		<b>105,488</b>	<b>192,623</b>
<b>Total equity and liabilities</b>		<b>222,686</b>	<b>303,872</b>

*The notes on pages 41 to 82 are an integral part of these consolidated financial statements.*

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER

*In thousands of U.S. Dollars*

	<i>Note</i>	<b>2009</b>	<b>2008</b>
<b>Continuing operations</b>			
Revenue	25	256,557	291,223
Cost of sales		(156,062)	(180,905)
<b>Gross profit</b>		<b>100,495</b>	<b>110,318</b>
Other income	26	10,674	4,070
Selling and administrative expenses		(78,926)	(88,829)
Impairment of goodwill	11	-	(12,319)
Other expenses	27	(2,566)	(2,937)
<b>Results from operating activities</b>		<b>29,677</b>	<b>10,303</b>
Finance income	29	3,306	3,309
Finance costs	29	(16,824)	(20,032)
<b>Net finance costs</b>		<b>(13,518)</b>	<b>(16,723)</b>
Share of profit of equity accounted investees (net of income tax)	12	1,124	1,070
<b>Profit/(loss) before income tax</b>		<b>17,283</b>	<b>(5,350)</b>
Income tax expense	30	(1,882)	(4,726)
<b>Profit/(loss) from continuing operations</b>		<b>15,401</b>	<b>(10,076)</b>
<b>Discontinued operations</b>			
Profit/(loss) from discontinued operations (net of income tax)	6	1,905	(640)
<b>Profit/(loss) for the period</b>		<b>17,306</b>	<b>(10,716)</b>
<b>Attributable to:</b>			
Owners of the Company		9,866	(11,388)
Non-controlling interest		7,440	672
<b>Profit/(loss) for the period</b>		<b>17,306</b>	<b>(10,716)</b>
<b>Earnings/(loss) per share</b>			
Basic earnings/(loss) per share (U.S. Dollars)	18	1.87	(2.16)
Diluted earnings/(loss) per share (U.S. Dollars)	18	1.87	(2.16)
<b>Continuing operations</b>			
Basic earnings/(loss) per share (U.S. Dollars)	18	1.78	(2.10)
Diluted earnings/(loss) per share (U.S. Dollars)	18	1.78	(2.10)

*The notes on pages 41 to 82 are an integral part of these consolidated financial statements.*

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

*In thousands of U.S. Dollars*

	<u>Note</u>	<u>2009</u>	<u>2008</u>
<b>Profit/(loss) for the period</b>		<b>17,306</b>	<b>(10,716)</b>
Foreign currency translation differences for foreign operations		(730)	(3,928)
Revaluation of property, plant and equipment	<i>10</i>	-	15,106
Income tax on income and expense recognized directly in equity	<i>30</i>	-	(1,360)
<b>Total comprehensive income for the period</b>		<b><u>16,576</u></b>	<b><u>(898)</u></b>
<b>Attributable to:</b>			
Owners of the Company		9,764	(7,129)
Non-controlling interest		6,812	6,231
<b>Total comprehensive income for the period</b>		<b><u>16,576</u></b>	<b><u>(898)</u></b>

*The notes on pages 41 to 82 are an integral part of these consolidated financial statements.*

**RETAIL HOLDINGS N.V. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*In thousands of U.S. Dollars*

	<i>Note</i>	Attributable to equity holders of the Company					Non-controlling		Total equity
		Share capital	Share premium	Translation reserve	Revaluation reserve	Deficit	Total	interest	
Balance at 1 January 2008		51	86,035	(4,330)	-	(7,114)	74,642	42,295	116,937
<b>Total comprehensive income for the period</b>									
Profit / (loss)		-	-	-	-	(11,388)	(11,388)	672	(10,716)
<b>Other comprehensive income</b>									
Foreign currency translation differences		-	-	(1,618)	-	-	(1,618)	(2,310)	(3,928)
Revaluation of property, plant and equipment, net of tax		-	-	-	5,877	-	5,877	7,869	13,746
<b>Total other comprehensive income</b>		-	-	(1,618)	5,877	-	4,259	5,559	9,818
<b>Total comprehensive income for the period</b>		-	-	(1,618)	5,877	(11,388)	(7,129)	6,231	(898)
<b>Transactions with owners, recorded directly in equity</b>									
<b>Contributions by and distributions to owners</b>									
Share options exercised	21	2	403	-	-	-	405	-	405
Issuance of share options to Singer Asia Ltd employees	21	-	64	-	-	-	64	48	112
Return of capital to equity holders	17	-	(3,951)	-	-	-	(3,951)	-	(3,951)
Dividends to non-controlling interests of subsidiaries		-	-	-	-	-	-	(510)	(510)
<b>Total contributions by and distributions to owners</b>		2	(3,484)	-	-	-	(3,482)	(462)	(3,944)
<b>Changes in ownership interests in subsidiaries</b>									
Acquisition of non-controlling interests	9	-	-	-	-	-	-	(670)	(670)
Disposal of subsidiary		-	-	-	-	-	-	(176)	(176)
<b>Total change in ownership interests in subsidiaries</b>		-	-	-	-	-	-	(846)	(846)
<b>Total transactions with owners</b>		2	(3,484)	-	-	-	(3,482)	(1,308)	(4,790)
Balance at 31 December 2008		53	82,551	(5,948)	5,877	(18,502)	64,031	47,218	111,249

*The notes on pages 41 to 82 are an integral part of these consolidated financial statements.*

**RETAIL HOLDINGS N.V. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**

*In thousands of U.S. Dollars*

	Note	Attributable to equity holders of the Company							
		Share capital	Share premium	Translation reserve	Revaluation reserve	Deficit	Total	Non-controlling interest	Total equity
Balance at 1 January 2009		53	82,551	(5,948)	5,877	(18,502)	64,031	47,218	111,249
<b>Total comprehensive income for the period</b>									
Profit		-	-	-	-	9,866	9,866	7,440	17,306
<b>Other comprehensive income</b>									
Foreign currency translation differences		-	-	(102)	-	-	(102)	(628)	(730)
<b>Total other comprehensive income</b>		-	-	(102)	-	-	(102)	(628)	(730)
<b>Total comprehensive income for the period</b>		-	-	(102)	-	9,866	9,764	6,812	16,576
<b>Transactions with owners, recorded directly in equity</b>									
<b>Contributions by and distributions to owners</b>									
Cancellation of shares	17	(1)	(112)	-	-	-	(113)	-	(113)
Issuance of share options to Singer Asia Ltd employees	21	-	81	-	-	-	81	62	143
Share options exercised by Singer Asia Ltd employees	21	-	183	-	-	-	183	141	324
Return of capital to equity holders	17	-	(1,054)	-	-	-	(1,054)	-	(1,054)
Dividends to non-controlling interests of subsidiaries		-	-	-	-	-	-	(644)	(644)
<b>Total contributions by and distributions to owners</b>		(1)	(902)	-	-	-	(903)	(441)	(1,344)
<b>Changes in ownership interests in subsidiaries</b>									
Divestment of non-controlling interests		-	(221)	9	(141)	29	(324)	1,705	1,381
Acquisition of subsidiary		-	-	-	-	-	-	(203)	(203)
Sale of controlling interest in subsidiaries		-	-	-	-	-	-	(10,461)	(10,461)
Sale of revalued property, plant and equipment, net of taxes		-	-	-	(106)	106	-	-	-
<b>Total change in ownership interests in subsidiaries</b>		-	(221)	9	(247)	135	(324)	(8,959)	(9,283)
<b>Total transactions with owners</b>		(1)	(1,123)	9	(247)	135	(1,227)	(9,400)	(10,627)
Balance at 31 December 2009		52	81,428	(6,041)	5,630	(8,501)	72,568	44,630	117,198

*The notes on pages 41 to 82 are an integral part of these consolidated financial statements.*

