# RETAIL HOLDINGS N.V.

**2016 SUMMARY**
**ANNUAL REPORT**
**MARCH 2017**

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## NOTES

As used herein, except as the context otherwise requires, the term "Company" or "Group" refers to Retail Holdings N.V., together with its subsidiaries and affiliates; the term "ReHo" refers to the ultimate Curacao public holding company only; the term "Sewko" refers to Sewko Holdings Limited, together with its subsidiaries and affiliates including Singer Asia Limited, together with its subsidiaries and affiliates ("Singer Asia").

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The Company prepares its consolidated financial statements in U.S. dollars, in accordance with International Financial Reporting Standards ("IFRS"). Totals may not add due to rounding.

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The Company's registered office is located at Kaya W.F.G. (Jombi) Mensing 36, Willemstad, Curaçao, and its telephone number is + 599-9-461-1299. Certain administrative matters are handled in the United States by the Company's subsidiary, NV Adminservice Corporation, located at 118 North Bedford Road, Mt. Kisco, New York, 10549, telephone number 1-914-241-3404. The Company's share transfer agent is Computershare Shareowner Services LLC, at P.O. Box 30170, College Station, Texas 77842-3170, telephone number 800-851-9677 (or from outside the United States, 1 (201) 680-6578; overnight delivery, 211 Quality Circle, Suite 210, College Station, Texas 77845. The Company's website is: www.retailholdings.com.

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Price quotations for the Company's common shares (the "Shares") are available on the OTC Pink ("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.

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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 the Company's financial results during 2016. All information in this Summary Annual Report is presented as at December 31, 2016, unless otherwise indicated.

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## CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Statements made herein with respect to the Company's current plans, estimates, strategies and beliefs, and other statements that are not historical facts, are forward-looking statements about the future performance of the Company. Forward-looking statements include, but are not limited to, those using words such as believe, expect, anticipate, plans, strategy, prospects, forecast, estimate, project, may or might, and words of similar meaning in connection with a discussion of future operations, financial performance, financial position, capital resources, and strategy and plans and objectives of management. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. All forward-looking statements are based on management's assumptions and beliefs, which are expressed in light of the information available to management at the time; the ultimate outcome in many cases is outside of management's control and may be substantially different than anticipated. The Company cautions that no assurance can be given that expectations reflected in forward-looking statements will prove to be correct, that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and, therefore, that you should not place undue reliance on such forward-looking statements. You should not assume that the information contained in this Summary Annual Report is accurate as of any date other than the date for which the information is presented. You should not rely on any obligation to update or revise any information, including any forward-looking statements, whether as a result of new information, future events or otherwise. The Company disclaims any such obligation. Risks and uncertainties that might affect the Company include, but are not limited to: general economic, political and security conditions, particularly in Asia, including levels of consumer spending; exchange rates, particularly between the U.S. dollar and the currencies in which Sewko makes significant sales or in which assets and liabilities are denominated; Sewko's ability to continue to win acceptance of its products and services, which are offered in highly competitive markets; Sewko's continued ability to collect on outstanding receivables due from retail and wholesale customers; continuing relationships with financial institutions, suppliers and other creditors; and the outcome of contingencies.

Important information regarding risks and uncertainties is 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

Retail Holdings N.V. (the "Company") was organized as a new corporate entity in Curaçao (formerly part of the Netherlands Antilles) in 1999. Pursuant to a reorganization plan, effective September 2000, the Company acquired several operating companies formerly owned by The Singer Company N.V. ("Old Singer").

The Company has as its principal asset, a 54.1% equity interest in Sewko Holdings Limited ("Sewko"), the parent company of Singer Asia Limited ("Singer Asia"). (See the simplified organization chart at the end of this section.) Sewko was organized as a new corporate entity in the Cayman Islands in 2013. Shortly following its organization, Sewko acquired all of the equity of Singer Asia. Singer Asia, also a Cayman Islands company, had been formed in 2003 to hold the Company's interests in several operating companies in Asia.

Sewko has retail and financial services businesses, operated through majority-owned public companies, in Bangladesh, India, and Sri Lanka. Sewko's core business is the distribution in these markets of consumer durable products, primarily for the home, with supportive manufacturing, and with consumer credit and other financial services. The Company has no operating activities other than those carried out through Sewko. (Additional information about Sewko may be found in the next section, "Information About Sewko".)

In July 2003, the Company concluded the placement with a private investment fund, UCL Asia Partners, L.P. (the "Fund"), of a minority equity interest in Singer Asia. The Fund now has a 41.1% equity interest in Sewko. A 4.8% equity interest in Sewko is owned by that company's Chief Executive Officer as a result of the exercise of his options. The Company consolidates the Sewko financial results in its own financial statements.

In September 2004, the Company completed the sale of the Singer worldwide sewing business and of the ownership of the Singer trademark to KSIN Holdings, Ltd., now called SVP Holdings Ltd. ("SVP"), an affiliate of funds managed by Kohlberg & Co., LLC. Singer Asia continues to have an exclusive royalty bearing license for the use of the Singer trademark (except for sewing machines) for all of Asia, except for Korea and Japan, and for Australia, New Zealand and the Asia Pacific area. Singer Asia is also the exclusive distributor of Singer-brand sewing machines in all of the markets in which it operates.

### Strategy

The Company's strategy is to maximize and, ultimately, to monetize the value of its assets.

The Company will seek to enhance the liquidation value of Sewko through profitable growth of its core businesses alongside initiatives to exploit ancillary opportunities that leverage the Singer brand and Sewko's unique distribution footprint. The catalyst for the liquidation of the ultimate public holding company (hereinafter referred to as "ReHo"), will be the sale of Sewko, either through a listing and subsequent sale of the Sewko shares, a sale of Sewko, or a sale of the shares of the Sewko public company subsidiaries, either through sales in the local equity markets or to strategic investors, either in a single transaction or in a series of such transactions. The target timetable for the liquidation is two to four years.

Reflecting this strategy, in June 2015, the Company sold its entire 40.0% equity stake in Singer Thailand PCL ("Singer Thailand"), and in January 2016, effective at year-end 2015, sold its entire 70.3% equity stake in Singer Pakistan Limited ("Singer Pakistan"), in both cases, in the local equity markets through sales to local investors.

In addition, during the first quarter of 2015 and in the third quarter of 2016, the Company sold 2.2% and 2.7%, respectively, of its equity stake in Singer Bangladesh Limited ("Singer Bangladesh"); and in the first quarter of 2016, the Company sold 6.4% of its equity stake in Singer (Sri Lanka) PLC ("Singer Sri Lanka"). (See Note 30 to the Financial Statements). Sales took place in the local equity markets, primarily to local investors in Bangladesh and to international and local investors in Sri Lanka. The Company, also in the first quarter of 2016, sold all of its equity stakes in two manufacturing subsidiary companies in Sri Lanka, Regnis Lanka PLC ("Regnis") and Singer Industries (Ceylon) PLC ("SIC"), to Singer Sri Lanka.

A total of $68.9 million in proceeds was realized from these sales. See the chart below.

**Sewko 2015-2016 Divestitures**

| (US$ millions) | Net Proceeds |
|---|---|
| **2015** | |
| Singer Bangladesh - sale of 2.2% of shares | 3.08 |
| Singer Thailand - sale of 40.0% of shares (entire Sewko stake) | 43.24 |
| **2016** | |
| Singer Bangladesh - sale of 2.7% of shares | 4.56 |
| Singer Pakistan - sale of 70.3% of shares (entire Sewko stake) | 2.32 |
| Singer Sri Lanka - sale of 6.4% of Singer Sri Lanka shares | 6.08 |
| Sri Lanka - sale of other Sri Lanka company shares (entire Sewko stakes) to Singer Sri Lanka | 9.60 |
| | 68.88 |

Pending the disposition of its stake in Sewko and its ultimate liquidation, the Company intends to minimize holding company personnel and other administrative costs, and to use cash in excess of requirements to pay dividends and distributions to shareholders and/or to opportunistically repurchase Shares.

**Valuation**

The book value of the Company's investment in Sewko at December 31, 2016 was $44.1 million. The market value of the shares owned by Sewko in its principal operating companies, all of which are public companies, together with the book value of Sewko's non-public operations and the $0.9 million in cash at the Sewko holding companies at December 31, 2016, totaled $239.9 million, assuming no control premium. Of this amount, 54.1% is attributable to the Company's (ReHo's) shareholders. In addition, ReHo had $3.1 million in cash at December 31, 2016. See the chart on the following page.

**Valuation at Market**

December 31, 2016

| (US$ millions) | Market Value of Sewko stake |
|---|---|
| Singer Bangladesh Limited | 131.5 |
| Singer (Sri Lanka) PLC | 83.6 |
| Singer India Limited | 23.9 |
| Other Sewko assets (cash) | 0.9 |
| **Total** | **239.9** |
| at 54.10% | **129.8** |
| Other ReHo assets (cash) | 3.1 |
| **Company valuation** | **132.9** |

**There can be no assurance that the $132.9 million valuation, equivalent to $28.57 per ReHo Share, or any higher or lower amount, will be realized from a public or private market sale of Sewko and/or its subsidiaries and the Company's liquidation, in any particular time frame, or ever.**

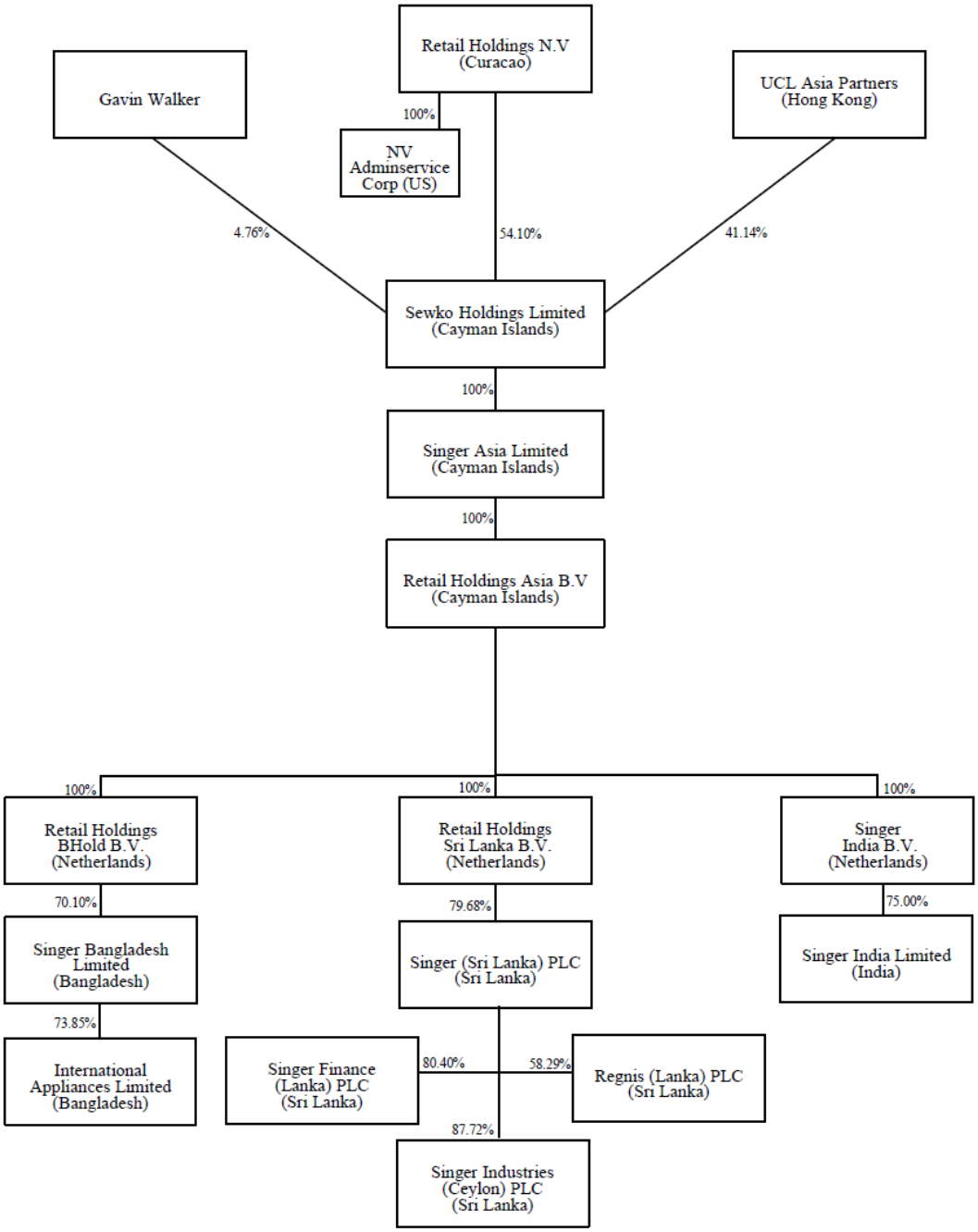
The Company also holds Seller Notes (the "SVP Notes") arising from the sale of the Singer worldwide sewing business and trademark in September 2014 to SVP. There is no market for the SVP Notes. The notional value of the SVP Notes at December 31, 2016 was $30.9 million. The Company's management, in assessing the fair value of the SVP Notes, has come to the conclusion that it is much more likely than not that SVP will not be able to repay the SVP Notes at their current maturity date, September 2018, and is unlikely to pay any cash interest on the SVP Notes for the foreseeable future. Consequently, management has determined that the fair value of the SVP Notes at December 31, 2016 was nil. Any future cash received with respect to the SVP Notes, either interest or principal, will be recognized as income if and when received. See Note 16 to the Financial Statements.

**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, during 2009 a distribution of $0.20 per Share, during 2010 a distribution of $0.80 per share, during 2011 and 2012 a distribution each year of $2.50 per Share, during 2013, 2014 and 2015, a distribution each year of $1.00 per Share, and during 2016 a distribution of $5.00 per Share - total dividend/distributions of $15.75 per Share since 2007. The Company has announced its intention to pay in the Spring of 2017, an initial 2017 distribution of $2.00 per Share, and to likely pay a further distribution later in 2017, bringing the total distributions since inception of the program in 2007 to at least $17.75 a Share.

The Company has also actively sought to reduce the number of Shares outstanding. In the period from 2002, the Company, through negotiated transactions and in open market purchases, repurchased a total of 2,206,317 Shares, of which 542,782 were purchased in 2016. (Additional information about share repurchases may be found in the section below, "Share and Shareholder Information".)

Simplified Organization Chart
At December 31, 2016



## INFORMATION ABOUT SEWKO HOLDINGS LIMITED

### Introduction

Sewko is a Cayman Islands company that is the parent company of Singer Asia Limited, with operating subsidiaries in the South Asian countries of Bangladesh, India, and Sri Lanka.

The subsidiaries in Bangladesh and Sri Lanka are retail businesses engaged in the sale and distribution of a wide variety of consumer durable products, providing consumer credit and other financial services to qualified customers. In Bangladesh and Sri Lanka, Sewko operates nationwide chains of company retail stores, supplemented by extensive networks of wholesale distributors and dealers, e-commerce platforms, and supportive manufacturing operations. In each of these markets, Sewko is the number one retailer of household consumer durables with the largest number of stores, and is the leading provider of related consumer credit. The retail stores average approximately 2,150 square feet in size.

The subsidiary in India is primarily a wholesale distributor and manufacturer of sewing products and a wholesale distributor of home appliances, The India company also has a small number of retail locations, an e-commerce platform and a unique right to retail nationwide.

The number of distribution points by country at December 31, 2016 was as follows:

| | Retail Stores | Wholesale Outlets |
|---|---|---|
| Singer Sri Lanka | 422 | 2,835 |
| Singer Bangladesh | 374 | 425 |
| Singer India | 50 | 10,052 |
| | 846 | 13,312 |

Singer has been operating in South Asia since the late 1800's. It is recognized by consumers as a trusted multi-national brand with reliable, high quality household consumer durable products, as well as being identified with the availability of consumer credit. Sewko has the potential for long-term growth along with the emerging economies of the existing countries of operation and the expansion of their middle-and lower-income class consumers.

For additional information regarding Sewko, see the Sewko/Singer Asia website: www.singerasia.com.

### Sewko Operational Plans

Sewko will continue to seek to grow revenue and profit through 2017 and beyond. Sewko's operational plans include:

- Extending the range of household consumer durable products and brands being sold.
- Increasing the number of retail stores, focusing on rural areas, including introducing new store layouts, designs and merchandising techniques.

- Renovating and modernizing the existing retail network, in particular increasing store size where possible to accommodate additional products, especially furniture.

- Expanding the wholesale networks, particularly in Bangladesh, and increasing the range of products sold through dealers.

- Extending the range and penetration of the financial services offering, including the Singer Visa credit card in Sri Lanka.

- Expanding the existing e-commerce platforms.

- Increasing the 'share of voice' in each market by intensifying advertising, brand building, and consumer promotions.

- Investing in additional plant and machinery to enhance local manufacturing and assembly operations, where advantageous due to duty and tax structures.

- Improving operating profit margins from the levels achieved in 2016, while further driving down the total cost to revenue ratio.

- Maintaining the high quality of the consumer credit receivables.

- Improving the investor relations function at each of the public companies, while increasing their public share float.

**Unique Attributes**

The unique attributes of Sewko include:

- **Number One Retailer of Durables for the Home –** In Bangladesh and Sri Lanka, where Sewko operates retail stores, Sewko is the number one retailer of household consumer durables, with broad, multi-channel distribution and significant market shares across many product categories.

- **Offer of Consumer Credit and Financial Services –** Sewko is the leading provider of consumer credit (other than for homes and autos) to middle-and lower-income consumers in Bangladesh and Sri Lanka, primarily to purchase Sewko products. Sewko, at December 31, 2016, had a total of 577,898 active installment accounts and an installment accounts receivable of $137.7 million. Sewko is building on this strong base to provide additional financial services to these consumers, many of whom do not have access to the banking sector.

- **Powerful Brand –** Singer Asia has an exclusive, perpetual, royalty-bearing license allowing it to use the Singer name and trademark. The brand's strengths include: exceptionally high brand awareness, positive emotional consumer tie-in, and consumer association of the brand with trust, with reliable products for the home and with reasonable prices and available credit. The Singer brand has been recognized as the number one consumer product brand in several of the Sewko operating markets.

- **Superior Management –** Sewko has the benefit of a very strong management team with exceptional local market knowledge, long service with the Company, and a commitment to international financial and governance standards.

- **Strong Product Offering –** In addition to the products that it manufactures and assembles, Sewko successfully sources a broad range of competitively featured and competitively priced products from leading third-party manufacturers that it markets under the Singer and other house brands. An increasing array of products is also being sold using a variety of other well-known brands, often under exclusive brand distribution arrangements.

- **Public Market Presence –** All of the principal Sewko operating companies are public companies. Public ownership enhances the image and prestige of each of the operating subsidiaries in customer, lender and investor perceptions, particularly in regard to professionalism, transparency and financial reporting.

- **Additional Assets –** Sewko has substantial additional assets including a large portfolio of owned properties and long-term leaseholds, and also has $77.1 million in unutilized, confirmed bank facilities.

**Products**

Sewko distributes a broad range of household consumer durable products classified into the following categories:

*Home appliances*

Home appliances include: air conditioners, air coolers, dishwashers, freezers, kitchen ranges, refrigerators, washing machines, water purifiers and small appliances such as food processors, grinders, irons, kettles, rice cookers and toasters. In the large appliance categories, Sewko carries brands such as Singer, Sisil (an alternative in-house brand in Sri Lanka), Beko, Haier, Hitachi, Samsung, Sharp and Whirlpool. In the small appliance categories, Sewko carries brands such as Singer, Krups, Moulinex, Preethi, Prestige and Tefal.

*IT products*

IT products include: computers (both desktop and laptop) and computer accessories; mobile products including smart phones and accessories; and photography products, such as camcorders, digital cameras and photographic accessories. The key brands Sewko carries are Singer, Apple, Asus, Dell, HTC, Huawei, Lenovo, Microsoft, Samsung and Sony.

*Sewing products*

Sewing machines and sewing related products are generally marketed under the Singer and Merritt (an alternative in-house brand in all markets) brands for both household and commercial use and include straight stitch, zig zag, artisan and some industrial models.

*Consumer electronics*
Consumer electronics include: audio equipment, Blu-ray players, DVD players, home theater systems and televisions. The key brands Sewko carries are Singer, Unic (an alternative in-house brand in Sri Lanka), Grundig, Haier, Hitachi, Philips, Samsung, Skyworth, Sony, TCL, and Videocon.

*Furniture*

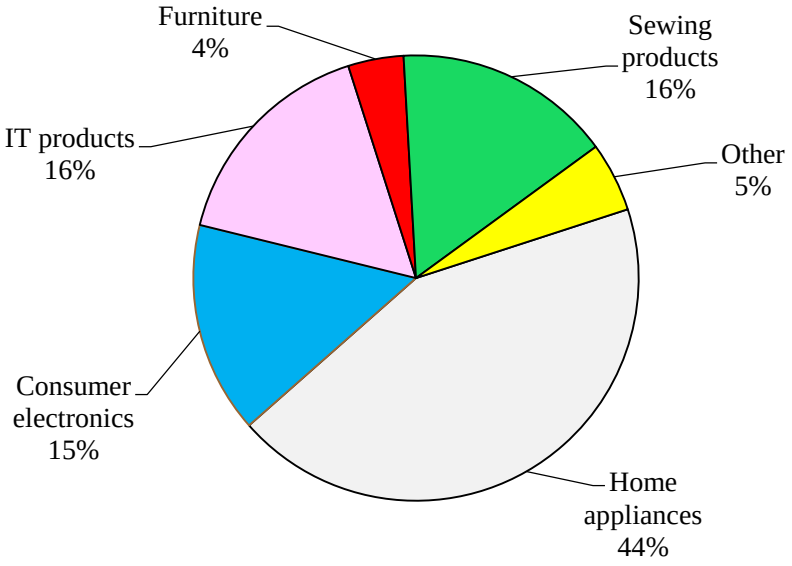
Furniture includes bedroom, dining room and living room sets, book cases, chairs, dressers, headboards, mattresses, office furniture, sofas, tables and wardrobes. The majority of furniture is branded Singer.