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

*In thousands of U.S. Dollars*

	<i>Note</i>	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities</b>			
Profit/(loss) for the period		17,306	(10,716)
Adjustments for:			
Depreciation		3,912	3,982
Goodwill		166	12,481
Warranty provision		(3,500)	-
Non-cash compensation		143	112
Gain from sale of property, plant and equipment		(625)	(1,749)
Gain on sale of investment		(5,261)	(1,098)
Gain on sale of discontinued operations, net of income tax		(3,569)	-
Net finance costs		13,518	16,953
Share of profit of equity accounted investees		(1,124)	(1,204)
Income tax expense		1,882	4,755
		<b>22,848</b>	<b>23,516</b>
Change in inventories		21,609	(7,241)
Change in trade and other receivables		51,250	(2,167)
Change in other current assets		13,615	(2,465)
Change in trade and other payables		(17,982)	(1,362)
Change in provision and employee benefits		(7,901)	312
Change in deferred income		(238)	(258)
Cash generated from operating activities		<b>83,201</b>	<b>10,335</b>
Interest paid		(16,098)	(19,740)
Income tax paid		(2,911)	(3,529)
<b>Net cash from operating activities</b>		<b>64,192</b>	<b>(12,934)</b>
<b>Cash flows from investing activities</b>			
Interest received		2,924	2,961
Changes due to controlling interest		(366)	214
Proceeds from sale of property, plant and equipment		2,832	3,730
Proceeds from sale of investment		7,874	4,913
Acquisition of property, plant and equipment		(7,333)	(6,478)
Disposal of discontinued operations, net of income tax	6	(167)	-
Acquisition of subsidiary, net of cash acquired		(469)	-
<b>Net cash used in investing activities</b>		<b>5,295</b>	<b>5,340</b>
<b>Cash flows from financing activities</b>			
Increase (decrease) in borrowings		(46,340)	2,649
Subsidiary dividend paid to minority shareholders		(644)	(510)
Proceeds from share options exercised		324	405
Repurchase of own shares		(113)	-
Return of capital paid to equity holders		(1,054)	(3,951)
<b>Net cash used in financing activities</b>		<b>(47,827)</b>	<b>(1,407)</b>
<b>Net increase in cash and cash equivalents</b>		<b>21,660</b>	<b>(9,001)</b>
Cash and cash equivalents at 1 January		(14,032)	(6,248)
Effect of exchange rate fluctuations on cash held		981	1,217
<b>Cash and cash equivalents at 31 December</b>	16	<b>8,609</b>	<b>(14,032)</b>

*The notes on pages 41 to 82 are an integral part of these consolidated financial statements.*

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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# RETAIL HOLDINGS N.V. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Reporting entity

Retail Holdings N.V. (“ReHo” or the “Company”) is a company domiciled in the Netherlands Antilles. The address of the Company’s registered office is Schottegatweg Oost 44, Willemstad, Curacao, Netherlands Antilles. The consolidated financial statements of the Company as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates.

The Company is a holding company with three principal assets:

1. A 56.5% equity interest in Singer Asia Limited (“Singer Asia”) which is engaged in the retail distribution of consumer durable products through operating units located in selected emerging markets in Asia, with consumer credit and other financial services available to qualified customers. The Company licenses the SINGER® trademark from a third party.
2. “Seller notes”, primarily arising from the sale in 2004 of the Singer worldwide sewing business and trademark (See Note 15);
3. Cash and cash equivalents.

### 2. Basis of preparation

#### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The consolidated financial statements were authorized for issue by the Board of Directors on 10 May 2010.

#### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Freehold land is measured at fair value
- Liabilities for cash-settled share-based payment arrangements are measured at fair value
- The defined benefit liability is recognized as the present value of the defined benefit obligation and unrecognized actuarial gains, less the net total of plan assets

The methods used to measure fair values are discussed further in note 4.

#### (c) Functional and presentation currency

These consolidated financial statements are presented in U.S. Dollars, which is the Company’s functional currency. All financial information presented in U.S. Dollars has been rounded to the nearest thousand.

#### (d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 11 – recoverability of amounts of cash-generating units containing goodwill
- Note 13 and 30 – utilization of tax losses
- Note 15 – recovery of trade and other receivables
- Note 20 – measurement of defined benefit obligations

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 2. Basis of preparation (continued)

##### (e) Adoption of new accounting standards

###### (i) Overview

Starting as of 1 January 2009, the Group adopted new accounting standards in the following areas:

- Accounting for borrowing costs
- Determination and presentation of operating segments
- Presentation of financial statements

###### (ii) Accounting for borrowing costs

Prior to 1 January 2009, the group capitalized borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. As of 1 January 2009 the group adopted IAS 23 *Borrowing costs* (2007) which is consistent with the previous policy.

###### (iii) Determination and presentation of operating segments

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

###### (iv) Presentation of financial statements

The Group applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and, except as explained in note 2 (e), which addresses changes in accounting policies, have been applied consistently by Group entities.

The comparative income statement has been re-presented as if an operation discontinued during the current period had been discontinued at the start of the comparative period (see note 6).

#### (a) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

##### (ii) Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Except for the investment in Singer India Ltd, investments in associates are accounted for using the equity method (equity accounted investees) and are initially recognized at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The Group considers that it did not have significant influence over the financial and operating policies of Singer India Ltd during the period that it had a 49.6% interest and prior to it becoming a subsidiary (see note 7) and accordingly accounted for the investment using the cost basis.

##### (iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

#### (b) Foreign currency

##### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3. Significant accounting policies (continued)

##### (b) Foreign currency (continued)

###### (ii) Foreign operations

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated to U.S. Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to U.S. Dollars at the average monthly exchange rate in the month in which the transactions arise.

Foreign currency differences are recognized in other comprehensive income. Since 1 January 2007, the Group's date of transition to IFRSs, such differences have been recognized in the foreign currency translation reserve (translation reserve or FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income and presented within equity in the FCTR.

##### (c) Financial instruments

###### (i) Non-derivative financial assets

The Group initially recognizes receivables and deposits on the date that they are originated.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group has receivables as non-derivative financial assets. Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

###### (ii) Non-derivative financial liabilities

Financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

###### (iii) Share capital

###### Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3. Significant accounting policies (continued)

##### (d) Property, plant and equipment

##### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except for freehold land which is measured at fair value.

Where items of property, plant and equipment are subsequently revalued, the entire class of such assets is revalued. Revaluations are made with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values at the balance sheet date.

When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation reserve within equity unless it reverses a previous revaluation decrease relating to the same asset, which was recognized as an expense at the time. In these circumstances the increase is recognized as income to the extent of the previous write down. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized as an expense unless it reverses a previous surplus relating to that asset, in which case it is charged against any related revaluation reserve, to the extent that the decrease does not exceed the amount held in the revaluation reserve in respect of that same asset. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

##### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its costs can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

##### (iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	10 - 50 years
Plant and equipment	2 - 20 years
Fixtures and fittings	2 - 10 years

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3. Significant accounting policies (continued)

##### (e) Intangible assets

###### (i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The Group measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the operating subsidiaries of Singer Asia, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

###### *Acquisitions of minority interests*

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange.

###### *Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

###### (ii) Trademarks

Trademarks have indefinite useful lives and are measured at cost less accumulated impairment losses.

###### (iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

##### (f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized on the Group's statement of financial position.

##### (g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventory is based on the weighted average principle for finished goods and on the standard cost principle for raw materials and work-in-progress for inventories that are manufactured.

Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3. Significant accounting policies (continued)

##### (h) Impairment

##### (i) Financial assets (including receivables)

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise or indications that a debtor or issuer will enter bankruptcy.

The Group considers evidence of impairment of receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### (ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3. Significant accounting policies (continued)

##### (h) Impairment (continued)

##### (ii) Non-financial assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

##### (i) Employee benefits

##### (i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods in which the services are rendered by the employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

##### (ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit rated bonds or equivalent that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefits relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Group recognizes all actuarial gains and losses arising from defined benefit plans directly in other comprehensive Income.

##### (iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on that AA credit rated bonds or equivalent that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognized in profit or loss in the period in which they arise.

##### (iv) Termination benefits

Termination benefits are recognized as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3. Significant accounting policies (continued)

##### (i) Employee benefits (continued)

##### (v) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### (vi) Share-based payment transactions

The grant date fair value of options granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

##### (j) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

##### Warranties

A provision for warranties is recognised when the underlying products are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

##### (k) Revenue

##### (i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

##### (ii) Finance charges

Finance charges on installment sales are recognized using the effective interest method.

##### (iii) Services

Revenue from services rendered is recognized in the profit or loss when the services are performed.