*Other*

Other products Sewko distributes include: agricultural equipment such as paddy threshers, small tractors and water pumps; bicycles; fitness equipment; motorcycles and water heaters.

The range of products varies by location, but all of the retail businesses offer a core range of home appliances and consumer electronics. Sewko broadens and updates the product offering on a continuing basis.

The 2016 product mix is as follows:




Most products continue to be sold using Sewko house brands -- Singer, Sisil, Merritt and Unic -- especially the Singer brand, although a meaningful share, especially in Sri Lanka, and, to a lesser extent, in Bangladesh, are now being sold using a variety of the other well-known brands, often under exclusive brand distribution arrangements. Reflecting the multi-brand offering, most Sewko shops in the retail markets have been re-branded Singer Plus or Singer Mega.

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

Where there are local efficiencies or tax or duty incentives, manufacture or assembly of certain products is carried out by the local Sewko operating company, as indicated below:

- Sri Lanka - agricultural and domestic water pumps, furniture, paddy threshers, refrigerators, sewing cabinets and washing machines are manufactured, and air conditioners, and sewing machines are assembled.
- Bangladesh - furniture and refrigerators are manufactured, air conditioners and televisions are assembled.
- India - sewing machines are both manufactured and assembled.

**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 165 years ago. Consumer credit is a key element of the sales offering in the emerging markets in which Sewko 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 31.5% of Sewko's sales during 2016 were on credit. In addition to providing a strong impetus to sales, consumer credit continues to be an important component of revenue and profit. Finance charges on consumer credit represented approximately 6.8% of Sewko's total revenue in 2016.

Sewko's credit activities generate installment accounts receivable which are outstanding from three to 60 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 Sewko operating companies. It is Sewko's consistent practice to finance such accounts receivable by borrowing funds in the country and in the currency where such accounts receivable originate.

Sewko had a total of 577,898 active installment accounts at December 31, 2016, with a total installment accounts receivable, net of unearned finance charges and allowances, of $137.7 million, as detailed below. The Sewko collection histories, maintained in each of the countries in which the subsidiaries have traditionally provided consumer credit, are often the largest consumer finance data bases in these markets.

**Accounts Receivable**

| (US$ millions) | Number of installment accounts receivable | Net amount of installment accounts receivable |
|---|---|---|
| Sri Lanka | 472,989 | 119.9 |
| Bangladesh | 104,909 | 18.1 |
| Total | 577,898 | 137.7 |

Sewko continually reviews and updates its credit granting and collection procedures. This includes: monitoring and refreshing point scoring systems; use of call centers for customer verification and collection follow up; use of blacklists and credit bureaus, where available; use of third-party collection agencies; and enforcing strict repossession policies. Sewko operates call centers in each location to assist primarily with credit management, but also for marketing and after sales service functions. In 2016, these centers attended to a total of 1.3 million calls.

Sewko's collection experience has been extremely good. The percentage of credit receivables in arrears for Sewko at December 31, 2016 was only 2.6%, whilst 60.0% of the accounts had made advance payments of future installments.

In addition to credit, Sewko 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.

Sewko has significantly broadened the scope of the financial products and services offered to customers. These now include bill collection on behalf of utility companies and financial institutions, disbursement of remittances from overseas, mobile wallet services and the sale of mobile phone air-time. Sewko successfully completed 9.2 million financial services transactions during 2016**.**

A subsidiary finance company in Sri Lanka, Singer Finance (Lanka) PLC ("Singer Finance"), launched a Singer Visa credit card late in 2015, initially to Singer staff and beginning in early 2016, to the Sri Lankan public. The credit card, which is targeted at middle and lower-middle income consumers who do not currently have credit cards, is issued by Singer Finance, with the credit decision made by Singer Finance and the receivables retained by Singer Finance. Singer Finance has a unique ability to issue cards to this segment of the market because of Singer Sri Lanka's extensive credit database drawn from past Singer Sri Lanka and Singer Finance credit customers. As at 31 December 2016, a total of 9,274 cards had been approved for customers.

Singer Finance also offers lease and hire purchase financing for automobiles and capital equipment, factoring, various types of other consumer financing, and other financial services, including acceptance of consumer and institutional deposits and money brokering.

**License**

Singer Asia has a royalty bearing license from a subsidiary of SVP, the owner of the Singer trademark, allowing Singer Asia: to use the Singer name in its company name and in the name of its subsidiaries, where Singer Asia has 50% or more of the voting equity; to use the Singer trademark on its subsidiaries' and affiliates' stores and dealer locations, and on the non-sewing products it, or they manufacture or source, subject to appropriate quality and other standards; and, to sub-license the Singer trademark (except for use on sewing machines) to third party licensees in all of Asia except Korea and Japan, and in Australia, New Zealand, and the Asia Pacific area. The royalty paid to SVP is set at 1.0% of Singer Asia's consolidated U.S. GAAP revenue. Royalty paid to SVP for 2016 totaled $4.8 million. Singer Asia has entered, as licensor, into royalty bearing sub-license arrangements with third-party licensees in Malaysia and Australia, and with the former Sewko operation in Thailand.

**Organizational Structure**

Sewko's investment portfolio of publicly listed operating companies at December 31, 2016 was as follows:

| | Country of Incorporation | Sewko's Equity Ownership (%) |
|---|---|---|
| Singer Bangladesh Limited | Bangladesh | 70.1 |
| Singer India Limited | India | 75.0 |
| Singer (Sri Lanka) PLC | Sri Lanka | 79.7 |

As part of the ongoing initiative to increase the public float and increase liquidity in the publicly listed operating subsidiaries, during 2016 Sewko sold 2.7% of Singer Bangladesh and 6.4% of Singer Sri Lanka in their respective public markets, with total net proceeds of $10.6 million. Sewko also sold its entire 70.3% equity stake in Singer Pakistan for $2.3 million.

In addition, three publicly listed companies in Sri Lanka are indirectly owned by Sewko through Singer Sri Lanka:

| | Country of Incorporation | Singer (Sri Lanka) PLC's Equity Ownership (%) |
|---|---|---|
| Regnis (Lanka) PLC | Sri Lanka | 58.3 |
| Singer Industries(Ceylon) PLC | Sri Lanka | 87.7 |
| Singer Finance (Lanka) PLC | Sri Lanka | 80.4 |

During 2016, Sewko reorganized its Sri Lanka ownership structure, selling the Sewko owned stakes in the two Sri Lanka manufacturing companies to Singer Sri Lanka. This resulted in net proceeds of $9.6 million being paid by Singer Sri Lanka to Sewko.

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

| | |
|---|---|
| **Bangladesh, Dhaka** | 5 5-B, Road #126, Gulshan -1, Dhaka -1212 |
| **Hong Kong, PRC** | Group Administration Office: 202 Baskerville House, 13 Duddell Street, Central |
| **India, New Delhi** | A26/4 IInd Floor, Mohan Co-operative Industrial Area, New Delhi 110044 |
| **Sri Lanka, Colombo** | No. 80, Nawam Mawatha, Colombo 2 |
| **Sri Lanka, Colombo** | Group Accounting Office: 6th Floor, East Low Block, World Trade Centre, Colombo 1 |

The shares of all of Sewko's principal operating companies are publicly traded. The market values of Sewko's stakes in the public companies at December 31, 2016 (in turn, 54.1% of which is attributable to ReHo) was $239.0 million. See the chart on page 7. Sewko has no debt at the holding company level; all debt is owed by the individual local operating companies without parent guarantee or other support.

For additional information about each of the Sewko operating subsidiaries, see their respective websites, listed below, and the annual reports and periodic financial and press statements of the respective public companies.

| | |
|---|---|
| Sewko Holdings | http://www.singerasia.com or www.sewko.com |
| Singer Bangladesh | http://www.singerbd.com |
| Singer India | http://www.singerindia.net |
| Singer Sri Lanka | http://www.singersl.com |

For additional information about each of the Sewko sub-licensees, see their respective websites, listed below, and their financial and press statements.

| | |
|---|---|
| Blessington (Australia) | http://www.singerco.com.au |
| Singer Malaysia | http://www.singer.com.my/ |
| Singer Pakistan | http://www.singer.com.pk |
| Singer Thailand | http://www.singerthai.co.th |

**Individual Operations**

***Singer in Sri Lanka***

| *US $ Millions* | 2016 | 2015 | % Change |
|---|---|---|---|
| Revenue | 319.9 | 283.7 | 12.8 |
| Net Income | 12.7 | 11.1 | 14.4 |

The Singer Sri Lanka Group of companies includes four public companies: Singer Sri Lanka; Regnis, SIC and Singer Finance. Singer Sri Lanka is the holding company for the Sri Lanka Group and is also the sales and marketing arm. Regnis is a manufacturer of refrigerators, washing machines and related products, and SIC is a manufacturer of sewing cabinets and stands and an assembler of sewing machines. A division of Singer Sri Lanka manufactures furniture and agricultural and domestic water pumps and other agricultural products. The four companies in Sri Lanka have a total of 2,257 employees. Sewko and its predecessor companies have operated in Sri Lanka since 1877.

Revenue in local currency for the Sri Lanka Group increased by 21.2% in 2016 as compared to prior year. The five-year revenue CAGR (compound annual growth rate) 2011-2016 is 16.3%. Net income in local currency for the Group increased by 22.2% in 2016 as compared to 2015.

Singer Sri Lanka operates:

- 317 Singer Plus retail stores;
- 22 Singer Mega stores, a larger format store offering a wider range of consumer durable brands and products including an extensive furniture offering;
- 65 Sisil World retail stores, similar in size and format to the Singer Plus stores, but offering a somewhat different product and brand mix, under the Sri Lanka heritage brand Sisil; and
- 18 Singer Homes furniture showrooms, offering a large variety of modern and traditional bedroom, dining room and occasional furniture and accessories.

In addition, Singer Sri Lanka has 2,835 independent dealers, of whom 1,800 are phone shops serviced through distributors.

Singer Sri Lanka is the largest retailer in Sri Lanka of durables for the home with an approximate 30% overall market share and very significant market shares across several product categories, including a 55% market share in refrigerators, a 33% market share in televisions, a 30% market share in washing machines, as well as an 80% market share in consumer sewing machines. Sales of non-sewing products represent 92% of Singer Sri Lanka's total sales.

Products traditionally have been sold by Singer in Sri Lanka using the Singer brand, recognized again in 2016 as one of Sri Lanka's "top brands", and by a Nielsen countrywide poll, as the "Most Popular Brand in Sri Lanka" for the eleventh consecutive year. Singer Sri Lanka over the past several years has introduced additional brands, often under exclusive brand distribution arrangements. Singer Sri Lanka is currently the exclusive distributor or co-distributor in Sri Lanka for Beko, Dell, Hitachi, Huawei, Philips, Samsung, Sharp, Sony, Skyworth, TCL and Whirlpool, among others.

At the end of 2016, Singer Sri Lanka and Singer Finance had 472,989 active consumer accounts with a total installment accounts receivable, net of unearned finance charges and allowances, of $119.6 million. Singer Sri Lanka operates a call center and has a customer loyalty program.

Singer Sri Lanka's plan is to continue to boost revenue and profit margins in 2017 and later years. Singer Sri Lanka intends to modestly increase the number of sales locations and store sizes, to broaden and extend the product range and e-commerce offerings, and to increase the financial services product offering and coverage including the expansion of the Singer Visa credit card. The Sri Lanka Group has approximately $57.2 million of unutilized, confirmed credit facilities available to help fund expansion.

***Singer in Bangladesh***

| *US $ Millions* | 2016 | 2015 | % Change |
|---|---|---|---|
| Revenue | 114.8 | 88.7 | 29.4 |
| Net Income | 6.9 | 4.8 | 43.8 |

The Singer Bangladesh group of companies includes two companies: Singer Bangladesh, and International Appliance Limited ("IAL"), which is 73.85% owned by Singer Bangladesh. Singer Bangladesh is the holding company for the Bangladesh group and is also the sales and marketing arm in Bangladesh. A division of Singer Bangladesh manufactures furniture and assembles air conditioners and televisions. IAL is a manufacturer of refrigerators. The two Bangladesh companies have a total of 1,275 employees. Sewko and its predecessor companies have operated in the geographic area of Bangladesh since 1870.

Revenue in local currency for Singer Bangladesh increased by 30.3% in 2016 as compared to prior year, reflecting a significant improvement in trading conditions and a number of new sales and marketing initiatives. The five-year revenue CAGR is 10.7%. Net income in local currency for Singer Bangladesh increased by 46.4% in 2016 as compared to 2015.

Singer Bangladesh operates 354 Singer Plus retail stores and 20 larger format Singer Mega stores. The Bangladesh company also has 425 independent dealers.

Singer Bangladesh is the largest retailer in Bangladesh of durables for the home. Sales of non-sewing products represent approximately 95% of Singer Bangladesh's total sales.

Products traditionally have been sold in Bangladesh using the Singer brand. During 2005, the Bangladesh company began to offer non-Singer brand home appliances and electronics, some of which brands, such as Beko, Dell, Godrej, Haier, Huawei, Preethi, Samsung, Siemens, Skyworth, Videocon, and Whirlpool, are being sold under exclusive or co-exclusive brand distribution arrangements.

At the end of 2016, Singer Bangladesh had 104,909 active installment accounts with a total installment accounts receivable, net of unearned finance charges and allowances, of $18.1 million. Singer Bangladesh operates a call center and has introduced a customer loyalty program.

Singer Bangladesh's plan is to seek to further boost revenue and profit by: increasing the number of sales locations, particularly in rural areas; modernizing and enlarging existing outlets; expanding the range of financial services offered; and improving and broadening the product and e-commerce offerings. The Bangladesh company has approximately $19.9 million of unutilized, confirmed credit facilities available to help fund expansion.

***Singer in India***

| *US $ Millions* | 2016 | 2015 | % Change |
|---|---|---|---|
| Revenue | 54.1 | 45.8 | 18.1 |
| Net Income | 1.2 | 1.6 | (25.0) |

Sewko operates a primarily wholesale distribution business in India. Singer India has a total of 402 employees.

Singer India's revenue measured in local currency grew by 23.7% in 2016 as compared to prior year. The five-year revenue CAGR is 21.8%. Net income in local currency decreased by 8.8% in 2016 as compared to 2015, primarily as a result of the 2016 year-end economic slowdown following the surprise demonetization and the absence in 2016 of certain one-time benefits recognized in 2015.

Singer India sells Singer and "Merritt" brand consumer sewing products and Singer brand home appliances through over 10,000 sales points throughout India. Singer India also has its own retail network of 50 relatively small Singer shops (including 16 kiosks in high traffic retails areas and a number of heritage shops in attractive locations) and sells to certain government agencies and to military canteens. Singer India has about a 33% share of the organized sewing market. The home appliance line is being sold through a separate network of distributors and dealers, as well as through the Singer shops. Sales of sewing products represent 80% of Singer India's sales.

Singer India manufactures and also assembles, through contract arrangements, some of the sewing machines that it sells; sewing machines are also purchased from outside suppliers in India and from SVP. Singer India's manufacturing operations are intended to meet a portion of its own requirements and to export to other Singer Asia locations and to SVP.

Singer India's plan is to continue to grow revenue and profit by increasing market share in the domestic sewing market and by significantly growing the home appliance business, a market segment which Singer India entered in 2010.

## 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 year ended December 31, 2016. Certain comparative figures for the year ended December 31, 2015 are restated. Additional information about the restatement is included in Note 6 to the Financial Statements.

### Results of Operations

***Year Ended December 31, 2016 and December 31, 2015***

***Continuing operations***
(Continuing operations exclude Brand Trading (Cambodia) Limited ("Brand Trading Cambodia"), the Company's operation in Cambodia, for 2016, and Brand Trading Cambodia, Singer Pakistan and Singer Thailand for 2015.)

For the year ended December 31, 2016, the Company's U.S. Dollar consolidated revenue was $489.1 million, compared to consolidated revenue of $418.5 million for the same period in 2015, an increase of $70.6 million or of 16.9%. Consolidated revenue measured at constant exchange rates (assuming no change in the average exchange rate of each of the foreign currencies against the U.S. Dollar in 2016 as compared to 2015) grew 23.4% for the year.

The currencies of several of Sewko's countries of operation declined against the U.S. Dollar in 2016, negatively impacting results when measured in U.S. Dollars. The depreciation was relatively severe in Sri Lanka (7.3%) and to a lesser extent in India (4.7%), while modest in Bangladesh (0.7%).

Revenue at the Company's operations in Bangladesh, boosted by aggressive advertising and promotion programs, moderating costs reflecting increased local manufacture and more aggressive sourcing, and an improved product offering, grew 29.4% from prior year, as measured in U.S. Dollars, and grew 30.3% as measured in local currency. Revenue at the Company's operation in India increased 18.1% from prior year in U.S. Dollar terms and 23.7% in local currency, reflecting the Indian company's success in growing market share for sewing products and the introduction of small domestic home appliances; growth would have been more substantial absent the slow down at year end as a result of a surprise demonetization, severely restricting consumer liquidity. Revenue at the Company's operations in Sri Lanka increased 12.8% in U.S. Dollar terms and 21.1% in local currency; this reflects the economy's continued strong performance, the introduction of new products and brands, and more aggressive marketing and promotion.

The Company's revenue for the year ended December 31, 2016 includes $33.4 million of finance earnings, compared to $31.1 million in finance earnings for the same period of 2015. Finance earnings did not grow as much as revenue (7.6% versus 16.9%) because of a somewhat higher proportion of cash sales.

Gross profit for the year ended December 31, 2016 was $147.4 million, an increase of 16.9% over prior year, representing a gross profit as a percentage of revenue of 30.1%, the same gross profit percentage of revenue as prior year.

Other income for the year ended December 31, 2016 was $3.0 million, compared to $3.4 million in other income for the year ended December 31, 2015. Other income mainly consists of penalty charges on late payments, commission income and fees from the provision of financial services, and profit on PP&E sales. The reduction in other income primarily reflects lower penalty charges as a result of improved credit collection performance.

S&A expenses for the year ended December 31, 2016 were $101.9 million, representing 20.8% of revenue, compared to $89.6 million and 21.4% of revenue for the year ended December 31, 2015. The reduction in selling and administrative expenses as a percentage of revenue reflects tighter cost management and the benefits of greater scale as fixed costs did not grow as fast as revenue.

Other expenses, primarily representing royalty payments to SVP for the use of the Singer trade name and trademark, amounted to $5.6 million for the year ended December 31, 2016, compared to $5.9 million for the year ended December 31, 2015. Royalty expense is equal to 1.0% of Singer Asia's consolidated U.S. GAAP revenue (including discontinued operations).

Results from operating activities for the year ended December 31, 2016 were a profit of $42.9 million, compared to a profit of $34.1 million for the same period in 2015, an increase of 26.0% from prior year. The improvement in results from operating activities reflects the flow through of the growth in revenue and lower S&A expenses relative to revenue.

In 2016, the Company did not receive any cash interest from SVP on the SVP Notes. Based on continuing discussions with SVP management, the Company's management in 2015 had come to the conclusion that it was unlikely that SVP would repay the SVP Notes at their current maturity date in September 2018, and that SVP was unlikely to pay any cash interest on the SVP Notes for the foreseeable future. Consequently, an impairment loss of $23.8 million, reducing the carrying value of the SVP Notes to zero, was recognized in 2015. No interest income, recovery or additional impairment loss was recognized in 2016 relative to the SVP Notes.

Finance income was $0.8 million for the year ended December 31, 2016, essentially the same amount as for the year ended December 31, 2015.

Finance costs, which represent interest expense on borrowings at the Sewko operating companies to finance working capital, was $17.1 million and $13.5 million for the years ended December 31, 2016 and December 31, 2015, respectively. Finance costs increased by $3.6 million or by 26.7% as compared to the same period in 2015 primarily because of the growth in interest-bearing debt, particularly in Sri Lanka. Interest-bearing debt increased from $128.0 million at December 31, 2015 to $173.4 million at December 31, 2016, a 35.3% increase.

The Company's profit from continuing operations, before tax, was $26.3 million for the year ended 2016 compared to a loss from continuing operations, before tax, of $2.6 million for the year ended December 31, 2015. The improvement in the Company's profit, before tax, reflects both the absence of any meaningful impairment charge in 2016 - - an impairment loss of $23.8 had been recognized in 2015, relating to the SVP Notes - - and the flow through of the improvement in results from operating activities, offset, in part, by an increase in net financing costs. Absent the impairment charge, profit, before tax, in 2015 would have been $21.2 million compared to the $26.3 million profit, before tax, in 2016.

Tax expense increased to $10.0 million for the year ended December 31, 2016 from $9.6 million for the same period prior year. The effective tax rate, which is calculated based on total tax expense as a percentage of profit before tax was 38.0% for the year ended December 31, 2016.