##### (iv) Commissions

When the Group acts in the capacity of an agent rather than as principal in a transaction, the revenue recognized is the net amount of commission made by the Group.

##### (v) Royalty and license income

Royalty and license fees paid by third parties and affiliates for the right to use the SINGER® name for certain products, services and locations in selected markets are included in revenues.

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3. Significant accounting policies (continued)

##### (l) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payment made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### (m) Finance income and costs

Finance income comprises interest income. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs that are not related to the acquisition or construction of qualifying assets are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis and are included in finance costs.

##### (n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity, or in comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied on temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

##### (o) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3. Significant accounting policies (continued)

##### (p) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

##### (q) Segment reporting

The Group has determined that it has one business segment which is the retail business and one geographical segment which is Asia.

##### (r) New standards and interpretations not yet adopted

A number of new standards and amendments to standards are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements:

- Revised IFRS 3 Business Combinations (2008) incorporates the following changes that are likely to be relevant to the Group's operations:
  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognized in profit or loss.
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognized in profit or loss.
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised IFRS 3, which becomes mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and, therefore, there will be no material impact on prior periods in the Group's 2010 consolidated financial statements.

- Amended IAS 27 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in profit or loss. The amendments to IAS 27, which become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.

In addition to the standards explained above, a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

#### 4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 4. Determination of fair values (continued)

##### (i) Freehold land

The fair value of freehold land is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

##### (ii) Trade and other receivables

The fair value of trade and other receivables which is determined for disclosure purposes in Note 31 is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes.

##### (iii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

##### (iv) Share-based payment transactions

The fair value of employee stock options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

#### 5. Financial risk management

##### Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

##### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors oversee how management monitors compliance with the Group's risk management policies and procedures, and review the adequacy of the risk management framework in relation to the risks faced by the Group. The Company's Directors are assisted in their oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company's Directors.

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 5. Financial risk management (continued)

##### **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables.

##### Trade and other receivables

The Group's exposure to credit risk relates to sale of products on installment credit / hire purchase which is an integral part of the business of the Group, and from the KSIN Notes (see note 15).

The Group's exposure to credit risk on installment credit / hire purchase contracts is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has a lesser influence on credit risk. Geographically there is no concentration of credit risk.

Goods are sold subject to collateral undertakings so that in the event of non-payment, the Group can have a secured claim.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

##### Guarantees

The Group's policy is not to provide financial guarantees to subsidiaries.

##### **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

##### **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

##### **Currency risk**

The Group is exposed to currency risk on purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currency in which these transactions primarily are denominated is U.S. Dollars. The currency risk is limited by the short-term nature of the period between the dates of the purchase and the settlements of the related liability.

##### **Interest rate risk**

The Group manages interest rate risk on borrowings by using a combination of fixed and floating interest rates.

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 5. Financial risk management (continued)

##### **Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

##### **Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, and non-controlling interests.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements except for one finance subsidiary. In this case all required capital requirements have been complied.

#### 6. Discontinued operations

In June 2008 the Group sold the holding company for its operating subsidiary in Indonesia. This subsidiary was not classified as a discontinued operation as at December 31, 2008 as it was not material. An amount of USD 270 thousand was received from the sale and a loss on disposal recorded in the amount of USD 112 thousand.

In April 2009 the Group sold the holding company for its operating subsidiary in the Philippines. The subsidiary was not a discontinued operation or classified as for sale as at 31 December, 2008. A nominal consideration was received on the disposal and a profit on disposal recorded in the amount of USD 2,090 thousand.

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 6. Discontinued operations (continued)

The consolidated income statement and comparative consolidated income statement have now been re-presented to show both discontinued operations separately from continued operations as summarized below:

<i>In thousands of US Dollars</i>	<b>2009</b>	<b>2008</b>
<b>Results of discontinued operations</b>		
Revenues	227	2,520
Expenses net of other income	(638)	(2,923)
<b>Results from operating activities</b>	<b>(411)</b>	<b>(403)</b>
Net finance cost	(51)	(230)
Share of profit from equity accounted investees (net of tax)	279	134
Income tax	(2)	(29)
<b>Results from operating activities, net of income tax</b>	<b>(185)</b>	<b>(528)</b>
Gain on sale of discontinued operations	2,090	(112)
<b>Profit/(loss) for the period</b>	<b>1,905</b>	<b>(640)</b>
Basic earnings/(loss) per share (US Dollars)	0.10	(0.06)
Diluted earnings/(loss) per share (US Dollars)	0.10	(0.06)
<b>Cash flows from (used in) discontinued operations</b>		
Net cash used in operating activities	(579)	749
Net cash from investing activities	629	115
Net cash from financing activities	(118)	(814)
Net cash from (used in) discontinued operations	(68)	50
<b>Effect of disposal on the financial position of the Group</b>		
<i>In thousands of US Dollars</i>	<b>2009</b>	
Property, plant and equipment	(126)	
Inventories	(81)	
Trade and other receivables	(775)	
Cash and cash equivalents	(167)	
Other assets	(350)	
Trade and other payables	1,418	
Loans and Borrowings	1,246	
Net assets and liabilities	1,165	

The sales reflect management's strategic decision to concentrate on growth and development in the Group's core markets: Bangladesh, India, Pakistan, Sri Lanka and Thailand.

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 7. Acquisition of subsidiary

Prior to March 2009, the Group had a 49.6% interest in Singer India Limited (“SIL”). Since May, 2005 SIL has been registered as a sick company by the Board for Industrial and Financial Reconstruction (“BIFR”) pursuant to the Sick Industries Companies (Special Provisions) Act, 1985 of India.

During 2008, the BIFR approved a restructuring plan for SIL which provided for an equity infusion by the Group of India Rupee (INR) 83.5 million (USD1,720 thousand) and relief from certain claims by secured and unsecured creditors.

In accordance with the BIFR plan, the Group remitted INR 40.2 million (USD 780 thousand) in March 2009 and INR 28.4 million (USD 578 thousand) in May 2009, resulting in the Group owning a 90.1% interest in SIL. The Group subsequently sold shares from this holding, reducing its percentage of ownership to 85.9% at 31 December, 2009. A further infusion of INR 14.9 million (USD 307 thousand) by the Group is required to meet the requirements of the BIFR.

The Company started accounting for its investment in SIL as a subsidiary in March 2009. In the period to 31 December, 2009, SIL contributed revenue of USD 12,845 thousand and profit of USD 953 thousand. If the acquisition had occurred on 1 January, 2009 management estimates that consolidated revenue from continuing operations would have been USD 258,595 thousand and consolidated profit for the period would have been USD 16,666 thousand. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January, 2009.

The following summarizes the recognized amounts of assets acquired and liabilities assumed as at the acquisition date:

#### Identifiable assets acquired and liabilities assumed

*In thousands of US Dollars*

	<b>2009</b>
Property, plant and equipment	147
Intangible assets	3,221
Inventories	1,083
Trade and other receivables	330
Cash and cash equivalents	1,060
Other assets	187
Trade and other payables	(6,078)
Loans and borrowings	(226)
Total net identifiable assets	<u>(276)</u>

The values attributed to the assets and liabilities acquired are based on their book values as at 1 March, 2009. Management believes that the book value of the assets and liabilities acquired approximates their fair value.

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 8. Sale of controlling interest

Effective December 2009 the group sold a controlling interest in Singer Thailand Public Company Limited (“STL”) which decreased its ownership interest to 48.5%. Consequently, STL is considered as an equity accounted investee at the year end. The consolidated financial statements include the results of operation of STL until the date of the sale.

The consideration received was USD 499 thousand in cash. The carrying amount of STL’s net assets in the consolidated financial statements on the date of divestiture was USD 987 thousand. Accordingly, the Group recognized a loss of USD 488 thousand on the sale. Due to the adjustments for the foreign currency transaction differences for foreign operations, the consolidated statement of income recorded a gain of USD 81 thousand while the consolidated statement of comprehensive income recorded a loss of USD 569 thousand.

The assets and liabilities mentioned below were reduced and the net value of assets and liabilities were accounted as equity accounted investees.

#### Effect of sale of controlling interest on the financial position of the Group

*In thousands of US Dollars*

Property, plant and equipment	8,041
Inventories	5,975
Trade and other receivables	32,298
Cash and cash equivalents	8,504
Other assets	7,613
Trade and other payables	(6,469)
Loans and borrowings	(26,154)
Other liabilities	(9,501)
Minority interest	(10,461)
Net value of assets and liabilities accounted as equity accounted investees	<u>9,846</u>

#### 9. Acquisition and sale of non-controlling interests

In 2008, the Group acquired an additional 2.6% interest in Singer (Sri Lanka) PLC (“SSL”) for USD 1,009 thousand in cash, increasing its ownership from 84.9% to 87.5%. The carrying amount of SSL’s net assets in the consolidated financial statements on the date of acquisition was USD 25,000 thousand. The Group recognized a decrease in minority interests of USD 670 thousand and goodwill of USD 339 thousand.

The following summarizes the effect of changes in the Group’s (parent) ownership interest in SSL:

<i>In thousands of U.S. Dollars</i>	<b>2008</b>
Parent's ownership interest at beginning of the year	12,057
Effect of increase in parent's ownership interest	375
Share of comprehensive income	1,890
Share of dividend	(1,729)
Parent's ownership interest at end of the year	<u>12,593</u>

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 9. Acquisition and sale of non controlling interests (continued)

In 2009, the Group sold a 5.0% interest in Singer Bangladesh Limited (“SBL”) for a cash consideration of USD 3,950 SBL’s net assets in the consolidated financial statements on the date of divestiture was USD 831 thousand. The Group recognized a profit of USD 3,119 thousand. Due to the adjustments for the foreign currency transaction differences for foreign operations, the consolidated statement of income recorded a gain of USD 2,918 thousand while the consolidated statement of comprehensive income recorded a gain of USD 49 thousand.

The following summarizes the effect of changes in the Group’s (parent) ownership interest in SBL:

<i>In thousands of U.S. Dollars</i>	<b>2009</b>
Parent's ownership interest at beginning of the year	7,125
Effect of decrease in parent's ownership interest	(507)
Share of comprehensive income	2,492
Share of dividend	(1,327)
Parent's ownership interest at end of the year	<u>7,783</u>

# RETAIL HOLDINGS N.V. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 10. Property, plant and equipment

*In thousands of U.S. Dollars*

	<b>Land, buildings and leasehold improvements</b>	<b>Plant and equipment</b>	<b>Fixtures and fittings</b>	<b>Total</b>
<b>Cost or revalued</b>				
Balance at 1 January 2008	28,693	18,017	6,125	52,835
Acquisitions	3,619	2,308	551	6,478
Revaluation of freehold land	15,106	-	-	15,106
Disposals	(4,762)	(382)	(127)	(5,271)
Reclassification	(518)	-	518	-
Effect of movements in exchange rates	(1,659)	(1,405)	(303)	(3,367)
Balance at 31 December 2008	40,479	18,538	6,764	65,781
Balance at 1 January 2009	40,479	18,538	6,764	65,781
Acquisitions	551	2,320	308	3,179
Disposals	(1,305)	(2,261)	(602)	(4,168)
Change of controlling interest	(12,513)	(1,049)	(568)	(14,130)
Effect of movements in exchange rates	437	(1)	(6)	430
Balance at 31 December 2009	27,649	17,547	5,896	51,092
<b>Depreciation and impairment losses</b>				
Balance at 1 January 2008	11,811	9,258	2,915	23,984
Depreciation charge for the year	1,457	1,813	712	3,982
Impairment loss	162	-	-	162
Disposals	(2,876)	(296)	(118)	(3,290)
Reclassification	45	-	(45)	-
Effect of movements in exchange rates	(582)	(761)	(169)	(1,512)
Balance at 31 December 2008	10,017	10,014	3,295	23,326
<b>Depreciation and impairment losses</b>				
Balance at 1 January 2009	10,017	10,014	3,295	23,326
Depreciation charge for the year	1,405	1,617	890	3,912
Disposals	(391)	(698)	(407)	(1,496)
Change of controlling interest	(5,423)	(373)	(659)	(6,455)
Effect of movements in exchange rates	233	87	41	361
Balance at 31 December 2009	5,841	10,647	3,160	19,648
<b>Carrying amounts</b>				
At 1 January 2008	16,882	8,759	3,210	28,851
At 31 December 2008	30,462	8,524	3,469	42,455
At 1 January 2009	30,462	8,524	3,469	42,455
At 31 December 2009	21,808	6,900	2,736	31,444

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 10. Property, plant and equipment (continued)

##### Lease plant and machinery

The Group leases production equipment under a number of finance lease agreements. At 31 December 2009 the net carrying amount of leased plant and machinery was USD 768 thousand (2008: USD 1,079 thousand).

##### Security

At 31 December, 2009 properties with a carrying amount of USD 3,671 thousand (2008: USD 2,709 thousand) were collateralized to secure bank loans (see note 19).

#### 11. Intangible assets

<i>In thousands of U.S. Dollars</i>	<i>Note</i>	<b>Trademarks</b>	<b>Goodwill</b>	<b>Total</b>
<b>Cost</b>				
Balance at 1 January 2008		835	14,858	15,693
Acquisition of minority interest		-	339	339
Effect of movements in exchange rates		(35)	-	(35)
Balance at 31 December 2008		<u>800</u>	<u>15,197</u>	<u>15,997</u>
Balance at 1 January 2009		800	15,197	15,997
Acquisition of subsidiary	7	3,221	-	3,221
Adjustments for dilution of control		-	(166)	(166)
Effect of movements in exchange rates		(7)	-	(7)
Balance at 31 December 2009		<u>4,014</u>	<u>15,031</u>	<u>19,045</u>
<b>Impairment losses</b>				
Balance at 1 January 2008		-	-	-
Impairment loss		-	12,319	12,319
Balance at 31 December 2008		<u>-</u>	<u>12,319</u>	<u>12,319</u>
Balance at 1 January 2009		-	12,319	12,319
Impairment loss		-	-	-
Balance at 31 December 2009		<u>-</u>	<u>12,319</u>	<u>12,319</u>
<b>Carrying amounts</b>				
At 1 January 2008		<u>835</u>	<u>14,858</u>	<u>15,693</u>
At 31 December 2008		<u>800</u>	<u>2,878</u>	<u>3,678</u>
At 1 January 2009		<u>800</u>	<u>2,878</u>	<u>3,678</u>
At 31 December 2009		<u>4,014</u>	<u>2,712</u>	<u>6,726</u>

For the purpose of impairment testing, goodwill is allocated to the Group's operating subsidiaries which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Value in use was determined by discounting the future cash flows generated from the continuing use of the cash generating units and was based on the following key assumptions:

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 11. Intangible assets (continued)

Cash flows are projected based on actual operating results and the five year business plan. Thereafter the cash flows are extrapolated into the future over the useful life of cash-generating units. Management believes that this forecast period is justified due to the long-term nature of the retail business.

The discount rate is estimated based on an industry average weighted average cost of capital.

The values assigned to the key assumptions represent management's assessment of future trends in the retail industry and are based on both external sources and internal sources (historical data).

In 2008, the Group reviewed the market value less cost to sell and the discounted cash flows of cash generating units containing goodwill. Based on the goodwill valuation review, the Group recorded an impairment charge of USD 12,319 thousand. USD 2,878 thousand of the goodwill was judged to be unimpaired.

In 2009, the value of goodwill reduced from USD 2,878 thousand to USD 2,712 thousand on account of the dilution of ownership at Singer Bangladesh Limited of USD 152 thousand and the dilution of ownership at Singer Asia Limited of USD 14 thousand.

In 2009, management after review considers that the goodwill of USD 2,712 thousand is unimpaired.

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 12. Equity accounted investees

The Group's share of profit in its equity accounted investees for the year was USD 1,124 thousand (2008: USD 1,070 thousand).

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group.