The Company's profit from continuing operations for the year ended December 31, 2016, net of tax, was $16.3 million, compared to a loss from continuing operations, net of tax, of $12.2 million for the same period in 2015. The increase in profit of $28.5 million largely reflects the flow through of the higher profit before tax coupled with a lower effective tax rate.

Net income at the Company's operations in Bangladesh grew 46.0% to $6.9 million for the period ended December 31, 2016. Net income at the Company's operation in India declined to $1.2 million for the period ended December 31, 2016, as compared to $1.6 million in prior year. Net income at the Company's operations in Sri Lanka grew 14.2% to $12.7 million for the period ended December 31, 2016.

***Discontinued operations***

(As indicated, the results for Brand Trading Cambodia are reclassified as discontinued operations for the year ended December 31, 2016, and the results for Brand Trading Cambodia, Singer Pakistan and Singer Thailand are reclassified as discontinued operations for 2015.)

In June 2016, the Company discontinued its operation in Cambodia. Brand Trading Cambodia's results from operating activities for the full year 2016 was a loss of $1.2 million.

In June 2015, the Company disposed of its entire 40.0% shareholding in Singer Thailand for a cash consideration of $43.4 million, resulting in a gain on disposal of $26.6 million. In December 2015, the Company's management decided to sell all of its 70.3% shareholding in Singer Pakistan; consequently, Singer Pakistan was classified as an asset held-for-sale. The Company's stake in Singer Pakistan was subsequently sold in January 2016 for a cash consideration of $2.3 million resulting in an impairment loss on disposal and reclassification of foreign currency differences, recognized for the year ended December 31, 2105, of $1.7 million and $2.5 million, respectively.

Singer Thailand's profit from operating activities from January to May 2015, and Brand Trading Cambodia and Singer Pakistan's loss from operating activities for the full year 2015, together with the gain on disposal of Singer Thailand and impairment loss on Singer Pakistan, resulted in a net profit of $24.1 million from discontinued operations in the year ended December 31, 2015.

The Company's profit, including discontinued operations, for the year ended December 31, 2016 was $15.1 million, compared to a profit of $12.0 million for the same period in 2015. The profit improvement of $3.1 million is mainly due to the absence of an impairment loss relating to the SVP Notes in 2016 and the flow through from the improvement in profit from continuing operations, offset, in part, by the gain on the sale of Singer Thailand, recognized in 2015.

The profit attributable to ReHo shareholders is $4.1 million for the year ended December 31, 2016, compared to a loss of $8.3 million for the same period prior year. A profit of $10.9 million is attributable to non-controlling interests for the year ended December 31, 2016, compared to a profit of $20.3 million for the year ended December 31, 2015. The impairment loss of $23.8 million on the SVP Notes incurred in 2015 was not shared by the minority interests either in Sewko or in the Sewko subsidiary operating companies.

The profit attributable to equity holders of the Company is equivalent to basic and diluted earnings per Share of $0.81 for the year ended December 31, 2016, compared to a basic and diluted loss per share attributable to equity holders of the Company of $1.57 for the year ended December 31, 2015.

Total comprehensive income for the year ended December 31, 2016 was $17.7 million compared to $11.4 million in comprehensive income for the year ended December 31, 2015. The $6.3 million improvement

in comprehensive income reflects the flow through of the $3.1 million increase in profit for the year ended December 31, 2016 as compared to prior year, and a property revaluation in 2016 - - there was no similar revaluation in 2015 (revaluations are generally done biennially) - - offset, in part, by the adverse increase in currency translation differences.

## Liquidity and Capital Resources

***Year Ended December 31, 2016***

For the year ended December 31, 2016, the Company had a net cash outflow from operations of $21.3 million, primarily reflecting an increase in net working capital (inventories and receivables, net of payables) of $43.0 million. Net cash from investing activities for the year ended December 31, 2016 was an inflow of $3.7 million, primarily reflecting the $10.6 million received from divestments, offset, in part, by PP&E acquisition of $6.4 million.

Distributions to the Company's shareholders and to non-controlling interests during the year ended December 31, 2016, utilized $26.5 million and $42.1 million of cash, respectively. Net borrowings, excluding bank overdrafts, increased by $35.1 million during the year.

The net effect of the cash flow movements and exchange rate fluctuations was to decrease the Company's net cash and cash equivalents by $54.3 million for the year ended December 31, 2016. As a result, cash and cash equivalents, net of bank overdrafts, were $1.0 million as at December 31, 2016 as compared to $55.3 million as at December 31, 2015.

Current assets less current liabilities at December 31, 2016 were $79.1 million, a decrease of $50.3 million from the corresponding $129.4 million amount at December 31, 2015.

Neither ReHo, nor Sewko, nor any of the Company's other subsidiaries were in default at December 31, 2016, at December 31, 2015, or at any time during 2016 or 2015 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 2015, see the Company's 2015 Annual Report, dated March 2016.

## 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, 2016 and December 31, 2015 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 results of operation or financial condition. The amount spent on environmental and pollution matters was not material for the years ended December 31, 2016 or December 31, 2015.

## Legal Proceedings

The Company is engaged in the ordinary course of business either as a defendant or a plaintiff in a variety of lawsuits or other contested legal proceedings in a number of jurisdictions. Most of these cases relate to claims made by subsidiaries of the Company for delinquent amounts past due under installment purchase contracts. The Company believes that any ultimate, uninsured liability with respect to any litigation known to it, will not have a material adverse impact on the Company's results of operations or financial condition. The amount spent in settlement or for assessed damages was not material for the years ended December 31, 2016 or December 31, 2015.

## Market Risks

For a discussion of credit risk, liquidity risk, currency risk and interest rate risk, see Note 28 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. The significant accounting policies used by the Company in preparing its consolidated financial statements are described in Note 37 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 described in Note 38.

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, certain of which are discussed below.

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

Purchases of Sewko's products are to a significant extent discretionary. National economic policies could depress consumption in individual markets important to Sewko, as was the case in India in the last two months of 2016, when a surprise demonetization severely reduced consumer liquidity. Similarly, economic uncertainty globally, and in certain markets, could depress consumption during 2017 and beyond, in Asia generally and in Sewko's major markets. These developments could adversely impact the Company's revenue, results of operations and financial condition. Any adverse impact would likely vary by country and by sector.

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

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

Local currency denominated financial results in each of Sewko's operations 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. Currency changes will also affect the cost of imported products and components, impacting margins, prices and affordability. Generally, a strong U.S. Dollar, as was, for example, the pattern in 2016, has a negative influence on the Company's revenue, results of operations and financial condition as measured in U.S. Dollars.

***There are Intense Competitive Pressures***

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

***The Consumer Finance Business is Subject to Non-Performance Risks***

Extension of consumer credit is an integral part of Sewko's operations. Most 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 of 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 Sewko's receivables, negatively impacting the Company's results of operations and financial condition.

***International Operations Have Special Risks***

All of Sewko'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 Sewko is unable to manage the risks inherent in its international activities, this may adversely affect the Company's revenue, results of operations and financial condition.

***Sewko's Operating Companies Could Lose the Right to Use Singer in Their Company Names***

The Company's strategy is to maximize and ultimately to monetize the value of its assets. Reflecting this strategy, the Company has reduced its equity stakes in each of the Sewko public operating companies, primarily through sales in the public markets. In the event that Singer Asia's equity stake in any operating company falls below 50%, pursuant to the terms of the License Agreement between Singer Asia and a subsidiary of SVP, that particular company will lose the right to use Singer in its company name. All other trademarks rights, including the right to use Singer on store and dealer locations, on products and services, and in the company's operations generally, remain intact. The Company does not believe that the loss of the right to use Singer in an operating company name will have any material impact on the Company's revenue, result of operations or financial condition, but a change in an operating company name could, at least temporarily, adversely impact the market value for that operating company's shares.

***Financial Uncertainties at SVP Could Adversely Impact the Value of the Singer Trademark***

Financial uncertainties at SVP, the owner of the Singer trademark and tradename, and any consequent reorganization, could have an adverse impact on the prestige and value of the Singer trademark and tradename. If Sewko is unable to effectively manage local market perceptions, this erosion in prestige and value could adversely impact the Company's revenue, results of operations and financial condition. Uncertainties and transition difficulties in any SVP reorganization could also adversely impact the terms of the license arrangements and the underlying ongoing value of the Singer trademark and tradename.

***ReHo's Incorporation Outside the United States Imposes Additional Uncertainties***

As a company incorporated in Curaçao, ReHo is subject to Curaçao law. As a consequence, the rights of ReHo shareholders may differ from the rights associated with companies governed by other laws, including the laws of the United States. Holders of the ReHo securities could face difficulties in enforcing U.S. judgments against the Curaçao company, its directors and executive officers, and others.

***ReHo's Shares are Currently Quoted Only on the "Pink Sheets"***

ReHo 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 ReHo Shares currently are available only on the OTC Pink ("Pink Sheets") quotation service, under the symbol "RHDGF". If the Shares cease to be traded on the Pink Sheets quotation service or on an alternative trading system, shareholders seeking to sell or buy Shares may only be able to do so with difficulty and at prices that may not reflect the Shares' inherent value. Even to the extent that quotations on the Pink Sheets quotation service continue, there is no assurance that there will be adequate liquidity and there still may be wide swings in prices and significant differences between "bid" and "asked" prices, which could make trading difficult and cause prices for the ReHo Shares to deviate substantially from their inherent value. The shares of the Company's principal subsidiaries, all of which are public companies, trade on their local exchanges.

***ReHo Provides Only Limited Disclosure***

Pursuant to the laws and regulations of Curaçao, ReHo is required to provide certain information to shareholders on an annual and semi-annual basis. ReHo only provides a Summary Annual Report, including audited, full-year, consolidated financial statements and notes, with limited commentary, and a Summary Semi-Annual Report, including unaudited, six-month financial statements, with limited notes and commentary, all prepared in accordance with IFRS. ReHo's decision not to provide quarterly reports and more comprehensive annual and semi-annual reports could make it more difficult for investors to assess ReHo and its results and prospects, and could result in reduced liquidity for the ReHo's Shares and prices that may not reflect the Shares' inherent value. The Company's principal subsidiaries, all of which are public companies, may provide additional information, as required or suggested by their local laws, regulations and practices.

## DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES
## CORPORATE GOVERNANCE, SOCIAL RESPONSIBILTY

### Board of Directors

The Board of the Company has four Directors, with each Director serving until the conclusion of the next Annual General Meeting ("AGM").

The table below and the following text set forth certain information regarding the Company's Directors:

| Name | Age | Position |
|---|---|---|
| Stephen H. Goodman..... | 72 | Director, Chairman of the Board, President and Chief Executive Officer of the Company and Executive Director and Chairman of the Board of Sewko |
| Antonio Costa ..... | 74 | Director of the Company and of Sewko |
| Alex Johnston..... | 52 | Director of the Company and of Sewko |
| Stewart M. Kasen..... | 77 | Director, Chairman of the Audit Committee of the Company |

**Stephen H. Goodman.** Mr. Goodman was elected 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 at Bankers Trust Company. Mr. Goodman is Executive Director and Chairman of the Sewko Board and serves as a member of the board of several other subsidiaries.

**Antonio Costa.** Mr. Costa is an independent retail consultant and also provides management support to several non-profit social and sports associations in Portugal. From 2000 to 2007, he was a Director and President 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 by an investor group in September 2000. Mr. Costa was elected a Company Director in August 2001. Mr. Costa serves on the Sewko Board.

**Alex Johnston.** Mr. Johnston is an independent entrepreneur and manages a portfolio of mobile technology businesses. He serves as a Director of the Duke of York's 'Pitch at Palace' initiative - an event and community platform to promote UK entrepreneurial talent, and is a Director of Freuds, a UK consumer public relations agency. Previously, Mr. Johnston was Chief Marketing Officer at Touchpress, a digital publisher. From 2010-2012, Mr. Johnston was Executive Vice President of Omnicom, an international holding company for advertising and marketing service organizations. Mr. Johnston was elected a Company Director in September 2000. Mr. Johnston serves on the Sewko Board.

**Stewart M. Kasen.** Mr. Kasen is an independent retail consultant. He serves as lead independent director of Markel Corp., a property and casualty insurer, and is on the board of Gordmans, a department store chain. From 2007 to 2011, he was Chairman of the Board of Lenox Group Inc. From 2002 to 2007, he was President and Chief Executive Officer of S&K Famous Brands, Inc. Mr. Kasen was elected a Company Director in September 2000. Mr. Kasen serves as Chairman of the Company's Audit Committee.

The Company's Board of Directors met eight times during 2016 including three joint meetings with the Board of Directors of Sewko.

Messrs. Kasen (Chairman), Costa, and Johnston are members of the Audit Committee of the Board of Directors, which is authorized to act on behalf of the Board in respect to matters relating to the selection of auditors and audit and accounting issues. The Audit Committee of the Board of Directors met two times during 2016, including at each meeting an executive session without the Company's management present, once with the Company's external auditors and both times with the Company's head of internal audit.

Messrs. Costa (Chairman), Kasen, 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 and to select nominees to the Board. The Compensation and Nominating Committee of the Board of Directors met twice during 2016, including at one meeting an executive session without the Company's management present.

The Board of Directors has determined that at least one member of the Audit Committee of the 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, meets 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 only of independent directors.

In addition to Messrs. Goodman (Chairman), Costa and Johnston, Mr. John Hyun and Mr. Peter James O'Donnell, both representatives of the Fund, Mr. Malcolm Matthews, an independent director, and Mr. Gavin Walker, the Chief Executive of Sewko, served as directors of Sewko during 2016; Mr. Matthews resigned as a Sewko director at year end. The Sewko Board acknowledges with gratitude the substantial contribution made by Mr. Matthews to the Sewko Board over the last several years. Messrs. O'Donnell (Chairman), Costa, Hyun, Johnston and Matthews served as members of the Sewko Audit Committee.

Messrs. Goodman (Chairman), O'Donnell and Walker serve as directors of Singer Asia.

**Executive Officers**

The following information sets forth certain information regarding the other executive officers of the Company at December 31, 2016:

| Name | Age | Position |
|---|---|---|
| Gavin J. Walker..... | 47 | Vice President of the Company and Director, President and Chief Executive Officer of Sewko |
| Jagath Dissanayake……..... | 58 | Controller of the Company and Vice President of Sewko |
| Amy Pappas……. | 57 | Secretary of the Company |
| Asoka Pieris……. | 52 | Vice President of the Company and of Sewko, Managing Director of Singer (Sri Lanka) PLC |

**Gavin J. Walker.** Mr. Walker was elected a Vice President of the Company in August 2005. Prior to joining the Company, Mr. Walker held offices as Managing Director and Chief Executive Officer of publicly quoted and private companies in the United Kingdom and South Africa. Mr. Walker served as Chief Executive Officer of a multi-brand retailer of electrical appliances and furniture, with operations in 16 African countries and Australia (including Singer brand electrical appliances under license). Mr. Walker is a Director, President and Chief Executive Officer of Sewko and serves as a director of a number of Sewko subsidiaries.

**Jagath Dissanayake.** Mr. Dissanayake was elected Controller of the Company in September 2016. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka with over thirty years of managerial experience in accounting and financial management. Prior to joining the Company, Mr. Dissanayake held several key managerial positions in several listed and group companies in Sri Lanka as well as internationally. Mr. Dissanayake is a Vice President of Sewko and serves as a director of a number of Sewko subsidiaries.

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**Amy Pappas.** Ms. Pappas was elected 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 as a director of a Company subsidiary.

**Asoka Pieris.** Mr. Pieris was appointed a Vice President of the Company in April 2016. Mr. Pieris is the Managing Director and Chief Executive Officer of Singer (Sri Lanka) PLC. From August 2009 until August 2010, he was a Vice President and served as Controller of the Company. From July 2008 to June 2010, Mr. Pieris was the Chief Accounting Officer and, subsequently, the Chief Financial Officer of Singer Asia. Mr. Pieris is a Vice President of Sewko and serves as a Director of a number of Sewko subsidiaries.

During 2016, Mr. Joe Kan (formerly Controller of the Company and Chief Financial Officer of Sewko) resigned, following the shift of the Sewko accounting office from Hong Kong to Colombo, Sri Lanka.

In addition to Messrs. Walker, Dissanayake and Pieris, Mr. Rajeev Bajaj (Managing Director and CEO, Singer India Limited), Mr. Mohamed Fairoz (Managing Director and CEO, Singer Bangladesh Limited), Mr. Gelmart Gellecanao (Vice President, Risk Management), Mr. Ajith Paranavitane (Vice President, Information Services), and Nandum Wickramasinghe (Financial Controller), serve as officers of Sewko. During the year, Mr. Hamim Rahmatullah (formerly Vice President, Bangladesh) and Ms. Karen Tse (formerly Controller) resigned as officers of Sewko.

**Employees**

At December 31, 2016, the Company had 3,943 employees, only two of whom were not employees of Sewko or its subsidiaries. The work locations of all but one of the Sewko employees are in Asia; the two non-Sewko employees work in Mt. Kisco, New York. The Company anticipates that the number of employees will grow modestly over the next several years.

Employees by segment and geographic location are shown in the following table:

| | United States | Asia | Total Company |
|---|---|---|---|
| Company Administrative Office | 2 | - | 2 |
| Sewko/Singer Asia Administrative Office | 1 | 6 | 7 |
| Bangladesh Management | - | 1,275 | 1,275 |
| India Management | - | 402 | 402 |
| Sri Lanka Management | - | 2,257 | 2,257 |
| | 3 | 3,940 | 3,943 |

Some of the Company's employees in the various field managements belong to unions and are covered by individual company or countrywide union contracts. Employee relations are generally good.

The Company is strongly committed to the personal and career growth of its employees. Various in-house and external management training 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. 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 Company and Sewko directors and to all of the Company's employees. The text of the Code of Business Conduct is posted on the Corporate/Investor section of the Company's website: www.retailholdings.com.

**Executive Compensation**

An aggregate of approximately $2.7 million in compensation, including salary, bonus and director fees, was accrued by the Company for all of its directors and executive officers as a group (nine individuals) in the year ended December 31, 2016. The corresponding amount in the year ended December 31, 2015 (accrued for seven individuals) was $1.7 million. Such amounts do not include amounts expended by the Company for business expenses (including business travel) reimbursed to directors and officers, allowances paid to certain officers in non-U.S. locations, employer paid taxes, and the cost of medical and similar plans available to certain employees in non-U.S. locations.

The Company has in place a special bonus program for the Company's Chief Executive Officer, which provides a deferred cash award in the event that aggregate dividends, distributions and payments for Share repurchases from shareholders exceed a certain threshold amount. An award of $1,172,643 was accrued under the program in 2016 ($152,657 in 2015) with payment of the awards deferred until January 2019. Going forward, the award for each year through December 2018, at which time the program terminates, will be equal to 3.5% of the aggregate amount paid to shareholders in that year, with the payout of each year's award deferred until January 2019. No awards were made under this program prior to 2015.

Sewko had adopted a short-term bonus plan for 2016 (the Executive Bonus Scheme "EBS") which provides a deferred cash award to selected senior managers, with the amount of each award based on an assessment of each participant's and their business unit's contribution towards achieving Sewko's objectives for the year. Employees eligible to participate in the EBS include general managers of Sewko business units and other key Sewko managers, but not the Sewko Chief Executive Officer. Awards under the 2016 EBS are up to 120% of each eligible employee's base salary with the bonus pool for all of the

key managers in each management, other than the general manager of that business unit, not to exceed 60% of all such managers' cumulative base salary. A similar short-term bonus plan has been introduced for 2017. Approximately $1.0 million in bonuses are being distributed in 2017 under the 2016 EBS. Approximately $0.7 million in bonuses were distributed in 2016 under a similar bonus plan for the year 2015.

In lieu of participation in the EBS, the Sewko Chief Executive Officer in 2005 was awarded stock options equal to 4.8% of the Singer Asia total shares, on a fully-diluted basis, with the strike price for the options set at the then current Singer Asia book value per Share. In 2013, these options were converted into an equivalent number of options for Sewko shares. In October 2013, the Sewko Chief Executive received an interest free loan from Sewko of $1.9 million, which he used to exercise his remaining unexercised options. This loan is repayable on his resignation, termination for cause, or after five years (extendable in certain circumstances up to a maximum of seven years). The balance of the loan outstanding, $1.6 million at December 31, 2016, will be forgiven in three equal annual installments in 2017, 2018 and 2019, as a result of a closing in 2016 of a Transaction (as defined in the 2013 loan agreement).

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.

The Sewko Chief Executive and one other employee of Sewko participate in a plan, similar to a 401(k) plan, that provides for contributions equal to 3% of their base salary. Sewko provided contributions to these plans of less than $20,000 in each of 2016 and 2015.

Neither the Company or the Sewko corporate officers have any company sponsored pension or severance plans. Some of the individual Sewko operating units have pension, severance or equivalent plans for their executive officers and other employees. See Notes 12 and 13 to the Financial Statements.

**Corporate Governance**

The Company's Board of Directors has responsibility for: formulating the Company's strategy; determining the size and timing of distributions to shareholders and of share repurchases; determining the manner, size and minimum required proceeds in any divestiture; nomination of directors; selection and compensation of ReHo corporate staff; and approval each January of the Company's Business Plan for the following two years. In fulfilling its responsibility, the Board receives periodic recommendations and oral and written reports, both from the Company's and from Sewko's Chief Executive Officer, as well as additional financial information from the Company's Controller and administrative information from the Company's Secretary. Almost all matters taken to the Board have been unanimously resolved, although only a majority of Board members are required to decide on any matter.