<i>In thousands of U.S. Dollars</i>	<b>Ownership</b>	<b>Non-current assets</b>	<b>Current asset</b>	<b>Total assets</b>	<b>Non-current liabilities</b>	<b>Current liabilities</b>	<b>Total liabilities</b>	<b>Revenues</b>	<b>Expenses</b>	<b>Profit / (loss)</b>
<b>2008</b>										
International Leasing and Financial Services Ltd (Bangladesh)	45%	1,294	152,175	153,469	1,015	8,179	9,194	17,110	(15,435)	1,675
Singer India Limited	49.6%	-	-	-	-	-	-	-	-	-
Other	20%-49%	457	1,332	1,789	498	1,961	2,459	994	(1,823)	(829)
		<u>1,751</u>	<u>153,507</u>	<u>155,258</u>	<u>1,513</u>	<u>10,140</u>	<u>11,653</u>	<u>18,104</u>	<u>(17,258)</u>	<u>846</u>
<b>2009</b>										
International Leasing and Financial Services Ltd (Bangladesh)	35.6%	2,391	185,480	187,871	1,677	9,988	11,665	21,724	(18,849)	2,875
Singer Thailand Public Company Limited	48.5%	15,080	47,351	62,431	33,823	8,301	42,124	46,767	(45,135)	1,632
		<u>17,471</u>	<u>232,831</u>	<u>250,302</u>	<u>35,500</u>	<u>18,289</u>	<u>53,789</u>	<u>68,491</u>	<u>(63,984)</u>	<u>4,507</u>

During 2009 the Group acquired a controlling interest of Singer India Limited. (see note 7).

During 2009, the Group sold a 9.4% interest in its holding in International Leasing and Financial Services Ltd and recorded a gain in the amount of USD 1,954 thousand

Effective 31 December, 2009 the Group sold a controlling interest in Singer Thailand Public Company Limited (STL), which decreased its ownership interest to 48.5% (see note 8), and recorded a loss of USD 488 thousand.

In 2008, the Group sold its investment in Commercial Leasing Company Ltd., and recorded a gain in the amount of USD 1,098 thousand.

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 13. Deferred tax assets and liabilities

##### Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Tax losses	11,040	15,802
Deductible temporary differences	1,032	3,271
	<u>12,072</u>	<u>19,073</u>

The major portion of the tax loss will expire in the period 2014 to 2016. Deferred tax assets have not been recognized in respect of tax losses of USD 11,040 thousand because it is not probable that future taxable profit will be available against which the Group can utilize the benefits.

##### Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<i>In thousands of U.S. Dollars</i>	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Property, plant and equipment	-	84	(1,749)	(3,157)	(1,749)	(3,073)
Receivables	1,529	4,813	-	-	1,529	4,813
Inventories	306	1,344	-	-	306	1,344
Employee benefit plans	817	2,855	-	-	817	2,855
Provision	164	-	-	-	164	-
Finance charges on installment sales	-	1,004	(330)	(663)	(330)	341
Tax loss carry forward	471	576	-	-	471	576
Others	-	370	(211)	(250)	(211)	120
Net tax assets (liabilities)	<u>3,287</u>	<u>11,046</u>	<u>(2,290)</u>	<u>(4,070)</u>	<u>997</u>	<u>6,976</u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**13. Deferred tax assets and liabilities (continued)**  
**Movement in temporary differences during the year**

<i>In thousands of U.S. Dollars</i>	<b>Balance 1 January 2008</b>	<b>Recognized in profit or loss</b>	<b>Recognized in equity</b>	<b>Effects from movements in exchange rate</b>	<b>Balance 31 December 2008</b>	<b>Recognized in profit or loss</b>	<b>Effects from movements in exchange rate</b>	<b>Sale of controlling interest</b>	<b>Balance 31 December 2009</b>
Property, plant and equipment	(1,689)	-	(1,360)	(24)	(3,073)	265	(108)	1,167	(1,749)
Receivables	7,367	(2,251)	-	(303)	4,813	334	(21)	(3,597)	1,529
Inventories	1,492	(31)	-	(117)	1,344	41	(4)	(1,075)	306
Employee benefit plans	3,357	68	-	(570)	2,855	28	(6)	(2,060)	817
Provision	-	-	-	-	-	(115)	1	278	164
Finance charges on installment sales	12	(182)	-	511	341	(1)	(1)	(669)	(330)
Tax loss carry forwards	629	12	-	(65)	576	(256)	152	(1)	471
Others	(146)	-	-	266	120	161	2	(494)	(211)
	<u>11,022</u>	<u>(2,384)</u>	<u>(1,360)</u>	<u>(302)</u>	<u>6,976</u>	<u>457</u>	<u>15</u>	<u>(6,451)</u>	<u>997</u>

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 14. Inventories

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Raw materials and consumables	4,773	5,319
Work in progress	1,906	1,635
Finished goods	31,699	53,424
	<u>38,378</u>	<u>60,378</u>

In 2009 raw materials, consumables and changes in finished goods and work in progress recognized as cost of sales amounted to USD 156,062 thousand (2008: USD 182,555 thousand). In 2009 the write-down of inventories to net realizable value amounted to USD 354 thousand (2008 USD 453 thousand). The write-down is included in cost of sales.

At 31 December, 2009, inventories with carrying amount of USD 3,369 thousand (2008: USD 567 thousand) were collateralized to secure bank loans (see note 19).

#### 15. Trade and other receivables

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Receivables from related parties	-	4,757
Trade receivables	79,700	130,998
Others	33,749	44,837
Less: Unearned finance charges	(14,192)	(31,227)
	<u>99,257</u>	<u>149,365</u>
Non-current	46,016	51,319
Current	53,241	98,046
	<u>99,257</u>	<u>149,365</u>

Other receivables (non-current) include unsecured, subordinated promissory notes due from KSIN Holdings, Ltd (“KSIN”) as part of the consideration for the sale in 2004 of the Singer worldwide sewing business and of the ownership of the Singer trademark (the “KSIN Notes”). The principal amount outstanding at 31 December, 2009 was USD 24,241 thousand (2008: USD 24,060 thousand). The notes are guaranteed by SVP Holdings Ltd.

The KSIN Notes bear interest at 12.0% per annum (until 1 October 2009: 10.0% per annum – see following paragraph), payable semi-annually in arrears in June and December. On each interest payment date, KSIN has the option to capitalize up to 30% of the interest due by increasing the outstanding principal amount of the notes by a corresponding amount. For the June 2009 and December 2008 payments, KSIN elected to pay 70% of the interest and capitalize 30%. For the June 2008 payment KSIN paid 100% of the interest.

In the fall of 2009, as a consequence primarily of the economic downturn and its impact on the worldwide sewing market, SVP defaulted with respect to certain financial covenants in its principal credit agreement and with respect to a principal repayment obligation in a secondary credit agreement. Consequently, an event of default occurred with respect to the KSIN Notes with effect from 1 October, 2009. The consequence of this default was to increase the interest rate on the notes from 10.0% to 12.0%. As of 31 December, 2009 KSIN had not made the interest payment due in December, 2009; the amount, USD 1,343 thousand, is included in current accounts receivable as of 31 December, 2009.

As at 31 December, 2009, one-third of the outstanding principal amount of the KSIN Notes is due in September 2010; the remaining balance is due in September 2011.

Subsequent to 31 December, 2009, the interest rate and payment terms of the notes were amended (see note 37).

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 16. Cash and cash equivalents

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Bank balances	14,240	18,909
Call deposits	5,847	407
Cash and cash equivalents	20,087	19,316
Bank overdrafts	(11,478)	(33,348)
Cash and cash equivalents in the statement of cash flows	8,609	(14,032)

At 31 December, 2009 cash pledged as collateral in the amount of USD nil (2008: USD 3,305 thousand) is shown as other current assets.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 31.

#### 17. Capital and reserves

##### Ordinary shares and preferred shares

<i>In thousands of shares</i>	<b>Ordinary shares</b>		<b>Preference shares</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
On issue at 1 January	5,269	5,167	-	-
Exercise of share options	-	102	-	-
Purchased and cancelled	(27)	-	-	-
On issue at 31 December	5,242	5,269	-	-

As at 31 December, 2009 the authorized capital of the Company comprised USD 210 thousand (2008: USD 210 thousand) divided into (a) 20,000,000 common shares with a par value of USD 0.01 per share and (b) 1,000,000 preferred shares with a par value of USD 0.01 per share.

Preferred shares can be issued in series. To date, the Company has issued Series A Convertible Preferred Stock, consisting of 40 preferred shares. The Company repurchased the outstanding preferred shares in 2003 and cancelled them in 2006.

To date, the Company has issued 8,876,105 ordinary shares, and has acquired 3,634,406 ordinary shares through purchase and pursuant to the terms of the original share distribution plan (including 26,567 ordinary shares purchased in 2009 (2008: nil)). All shares purchased have been cancelled.