The Sewko Board has responsibility for: formulating Sewko's strategy; approving changes in channels and product offerings; approving investment in new stores and factory facilities; determining the size and timing of Sewko distributions to stakeholders; determining the manner, size and minimum proceeds in any Sewko divestiture; selection and compensation of general managers in field operations and of Sewko corporate staff; and approval each January of the Sewko Business Plan for the following two years. In fulfilling its responsibility, the Board receives periodic recommendations and oral and written reports both from its Chairman and from the Sewko Chief Executive Officer, as well as additional financial and other information from the Sewko Controller and staff and individual field managements.

Of the six current Sewko Board members, three were nominated by the Company, two by the Fund, and one is the Sewko President and Chief Executive Officer. Almost all matters taken to the Board have been unanimously resolved; for most matters, only a majority of Board members are required, but for certain matters, as specified in a Shareholders Agreement, the majority must include at least one Board member nominated by the Fund.

The Sewko Board has delegated certain operational responsibility, subject to review and approval by the Sewko Board, to the Board of Singer Asia. Singer Asia has three directors, the Company's and Sewko's Chief Executive Officers and one Board member nominated by the Fund.

Supervisory responsibility for the local operating subsidiaries, all of which are public companies, rests with the individual companies' Boards of Directors. These Boards receive suggestions and reports both from the Sewko representatives on their Boards of Directors (generally representing a majority of the members of the Board), as well as from the local operating managements. A majority of Board members are generally required to approve most actions, although certain matters involving relations with Sewko may require a separate vote of the non-Sewko (independent) Directors.

**Social Responsibilities**

The Company takes very seriously its responsibility towards the communities in which it resides, and to 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 current, past and potential customers, suppliers and fellow employees.

The Company operates in many communities. While the needs of the different communities vary, four of the most common needs are addressed through donations, sponsorship and support for: education and scholarships; medical facilities and programs, particularly in rural and outlying areas; the disadvantaged; and, the elderly. The Company and its officers and employees contribute both time and financial support to these efforts.

## SHARE AND SHAREHOLDER INFORMATION

### Shareholding

The following chart summarizes the Company's share capital as at December 31, 2016:

| Class | Shares Authorized | Shares Issued, Outstanding and Fully-Paid | Par Value per Share |
|---|---|---|---|
| **Preferred Shares** | | | |
| Series A | 40 | 0 | $0.01 |
| Other Preferred | 999,960 | 0 | $0.01 |
| **Shares** | 20,000,000 | 4,650,244* | $0.01 |

*Excludes 691,455 Treasury Shares

In 2000, the Company issued 40 shares of Series A Convertible Preferred Stock (the "Preferred Shares") in partial satisfaction of a U.S. pension liability of Old Singer. All of the Preferred Shares were repurchased by a Company subsidiary in 2003, were subsequently transferred to the parent company, and were cancelled in 2006.

In 2000, the Company also issued 8,121,828 Common Shares (the "Shares"), representing all of the Company's initial Shares, to holders of allowed, general unsecured claims against Old Singer. Of these initial Shares, 298,016 Shares were subsequently forfeited or otherwise cancelled, primarily because of an inability to locate the intended non-U.S. shareholders; of which 98,417 Shares were forfeited in 2016 and 8,939 Shares were forfeited in 2015. An additional 1,830,528 of the initial Shares were issued to Company's subsidiaries who had claims against Old Singer, primarily intermediate holding companies and liquidating subsidiaries; these Shares were subsequently transferred to the parent company.

In 2000, the Company also instituted a stock option program. Under this program, 854,277 options were exercised and Shares issued. An additional 9,000 Shares were issued in 2012-2014 through a limited stock award program. 138,750 vested options were purchased unexercised and cancelled. No options or other stock award rights remain outstanding.

The Company has actively sought to reduce the number of Shares outstanding. In the period from 2002, the Company, through negotiated transactions and in open market purchases, repurchased a total of 2,206,317 Shares, of which 542,782 Shares were repurchased in 2016, nil in 2015. The 2016 Shares were repurchased at a weighted average price of $13.89.

4,650,244 Shares were issued and outstanding at December 31, 2016. 5,291,443 Shares were issued and outstanding at December 31, 2015. There are no differences in voting rights among the Shares.

**Evolution of Shares Outstanding**

| | |
|---|---|
| Opening Share Amount, September 30, 2000 | 8,121,828 |
| Shares forfeited and miscellaneous (of which 98,417 in 2016 and 8,939 in 2015) | (298,016) |
| Subsidiary Shares transferred to parent | (1,830,528) |
| Shares repurchased (of which 542,782 in 2016 and nil in 2015) | (2,206,317) |
| Options exercised and Shares issued | 863,277 |
| Share Amount, December 31, 2016 | 4,650,244 |

The Shares forfeited, transferred to, or repurchased by the Company, initially were treated as Treasury Shares. Subsequently, most of these Shares were cancelled. 691,455 Shares remain as Treasury Shares. None of the cancelled Shares or remaining Treasury Shares are included as outstanding in the Financial Statements.

To the Company's knowledge, 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 which would result in a change of control of the Company. The Company's management believes that several shareholders may each own more than 5.0% of the outstanding Shares. The shareholders do not believe that they have any obligation to file a Schedule 13G or any other form or notification under the rules and regulations applicable to the Company or its shareholders. The Company has less than 500 shareholders of record corresponding to an estimated 1,200 individual shareholder accounts. The Company does not have sufficient data to accurately estimate the number of the Company's outstanding Shares held by residents of the United States.

**Director and Employee Share Ownership**

At December 31, 2016, the total number of Shares of the Company beneficially owned by the persons listed in the previous section under "Board of Directors" and "Executive Officers" was 558,601 Shares, representing approximately 12.01% of the total Shares outstanding. To the Company's knowledge, none of the persons listed beneficially owns more than 1.00% of the Shares outstanding other than Stephen H. Goodman, who, together with his spouse, beneficially own 536,251 Shares, representing approximately 11.53% of the Company's total Shares. Four trusts for which Mr. Goodman's spouse is the trustee own an additional 816,828 Shares, representing approximately 17.57% of the Company's total Shares outstanding.

**Trading**

The Company's Shares are quoted on the Pink Sheets quotation service under the symbol "RHDGF". A link to the prices for the Shares may also be found at the Corporate/Stock Price section of the Company's website: www.retailholdings.com.

The following table sets forth the high and low closing sales prices (not adjusted for dividends and other distributions) of the Company's Shares on the Pink Sheets quotation service for the periods indicated:

| | High | Low |
|---|---|---|
| **Annual highs and lows** | | |
| The year ended December 31, 2016 | 19.89 | 13.25 |
| The year ended December 31, 2015 | 22.00 | 15.79 |
| The year ended December 31, 2014 | 22.00 | 17.25 |
| The year ended December 31, 2013 | 21.75 | 17.35 |
| The year ended December 31, 2012 | 24.00 | 15.75 |
| **Quarterly highs and lows** | | |
| 1st Quarter 2017 (Through March 31, 2017) | 20.50 | 17.20 |
| The year ended December 31, 2016 | | |
| 4th Quarter | 17.30 | 14.00 |
| 3rd Quarter | 15.37 | 13.45 |
| 2nd Quarter | 19.45 | 13.25 |
| 1st Quarter | 19.89 | 16.00 |
| The year ended December 31, 2015 | | |
| 4th Quarter | 18.00 | 15.79 |
| 3rd Quarter | 20.50 | 17.50 |
| 2nd Quarter | 21.00 | 18.75 |
| 1st Quarter | 22.00 | 18.40 |
| **Monthly highs and lows** | | |
| 2017 | | |
| March (through March 31, 2017) | 20.50 | 18.00 |
| February | 18.30 | 17.20 |
| January | 18.75 | 17.30 |
| 2016 | | |
| December | 17.30 | 14.00 |
| November | 15.00 | 14.15 |
| October | 15.00 | 14.50 |

The last reported sale price of the Company's Shares on the Pink Sheet quotation service, at March 31, 2017, was $20.50.

Trading volume in the Company's Shares is often low with no Shares trading on some days. In the fourth quarter of the last several years, however, trading volume has jumped substantially, with 615,815 Shares trading in the fourth quarter of 2016, 315,214 Shares trading in the fourth quarter of 2015, 172,963 Shares trading in the fourth quarter of 2014, and 1,234,631 Shares and 1,584,317 Shares trading in the fourth quarter of 2013 and 2012, respectively.

## Distributions

During 2016, the Company made a distribution to shareholders of $5.00 per Share. The distribution, totalling $25.96 million, was made on April 13, 2016 to shareholders of record on April 5, 2016. The distribution was classified as a non-dividend distribution reflecting a return of capital for U.S. federal income tax purposes.

During 2008, 2009, 2010, 2011, 2012, 2013, 2014, and 2015, the Company made distributions to shareholders of $0.75, of $0.20, of $0.80 of $2.50, of $2.50, of $1.00, of $1.00 and of $1.00 per Share, respectively. All of these distributions were classified as non-dividend distributions reflecting a return of capital for U.S. Federal income tax purposes. During 2007, the Company paid a special dividend to shareholders of $1.00 per Share. This distribution was classified as an ordinary (non-qualified) dividend for U.S. Federal income tax purposes.

A total of $15.75 per Share has been paid to shareholders since inception of the dividend/distribution program in 2007. It is the Company's intention to maintain a regular dividend/distribution program.

During 2016, the Company returned to equity $200,653 of the 2011 distribution, representing unclaimed distributions to non-U.S. shareholders outstanding over five years; an additional $11,737 was escheated. During 2015, the Company returned to equity $919,214 of the 2010 distribution, representing unclaimed distributions to non-U.S. shareholders outstanding over five years; an additional $49,653 was escheated. Distributions payable of $1,021,009 remain outstanding as at December 31, 2016.

## Additional Shareholder Information

### Articles of Association; Shareholders' Meetings

The Company is a corporation registered with the Curaçao Chamber of Commerce Commercial Register in Willemstad, Curaçao, under the registration number 83676.

The rights of holders of the Company's Shares are laid down and described in the Company's Articles of Association (the "Articles"). The Company has posted the text of the Articles on the Corporate/Investor section of the Company's website: www.retailholdings.com. There are no restrictions in the Articles that might have the effect of delaying, deferring or preventing a change in control of the Company other than the requirement that any resolution presented at a shareholders meeting that has not been included in the notice of that meeting, may only be approved if all of the Company's shareholders are present at the meeting.

The Articles require that all shareholder meetings be held in Curaçao. An AGM must be held to adopt the financial statements of the Company within nine months after the end of the preceding fiscal year. 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 shareholders. The financial statements and the annual financial report must be presented at the AGM. The next AGM is scheduled for September 2017.

**Enforceability of Foreign Judgments**

The Company has been advised by its Curacao counsel, that in the absence of an applicable treaty between the United States and Curacao, a judgment rendered by a court in the United States will not be enforceable in Curacao. In order to obtain a judgment that is enforceable in Curacao the claim must be re-litigated before a competent Curacao court. A judgment rendered by a court in the United States will be recognized by a Curacao court if: (i) the competency of the court in the United States is based on internationally accepted standards; (ii) the judgment results from proceedings compatible with Curacao concepts of due process; (iii) the judgment does not contravene public order of Curacao; and (iv) the judgment is not incompatible with a court ruling between the same parties rendered by a Curacao court, or with a previous court ruling by a foreign court, rendered in proceedings between the same parties and in relation to the same circumstances, where such previous foreign court ruling is also susceptible to recognition in Curacao.

If a judgment is recognized by a Curacao court, it will generally grant the same award without review of the merits of the case.

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

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2016
(WITH INDEPENDENT AUDITORS' REPORT THEREON)

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

*CONSOLIDATED FINANCIAL STATEMENTS*
31 DECEMBER 2016

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KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300,
Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

# Independent Auditors' Report

To the Board of Directors of Retail Holdings N.V

## Opinion

We have audited the consolidated financial statements of Retail Holdings N.V ("the Company"), which comprise the consolidated statement of financial position as at 31st December 2016, the consolidated statement of income and consolidated statements of profit or loss and other comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31st December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS)

*Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Impairment testing of Trade Marks and Brands**

| Nature and area of focus | Matters and our response |
|---|---|
| Singer Sri Lanka PLC has recognized Trade Marks and Distribution Rights amounting to USD 909,000<br><br>The annual impairment testing relating to Trademarks and Distribution Rights is considered to be a key audit matter due to the significant judgment required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amounts has been derived from discounted forecasted cash flow models. These models use several key assumptions, including estimates of future sales growth rates, other direct expenses, operating costs, indefinite growth rates and discount rate. | Our audit procedures for trademarks and brands included, among others:<br><br>• Evaluated the appropriateness of the discount rates applied, which included comparing the discount rate with the High quality government treasury bond rate in which the Company operates.<br><br>• We evaluated the appropriateness and consistency of underline assumptions in determining sales growth rates, other direct expenses, operating costs, indefinite growth |

| | |
|---|---|
| **See note 4 for Use of Judgments and Estimates and note 20 and 37 (j) and (n) (ii) for details and accounting policy** | rates and discount rate which includes comparing these data with our own assessments based on our knowledge and information of the client and the industry.<br><br>• Evaluated the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgments. |

**Inventory Provision**

| Nature and area of focus | Matters and our response |
|---|---|
| The group has recognized a total impairment provision of USD 5,513,000 (2015:-4,541,000) in the total inventory amounting to USD 98,077,000 (2015: 74,332,000)<br><br>Assessing net realizable value is an area of significant judgment, particularly with regards to the estimation of provisions for slow-moving and obsolete inventory<br><br>**See note 4 for Use of Judgments and Estimates note no 15 and note 37 (h) for accounting policy** | Our audit procedures in this area included, among others:<br><br>• Testing the design and operating effectiveness of the controls management has established in arriving at criteria used for provision computations and to ensure the accuracy of the impairment provision.<br><br>• We focused on the valuation of yearend inventory levels, including challenging judgments taken regarding obsolescence.<br><br>• Evaluated the net realizable value used for provision computation for the selected sample covering all the inventory categories.<br><br>• Evaluated the appropriateness of the assumptions used based on our knowledge and information of the client and the industry.<br><br>• Assessed the adequacy of, and movements in, inventory provisions held, by recalculating a sample of items included within the provision to ensure appropriate basis of valuation. |

**Revaluation of the Land and Buildings**

| Nature and area of focus | Matters and our response |
|---|---|
| The group has recorded a revaluation gain of USD 5,744,000 by revaluing the Land and Buildings during the year.<br><br>The Group entities have engaged Professional Valuers to determine the revalued amounts of the Land and Buildings. Estimating the fair value is a complex process involving a number of judgments and estimates regarding various inputs such as price | • Our audit procedures in this area included, among others:<br><br>• Evaluating reasonableness of the value of the property by comparing the land prices used for the land valuation with the comparable land prices based on the available information in the market. |

| | |
|---|---|
| per perch of the land, value for a square feet and depreciation rates of the buildings.<br>Consequently, we have determined the revaluation of the Land and Building to be a key audit matter.<br><br>**See note 4 for Use of Judgments and Estimates, note 19 and note 37 (i) (i) for accounting policy** | • We checked that the property database information supplied to external valuers by management was consistent with the underlying property records held by the Company and tested during our audit.<br><br>• We assessed the competence, independence and integrity of the valuer.<br><br>• Evaluated the adequacy of the fair value disclosures relating to Property plant and Equipment. |

**Impairment of Loans and Receivables**

| Nature and area of focus | Matters and our response |
|---|---|
| Impairment allowances represent management's best estimate of the losses incurred within Receivables and loan portfolios at the balance sheet date. They are calculated for Specific Assets and on a collective basis for portfolios of loans of a similar nature.<br><br>The calculation of impairment allowances is inherently judgmental for any institution.<br>Collective impairment allowances are calculated using statistical models concurrent with the past settlement pattern which approximate the impact of current economic and credit conditions on large portfolios of loans. The inputs to these models are subject to management judgment and model overlays are often required.<br><br>The audit was focused on impairment due to the materiality of the balances and the subjective nature of the calculation.<br><br>**See note 4 for Use of Judgments and Estimates, note 16 and note 37 (n) (i) for accounting policy** | Our audit procedures in this area included, among others:<br><br>• Tested the design and operating effectiveness of the controls management has established in arriving at the impairment provisions required to be made for Loans and Receivables.<br><br>• We evaluated the model methodology, key assumptions and management model validation. We substantively tested the completeness and accuracy of key inputs in to models and assessed the appropriateness other assumptions.<br><br>• We have selected a sample of customers and reviewed the credit files to verify the details recorded in the database such as the loan amounts, settlement history etc.<br><br>• Evaluated the completeness and accuracy of the financial statement disclosures. |

***Our Application of materiality and an overview of the scope of our audit***

The materiality for the Group's financial statements as a whole was set at USD 836,000 determined with reference to a benchmark of Group profit before taxation which it represents 3%. We report to the audit committee any corrected or uncorrected misstatements exceeding USD 42,000, in addition to other identified misstatements that warranted reporting on qualitative grounds. Audits for Group reporting purposes were performed by component auditors at the key reporting components in India, Bangladesh, Sri Lanka and by the Group audit team at the Group's head office. These procedures covered 99% of total Group revenue; 98% of Group profit before tax and 99% of total Group assets. The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

The Group audit team approved the component materialities. The audits undertaken for Group reporting purposes in India, Bangladesh and Sri Lanka were performed to materiality levels set by the Group audit team of USD 54,000, USD 365,000 and USD 472,171 respectively, having regard to the size and risk profile of those components.

***Other Information***

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is B.K.D.T.N.Rodrigo.

For and on behalf of KPMG
Colombo, Sri Lanka

28th March 2017

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

### *CONSOLIDATED STATEMENT OF FINANCIAL POSITION*
**In thousands of U.S. Dollars**

| | *Note* | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| Property, plant and equipment | *19* | 50,319 | 44,392 |
| Intangible assets and goodwill | *20* | 7,563 | 7,622 |
| Trade and other receivables | *16* | 44,256 | 46,442 |
| Equity-accounted investee | *21* | 3,622 | 2,200 |
| Deferred tax assets | *14* | 1,853 | 2,116 |
| Other non-current assets | | 9,219 | 9,463 |
| **Total non-current assets** | | **116,832** | **112,235** |
| Inventories | *15* | 98,077 | 74,332 |
| Trade and other receivables | *16* | 142,125 | 109,462 |
| Other current assets | | 12,261 | 11,388 |
| Cash and cash equivalents | *17* | 17,527 | 61,598 |
| Assets held for sale | *18* | - | 22,379 |
| **Total current assets** | | **269,990** | **279,159** |
| **Total assets** | | **386,822** | **391,394** |
| **EQUITY** | *22* | | |
| Share capital | | 53 | 53 |
| Treasury shares | | (7) | - |
| Share premium | | 3,618 | 37,655 |
| Reserves | | (6,411) | (7,229) |
| Retained earnings | | 51,921 | 44,165 |
| **Total equity attributable to owners of the Company** | | **49,174** | **74,644** |
| **Non-controlling interest** | *31* | **70,910** | **89,605** |
| **Total equity** | | **120,084** | **164,249** |
| **LIABILITIES** | | | |
| Loans and borrowings | *24* | 58,936 | 61,820 |
| Employee benefits | *12* | 5,754 | 6,366 |
| Deferred income | | 709 | 571 |
| Warranty provision | *27* | 308 | 254 |
| Deferred tax liabilities | *14* | 968 | 781 |
| Other non-current liabilities | | 9,148 | 7,611 |
| **Total non-current liabilities** | | **75,823** | **77,403** |
| Bank overdrafts | *17* | 16,549 | 6,279 |
| Current tax liabilities | | 2,106 | 3,935 |
| Loans and borrowings | *24* | 97,959 | 59,942 |
| Trade and other payables | *25* | 69,465 | 55,537 |
| Deferred income | | 3,130 | 2,474 |
| Warranty provision | *27* | 1,706 | 1,521 |
| Liabilities held for sale | *18* | - | 20,054 |
| **Total current liabilities** | | **190,915** | **149,742** |
| **Total liabilities** | | **266,738** | **227,145** |
| **Total equity and liabilities** | | **386,822** | **391,394** |

***The notes on pages 50 to 99 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**

| | *Note* | **2016** | **2015 Restated*** |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | *7* | 489,085 | 418,476 |
| Cost of sales | *8* | (341,652) | (292,341) |
| **Gross profit** | | **147,433** | **126,135** |
| Other income | *9* | 2,969 | 3,428 |
| Selling and administrative expenses | *9* | (101,906) | (89,593) |
| Other expenses | *9* | (5,578) | (5,896) |
| **Results from operating activities** | | **42,918** | **34,073** |
| Impairment loss on SVP Notes | *16* | - | (23,840) |
| Finance income | | 844 | 807 |
| Finance costs | | (17,123) | (13,491) |
| **Net finance costs** | *10* | **(16,279)** | **(12,684)** |
| Share of loss of equity-accounted investee, net of tax | | (345) | (177) |
| **Profit / (Loss) before tax** | | **26,294** | **(2,628)** |
| Tax expense | *14* | (9,992) | (9,550) |
| **Profit / (Loss) from continuing operations** | | **16,302** | **(12,178)** |
| **Discontinued operations** | | | |
| **(Loss) / profit** from discontinued operations, net of tax | *6* | (1,225) | 24,141 |
| **Profit for the year** | | **15,077** | **11,963** |
| **Attributable to:** | | | |
| Owners of the Company | | 4,148 | (8,314) |
| Non-controlling interests | | 10,929 | 20,277 |
| **Profit for the year** | | **15,077** | **11,963** |
| **Earnings / (Loss) per share (U.S. Dollars)** | *11* | | |
| Basic earnings / (loss) per share | | 0.81 | (1.57) |
| Diluted earnings / (loss) per share | | 0.81 | (1.57) |
| **Earnings / (Loss) per share – Continuing operations (U.S. Dollars)** | | | |
| Basic earnings / (loss) per share | | 0.94 | (3.86) |
| Diluted earnings / (loss) per share | | 0.94 | (3.86) |

*See Note 6

***The notes on pages 50 to 99 are an integral part of these consolidated financial statements.***

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES

***CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME***
***FOR THE YEAR ENDED 31 DECEMBER***
**In thousands of U.S. Dollars**

| | *Note* | 2016 | 2015 |
|---|---|---|---|
| **Profit for the year** | | **15,077** | **11,963** |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Revaluation of property, plant and equipment | | 5,744 | - |
| Remeasurement of defined benefit asset / (liability) | *12* | 406 | (78) |
| Related tax | *14* | (343) | 22 |
| | | **5,807** | **(56)** |
| **Items that are or may be reclassified subsequently to profit or loss** | | | |
| Foreign operations – foreign currency translation differences | | (3,182) | (548) |
| **Other comprehensive income, net of tax** | | **2,625** | **(604)** |
| **Total comprehensive income** | | **17,702** | **11,359** |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | 5,444 | (8,372) |
| Non-controlling interests | | 12,258 | 19,731 |
| | | **17,702** | **11,359** |

***The notes on pages 50 to 99 are an integral part of these consolidated financial statements.***

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES
***CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***
***For the year ended 31 December 2016***

*In thousands of U.S. Dollars*

| | | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | ***Note*** | **Share capital** | **Treasury shares** | **Share premium** | **Translation reserve** | **Revaluation reserve** | **Retained earnings** | **Total** | **Non-controlling interest** | **Total equity** |
| Balance at 1 January 2016 | | 53 | - | 37,655 | (20,010) | 12,781 | 44,165 | 74,644 | 89,605 | 164,249 |
| **Total comprehensive income** | | | | | | | | | | |
| Profit for the year | | - | - | - | - | - | 4,148 | 4,148 | 10,929 | 15,077 |
| Other comprehensive income | *22* | - | - | - | (1,168) | 2,100 | 362 | 1,296 | 1,331 | 2,625 |
| **Total comprehensive income** | | - | - | - | (1,168) | 2,100 | 4,510 | 5,444 | 12,260 | 17,702 |
| **Transactions with owners of the Company** | | | | | | | | | | |
| **Contributions and distributions** | | | | | | | | | | |
| Treasury shares acquired | *22* | - | (7) | (7,579) | - | - | - | (7,586) | - | (7,586) |
| Unclaimed dividend | | - | - | - | - | - | - | - | - | - |
| Distributions to owners of the Company | *22* | - | - | (26,458) | - | - | - | (26,458) | - | (26,458) |
| Distributions to non-controlling interests of subsidiaries | | - | - | - | - | - | - | - | (42,085) | (42,085) |
| **Total contributions and distributions** | | - | (7) | (34,037) | - | - | - | (34,044) | (42,085) | (76,129) |
| **Changes in ownership interests** | | | | | | | | | | |
| Divestment of interests in subsidiaries | | - | - | - | 47 | (161) | 3,246 | 3,132 | 11,130 | 14,262 |
| **Total changes in ownership interests** | | - | - | - | 47 | (161) | 3,246 | 3,132 | 11,130 | 14,262 |
| **Total transactions with owners of the Company** | | - | (7) | (34,037) | 47 | (161) | 3,246 | (30,912) | (30,955) | (61,867) |
| Balance at 31 December 2016 | | 53 | (7) | 3,618 | (21,131) | 14,720 | 51,921 | 49,174 | 70,910 | 120,084 |

***The notes on pages 50 to 99 are an integral part of these consolidated financial statements.***

## RETAIL HOLDINGS N.V. AND SUBSIDIARIES
***CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) (RESTATED)***
***For the year ended 31 December 2015***

*In thousands of U.S. Dollars*

| | | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | ***Note*** | **Share capital** | **Share premium** | **Translation reserve** | **Revaluation reserve** | **Legal reserve** | **Retained earnings** | **Total** | **Non-controlling interest** | **Total equity** |
| Balance at 1 January 2015 | | 53 | 41,961 | (18,213) | 14,148 | 244 | 50,687 | 88,880 | 109,823 | 198,703 |
| **Total comprehensive income** | | | | | | | | | | |
| Profit for the year | | - | - | - | - | - | (8,314) | (8,314) | 20,277 | 11,963 |
| Other comprehensive income | *22* | - | - | (294) | 90 | (244) | 390 | (58) | (546) | (604) |
| **Total comprehensive income** | | - | - | (294) | 90 | (244) | (7,924) | (8,372) | 19,731 | 11,359 |
| **Transactions with owners of the Company** | | | | | | | | | | |
| **Contributions and distributions** | | | | | | | | | | |
| Treasury shares acquired | | - | - | - | - | - | - | - | - | - |
| Unclaimed dividend | | - | 985 | - | - | - | - | 985 | - | 985 |
| Dividends to owners of the Company | *22* | - | (5,291) | - | - | - | - | (5,291) | - | (5,291) |
| Dividends to non-controlling interests of subsidiaries | | - | - | - | - | - | - | - | (5,465) | (5,465) |
| **Total contributions and distributions** | | - | (4,306) | - | - | - | - | (4,306) | (5,465) | (9,771) |
| **Changes in ownership interests** | | | | | | | | | | |
| Divestment of interests in subsidiaries | | - | - | (1,503) | (1,457) | - | 1,402 | (1,558) | (34,484) | (36,042) |
| **Total changes in ownership interests** | | - | - | (1,503) | (1,457) | - | 1,402 | (1,558) | (34,484) | (36,042) |
| **Total transactions with owners of the Company** | | - | (4,306) | (1,503) | (1,457) | - | 1,402 | (5,864) | (39,949) | (45,813) |
| Balance at 31 December 2015 | | 53 | 37,655 | (20,010) | 12,781 | - | 44,165 | 74,644 | 89,605 | 164,249 |

*The notes on pages 50 to 99 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

| | *Note* | 2016 | 2015 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 15,077 | 11,963 |
| Adjustments for: | | | |
| Amortization of intangible assets and goodwill | *20* | 175 | 202 |
| Depreciation | *19* | 4,008 | 4,352 |
| Impairment loss of property, plant and equipment | *19* | 29 | 30 |
| (Gain) / loss on sale of property, plant and equipment | | (58) | (26) |
| Gain on sale of discontinued operation, net of tax | *6* | - | (26,611) |
| Impairment loss on remeasurement of disposal group | *6* | - | 4,248 |
| Impairment loss on SVP notes | *16* | - | 23,840 |
| Impairment loss on accounts receivable | *5* | 2,723 | 5,040 |
| Net finance costs | *10* | 16,279 | 12,684 |
| Share of loss of equity-accounted investee, net of tax | *21* | 345 | 177 |
| Income tax expense | *14* | 9,992 | 9,452 |
| | | **48,570** | **45,351** |
| Changes in | | | |
| - Inventories | | (23,745) | 5,431 |
| - Trade and other receivables | | (33,200) | 9,878 |
| - Other current and non-current assets | | (631) | 7,126 |
| - Trade and other payables | | 13,928 | (38,039) |
| - Other non-current liabilities | | 1,537 | 309 |
| - Provision for employee benefits | | (11) | (8,061) |
| - Deferred income | | 794 | 24 |
| **Cash from operating activities** | | **7,242** | **22,019** |
| Interest paid | | (17,122) | (12,337) |
| Income tax paid | | (11,371) | (7,114) |
| **Net cash from operating activities** | | **(21,251)** | **2,568** |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | | (6,389) | (4,150) |
| Acquisition of intangible assets | | (202) | (819) |
| Interest received | | 844 | 809 |
| Proceeds from sale of property, plant and equipment | | 581 | 153 |
| Proceeds from sale of investment | | 10,646 | 9,855 |
| Changes in Equity Accounted Investees | | (1,767) | - |
| Proceeds from disposal of interests in subsidiary, net of cash disposed of | | - | 36,484 |
| **Net cash from / (used in) investing activities** | | **3,713** | **42,332** |
| **Cash flows from financing activities** | | | |
| Distribution to non-controlling interest | | (42,085) | (5,465) |
| Distribution to owners | *22* | (26,458) | (5,291) |
| Proceeds from borrowings | | 297,136 | 37,628 |
| Share Buy Back | | (7,586) | - |
| Repayment of borrowings | | (262,003) | (30,979) |
| Unclaimed dividend | | - | 985 |
| **Net cash used in financing activities** | | **(40,996)** | **(3,122)** |
| **Net increase / (decrease) in cash and cash equivalents** | | **(58,548)** | **41,778** |
| Cash and cash equivalents at 1 January | | 55,319 | 10,242 |
| Effect of exchange rate fluctuations on cash held | | 4,193 | 3,299 |
| **Cash and cash equivalents at 31 December** | *17* | **978** | **55,319** |

***The notes on pages 50 to 99 are an integral part of these consolidated financial statements.***

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

***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***

**1. Reporting entity**

Retail Holdings N.V. (the "Company") is a company domiciled in Curaçao (formerly part of the Netherlands Antilles). The address of the Company is at Kaya W.F.G. (Jombi) Mensing 36, Willemstad, Curaçao. These consolidated financial statements comprise the ultimate Curaçao holding company (hereinafter referred to as "ReHo") and its subsidiaries (collectively the "Group" and individually "Group entities"). The Company is engaged principally in the distribution of consumer durable products primarily for the home in selected emerging markets in Asia, with supportive manufacturing and with consumer credit and other financial services.

**2. Basis of accounting**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). They were authorized for issue by the Company's Board of Directors on 28 March 2017.

Details of the Group's accounting policies are included in Note 37.

**3. 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 thousands, unless otherwise indicated.

**4. Use of judgements and estimates**

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's 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 estimates are recognized prospectively.

**(a) Judgements**

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

**(b) Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2016 is included in the following notes:

- Note 12(d)(i) and 37(e)(iv) – measurement of defined benefit obligations: key actuarial assumptions;
- Note 14(f) and 37(g)(ii) – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;
- Note 19(ii) and 37(i)(i) – determining the fair value of land & buildings on the basis of significant measurable inputs.
- Note 15 and 37(h) – assessing net realizable value: slow moving and obsolete inventory.
- Note 20 and 37(n)(ii) – impairment test: key assumptions underlying recoverable amounts; and
- Note 27, 34 and 37(o) – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Note 16 and 37(n)(i) – assessing impairment of trade receivables.

**4. Use of judgements and estimates (continued)**

**Measurement of fair values**

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The finance and accounting department in each subsidiary has responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO and the Audit Committee of each subsidiary.

The finance and accounting department regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the finance and accounting department assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group CFO and Group Audit Committee.

When measuring the fair value of an assets or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 19 – property, plant and equipment
- Note 28 (b) – financial instruments: measurement of fair values

**5. Operating segments**

The Group's operating segment reporting format is geographical because the risks and return are affected predominantly by the different geographical areas in which it operates and the Group's management structure and internal reporting system to the CEO is set up accordingly. A geographical segment is a distinguishable component of the Group that is engaged in providing products and services within a particular economic environment, which is subject to risks and return that are different from those of other segments. Operating segments that are considered significant in terms of their risks and returns are presented on a standalone basis as reportable segments. Other business units including the corporate administrative and management office and investment holding are aggregated and presented as "Unallocated Amounts"

**5. Operating segments (continued)**

The following is a summary of the Group's consolidated results and financial position by operating segments:

**31 December 2016**

| *In thousands of U.S. Dollars* | **Bangladesh** | **India** | **Sri Lanka** | **Unallocated Amounts** | **Inter-segment Elimination** | **Total** |
|---|---|---|---|---|---|---|
| External revenue | 114,810 | 53,266 | 319,938 | 1,071 | - | 489,085 |
| Inter-segment revenue | - | 826 | - | - | (826) | - |
| Depreciation | 973 | 135 | 2,900 | - | - | 4,008 |
| Amortization of intangible assets | 77 | - | 70 | 28 | - | 175 |
| Impairment loss on accounts receivable | 667 | 64 | 1,992 | - | - | 2,723 |
| Impairment (credit) / loss on inventory | 276 | (4) | 700 | - | - | 972 |
| Interest income | 126 | 99 | 591 | 28 | - | 844 |
| Interest expense | 1,242 | 13 | 15,868 | - | - | 17,123 |
| Share of loss of equity-accounted investee | (345) | - | - | - | - | (345) |
| Profit / (loss) before tax | 9,912 | 1,835 | 19,347 | 23,958 | (29,983) | 25,069 |
| Capital expenditure of property, plant and equipment | 1,375 | 214 | 4,773 | 27 | - | 6389 |
| Acquisition of intangible assets | - | - | 202 | - | - | 202 |
| Total assets | 72,298 | 15,583 | 283,474 | 38,730 | (23,263) | 386,822 |
| Total liabilities | 47,537 | 7,825 | 220,286 | 15,574 | (24,484) | 266,738 |
| Net assets / (liabilities) | 24,761 | 7,758 | 63,188 | 23,157 | 1,220 | 120,084 |

**5. Operating segments (continued)**
**31 December 2015**

| *In thousands of U.S. Dollars* | **Bangladesh** | **India** | **Pakistan (discontinued)** | **Sri Lanka** | **Thailand (discontinued)** | **Cambodia (discontinued)** | **Unallocated Amounts** | **Inter-segment Elimination** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| External revenue | 88,738 | 44,971 | 17,037 | 283,717 | 45,421 | 827 | 1,050 | - | 481,761 |
| Inter-segment revenue | - | 801 | - | - | - | - | - | (801) | - |
| Depreciation | 918 | 118 | 335 | 2,690 | 243 | 38 | 10 | - | 4,352 |
| Amortization of intangible assets | 74 | - | - | 100 | - | - | 28 | - | 202 |
| Impairment loss on accounts receivable | 558 | 33 | 436 | 1,893 | 2,120 | - | - | - | 5,040 |
| Impairment (credit) / loss on inventory | 82 | (2) | - | 1,147 | - | - | - | - | 1,227 |
| Interest income | 24 | 116 | 24 | 626 | 21 | 2 | 23 | - | 836 |
| Interest expense | 859 | 13 | 1,546 | 12,173 | 685 | - | - | (1,784) | 13,492 |
| Share of loss of equity-accounted investee | 177 | - | - | - | - | - | - | - | 177 |
| Profit / (loss) before tax | 6,770 | 2,032 | (1,738) | 17,288 | 2,989 | (535) | 4,849 | (10,142) | 21,513 |
| Capital expenditure of property, plant and equipment | 506 | - | - | 3,331 | - | 163 | 150 | - | 4,150 |
| Acquisition of intangible assets | 738 | - | - | 81 | - | - | - | - | 819 |
| Total assets | 47,888 | 18,808 | - | 244,284 | - | 1,599 | 122,305 | (43,490) | 391,394 |
| Total liabilities | 28,332 | 11,392 | - | 181,859 | - | 2,164 | 3,902 | (504) | 227,145 |
| Net assets / (liabilities) | 19,556 | 7,416 | - | 62,425 | - | (565) | 118,403 | (42,986) | 164,249 |

Intra-group sales and other transactions were made on an arm's length basis or at market prices.

**6. Discontinued operations**

See accounting policies 37(c).

In June 2016, the company discontinued its operations in Cambodia

**A. Results of discontinued operations**

| | | 2016 | | 2015 | | | |
|---|---|---|---|---|---|---|---|
| *In thousands of U.S. Dollars* | ***Note*** | **Cambodia*** | **Total** | **Cambodia** | **Pakistan** | **Thailand** | **Total** |
| Revenue | | 504 | 504 | 827 | 17,037 | 45,421 | 63,285 |
| Expenses | | (1,729) | (1,729) | (1,264) | (18,775) | (41,986) | (62,025) |
| Results from operating activities | | (1,225) | (1,225) | (437) | (1,738) | 3,435 | 1,260 |
| Income tax credit | *14(c)* | - | - | - | 518 | - | 518 |
| Gain on disposal on sale of discontinued operation | | | | - | - | 26,611 | 26,611 |
| Impairment loss on remeasurement of disposal group | | - | - | - | (1,699) | - | (1,699) |
| Cumulative foreign currency translation differences previously recognized in OCI | | - | - | - | (2,549) | - | (2,549) |
| Profit / (loss) from discontinued operations, net of tax | | (1,225) | (1,225) | (437) | (5,468) | 30,046 | 24,141 |
| Basic earnings / (loss) per share (U.S. Dollars) | | (0.13) | (0.13) | (0.04) | (0.52) | 2.86 | 2.30 |
| Diluted earnings / (loss) per share (U.S. Dollars) | | (0.13) | (0.13) | (0.04) | (0.52) | 2.86 | 2.30 |

* Include January to June 2016 only

During the period, Brand Trading (Cambodia) Limited was the only discontinued operation. It is a fully own subsidiary of Sewko Holdings Limited. Out of its loss of USD 1,225 thousand, USD 663 thousand is allocated to Owners of the Company and USD 562 thousand is allocated to Non-controlling interests.

**6. Discontinued operations (continued)**

**B. Cash flows from / (used in) discontinued operations**

| | | **2016** | | **2015** | | | |
|---|---|---|---|---|---|---|---|
| | *Note* | Cambodia | Total | Cambodia | Pakistan | Thailand | Total |
| Net cash from/(used in) operating activities | | 189 | 189 | 210 | 172 | (1,239) | (857) |
| Net cash from/(used in) investing activities | | - | - | (157) | - | 34,377 | 34,220 |
| Net cash from/(used in) financing activities | | (376) | (376) | - | (121) | (467) | (588) |
| Net cash flows for the year | | (187) | (187) | 53 | 51 | 32,671 | 32,775 |

**C. Effect of disposal on the financial position of the Group**

| *In thousands of U.S. Dollars* | ***Note*** | **2015** |
|---|---|---|
| Property, plant and equipment | | 11,702 |
| Inventories | | 9,365 |
| Trade and other receivables | | 65,009 |
| Cash and cash equivalents | | 7,179 |
| Loans and borrowings | | (31,320) |
| Trade and other payables | | (14,204) |
| Other assets and liabilities | | 2,591 |
| Net assets and liabilities | | 50,322 |
| | | |
| Consideration received, satisfied in cash | | 43,362 |
| Cash and cash equivalents disposed of | | (7,179) |
| Bank overdrafts disposed of | | 301 |
| Net cash inflows | | 36,484 |

For details of impairment loss and assets and liabilities of Singer Pakistan, please see Note 18

**7. Revenue**

See accounting policies in Note 37(d).

| *In thousands of U.S. Dollars* | Continuing operations | | Discontinued operations | | Total | |
|---|---|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** | **2016** | **2015** |
| Finance charges | 33,444 | 31,089 | 11 | 11,915 | 33,455 | 43,004 |
| Rendering of services | 4,467 | 4,587 | - | 1,840 | 4,467 | 6,427 |
| Sale of goods | 448,389 | 380,465 | 494 | 49,524 | 448,883 | 429,989 |
| Others | 2,785 | 2,335 | - | 6 | 2,785 | 2,341 |
| | 489,085 | 418,476 | 504 | 63,285 | 489,589 | 481,761 |

As at 31 December 2016, the Group has upfront recognized service revenue of USD 2,039 thousand (2015: USD 2,405 thousand) mainly relating to its extended warranty and customer protection program (see Note 26).

**8. Cost of sales**

| | **2016** | **2015** |
|---|---|---|
| Change in inventories of finished goods and work-in-progress | (23,568) | 396 |
| Semi-finished goods and materials used | 365,220 | 291,945 |
| **Total Cost of Sales** | **341,652** | **292,341** |

**9. Income and expenses**

**(a) Other income**

| *In thousands of U.S. Dollars* | **2016** | **2015** |
|---|---|---|
| Commission income on financial services | 180 | 180 |
| Gain on sale of property, plant and equipment | 58 | 20 |
| Penalty charge on late payment | 753 | 793 |
| Others | 1,978 | 2,435 |
| | 2,969 | 3,428 |

**(b) Other expenses**

| *In thousands of U.S.Dollars* | **2016** | **2015** |
|---|---|---|
| Royalty expense | 4,891 | 4,363 |
| Other expense | 687 | 1,533 |
| | 5,578 | 5,896 |

Royalty is for the use of the SINGER trademark by Singer Asia Limited and its subsidiaries and affiliates.

**(c) Expenses by nature**

| *In thousands of U.S. Dollars* | ***Note*** | **2016** | **2015** |
|---|---|---|---|
| *(ii)* **Selling and Administrative expenses** | | | |
| Advertising and Promotion | | 14,966 | 11,502 |
| Depreciation and amortization expenses | | 3,665 | 3,976 |
| Employee benefits expenses | *13* | 45,891 | 43,520 |
| Rental and occupancy | | 12,976 | 12,214 |
| Warranty expenses | *27* | 3,023 | 3,073 |
| Others | | 21,385 | 15,308 |
| Total selling and administrative expenses | | 101,906 | 89,593 |

## 10. Net finance costs

See accounting policies in Notes 37(f) and (l)

| *In thousands of U.S. Dollars* | **2016** | **2015** |
|---|---|---|
| Interest income on bank deposits | 179 | 159 |
| Interest income from Treasury Bills | 345 | 342 |
| Other | 320 | 307 |
| Finance income | 844 | 807 |
| | | |
| Interest expense | 17,122 | 13,045 |
| Net foreign exchange loss | 1 | 447 |
| Finance costs | 17,123 | 13,491 |
| Net finance costs recognized in profit or loss | 16,279 | 12,684 |

## 11. Earnings /(Loss) per share

The calculation earnings/(loss) per share is based on the profit attributable to ordinary shareholders of USD 4,148 thousand (2015: loss of USD 8,314 thousand) and a weighted average number of ordinary shares outstanding of 5,136 thousand (2015: 5,293 thousand).