All shares have equal voting rights.

##### Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

##### Revaluation reserve

The revaluation reserve relates to the increase in the carrying amount of freehold land.

##### Distributions

The following returns of capital were made to equity holders.

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
USD 0.20 per qualifying ordinary share (2008: USD 0.75)	1,054	3,951

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 18. Earnings/(loss) per share

##### Basic earnings/(loss) per share

The calculation of basic earnings per share at 31 December 2009 was based on the earnings attributable to ordinary shareholders of USD 9,866 thousand (2008: USD 11,388 thousand - loss) and a weighted average number of ordinary shares outstanding of 5,266 thousand (2008: 5,227 thousand), calculated as follows:

##### Weighted average number of ordinary shares

<i>In thousands of shares</i>	<i>Note</i>	<b>2009</b>	<b>2008</b>
Issued ordinary shares at 1 January	17	5,268	5,167
Effect of share options exercised		-	60
Effect of shares cancelled	17	(2)	-
Weighted average number of ordinary shares at 31 December		<u>5,266</u>	<u>5,227</u>

##### Diluted earnings/(loss) per share

The calculation of diluted earnings per share at 31 December, 2009 was based on the earnings attributable to ordinary shareholders of USD 9,866 thousand and a weighted average number of ordinary shares outstanding of 5,271 thousand calculated as shown below.

In 2008, the amount attributable to equity holders of the company was in a loss position; therefore, diluted loss per share was equal to basic loss per share.

##### Weighted average number of ordinary shares

<i>In thousands of shares</i>	<b>2009</b>	<b>2008</b>
Weighted average number of ordinary shares (basic) at 31 December	5,266	5,227
Effect of share options on issue	5	-
Weighted average number of ordinary shares at 31 December	<u>5,271</u>	<u>5,227</u>

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 19. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 31.

*In thousands of U.S. Dollars*

	<b>2009</b>	<b>2008</b>
<b>Non-current liabilities</b>		
Secured bank loans	3,522	5,014
Unsecured bank loans	4,088	14,015
Public deposits	1,311	415
Promissory notes	2,185	-
Finance lease liabilities	481	693
	<u>11,587</u>	<u>20,137</u>

#### **Current liabilities**

Current portion of secured bank loans	3,848	8,725
Current portion of unsecured bank loans	30,820	57,063
Public deposits	11,483	9,544
Promissory notes	-	8,056
Current portion of finance lease liabilities	203	298
	<u>46,354</u>	<u>83,686</u>

#### **Terms and debt repayment schedule**

Terms and conditions of outstanding loans were as follows:

<i>In thousands of U.S. Dollars</i>	<b>Currency</b>	<b>Nominal interest rate</b>	<b>Year of maturity</b>	<b>31 December 2009</b>		<b>31 December 2008</b>	
				<b>Face value</b>	<b>Carrying amount</b>	<b>Face value</b>	<b>Carrying amount</b>
Secured bank loans	PKR	14.3%	2010 - 2014	3,073	3,073	3,509	3,509
Secured bank loans	SLR	10.2%	2010 - 2012	2,441	2,441	5,755	5,755
Secured bank loans	BDT	13.4%	2010 - 2013	1,780	1,780	2,077	2,077
Secured bank loans	INR	12.0%	2012	76	76	1,200	1,200
Secured bank loans	PHP	-	-	-	-	1,198	1,198
Unsecured bank loans	SLR	11.7%	2010 - 2012	34,908	34,908	46,359	46,359
Unsecured bank loans	THB	-	-	-	-	24,719	24,719
Public Deposits	SLR	16.6%	2010 - 2013	12,794	12,794	9,959	9,959
Promissory Notes	SLR	17.8%	2011	2,185	2,185	2,292	2,292
Promissory Notes	PHP	-	-	-	-	63	63
Promissory Notes	THB	-	-	-	-	5,701	5,701
Total interest-bearing liabilities				<u>57,257</u>	<u>57,257</u>	<u>102,832</u>	<u>102,832</u>

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 19. Loans and borrowings (continued)

##### Security

The bank loans are secured by plant and equipment, receivables and inventories with the following carrying amounts:

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Property, plant and equipment	3,671	2,709
Receivables	7,647	4,254
Inventories	3,369	567
	14,687	7,530

##### Finance lease liabilities

Finance lease liabilities are payable as follows:

<i>In thousands of U.S. Dollars</i>	<b>Future minimum lease payments 2009</b>	<b>Interest 2009</b>	<b>Present value of minimum lease payments 2009</b>	<b>Future minimum lease payments 2008</b>	<b>Interest 2008</b>	<b>Present value of minimum lease payments 2008</b>
Less than one year	282	79	203	420	122	298
Between one and five years	556	75	481	851	158	693
	838	154	684	1,271	280	991

#### 20. Employee benefits

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Present value of unfunded obligations	2,929	7,193
Present value of funded obligations	1,406	1,113
Total present value of obligations	4,335	8,306
Fair value of plan assets	(1,574)	(1,590)
Unrecognized surplus	-	397
Recognized liability for defined benefit obligations	2,761	7,113
Other long-term employee benefits	50	3,566
Total employee benefits	2,811	10,679

The Group makes contributions to non-contributory defined benefit plans that provide benefits for employees upon retirement. Plans vary from location to location. Most plans entitle a retired employee to receive a lump sum payment equal to 10 days to 1 month of the final salary for each year of service that the employee provided. Other plans entitle a retired employee to receive an annual payment equal to a percentage of final salary, based on the years of service.

Plan assets comprise:

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Term deposits	499	872
Government securities	949	550
Cash and cash equivalents	33	97
Equity securities	-	71
Others	93	-
	1,574	1,590

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 20. Employee benefits (continued)

##### Movement in the present value of the defined benefit obligations

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Defined benefit obligations at 1 January	8,306	8,600
Benefits paid by the plan	(529)	(391)
Sale of controlling interest	(4,442)	-
Current service costs and interest (see below)	709	1,348
Actuarial (gains) losses recognized in the period	422	(654)
Effect from movements in exchange rates	(131)	(597)
Defined benefit obligations at 31 December	<u>4,335</u>	<u>8,306</u>

##### Movement in the present value of plan assets

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Fair value of plan assets at 1 January	1,590	1,938
Contributions to the plan	28	113
Benefits paid by the plan	(116)	(261)
Expected return on plan assets	187	179
Actuarial (losses) gains recognized in profit and loss	(20)	42
Effect from movements in exchange rates	(95)	(421)
Fair value of plan assets at 31 December	<u>1,574</u>	<u>1,590</u>

##### Expense recognized in profit or loss

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Current service costs	278	823
Interest on obligation	429	525
Expected return on plan assets	(22)	(179)
Actuarial (gain) / loss	(187)	(696)
	<u>498</u>	<u>473</u>

The expense is recognized in the following line item in the income statements:

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Cost of sales	39	-
Selling and administrative expenses	459	473
	<u>498</u>	<u>473</u>

##### Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	<b>2009</b>	<b>2008</b>
Discount rate at 31 December	10.6%	8.6%
Expected return on plan assets at 1 January	9.7%	9.3%
Future salary increases	7.0%	6.8%

Assumptions regarding future mortality are based on published statistics and mortality tables.

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 20. Employee benefits (continued)

##### Historical information

*In thousands of U.S. Dollars*

	2009	2008
Present value of the defined benefit obligation	4,335	8,306
Fair value of plan assets	(1,574)	(1,590)
Deficit in the plan	<u>2,761</u>	<u>6,716</u>

The Group expects USD 91 thousand in contributions to be paid to the funded defined benefit plans and USD 311 thousand in benefits to be paid for the unfunded plans in 2010.

#### 21. Share-based payments

##### Retail Holdings N.V.

ReHo's 2000 Management Stock Plan, as amended, provides for the issuance of a maximum of 1,000,000 options for common shares to key employees of the Company. All options are granted at no less than fair market value at the date of the grant. Options granted may vest immediately or over a two-year period and expire at up to ten years from the date of grant. All options outstanding at 31 December, 2009 and 2008 are fully vested.