**Weighted average number of ordinary shares**

| *In thousands of shares* | ***Note*** | **2016** | **2015** |
|---|---|---|---|
| Issued ordinary shares at 1 January | *22* | 5,293 | 5,300 |
| Effect of ordinary shares purchased and forfeited | | (157) | (7) |
| Weighted average number of ordinary shares at 31 December | | 5,136 | 5,293 |

**Diluted Earnings /(Loss) per share**

The calculation of diluted earnings per share has been based on the profit attributable to ordinary shareholders of USD 4,148 thousand (2015: loss of USD 8,314 thousand) and a weighted average number of ordinary shares outstanding of 5,136 thousand (2015: 5,293 thousand), calculated as shown below.

**Weighted average number of ordinary shares**

| *In thousands of shares* | ***Note*** | **2016** | **2015** |
|---|---|---|---|
| Weighted average number of ordinary shares (basic) | | 5,136 | 5,293 |

## 12. Employee benefits

See accounting policies in Notes 37(e)(i), (e)(iii), (e)(iv), (e)(v) and (e)(vi).

| *In thousands of U.S. Dollars* | **2016** | **2015** |
|---|---|---|
| Net defined benefit liability | 5,556 | 6,151 |
| Liability for long service leave | 198 | 215 |
| Total employee benefit liability | 5,754 | 6,366 |

For details on the related employee benefit expenses, see Note 13.

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 based on the domestic laws applicable to the country in which employee works. Other plans entitle a retired employee to receive an annual payment equal to a percentage of final salary, based on the years of service.

**12. Employee benefits (continued)**

**(a) Funding**

Some of the plans are fully funded by the Groups' subsidiaries and some are unfunded. The funding requirements for the fully funded plans are based on the pension funds' actuarial measurement framework set out in the funding policies of the plan. For the unfunded plans, the employee benefit liability is recognized as a liability in the subsidiary's financial position.

**(b) Movement in net defined benefit (asset) / liability**

| *In thousands of U.S. Dollars* | **Defined benefit obligations** | | **Fair value of plan assets** | | **Net defined benefit liability** | |
|---|---|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** | **2016** | **2015** |
| **Balance at 1 January** | **6,348** | **12,401** | **(197)** | **(1,291)** | **6,151** | **11,110** |
| **Included in profit or loss** | | | | | | |
| Current service cost | 399 | 548 | - | - | 399 | 548 |
| Interest cost / (income) | 644 | 570 | - | - | 644 | 570 |
| Transfer to liabilities held for sale | - | (1,206) | - | 1,121 | - | (85) |
| Disposal | - | (5,353) | - | - | - | (5,353) |
| | 1,043 | (5,441) | - | 1,121 | 1,043 | (4,320) |
| **Included in OCI** | | | | | | |
| Remeasurement loss / (gain) | | | | | | |
| - Actuarial loss / (gain) arising from: | (388) | - | - | - | (388) | - |
| - financial assumptions | - | 94 | - | - | - | 94 |
| - experience adjustment | - | - | - | - | - | - |
| - Return on plan assets excluding interest income | - | - | (18) | (16) | (18) | (16) |
| Effect of movement in exchange rates | (632) | (470) | 7 | 10 | (625) | (460) |
| | (1,020) | (376) | (11) | (6) | (1,031) | (382) |
| **Other** | | | | | | |
| Contribution paid by the employer | - | - | (42) | (33) | (42) | (33) |
| Benefits paid | (571) | (236) | 6 | 12 | (565) | (224) |
| | (571) | (236) | (36) | (21) | (607) | (257) |
| **Balance at 31 December** | **5,800** | **6,348** | **(244)** | **(197)** | **5,556** | **6,151** |
| **Represented by:** | | | | | | |
| Net defined benefit liability | | | | | 5,556 | 6,151 |

**(c) Plan assets**

Plan assets comprise:

| *In thousands of U.S. Dollars* | **2016** | **2015** |
|---|---|---|
| Government securities | - | - |
| Cash and cash equivalents | - | - |
| Others | 244 | 197 |
| | 244 | 197 |

**12. Employee benefits (continued)**

**(d) Defined benefit obligation**

***(i) Actuarial assumptions***

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages):

| | 2016 | 2015 |
|---|---|---|
| Discount rate | 7.0% - 11.5% | 8.1% - 10.5% |
| Future salary growth | 6.0% - 10.0% | 8.0% - 9.0% |
| Future pension growth | 8.4% | 8.8% |

***(ii) Sensitivity analysis***

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (1% movement) | (486) | 529 | (147) | 163 |
| Future salary growth (1% movement) | 574 | (502) | 178 | (310) |

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

**13. Employee benefit expenses**

See accounting policy in Note 37(e).

| *In thousands of U.S. Dollars* | Note | 2016 | 2015 |
|---|---|---|---|
| Social security contributions | | - | 28 |
| Contributions to defined contribution plans | | 3,563 | 3,191 |
| Expenses related to post-employment defined benefit plans | *12* | 1,043 | 1,118 |
| Wages and salaries | | 39,969 | 37,151 |
| Others | | 1,316 | 2,032 |
| | | 45,891 | 43,520 |

**14. Income taxes**

See accounting policy in Note 37(g).

**(a) Amounts recognized in profit or loss**

| *In thousands of U.S. Dollars* | 2016 | 2015 |
|---|---|---|
| **Current tax expense** | | |
| Current period | 10,735 | 11,089 |
| Adjustment for prior periods | (403) | (33) |
| | 10,332 | 11,056 |
| **Deferred tax expense** | | |
| Change in previously unrecognized tax losses | 2 | (17) |
| Change in tax rate | (9) | (25) |
| Origination and reversal of temporary differences | (366) | (1,577) |
| Other | 35 | 113 |
| | 339 | (1,506) |
| Total income tax expense on continuing operations | 9,992 | 9,550 |

**14. Income taxes (continued)**

**(b) Amounts recognized in Other Comprehensive Income**

| *In thousands of U.S. Dollars* | **2016** | | | **2015** | | |
|---|---|---|---|---|---|---|
| | Before tax | Tax (expenses) / benefit | Net of tax | Before tax | Tax (expenses) / benefit | Net of tax |
| Revaluation of property, plant and equipment | 5,744 | (230) | 5,514 | - | - | - |
| Foreign operations – foreign currency translation differences | (3,182) | - | (3,182) | (548) | - | (548) |
| Re-measurement of defined benefit liability / (asset) | 406 | (113) | 293 | (78) | 22 | (56) |
| | 2,968 | (343) | 2,625 | (626) | 22 | (604) |

**(c) Reconciliation of effective tax rate**

| *In thousands of U.S. Dollars* | **2016** | **2016** | **2015** | **2015** |
|---|---|---|---|---|
| | % | | % | |
| Profit / (Loss) before tax | | 26,294 | | (2,628) |
| Weighted average tax using the tax rates in the jurisdictions where the Group operates | 34.81 | 9,124 | (270.81) | 7,117 |
| Withholding tax on dividends paid | 0.77 | 252 | (50.92) | 1,611 |
| Adjustment for prior periods | 1.23 | (403) | 1.01 | (32) |
| Change in tax rate | 0.03 | (9) | 0.79 | (25) |
| Permanent differences | 1.18 | 385 | 2.15 | (68) |
| Changes in valuation allowance | 0.03 | (10) | - | - |
| Tax on pension scheme reclassified to OCI | 2.57 | 839 | (25.47) | 806 |
| Exchange differences | 0.57 | (186) | (5.36) | 141 |
| | 38.00 | 9,992 | (363.39) | 9,550 |

The weighted average tax rate for the Group is dependent on the prevailing income tax rates in the countries in which the Group operates and the proportion of each of these countries' profit in relation to the Group's total profit.

**14. Income taxes (continued)**

**(d) Movement in deferred tax balances**

**2016**

| *In thousands of U.S. Dollars* | **Net balance at 1 January** | **Recognized in profit or loss** | **Recognized in OCI** | **Sale of discontinued operation** | **Effects from movements in exchange rate** | **Balance at 31 December** | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | **Net** | **Deferred tax assets** | **Deferred tax liabilities** |
| Employee benefit plans | 1,580 | 21 | (113) | - | (441) | 1,047 | 1,047 | - |
| Finance charges on instalment sales | 34 | 7 | - | - | (36) | 5 | 5 | - |
| Inventories | 1,316 | 385 | - | - | (145) | 1,555 | 1,555 | - |
| Property, plant and equipment | (4,308 ) | (69) | (230) | - | 730 | (3,878) | - | (3,878) |
| Provision | 681 | (250) | - | - | (39) | 391 | 391 | - |
| Receivables | 1,380 | 243 | - | - | (188) | 1,435 | 1,435 | - |
| Tax loss carried forward | (356) | 16 | - | - | 473 | 134 | 134 | - |
| Others | 1,008 | (14) | - | (139) | (660) | 195 | 195 | - |
| Tax assets / (liabilities) before set-off | 5,429 | 339 | (343) | (139) | (306) | 885 | 4,763 | (3,878) |
| Set off of tax | | | | | | | (2,910) | 2,910 |
| Net tax assets / (liabilities) | | | | | | | 1,853 | (968) |

**14. Income taxes (continued)**
**(d) Movement in deferred tax balances (continued)**

**2015**

| *In thousands of U.S. Dollars* | **Net balance at 1 January** | **Recognized in profit or loss** | **Recognized in OCI** | **Sale of discontinued operation** | **Effects from movements in exchange rate** | **Balance at 31 December** | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | **Net** | **Deferred tax assets** | **Deferred tax liabilities** |
| Employee benefit plans | 2,837 | 280 | 22 | (1,413) | (146) | 1,580 | 1,580 | - |
| Finance charges on instalment sales | 21 | 69 | - | (53) | (3) | 34 | 34 | - |
| Inventories | 1,078 | 484 | - | (156) | (90) | 1,316 | 1,316 | - |
| Property, plant and equipment | (9,742) | 318 | - | 4,734 | 382 | (4,308) | - | (4,308) |
| Provision | 566 | 244 | - | (96) | (33) | 681 | 681 | - |
| Receivables | 4,231 | 132 | - | (2,835) | (148) | 1,380 | 1,380 | - |
| Tax loss carried forward | (994) | 437 | - | - | 201 | (356) | - | (356) |
| Others | 7,432 | (458) | - | (5,914) | (52) | 1,008 | 1,008 | - |
| Tax assets / (liabilities) before set-off | 5,429 | 1,506 | 22 | (5,733) | 111 | 1,335 | 5,999 | (4,664) |
| Set off of tax | | | | | | | (3,883) | 3,883 |
| Net tax assets / (liabilities) | | | | | | | 2,116 | (781) |

**14. Income taxes (continued)**

**(e) Unrecognized deferred tax assets**

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

| *In thousands of U.S. Dollars* | **2016** | **2015** |
|---|---|---|
| Deductible temporary differences | 149 | 25 |

**15. Inventories**

See accounting policy Note 37(h)

| *In thousands of U.S. Dollars* | **2016** | **2015** |
|---|---|---|
| Raw materials and consumables | 9,569 | 6,272 |
| Work in progress | 1,285 | 1,329 |
| Finished goods | 87,223 | 66,731 |
| | 98,077 | 74,332 |

Impairment losses, their reversal and other write-offs are included in cost of sales.

The Group has recognized a total impairment provision of USD 5,513 thousand (2015 – USD 4,541 thousand) relating to inventory.

At 31 December 2016, inventories with a carrying amount of USD 27,737 thousand (2015: USD 5,738 thousand) are collateralized to secure bank loans (see Note 24).

**16. Trade and other receivables**

See accounting policy Notes 37(l)(i) and (l)(ii)

| *In thousands of U.S. Dollars* | **2016** | **2015** |
|---|---|---|
| Trade receivables | 204,509 | 175,884 |
| Less: Unearned finance charges | (32,426) | (28,198) |
| | 172,083 | 147,686 |
| Other receivables | 14,298 | 8,218 |
| | 186,381 | 155,904 |
| Non-current | | |
| Trade receivables | 43,153 | 44,798 |
| Other receivables | 1,103 | 1,644 |
| | 44,256 | 46,442 |
| Current | | |
| Trade receivables | 128,930 | 102,888 |
| Other receivables | 13,195 | 6,574 |
| | 142,125 | 109,462 |
| | 186,381 | 155,904 |

At 31 December 2016, trade receivables with a carrying amount of USD 19,417 thousand (2015: USD 6,490 thousand) are collateralized to secure bank loans (see Note 24).

The Group has recognized an impairment provision of USD 6,229 thousand (2015 – USD 5,623 thousand) relating to trade receivables.

**16. Trade and other receivables (continued)**

Non-current other receivables as at 31 December 2016 include unsecured, subordinated promissory notes received by the Group as part of the consideration for the sale in 2004 of the Singer worldwide sewing business and the ownership of the Singer and related trademarks (the "SVP Notes"). The SVP Notes are guaranteed by SVP Holdings Limited, the ultimate parent company of the SVP/Viking/Husqvarna and Pfaff international sewing business, and owner of the related trademarks. The interest rate on the SVP Notes is 12% each year, payable semi-annually in arrears. A minimum of 7% of principal is payable in cash and a balance of up to 5% is payable in additional SVP Notes.

Reflecting the subordinated character of the SVP Notes in the highly-leveraged SVP capital structure, the Company's management determined, effective July 1, 2015, to recognize as income only the cash received from the SVP Notes, and to defer recognition of the income received in the form of additional SVP Notes. At June 30, 2015, SVP did not make the minimum cash interest payment of USD 855 thousand then due to the Group pursuant to the terms of the SVP Notes. At that time, the Company's management elected to fix the fair value of the SVP Notes at June 30, 2015, subject to review and possible future adjustments, at USD 12,951 thousand, requiring an impairment charge at that time of USD 10,889 thousand.

While SVP is currently not in default with respect to its amended senior or mezzanine bank credit agreements, these amended agreements prohibit SVP from making any cash interest payments on the SVP Notes. Based on continuing discussions with SVP's management, the Company's management has come to the conclusion that it is now more likely than not that SVP will not be able to repay the SVP Notes at their current maturity date in September 2018, and is unlikely to pay any cash interest on the SVP Notes for the foreseeable future. Consequently, an impairment charge of USD 12,951 thousand, equal to the remaining carrying value of the SVP Notes, was made in December 2015, reducing the carrying value of the SVP Notes to nil. The total impairment loss for the full year 2015 is USD 23,840 thousand. The nominal value of the SVP Notes at December 31, 2015 is USD 30,851 thousand. Going forward, the Group will only recognize income based on any cash actually received as principal or interest payments on the SVP Notes.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 28.

**17. Cash and cash equivalents**

See accounting policy Note 37(l)(ii).

| *In thousands of U.S. Dollars* | **2016** | **2015** |
|---|---|---|
| Bank balances | 16,471 | 59,971 |
| Call deposits | 1,056 | 1,627 |
| Cash and cash equivalents | 17,527 | 61,598 |
| Bank overdrafts | (16,549) | (6,279) |
| Cash and cash equivalents in the statement of cash flows | 978 | 55,319 |

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 28.

**18. Disposal group held for sale**

See accounting policy Note 37(k).

As at the reporting date the Group does not hold any disposal group held for sale.

In December 2015, management committed to a plan to sell all of its shareholding in Singer Pakistan. Accordingly, Singer Pakistan is presented as a disposal group held for sale. The Group sold its entire shareholding in Singer Pakistan in January 2016.

**A. Impairment loss relating to the disposal group**

Impairment loss of USD 4,248 thousand for the write-downs of Singer Pakistan to the lower of its carrying amount and its fair value less costs to sell have been included in "Profit from discontinued operations, net of tax" (see Note 6). The impairment loss has been applied to reduce the carrying amount of property, plant and equipment within Singer Pakistan.

**B. Assets and liabilities of disposal group held for sale**

At 31 December 2015, Singer Pakistan was stated at fair value less costs to sell and comprised of the following assets and liabilities.

| *In thousands of U.S. Dollars* | **2015** |
|---|---|
| Property, plant and equipment | 6,133 |
| Inventories | 3,048 |
| Trade and other receivables | 9,372 |
| Cash and cash equivalents | 721 |
| Other assets | 3,105 |
| Assets held for sale | 22,379 |
| | |
| Trade and other payables | 4,626 |
| Loans and borrowings | 13,929 |
| Other liabilities | 1,499 |
| Liabilities held for sale | 20,054 |

**C. Cumulative income or expenses included in OCI**

There are no cumulative income or expenses included in OCI relating to the disposal of Singer Pakistan.

**D. Measurement of fair value**

***Fair value hierarchy***

The non-recurring fair value measurement for Singer Pakistan of USD 2,325 thousand has been categorised as a Level 2 fair value based on the consideration received from the disposal of Singer Pakistan (see Note 36).

**19. Property, plant and equipment**

See accounting policy Notes 37(i),(l)(ii)and (n).

| *In thousands of U.S. Dollars* | **Land and buildings** | **Leasehold improvements** | **Plant and equipment** | **Fixtures and fittings** | **Under construction** | **Total** |
|---|---|---|---|---|---|---|
| Balance at 1 January 2015 | 50,170 | 12,518 | 21,943 | 12,810 | - | 97,441 |
| Additions | 35 | 1,019 | 1,906 | 1,190 | - | 4,150 |
| Disposals | (12,714) | (1,493) | (3,618) | (1,497) | - | (19,322) |
| Reclassification to assets held for sale | (8,363) | (1,138) | (2,615) | (442) | - | (12,558) |
| Effect of movements in exchange rates | 1,464 | (518) | (2,443) | (901) | - | (2,398) |
| Balance at 31 December 2015 | 30,592 | 10,388 | 15,173 | 11,160 | - | 67,313 |
| | | | | | | |
| Balance at 1 January 2016 | 30,592 | 10,388 | 15,173 | 11,160 | - | 67,313 |
| Additions | 48 | 1,470 | 2,814 | 2,057 | - | 6,389 |
| Disposals | - | (396) | (943) | (267) | - | (1,606) |
| Revaluation of freehold land and building | 5,744 | - | - | - | - | 5,744 |
| Effect of movements in exchange rates | (1,059) | (416) | (883) | (337) | - | (2,695) |
| Balance at 31 December 2016 | 35,325 | 11,208 | 16,312 | 12,624 | - | 75,469 |
| | | | | | | |
| **Depreciation and impairment losses** | | | | | | |
| Balance at 1 January 2015 | 100 | 7,165 | 13,293 | 6,171 | - | 26,729 |
| Depreciation charge for the year | 515 | 1,130 | 1,433 | 1,274 | - | 4,352 |
| Disposals | (1,743) | (1,286) | (2,942) | (1,408) | - | (7,379) |
| Impairment loss | 30 | - | - | - | - | 30 |
| Reclassification to assets held for sale | (274) | (1,000) | (1,438) | (312) | - | (3,024) |
| Effect of movements in exchange rates | 3,708 | (260) | (800) | (435) | - | 2,213 |
| Balance at 31 December 2015 | 2,336 | 5,749 | 9,546 | 5,290 | - | 22,921 |

**19. Property, plant and equipment (continued)**

| *In thousands of U.S. Dollars* | **Land and buildings** | **Leasehold improvements** | **Plant and equipment** | **Fixtures and fittings** | **Under construction** | **Total** |
|---|---|---|---|---|---|---|
| **Depreciation and impairment losses** | | | | | | |
| Balance at 1 January 2016 | 2,336 | 5,749 | 9,546 | 5,290 | - | 22,921 |
| Depreciation charge for the year | 337 | 1,082 | 1,234 | 1,356 | - | 4,008 |
| Disposals | - | (210) | (629) | (244) | - | (1,083) |
| Impairment loss | 29 | - | - | - | - | 29 |
| Reclassification to assets held for sale | - | - | - | - | - | - |
| Effect of movements in exchange rates | (118) | (142) | (335) | (130) | - | (725) |
| Balance at 31 December 2016 | 2,582 | 6,479 | 9,813 | 6,272 | - | 25,150 |
| **Carrying amounts** | | | | | | |
| At 1 January 2015 | 50,070 | 5,353 | 8,650 | 6,639 | - | 70,712 |
| At 31 December 2015 | 28,256 | 4,639 | 5,627 | 5,870 | - | 44,392 |
| At 31 December 2016 | 32,741 | 4,730 | 6,496 | 6,352 | - | 50,319 |

**19. Property, plant and equipment (continued)**

**Measurement of fair values**

***(i) Fair value hierarchy***

The fair value of property was determined by external independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement for all of properties has been categorized as Level 3 fair value based on the inputs to the valuation technique used.

***(ii) Valuation Technique and Significant Unobservable Inputs***

The following table shows the valuation technique used in measuring the fair value of property, as well as the significant unobservable inputs used.

| **Valuation Technique** | **Significant Unobservable Inputs** | **Interrelationship between key unobservable inputs and fair value measurements** |
|---|---|---|
| Contractors Method: The contractor's method works on the basis that a property's value can be equated to its cost. Valuer assesses the cost of the building if it would have constructed in current year, and deduct margin for usage of the property based on their year of construction.<br><br>Land value is based on the market prices of each land respectively. Value of property is considered as summation of land & building value. | • Market value of land: valuer has used a range of prices for respective lands based on their recently transacted cost<br>• Construction cost per square feet of a building<br>• Depreciation rate for the usage of assets | The estimated fair value would increase / (decrease) if:<br>• Market Value was higher / (lower)<br>• Cost per square feet was higher / (lower)<br>• Depreciation rate for usage lower / (higher) |

**Leased plant and machinery**

The Group leases production equipment under a number of finance lease agreements. At 31 December 2016 the net carrying amount of leased plant and machinery was nil. (2015: USD 446 thousand).