A summary of changes in the share option plan is as follows:

	Shares under options	Weighted average exercise price (USD)
Outstanding, 31 December 2007	201,500	3.99
Exercised in 2008	(101,500)	3.99
Outstanding, 31 December 2008	100,000	4.00
Exercised in 2009	-	-
Outstanding, 31 December 2009	<u>100,000</u>	<u>4.00</u>

As of 31 December, 2009, the average remaining life of exercisable options is 4.14 years.

##### Singer Asia Limited

In 2005 Singer Asia granted stock options to Singer Asia employees to purchase 60,000 shares of Singer Asia stock. The options are exercisable at 40% of the number of options granted on the second anniversary of the date of grant and 20% of the number of options granted on each successive anniversary of the date of grant so that they are fully exercisable within 5 years from date of grant. During 2009 5,025 stock options were exercised at a value of USD 324 thousand. During 2008 10,000 options were forfeited. At 31 December, 2009, 34,975 options were fully vested (2008: 30,000 options).

The Company recognized stock-based compensation expense of USD 143 thousand in 2009 and USD 112 thousand in 2008, which was based on the fair value of the awards.

#### 22. Deferred income

Deferred income consists of customers' advances under service contracts where the service will be performed in a future period. The income is deferred and recognized as income in the period that the service is performed.

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 23. Warranty provision

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Balance at 1 January	887	871
Provisions made during the year	1,010	915
Provisions used during the year	(920)	(899)
Sale of controlling interest	(149)	-
Balance at 31 December	<u>828</u>	<u>887</u>
Non-current	123	195
Current	<u>705</u>	<u>692</u>
	<u>828</u>	<u>887</u>

The provision for warranty relates mainly to products sold during the years ended 31 December, 2009 and 2008. The provision is based on estimates made from historical warranty data associated with similar products.

#### 24. Trade and other payables

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Trade payables	9,341	21,049
Non-trade payables and accrued expenses	<u>17,608</u>	<u>14,009</u>
	<u>26,949</u>	<u>35,058</u>

The Group's exposure to currency and liquid risks related to trade and other payables is disclosed in Note 31.

#### 25. Revenue

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Sale of goods	219,165	244,755
Finance charges	33,599	42,215
Commission	504	926
Service income	1,786	1,740
Others	<u>1,503</u>	<u>1,587</u>
	<u>256,557</u>	<u>291,223</u>

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 26. Other income

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Gain on disposal of subsidiary and affiliate shares	5,261	1,098
Reversal of warranty provision from sewing sale	3,500	-
Gain on sale of property, plant and equipment	625	1,749
Others	1,288	1,223
	<u>10,674</u>	<u>4,070</u>

At the time of the purchase from the company of the Singer sewing business and trademark by KSIN (see note 15), KSIN was indemnified by the Company with respect to certain tax and environmental warranties. At 31 December, 2008, the Company had maintained a provision of USD 3,500 thousand, included in other non-current liabilities, reflecting management's best estimate of the potential amount of any claims. The warranties expired in September 2009 without any claim being made by KSIN on the Company. Consequently, the valuation reserve was reversed in the current period and USD 3,500 thousand was recognized as other income.

#### 27. Other expenses

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Royalty expense	<u>2,566</u>	<u>2,937</u>

#### 28. Personnel expenses

<i>In thousands of U.S. Dollars</i>	<b>Note</b>	<b>2009</b>	<b>2008</b>
Wages and salaries		33,845	42,317
Compulsory social security contributions		406	735
Contributions to defined contribution plans		1,223	1,288
Expenses related to defined benefit plans	20	498	473
Others		3,480	2,312
		<u>39,452</u>	<u>47,125</u>

#### 29. Finance income and finance costs recognized in profit or loss

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Interest income on bank deposits	53	384
Interest from KSIN Notes	2,546	2,370
Other	707	555
Finance income	<u>3,306</u>	<u>3,309</u>
Interest expense	16,640	19,757
Net foreign exchange loss	184	275
Finance costs	<u>16,824</u>	<u>20,032</u>
Net finance costs recognized in profit or loss	<u>13,518</u>	<u>16,723</u>

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 30. Income tax expense

<i>In thousands of U.S. Dollars</i>	<i>Note</i>	<b>2009</b>	<b>2008</b>
<b>Current tax expense</b>			
Current period		2,552	2,483
Adjustment for prior periods		(211)	(112)
		<u>2,341</u>	<u>2,371</u>
<b>Deferred tax expense</b>			
Origination and reversal of temporary differences		(371)	2,384
Change in unrecognized deductible temporary differences		(167)	-
Change in previously unrecognized tax losses		92	-
Other		(11)	-
		<u>(457)</u>	<u>2,384</u>
Income tax expense excluding tax on sale of discontinued operations and share of income tax of equity accounted investees		<u>1,884</u>	<u>4,726</u>
Income tax expense from continuing operations		1,882	4,726
Income tax from discontinued operations (excluding gain on sale)	6	2	29
		<u>1,884</u>	<u>4,755</u>
Income tax on gain on sale of discontinued operations		-	-
Share of income tax of equity accounted investees		275	72
Total income tax expense		<u>2,159</u>	<u>4,827</u>
<b>Income tax recognized directly in equity</b>			
<i>In thousands of U.S. Dollars</i>		<b>2009</b>	<b>2008</b>
Revaluation of property, plant and equipment		-	1,360

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 30. Income tax expense (continued)

##### Reconciliation of effective tax rate

*In thousands of U.S. Dollars*

	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
	%		%	
Profit/(loss) for the period		17,306		(10,716)
Total income tax expense		2,159		4,827
Profit/(loss) excluding income tax		19,465		(5,889)
Weighted average tax using the tax rates in the jurisdictions where the Group operates	14.99%	2,917	30.87%	(1,818)
Under (over) provided in prior periods	(1.08%)	(211)	1.90%	(112)
Change in unrecognized temporary differences and effect of tax expense on loss before tax	(1.98%)	(386)	(108.29%)	6,377
Permanent differences	(0.10%)	(19)	(5.11%)	301
Other	(0.73%)	(142)	(1.34%)	79
	11.09%	2,159	(81.97%)	4,827

#### 31. Financial instruments

##### Credit risk

##### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

<i>In thousands of U.S. Dollars</i>	<b>Carrying amount</b>	
	<b>2009</b>	<b>2008</b>
Receivables	99,257	149,365
Cash and cash equivalents	20,087	19,316
	119,344	168,681

The maximum exposure to credit risk for loans and receivables at the reporting date by geographic region was:

<i>In thousands of U.S. Dollars</i>	<b>Carrying amount</b>	
	<b>2009</b>	<b>2008</b>
Asian countries	73,493	124,909
Other countries	25,764	24,456
	99,257	149,365

The maximum exposure to credit risk for receivables at the reporting date by type of counterparty was:

<i>In thousands of U.S. Dollars</i>	<b>Carrying amount</b>	
	<b>2009</b>	<b>2008</b>
Retail customers	60,815	105,061
Wholesale customers	6,805	10,329
Others	31,637	33,975
Total	99,257	149,365

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 31. Financial instruments (continued)

##### Impairment losses

The aging of receivables at the reporting date was:

<i>In thousands of U.S. Dollars</i>	<b>Gross 2009</b>	<b>Impairment 2009</b>	<b>Gross 2008</b>	<b>Impairment 2008</b>
Not past due	79,766	-	135,794	-
Past due 0-30 days	7,374	1	6,688	56
Past due 31-120 days	9,666	447	6,348	1,962
Past due more than 120 days	6,796	3,897	22,178	19,625
	<u>103,602</u>	<u>4,345</u>	<u>171,008</u>	<u>21,643</u>

The movement in the allowance for impairment in respect of receivables during the year was as follows:

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Balance at 1 January	21,643	28,109
Impairment loss recognized	1,771	3,008
Impairment loss reversed	(19,069)	(9,474)
Balance at 31 December	<u>4,345</u>	<u>21,643</u>

The Group believes that the unimpaired amounts that are past due are still collectible, based on historic payment behavior and analysis of the underlying customers' crediting ratings.

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due; the balance relates to customers that have a good track record with the Group.

##### Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

##### 31 December 2009

<i>In thousand of U.S. Dollars</i>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>6 months or less</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>More than 5 years</b>
<b>Non-derivative financial liabilities</b>							
Secured bank loans	7,370	9,035	2,696	1,381	2,878	2,080	-
Unsecured bank loans	34,908	33,087	24,453	6,626	143	1,865	-
Public deposits	12,794	14,753	6,620	6,620	808	705	-
Promissory notes	2,185	2,733	1,104	1,629	-	-	-
Finance lease liabilities	684	838	147	135	268	288	-
Trade and other payables	26,949	26,949	26,070	879	-	-	-
Bank overdraft	11,478	13,109	8,686	4,423	-	-	-
	<u>96,368</u>	<u>100,504</u>	<u>69,776</u>	<u>21,693</u>	<u>4,097</u>	<u>4,938</u>	<u>-</u>

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 31. Financial instruments (continued)

##### Liquidity risk (continued)

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

##### 31 December 2008

<i>In thousand of U.S. Dollars</i>	<b>Carrying Amount</b>	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>							
Secured bank loans	13,739	16,462	6,983	2,757	3,036	2,651	1,035
Unsecured bank loans	71,078	79,354	48,018	9,410	11,515	10,411	-
Public deposits	9,959	11,661	7,015	3,472	411	763	-
Promissory notes	8,056	8,247	7,197	955	44	51	-
Finance lease liabilities	991	1,270	226	200	571	273	-
Trade and other payables	35,058	35,058	35,058	-	-	-	-
Bank overdraft	33,348	36,243	27,668	8,575	-	-	-
	<b>172,229</b>	<b>188,295</b>	<b>132,165</b>	<b>25,369</b>	<b>15,577</b>	<b>14,149</b>	<b>1,035</b>

##### Currency risk

##### Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

##### Net exposure consists of :

*In thousands of U.S. Dollars*

	<b>31 December 2009</b>	<b>31 December 2008</b>
U.S. Dollar to Bangladesh Taka	(554)	(1,962)
U.S. Dollar to Sri Lanka Rupee	(11,825)	(14,709)
Total exposure	<b>(12,379)</b>	<b>(16,671)</b>

The significant foreign currencies during the year for the Group were the Bangladesh Taka (BT), Pakistan Rupee (PKR), Sri Lanka Rupee (SLR) and the Thailand Baht (THB):

<i>U.S. Dollar</i>	Average rate		Reporting date Spot rate	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
BT 1	69.04	68.59	69.26	68.94
PKR 1	81.51	70.47	84.25	78.78
SLR 1	114.95	108.32	114.40	113.42
THB 1	34.47	33.23	33.52	35.16

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 31. Financial instruments (continued)

##### Currency risk (continued)

##### Sensitivity analysis

A 10 percent strengthening of the U.S. Dollar against the following currencies at 31 December would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2008 and 2009 as indicated below.

<i>Effect in thousands of U.S. Dollars</i>	<b>Equity</b>	<b>Profit or loss</b>
<b>31 December 2009</b>		
SLR	(3,187)	(134)
BT	(1,669)	(55)
<b>31 December 2008</b>		
SLR	(3,111)	(620)
BT	(1,425)	(196)

A 10 percent weakening of the U.S. Dollars against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

##### Interest rate risk

##### Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
<b>Fixed rate instruments</b>		
Financial assets	102,699	123,667
Financial liabilities	(36,552)	(32,853)
	<u>66,147</u>	<u>90,814</u>
<b>Variable rate instruments</b>		
Financial assets	-	1,551
Financial liabilities	(10,024)	(105,848)
	<u>(10,024)</u>	<u>(104,297)</u>

##### Fair value flow sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit and loss.

A change of 100 basis points in interest rates would have increased or decreased equity by USD 661 thousand (2008: USD 908 thousand)

##### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at 31 December would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2009 and 2008.

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 31 Financial instruments (continued) Interest rate risk (continued) Cash flow sensitivity analysis for variable rate (continued)

<i>In thousands of U.S. Dollars</i>	<b>Profit or loss</b>	
	<b>100 bp increase</b>	<b>100 bp increase</b>
<b>31 December 2009</b>		
Variable rate instruments	(100)	(100)
Cash flow sensitivity	(100)	(100)
<b>31 December 2008</b>		
Variable rate instruments	(1,043)	(1,043)
Cash flow sensitivity	(1,043)	(1,043)

#### Fair values

##### Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

<i>In thousands of U.S. Dollars</i>	<b>Note</b>	<b>31 December 2009</b>		<b>31 December 2008</b>	
		<b>Carrying amount</b>	<b>Fair values</b>	<b>Carrying amount</b>	<b>Fair values</b>
<b>Assets carried at amortised cost</b>					
Loans and other receivables		99,257	122,481	149,365	154,652
Cash and cash equivalents		20,087	20,087	19,316	19,316
		<u>119,344</u>	<u>142,568</u>	<u>168,681</u>	<u>173,968</u>
<b>Liabilities carried at amortised cost</b>					
Secured bank loans		(7,370)	(7,637)	(13,739)	(14,277)
Unsecured bank loans		(34,908)	(33,085)	(71,078)	(67,893)
Promissory notes		(2,185)	(2,733)	(8,056)	(8,091)
Public deposits		(12,794)	(14,753)	(9,959)	(10,242)
Finance lease liabilities		(684)	(684)	(991)	(992)
Trade and other payables		(26,949)	(26,949)	(35,058)	(35,058)
Bank overdraft		(11,478)	(11,478)	(33,348)	(33,348)
		<u>(96,368)</u>	<u>(97,319)</u>	<u>(172,229)</u>	<u>(169,901)</u>

The basis for determining fair values is discussed in note 4.

#### Interest rates used for determining fair values

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	<b>2009</b>	<b>2008</b>
Loans and other receivables (other than KSIN Notes)	24.17%	18.92%
KSIN Notes	11.00%	10.00%
Loans and borrowings	14.3%	15.54%
Leases	16.8%	11.54%

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 32. Operating leases

##### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Less than one year	1,477	1,704
Between one and five years	1,682	2,118
	<u>3,159</u>	<u>3,822</u>

The Group leases a number of shop, warehouse and factory facilities under operating leases. The lease periods vary and may contain an option to renew after the end of the lease term. Some lease payments increase at regular intervals to reflect market rentals.

During the year ended 31 December, 2009, USD 1,590 thousand was recognized as an expense in the income statement in respect of operating leases (2008: USD 2,779 thousand).

#### 33. Capital Commitments

The group has an obligation to make a further equity investment in Singer India Ltd. of INR 14.9 million (USD 307 thousand) (see note 7).

The Group is committed to incur capital expenditure of USD 1,117 thousand to acquire software.

#### 34. Contingencies

The Company is subject to a number of environmental and pollution control laws and regulations in some jurisdictions in which it operates and has operated, and may face exposure from actual or potential claims involving such matters. 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 position, results of operations or liquidity.

#### 35. Related parties

##### Transactions with key management personnel

##### Loans to directors

There were no loans made to directors in 2009 (2008: nil).

##### Key management personnel compensation

In addition to their salaries, the Group also provides other benefits to directors and executive officers. Key management compensation comprised:

<i>In thousands of U.S. Dollars</i>	<b>2009</b>	<b>2008</b>
Short-term employee salaries and benefits	2,206	2,094
Termination benefits	250	316
Other long-term benefits	86	75
Share-based payments	143	112
	<u>2,685</u>	<u>2,597</u>

Key management personnel and directors of the company control 19.6 % of the Company. A trust for which a relative of a director is the trustee controls 5.7 % of the Company.

#### 36. Group entities

<b>Significant subsidiaries</b>	<b>Country of incorporation</b>	<b>Ownership interest</b>	
		<b>2009</b>	<b>2008</b>
Singer Asia Limited	Cayman Islands	56.5%	56.8%

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### **37. Subsequent events**

In April 2010, in consideration for an increase in the interest rate on the KSIN Notes (see note 15) from 10.0% to 11.0%, effective October 2010, and from 11.0% to 12.0% effective October 2011, with a minimum interest payment in cash equal to at least 7% of the outstanding principal, the Company agreed to an extension of the maturity of the KSIN Notes to February 2014.

Additionally, following and as a result of amendments of the respective credit agreements, KSIN cured all outstanding defaults with respect to those credit agreements and with respect to the KSIN Notes, and paid ReHo 70% of the past due interest and capitalized 30%. As a result, KSIN became current in all its obligation to the Company, and the interest rate on the KSIN Notes reverted to 10.0%.