**Security**

As at 31 December 2016, properties with a carrying amount of USD 368 thousand (2015: USD 446 thousand) were collateralized to secure bank loans (see Note 24).

**20. Intangible assets and goodwill**

See accounting policy Notes 37(j) and (n)(ii).

| *In thousands of U.S. Dollars* | **Trademarks and Trading License** | **Goodwill** | **Software License** | **Total** |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 January 2015 | 1,275 | 18,252 | 1,448 | 20,975 |
| Acquisitions | - | - | 819 | 819 |
| Effect of movements in exchange rates | (90) | - | (48) | (138) |
| Balance at 31 December 2015 | 1,185 | 18,252 | 2,219 | 21,656 |
| | | | | |
| Balance at 1 January 2016 | 1,185 | 18,252 | 2,219 | 21,656 |
| Acquisitions | - | - | 202 | 202 |
| Effect of movements in exchange rates | (80) | - | (6) | (86) |
| Balance at 31 December 2016 | 1,105 | 18, 252 | 2,415 | 21,772 |
| | | | | |
| **Impairment losses** | | | | |
| Balance at 1 January, 31 December 2015 | - | 12,760 | - | 12,760 |
| Balance at 1 January, 31 December 2016 | - | 12,760 | - | 12,760 |
| | | | | |
| **Amortization** | | | | |
| Balance at 1 January 2015 | 219 | - | 877 | 1,096 |
| Amortization for the year | - | - | 202 | 202 |
| Effect of movements in exchange rates | (19) | | (5) | (24) |
| Balance at 31 December 2015 | 200 | - | 1,074 | 1,274 |
| | | | | |
| Balance at 1 January 2016 | 200 | - | 1,074 | 1,274 |
| Amortization for the year | - | - | 175 | 175 |
| Effect of movements in exchange rates | (4) | - | 4 | - |
| Balance at 31 December 2016 | 196 | - | 1,253 | 1,449 |
| | | | | |
| **Carrying amounts** | | | | |
| At 1 January 2015 | 1,056 | 5,492 | 571 | 7,119 |
| At 31 December 2015 | 985 | 5, 492 | 1,145 | 7,622 |
| At 31 December 2016 | 909 | 5, 492 | 1,162 | 7,563 |

Intangible assets with indefinite useful lives are tested for impairment loss on at least an annual basis.

The recoverable amount of the operating company with goodwill allocated to it was estimated based on the fair value less cost to sell of the operating company, determined based on the closing price of the shares of the operating company listed on its stock exchange at the reporting date

**20. Intangible assets and goodwill (continued)**

The recoverable amounts of trademarks and trade licenses were determined were based on their value in use. The value in use were determine using an income approach based on cash flow projections. The key assumptions were as follows.

Discount rate: 11.5%
Annual sales growth for next five years: 18% - 38%
Terminal growth rate: 2%
Gross margin: 22% - 33%

**21. Equity-accounted investee**

See accounting policies in Note 37(a)(v).

In December 2014, International Appliances Limited ("IAL") was incorporated in Bangladesh. One of the Company's subsidiaries, Singer Bangladesh Limited ("Singer Bangladesh"), acquired 73.85% of IAL. Two partners acquired the remaining 26.15%. Under an option agreement entered into between Singer Bangladesh and one of the partners (currently owning 6.15%), that partner is entitled to purchase 33.85% of the shares in IAL from Singer Bangladesh at a formula price at any time before 1 March 2023. As this partner is likely to exercise its option to purchase the shares in IAL, management believes that Singer Bangladesh does not have control, consequently IAL is being accounted for as an associate.

During 2016 Singer Bangladesh Limited advanced USD 127 thousand with the intention of acquiring a further 10% interest in IAL. However, share transfer has not been taken place as of reporting date. Aforesaid share transaction shall not have any impact to share option agreement between partners.

The table below summarizes the financial information of IAL as included in its own financial statements, prepared under the Group accounting policies. The information presented in the table below includes the results of IAL from 1 January to 31 December 2016.

| *In thousands of U.S. Dollars* | **2016** | **2015** |
|---|---|---|
| Non-current assets | 4,735 | 4,484 |
| Current assets | 2,551 | 254 |
| Current liabilities (excluding amounts due to the Group) | (2,277) | (2,053) |
| Net assets (100%) | 6,009 | 2,685 |
| | | |
| Group's share of net assets (73.85%) | 4,438 | 1,983 |
| Amounts due (from) / to the Group | (816) | 217 |
| Carrying amount of interest in associate | 3,622 | 2,200 |

**22. Capital and reserves**

See accounting policies in Note 37(m).

**(a) Ordinary shares and preferred shares**

| *In thousands of shares* | **Ordinary shares** | | **Preferred shares** | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| On issue at 1 January | 5,293 | 5,300 | - | - |
| Purchased / forfeited | (641) | (9) | - | - |
| On issue at 31 December | 4,650 | 5,291 | - | - |

**22. Capital and reserves (continued)**

As at 31 December 2016, the authorized capital of the Company comprised USD 210 thousand (2015: USD 210 thousand) divided into (a) 20,000,000 ordinary shares with a par value of USD 0.01 per share (the "Shares") 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 8,985,105 Shares, and has acquired 4,334,861 Shares through purchase, forfeiture and pursuant to the terms of the original share distribution plan (542,782 Shares purchased in 2016 and nil in 2015. 98,417 Shares forfeited to the Company in 2016 and 8,939 Shares forfeited to the Company in 2015). Of the shares acquired, 3,643,406 Shares have been cancelled (nil in 2016 and 2015). At 31 December 2016, 691,455 Shares remain as Treasury Shares which are not included as outstanding in the Financial Statements.

All Shares have equal voting rights.

**(b) Nature and purpose of reserves**

**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 land and buildings.

**(c) Distributions**

The following returns of capital were made to owners.

| *In thousands of U.S. Dollars* | **2016** | **2015** |
|---|---|---|
| USD 5.00 per ordinary share (2015: USD 1.00) | 26,458 | 5,291 |
| Acquisition of treasury shares through share premium | 7,569 | - |
| | 34,037 | 5,291 |

**22. Capital and reserves (continued)**
**(d) OCI accumulated in reserves, net of tax**

| *In thousands of U.S. Dollars* | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Translation reserve** | **Revaluation reserve** | **Legal reserve** | **Retained earnings** | **Total** | **Non-controlling interests** | **Total OCI** |
| **2016** | | | | | | | |
| Remeasurement of defined benefit (liability)/ asset | - | - | - | 127 | 127 | 166 | 293 |
| Revaluation of property, plant and equipment | - | 2,335 | - | - | 2,335 | 3,179 | 5,514 |
| Foreign operations – foreign currency translation differences | (1,168) | - | - | - | (1,168) | (2,014) | (3,182) |
| Transfers | - | (235) | - | 235 | - | - | - |
| **Total** | (1,168) | 2,100 | - | 362 | 1,294 | 1,331 | (2,625) |
| **2015** | | | | | | | |
| Remeasurement of defined benefit (liability)/ asset | - | - | - | (35) | (35) | (21) | (56) |
| Revaluation of property, plant and equipment | - | - | - | - | - | - | |
| Foreign operations – foreign currency translation differences | (294) | 279 | (8) | - | (23) | (525) | (548) |
| Transfers | | (189) | (236) | 425 | | | |
| **Total** | (294) | 90 | (244) | 390 | (58) | (546) | (604) |

**23. Capital management**

The Group'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 the profit for the reporting period divided by the total equity at the reporting date, as well as the level of dividends to ordinary shareholders.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's return on capital in 2016 was 15.2% (2015: 12.2%). The weighted-average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) in 2016 was 9.9% (2015: 8.8%).

The Group monitors capital using a ratio of adjusted net debt to total equity. For this purpose, adjusted net debt is defined as total interest-bearing loans and borrowings, and obligations under finance leases, excluding bank overdrafts, less cash and cash equivalents.

| *In thousands of U.S. Dollars* | **2016** | **2015** |
|---|---|---|
| Total loans and borrowings, and obligations under finance leases, excluding bank overdrafts | 156,895 | 121,762 |
| Less: cash and cash equivalents | (17,525) | (55,319) |
| Net debt | 139,370 | 66,443 |
| Total equity | 120,084 | 164,249 |
| **Net debt to total equity ratio** | **1.16** | **0.40** |

**24. Loans and borrowings**

See accounting policies in Notes 37(l)(i), (l)(iii) and (p)

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 28.

| *In thousands of U.S. Dollars* | **2016** | **2015** |
|---|---|---|
| **Non-current liabilities** | | |
| Public deposits | 3,021 | 4,475 |
| Secured bank loans | 2,660 | 921 |
| Unsecured bank loans | 6,653 | 12,140 |
| Secured debentures | 10,565 | - |
| Unsecured debentures | 36,037 | 44,284 |
| | 58,936 | 61,820 |
| **Current liabilities** | | |
| Current portion of finance lease liabilities | - | 2 |
| Public deposits | 17,164 | 18,283 |
| Current portion of secured bank loans | 15,905 | 2,604 |
| Current portion of unsecured bank loans | 52,137 | 30,955 |
| Current portion of unsecured debentures | 12,753 | 8,098 |
| | 97,959 | 59,942 |

**24. Loans and borrowings (continued)**

**(a) Terms and debt repayment schedule**

Terms and conditions of outstanding loans were as follows:

| *In thousands of U.S. Dollars* | | Nominal | Year | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|---|---|---|
| | **Currency** | **Interest rate (%)** | **of maturity** | **Face value** | **Carrying amount** | **Face value** | **Carrying amount** |
| Finance lease liabilities | SLR | 9.0 | 2016 | - | - | 2 | 2 |
| Public deposits | INR | 12.0 | 2017 | 3 | | | 4 |
| Public deposits | SLR | 11.5 | 2017-2021 | 20,182 | 20,182 | 22,754 | 22,754 |
| Secured bank loans | SLR | 9.7 | 2017-2021 | 12,211 | 12,211 | 3,525 | 3,525 |
| Secured bank loans | BTD | 7-7.25 | 2017 | 6,353 | 6,353 | | - |
| Unsecured bank loans | SLR | 8.25-13.5 | 2017-2018 | 58,791 | 58,791 | 43,095 | 43,095 |
| Secured debentures | SLR | 9.95-11.75 | 2017-2020 | 10,565 | 10,565 | | - |
| Unsecured debentures | SLR | 8.6-12.29 | 2017-2019 | 48,790 | 48,790 | 52,382 | 52,382 |
| Total interest-bearing liabilities | | | | 156,895 | 156,895 | 121,762 | 121,762 |

**Security**

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

| *In thousands of U.S. Dollars* | **2016** | **2015** |
|---|---|---|
| Property, plant and equipment | 368 | 446 |
| Inventories | 27,737 | 5,738 |
| Receivables | 19,417 | 6,490 |
| | 47,522 | 12,674 |

**(b) Finance lease liabilities**

Finance lease liabilities are payable as follows:

| *In thousands of U.S. Dollars* | **Future minimum lease payments 2016** | **Interest 2016** | **Present value of minimum lease payments 2016** | **Future minimum lease payments 2015** | **Interest 2015** | **Present value of minimum lease payments 2015** |
|---|---|---|---|---|---|---|
| Less than one year | - | - | - | 2 | - | 2 |
| Between one and five years | - | - | - | - | - | - |
| | - | - | - | 2 | - | 2 |

## 25. Trade and other payables

See accounting policies in Notes 37(l)(i) and (l)(iii).

| *In thousands of U.S. Dollars* | **2016** | **2015** |
|---|---|---|
| Trade payables | 30,645 | 23,244 |
| Non-trade payables and accrued expenses | 38,820 | 32,293 |
| | 69,465 | 55,537 |

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 28.

## 26. Deferred income

Deferred income relates mainly to the extended warranty that the Group entities sell to their customers. The income is deferred and recognized as income over the additional warranty period on a straight-line basis.

The computation to recognize upfront revenue and deferred revenue is based on product categorizations. These categories are based on the past warranty claim patterns and assigns the rates to determine the amount of upfront revenue to be recognized. The remaining balance will be deferred over the warranty period. Each location has different percentages computed as explained.

## 27. Warranty provision

See accounting policies in Note 37(o).

| *In thousands of U.S. Dollars* | **2016** | **2015** |
|---|---|---|
| Balance at 1 January | 1,775 | 2,346 |
| Provisions made during the year | 3,023 | 3,073 |
| Provisions used during the year | (2,784) | (3,644) |
| Balance at 31 December | 2,014 | 1,775 |
| | | |
| Non-current | 308 | 254 |
| Current | 1,706 | 1,521 |
| | 2,014 | 1,775 |

The provision for warranty relates mainly to products sold under warranty. The provision has been estimated based on historical warranty data associated with similar products.

**28. Financial instruments – Fair values and risk management**

**(a) Accounting classifications and fair values**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

**31 December 2016**

| | **Carrying amount** | | | |
|---|---|---|---|---|
| | Loans and receivables | Held to maturity Investments | Other financial liabilities | Total |
| **Financial assets not measured at fair value** | | | | |
| Corporate debt securities | - | 3,873 | - | 3,873 |
| Trade and other receivables | 186,360 | 21 | - | 186,381 |
| Cash and cash equivalents | 17,527 | - | - | 17,527 |
| | 203,887 | 3,894 | - | 207,781 |
| **Financial liabilities not measured at fair value** | | | | |
| Bank overdrafts | - | - | 16,549 | 16,549 |
| Public deposits | - | - | 20,185 | 20,185 |
| Secured bank loans | - | - | 18,564 | 18,564 |
| Trade and other payables * | - | - | 40,096 | 40,096 |
| Unsecured bank loans | - | - | 58,791 | 58,791 |
| Unsecured debentures | - | - | 48,790 | 48,790 |
| Secured debentures | - | - | 10,565 | 10,565 |
| | - | - | 213,540 | 213,540 |

***** Accrued expenses that are not financial liabilities (USD 29,369 thousand) are not included.

**31 December 2015**

***** Accrued expenses that are not financial liabilities (USD 23,422 thousand) are not included.

| | **Carrying amount** | | |
|---|---|---|---|
| | Loans and receivables | Other financial liabilities | Total |
| **Financial assets not measured at fair value** | | | |
| Trade and other receivables | 155,904 | - | 155,904 |
| Cash and cash equivalents | 61,598 | - | 61,598 |
| | 217,502 | - | 217,502 |

**28. Financial instruments – Fair values and risk management (continued)**
**(a) Accounting classifications and fair values (continued)**

| | Carrying amount | | |
|---|---|---|---|
| | Loans and receivables | Other financial liabilities | Total |
| **Financial liabilities not measured at fair value** | | | |
| Bank overdrafts | - | 6,279 | 6,279 |
| Finance lease liabilities | - | 2 | 2 |
| Public deposits | - | 22,758 | 22,758 |
| Secured bank loans | - | 3,525 | 3,525 |
| Trade and other payables * | - | 32,115 | 32,115 |
| Unsecured bank loans | - | 43,095 | 43,095 |
| Unsecured debentures | - | 52,382 | 52,382 |
| | - | 160,156 | 160,156 |

**(b) Financial risk management**
The Group has exposure to the following risks arising from financial instruments:

- credit risk (see (c) (ii))
- liquidity risk (see (c) (iii))
- market risk (see (c) (iv))

**(c) Financial risk management**
***(i) Risk management framework***
The Company's 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 oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of Directors is assisted in its 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 Board of Directors.

***(ii) 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.

The carrying amount of financial assets represents the maximum credit exposure.

**Trade and other receivables**
The Group's exposure to credit risk relates principally to sale of products on installment credit / hire purchase which is an integral part of the business of the Group.

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 country in which customers reside, has a lesser influence on credit risk. Geographically there is no concentration of credit risk.

**28. Financial instruments – Fair values and risk management (continued)**

**(c) Financial risk management (continued)**

***(ii) Credit risk (continued)***

**Trade and other receivables (continued)**

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.

At 31 December 2016, the maximum exposure to credit risk for receivables by geographic region was as follows.

| | Carrying amount | |
|---|---|---|
| *In thousands of U.S. Dollars* | **2016** | **2015** |
| Asian countries | 186,381 | 155,904 |
| Other countries | - | - |
| | 186,381 | 155,904 |

At 31 December 2016, the maximum exposure to credit risk for receivables by type of counterparty was as follows.

| | Carrying amount | |
|---|---|---|
| *In thousands of U.S. Dollars* | **2016** | **2015** |
| Retail customers | 137,684 | 116,951 |
| Wholesale customers | 37,920 | 31,171 |
| Direct sale customers | - | 4,392 |
| Others | 10,777 | 3,390 |
| Total | 186,381 | 155,904 |

***Impairment***

At 31 December 2016, the aging of receivables that were not impaired was as follows.

| *In thousands of U.S. Dollars* | **2016** | **2015** |
|---|---|---|
| Neither past due nor impaired | 161,100 | 137,134 |
| Past due 0-30 days | 10,905 | 12,513 |
| Past due 31-90 days | 7,646 | 8,533 |
| Past due 91-120 days | 3,451 | 981 |
| Past due more than 120 days | 3,279 | 2,299 |
| | 186,381 | 155,904 |

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

**28. Financial instruments – Fair values and risk management (continued)**

**(c) Financial risk management (continued)**

***(ii) Credit risk (continued)***

***Impairment (continued)***

An analysis of the credit quality of trade and other receivables that are neither past due nor impaired is as follows.

| *In thousands of U.S. Dollars* | **2016** | **2015** |
|---|---|---|
| Retail and direct sale customers, and others | 156,409 | 133,256 |
| Wholesale customers with four or more years of trading history with the Group | 2,885 | 2,831 |
| Wholesale customers with less than four years of trading history with the Group | 1,806 | 1,047 |
| | 161,100 | 137,134 |

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

| *In thousands of U.S. Dollars* | **Individual impairments** | **Collective impairments** |
|---|---|---|
| Balance at 1 January 2015 | 88 | 15,011 |
| Impairment loss recognized | 33 | 5,007 |
| Amounts written off | (10) | (14,506) |
| Balance at 31 December 2015 | 111 | 5,512 |
| Impairment loss recognized | 64 | 2,659 |
| Amounts written off | (12) | (2,105) |
| Balance at 31 December 2016 | 163 | 6,066 |

The Group believes that the unimpaired amounts that are past due are still collectible in full, based on historic payment behavior and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

**Cash and cash equivalents**

The Group held cash and cash equivalents, net of bank overdrafts, of USD 976 thousand at 31 December 2016 (2015: USD 55,319 thousand).

**Guarantees**

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

***(iii) Liquidity risk***

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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.

**Exposure to liquidity risk**

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

**28. Financial instruments – Fair values and risk management (continued)**
**(c) Financial risk management (continued)**
***(iii) Liquidity risk (continued)***
***Exposure to liquidity risk (continued)***

**31 December 2016**

| *In thousands of U.S. Dollars* | **Carrying amount** | **Total** | **Contractual cash flow** | | | | |
|---|---|---|---|---|---|---|---|
| | | | **2 months or less** | **2-12 months** | **1-2 years** | **2-5 years** | **More than 5 years** |
| **Non-derivative financial liabilities** | | | | | | | |
| Bank overdrafts | 16,549 | 16,549 | 8,533 | 8,016 | - | - | - |
| Public deposits | 20,185 | 20,185 | 2,141 | 15,024 | 2,717 | 230 | 73 |
| Secured bank loans | 18,564 | 18,564 | 6,753 | 9,151 | 2,536 | 124 | - |
| Trade and other payables | 40,096 | 40,096 | 34,167 | 5,929 | - | - | - |
| Unsecured bank loans | 56,196 | 58,178 | 27,774 | 23,664 | 6,740 | - | - |
| Unsecured debentures | 51,385 | 58,598 | - | 19,452 | 25,056 | 14,090 | - |
| Secured debentures | 10,565 | 10,565 | - | - | - | 10,565 | - |
| | 213,540 | 222,735 | 79,368 | 81,236 | 37,049 | 25,009 | 73 |

**31 December 2015**

| *In thousands of U.S. Dollars* | **Carrying amount** | **Total** | **Contractual cash flow** | | | | |
|---|---|---|---|---|---|---|---|
| | | | **2 months or less** | **2-12 months** | **1-2 years** | **2-5 years** | **More than 5 years** |
| **Non-derivative financial liabilities** | | | | | | | |
| Bank overdrafts | 6,279 | 6,279 | 5,695 | 584 | - | - | - |
| Finance lease liabilities | 2 | 2 | - | 2 | - | - | - |
| Public deposits | 22,758 | 24,822 | 2,292 | 17,649 | 4,651 | 158 | 72 |
| Secured bank loans | 3,525 | 3,811 | 2,426 | 381 | 741 | 263 | - |
| Trade and other payables | 32,115 | 32,115 | 13,790 | 18,325 | - | - | - |
| Unsecured bank loans | 43,095 | 45,444 | 18,968 | 12,492 | 13,984 | - | - |
| Unsecured debentures | 52,382 | 59,041 | 167 | 7,510 | 17,827 | 33,537 | - |
| | 160,156 | 171,514 | 43,338 | 56,943 | 37,203 | 33,958 | 72 |

***(iv) Market risk***
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**28. Financial instruments – Fair values and risk management (continued)**

**(c) Financial risk management (continued)**

***(iv) Market risk (continued)***

**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 in 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.

**Exposure to currency risk**

The significant foreign currency during the year for the Group was the U.S. Dollar held at Bangladesh, India and Sri Lanka, where the functional currencies of the Group entities are the Bangladesh Taka (BDT), Indian Rupee (INR) and Sri Lanka Rupee (SLR), respectively. The Group's exposure to foreign currency risk in terms of notional amounts was as follows.

**Net exposure consists of:**

| *In thousands of U.S. Dollars* | **2016** U.S. Dollar held at | | **2015** U.S. Dollar held at | |
|---|---|---|---|---|
| | Bangladesh | Sri Lanka | Bangladesh | Sri Lanka |
| Secured and unsecured bank loans | - | (10) | - | (10,105) |
| Trade payables | (2,561) | (1,688) | (1,187) | (1,634) |
| **Net statement of financial position exposure** | **(**2,561**)** | **(1,698)** | **(1,187)** | **(11,739)** |
| Next six months forecast purchases | (60,983) | (129,625) | (725) | - |
| **Net forecast transaction exposure** | **(60,983)** | **(129,625)** | **(725)** | **-** |
| **Forward exchange contracts** | **-** | **-** | **-** | **966** |
| **Net exposure** | **(63,544)** | **(131,323)** | **(1,912)** | **(10,773)** |

The following significant exchange rates applied during the year.

| | **Average rate** | | **Reporting date Spot rate** | |
|---|---|---|---|---|
| *U.S. Dollar* | **2016** | **2015** | **2016** | **2015** |
| BDT 1 | 78.79 | 77.95 | 78.70 | 78.50 |
| INR 1 | 67.81 | 102.77 | 67.92 | 104.85 |
| SLR 1 | 149.19 | 135.94 | 150.31 | 144.15 |

**28. Financial instruments – Fair values and risk management (continued)**

**(c) Financial risk management (continued)**

***(iv) Market 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 by the amounts shown below. This analysis assumes that other variables, in particular interest rates and purchases of inventory denominated in U.S. Dollars, remain constant. This analysis is performed on the same basis for 2015 and 2016 as indicated below:

| *In thousands of U.S. Dollars* | **Equity** | **Profit** |
|---|---|---|
| **31 December 2016** | | |
| BDT | (245.16) | (69.08) |
| SLR | (625.62) | (126.06) |
| INR | (76.81) | (11.68) |
| **31 December 2015** | | |
| BDT | (72) | (119) |
| SLR | (1,174) | (1,174) |

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**

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

**Exposure to Interest rate risk**

The interest rate profile of the Group's interest-bearing financial instruments as reported to management of the Group is as follows.

| *In thousands of U.S. Dollars* | **2016** | **2015** |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | 143,169 | 85,417 |
| Financial liabilities | (141,068) | (120,794) |
| | 2,101 | (35,377) |
| **Variable rate instruments** | | |
| Financial assets | 734 | 51,051 |
| Financial liabilities | (41,524) | (8,430) |
| | (40,790) | 42,621 |

**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 and loss. Therefore, a change in interest rate at the reporting date would not affect the consolidated statement of income.

**28. Financial instruments – Fair values and risk management (continued)**

**(c) Financial risk management (continued)**

***(iv) Market risk (continued)***

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

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit by the amounts shown below. This analysis assumes that other variables, in particular foreign currency rates, remain constant.

| *In thousands of U.S. Dollars* | **Profit** | | **Equity, net of tax** | |
|---|---|---|---|---|
| | **100 bp increase** | **100 bp decrease** | **100 bp increase** | **100 bp decrease** |
| **31 December 2016** | | | | |
| **Variable rate instruments** | | | | |
| Cash flow sensitivity | (408) | 408 | (253) | 253 |
| **31 December 2015** | | | | |
| **Variable rate instruments** | | | | |
| Cash flow sensitivity | (426) | 426 | (360) | 360 |

**29. List of group entities**

See accounting policy in Note 36(a).

| **Significant Group entities** | **Country of incorporation** | **The Group's Ownership Interest (Effective Holding) (%) 2016** |
|---|---|---|
| | Cayman Islands | 54.10 |
| Singer Asia Limited | Cayman Islands | 54.10 |
| Singer Bangladesh Limited | Bangladesh | 37.92 |
| Singer India Limited | India | 40.58 |
| Singer (Sri Lanka) PLC | Sri Lanka | 43.11 |
| Singer Finance Lanka PLC | Sri Lanka | 34.70 |

There are no significant restrictions on the ability of the Group's subsidiaries to transfer funds to the parent except for Singer Bangladesh Limited, where, pursuant to an agreement with the Department of Industries of Bangladesh in 1979 when Singer Bangladesh Limited was incorporated, the Company agreed not to remit from Bangladesh any distributions received from certain shares, representing 20% of the capital stock of the Bangladesh company. The accumulated unremitted distributions on these shares, totalling USD 14,591 thousand at 31 December 2016, are presently held by the parent of Singer Bangladesh Limited and are lent to that company

**30. Acquisition and disposal of interests in group entities**

See accounting policy in Note 37(a).

During the first quarter of the period, the Group has fully disposed its equity interest of 70.28% in Singer Pakistan. For the year 2016, the Group disposed its equity interest in Singer Sri Lanka PLC and Singer Bangladesh Limited by 6.43% and 2.67% respectively. In 2016, the Group disposed of its entire shareholding in Brand Trading (Cambodia) Limited. There are no significant acquisitions during the period.

## 31. NCI (Non-controlling interests)

See accounting policies 37(a)(ii)

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations.

**31 December 2016**

| *In thousands of U.S. Dollars* | Singer Asia Ltd | Singer Bangladesh Ltd. | Singer India Ltd. | Singer (Sri Lanka) PLC | Singer Finance (Lanka) PLC | Other individually immaterial subsidiaries and discontinued operations | Intra-group eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| **NCI percentage** | **45.9%** | **62.1%** | **59.4%** | **56.9%** | **65.3%** | | | |
| Non-current assets | 36,560 | 20,505 | 2,258 | 52,856 | 1,117 | | | |
| Current assets | 20,835 | 51,793 | 13,325 | 132,348 | 82,443 | | | |
| Non-current liabilities | - | (4,043) | (47) | (50,606) | (25,317) | | | |
| Current liabilities | (2,115) | (43,494) | (7,778) | (101,680) | (40,836) | | | |
| Net assets | 55,280 | 24,761 | 7,758 | 32,918 | 17,407 | | | |
| **Net assets attributable to NCI** | **25,374** | **15,372** | **4,610** | **18,728** | **11,374** | **17,191** | **(20,739)** | **71,910** |
| Revenue | 1,071 | 114,810 | 54,092 | 268,376 | 14,692 | | | |
| Profit | 543 | 6,977 | 1,180 | 7,713 | 2,845 | | | |
| OCI | - | 733 | (170) | 2,795 | (733) | | | |
| Total comprehensive income | 543 | 7,710 | 1,010 | 10,508 | 2,112 | | | |
| **Profit allocated to NCI** | **249** | **4,331** | **701** | **4,388** | **1,859** | **1,756** | **(2,357)** | **10,929** |
| **OCI allocated to NCI** | **-** | **455** | **(101)** | **1,456** | **(479)** | | | **1,331** |
| Cash flows from / (used in) operating activities | 813 | (3,400) | (581) | (1,463) | (8,440) | | | |
| Cash flows from / (used in) investing activities | 9,402 | (2,812) | (112) | (7,320) | (667) | | | |
| Cash flows from / (used in) financing activities | (31,410) | 1,766 | (239) | 9,080 | 7,236 | | | |
| **Net increase / (decrease) in cash and cash equivalents** | **22,821** | **(4,446)** | **(633)** | **296** | **(536)** | | | |

## 31. NCI (Non-controlling interests) (continued)

**31 December 2015**

| *In thousands of U.S. Dollars* | Singer Asia Ltd | Singer Bangladesh Ltd. | Singer India Ltd. | Singer (Sri Lanka) PLC | Singer Finance (Lanka) PLC | Other individually immaterial subsidiaries and discontinued operations | Intra-group eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| **NCI percentage** | **45.9%** | **60.6%** | **59.4%** | **53.4%** | **62.5%** | | | |
| Non-current assets | 48,901 | 17,847 | 2,299 | 39,297 | 1,067 | | | |
| Current assets | 76,011 | 30,041 | 11,910 | 121,373 | 69,348 | | | |
| Non-current liabilities | - | (19,900) | (25) | (53,041) | (21,991) | | | |
| Current liabilities | (2,775) | (8,432) | (6,999) | (71,062) | (31,438) | | | |
| Net assets | 122,137 | 19,556 | 7,185 | 36,567 | 16,986 | | | |
| **Net assets attributable to NCI** | **56,061** | **11,851** | **4,268** | **19,527** | **10,616** | **11,469** | **(24,187)** | **89,605** |
| Revenue | 1,050 | 88,738 | 45,772 | 244,403 | 13,494 | | | |
| Profit | 17,460 | 4,780 | 1,551 | 5,972 | 3,134 | | | |
| OCI | (105) | (97) | (446) | (2,310) | 655 | | | |
| Total comprehensive income | 17,355 | 4,683 | 1,105 | 3,662 | 3,789 | | | |
| **Profit allocated to NCI** | **8,014** | **2,897** | **921** | **3,189** | **1,959** | **1,942** | **1,355** | **20,277** |
| **OCI allocated to NCI** | **(48)** | **(59)** | **(265)** | **(1,234)** | **409** | **(770)** | **1,421** | **(546)** |
| Cash flows from / (used in) operating activities | 2,887 | 5,682 | 568 | (5,802) | (3,546) | | | |
| Cash flows from / (used in) investing activities | 21,283 | (1,763) | 117 | (3,647) | (376) | | | |
| Cash flows from / (used in) financing activities | (3,041) | (3,164) | (271) | 8,295 | 3,419 | | | |
| **Net increase / (decrease) in cash and cash equivalents** | **21,129** | **755** | **414** | **(1,154)** | **(503)** | | | |

**31. NCI (Non-controlling interests) (continued)**

In March and June, the Group acquired an additional 1.72% and 2.44% interest in Singer Industries (Ceylon) PLC for USD 192 thousands, increasing its ownership form 83.55% to 87.72%. The carrying amount of Singer Industries Ceylon PLC's net assets in the Group consolidated financial statements was USD 6,774 thousands and USD 6,845 thousands on the respective acquisition dates. The Group recognized a decreasing NCI of USD 290 thousands, decreasing retained earnings of USD 98 thousands.

**32. Operating leases**

See accounting policy in Note 37(p).

**Leases as lessee**

The Group leases a number of shops, warehouses 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 2016, USD 421 thousand was recognized as an expense in the income statement in respect of operating leases (2015: USD 880 thousand).

***(i) Future minimum lease payments***

At 31 December, the future minimum lease payments under non-cancellable lease rentals are payable as follows.

| *In thousands of U.S. Dollars* | **2016** | **2015** |
|---|---|---|
| Less than one year | 229 | 305 |
| Between one and five years | 332 | 241 |
| | 561 | 546 |

***(ii) Amounts recognized in profit or loss***

| *In thousands of U.S. Dollars* | **2016** | **2015** |
|---|---|---|
| Lease expense | 421 | 880 |

**33. Capital commitments**

As at 31 December 2016, the Group was committed to incur capital expenditure of USD 535 thousand to acquire plant and equipment (2015: USD 85 thousand).

**34. Contingencies**

See accounting policy in Note 37(o).

The Group 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 Group believes that any costs resulting from environmental matters known to it will not have a material adverse impact on the group financial position, results of operations or liquidity.

Singer (Sri Lanka) PLC has provided bank guarantees amounting to USD 1,610 thousands to Director General of Customs to clear imports during the years 2008 to December 2016. The Bank guarantee related to alleged additional duty payable on imports, claimed by the customs and is being contested by Singer (Sri Lanka) PLC in courts.

**34. Contingencies (continued)**

Singer (Sri Lanka) PLC being aggrieved by the decision has filed an appeal, which is pending before the Supreme Court. Singer (Sri Lanka) PLC lawyers are of the opinion that there is no basis that Singer (Sri Lanka) PLC is liable for the additional duty and hence, no provision is made in the Financial Statements.

Commissioner General of Inland Revenue has issued assessment notices on Singer (Sri Lanka) PLC pertaining to an additional VAT Liability/Payment on account of Deemed VAT for seven quarters for the period 1st January 2014 to 30th September 2015. The assessment was for a Deemed VAT payment of USD 7,160 thousands and Penalty of USD 2,810 thousands totaling to USD 9,970 thousands.
Singer (Sri Lanka) PLC after carefully reviewing the advice of tax consultants, is of the opinion that there is no basis for Singer (Sri Lanka) PLC to be made liable for Deemed VAT, hence, no provision has been made in the Financial Statements. Singer (Sri Lanka) PLC previously sought a clarification from the Inland Revenue Department on the interpretation of the Act, but Inland Revenue department did not respond to the request. Singer (Sri Lanka) PLC has appealed against the VAT assessment, requesting to cancel the notice of assessment. Deemed VAT is removed with effect from 1st January 2016 under VAT Amendment Act No. 20 of 2016.

Claims against Singer India Limited not acknowledged as debts pending appellate/judicial decisions were aggregately amounted to USD 1,481 thousands as at the reporting date.

**35. Related parties**

**Transactions with key management personnel**

***(i) Loan to a Sewko Director***

During 2013, an unsecured loan of USD 1,864 thousand was made to a Sewko director to exercise his remaining 28,904 outstanding stock options in Singer Asia Limited, subsequently converted to shares in Sewko Holdings Limited. The loan is repayable at the earlier of his resignation, termination of employment for cause or at the fifth anniversary of the grant of the loan (extendable in certain circumstances up to a maximum of seven years). Any dividends on the shares received from the exercise of these options must be used to repay the loan. The loan would be forgiven (to the extent still outstanding) in three equal instalments following closing of a transaction (as defined). At 31 December 2016, the balance outstanding was USD 1,644 thousand (2015: 1,644 thousand) and is included in "trade and other receivables" (see Note 16).

***(ii) Key management personnel compensation***

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

| *In thousands of U.S. Dollars* | **2016** | **2015** |
|---|---|---|
| Short-term employee salaries and benefits | 3,459 | 2,103 |
| Other long-term benefits | 1,223 | 235 |
| | 4,682 | 2,338 |

Key management personnel and directors of the company hold 12.01% of the voting shares of the Company. Additionally, four family trusts of Mr.Stephen H.Goodman hold an additional 17.6% of the voting shares.

**36. Subsequent events**

No circumstances have arisen since the reporting date which would requireadjustemnts or disclosures in the financial statement, other than disclosed below;

The Group is considering the disposal of additional shares in the public market in 2017, subject to market Conditions, of Singer Bangladesh, Singer India and Singer Sri Lanka.

**37. Significant accounting policies**

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.



**(a) Basis of consolidation**

*(i)* ***Business combinations***

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see (a)(iii)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see (k)(ii)). Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

*(ii)* ***Non-controlling interests ("NCI")***

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

*(iii)* ***Subsidiaries***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

**37. Significant accounting policies (continued)**

**(a) Basis of consolidation (continued)**

*(iii)* ***Subsidiaries (continued)***

Transactions that result in changes in ownership interests while retaining control are accounted for as transactions with owners in their capacity as owners. Any gain or loss on such changes is recognized in equity.

*(iv)* ***Loss of control***

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

*(v)* ***Interests in equity-accounted investee***

The Group's interests in equity-accounted investee comprises interests in an associate.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

*(vi)* ***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised 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 companies at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognized in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

*(ii)* ***Foreign operations***

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to U.S. Dollars at the 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 of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary, but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

**37. Significant accounting policies (continued)**

**(b) Foreign currency (continued)**

*(ii)* ***Foreign operations (continued)***

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item form part of the net investment in the foreign operation. Accordingly, such differences are recognized in OCI and accumulated in the translation reserve.

**(c) Discontinued operations**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

**(d) Revenue**

*(i)* ***Sale of goods***

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, 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. Revenue is measured net of returns, trade discounts and volume rebates.

*(ii)* ***Finance charges***

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

*(iii)* ***Services***

Revenue from rendering of services is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed with reference to surveys of work performed.

*(iv)* ***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 revenue.

*(v)* ***Commissions***

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

**(e) Employee benefits**

*(i)* ***Short-term employee benefits***

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid 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.

**37. Significant accounting policies (continued)**

**(e) Employee benefits (continued)**

*(ii)* ***Share-based payment transactions***

The grant-date fair value of options granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of 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 is based on the number of options that meet the related service and non-market performance conditions at the vesting date.

*(iii)* ***Defined contribution plans***

Obligations for contributions to defined contribution pension plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

*(iv)* ***Defined benefit plans***

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 the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to 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. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense /(income) on the net defined benefit liability / (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability / (asset), taking into account any changes in the net defined benefit liability / (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

*(v)* ***Other long-term employee benefits***

The Group's net obligation in respect of long-term employee benefits 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. Remeasurements are recognized in profit or loss in the period in which they arise.

*(vi)* ***Termination benefits***

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be wholly settled within 12 months of the end of the reporting period, then they are discounted.

**(f) Finance income and finance costs**

The Group's finance income and finance costs include:

- Interest income;
- Interest expense;
- dividend income; and
- The foreign currency gain or loss on financial assets and financial liabilities.

**37. Significant accounting policies (continued)**

**(f) Finance income and finance costs (continued)**

Interest income or expense is recognized using the effective interest method. Dividend income is recognised in profit and loss on the date on which the Group's right to receive payment is established.

**(g) Income tax**

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

*(i)* ***Current tax***

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

*(ii)* ***Deferred tax***

Deferred tax is recognized in respect of 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:

- temporary differences on 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;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credit and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. 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.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

**(h) Inventories**

Inventories are measured at the lower of cost and net realizable value.

The cost of inventory is based on the weighted average principle.

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 estimated costs necessary to make the sale.

**37. Significant accounting policies (continued)**

**(i) Property, plant and equipment**

*(i)* ***Recognition and measurement***

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses except for land and buildings which are measured at fair value. Revaluations are made with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values at the reporting 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 impairment 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. The cost of self-constructed assets includes the following:

- The cost of materials and direct labour;
- Any other costs directly attributable to bringing the assets to a working condition for their intended use;
- When the Group has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalized borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

If significant 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.

Any gains and losses on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

*(ii)* ***Subsequent expenditure***

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

*(iii)* ***Depreciation***

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another 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.

**37. Significant accounting policies (continued)**

**(i) Property, plant and equipment (continued)**

*(iii)* ***Depreciation (continued)***

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

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

**(j) Intangible assets**

*(i)* ***Goodwill***

Goodwill that arises upon the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see Note 33(a)(i).

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 and trading license***

The useful lives of the trademarks and trading license are determined after considering the specific facts and circumstances related to each trademark and license. Factors that are taken into account when determining useful lives include the contractual term of any agreement related to the trademark and the license, its historical level of acceptance and performance, the Company's long-term strategy for using the trademark and the license, any laws or other local regulations which could impact its useful life, and other economic factors, including competition and specific market conditions.

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

*(iii)* ***Other intangible assets***

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

*(iv)* ***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.

*(v)* ***Amortization***

Except for goodwill and trademark, intangible assets are amortized on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative years are as follow:

- Software 10 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**37. Significant accounting policies (continued)**

**(k) Assets held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying value and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

**(l) Financial instruments**

The Group classifies non-derivative financial assets into following categories: loans and receivables and cash and cash equivalents.

*(i)* ***Non-derivative financial assets and financial liabilities – recognition and derecognition***

The Group initially recognises loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred assets. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

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

Financial assets and liabilities are offset and the net amount presented in the consolidated 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.

*(ii)* ***Non-derivative financial assets - measurement***

*Receivables*

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 amortized cost using the effective interest method, less any impairment losses.

Receivables comprise trade and other receivables.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

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 consolidated statement of cash flows.

**37. Significant accounting policies (continued)**

**(l) Financial instruments (continued)**

*(iii)* ***Non-derivative financial liabilities - measurement***

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

**(m) Share capital**

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.

**(n) Impairment**

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

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes 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.

**Financial assets measured at amortized cost**

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. Those 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, the 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 lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*(ii)* ***Non-financial assets***

At each reporting date, the Group reviews carrying amounts of its non-financial assets, other than inventories and deferred tax assets, 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.

For impairment testing, assets 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"). Goodwill arising from a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

**37. Significant accounting policies (continued)**

**(n) Impairment (continued)**

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

**(o) Provisions**

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 recognized when the underlying products are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

**(p) Leases**

*(i)* ***Determining whether an arrangement contains a lease***

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Group's incremental borrowing rate.

*(ii)* **Leased assets**

Assets held by the Group under leases that transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially 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 assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Group's consolidated statement of financial position.

*(iii)* **Lease payments**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, 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.

## 38. New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and early adoption is permitted, however, the Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

| New or amended standards | Summary of the requirements | Possible impact on consolidated financial statements |
|---|---|---|
| IFRS 9 *Financial Instruments* | IFRS 9, published in July 2015, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.<br><br>IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. | The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. |
| IFRS 15 *Revenue from Contracts with Customers* | IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.<br><br>IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. | The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15. |

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Disclosure Initiative (Amendments to IAS 7).
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
- IFRS 16 Leases