COVER SHEET

CS200705607

SEC Registration Number

SSI GROUP, INC. AND SUBSIDIARIES

(Company's Full Name)

6/F Midland Buendia Building 403 Senator Gil Puyat Avenue, Makati City

(Business Address: No. Street City/Town/Province)

Ms. Rossellina J. Escoto

(Contact Person)

8890-8034

(Company Telephone Number)

12 **31**

Month *Day*

(Calendar Year)

17-A

(Form Type)

June 15

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

54

Total No. of Stockholders as of 31 December 2021

Total Amount of Borrowings

Domestic	Foreign
₱5,935 million	**Not Applicable**

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SEC Number CS200705607
File Number ____________

SSI Group, Inc.
(Company's Full Name)

6/F Midland Buendia Building
403 Senator Gil Puyat Avenue, Makati City
(Company's Address)

(632) 8890-8034
(Telephone Number)

December 31, 2021
(Fiscal Year Ending)
(Month & Day)

SEC FORM 17-A
(Form Type)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2021**

2. SEC Identification Number **CS200705607**

3. BIR Tax Identification No. **006-710-876**

4. Exact name of issuer as specified in its charter **SSI Group, Inc.**

5. Province, Country or other jurisdiction of incorporation or organization: **Makati City, Philippines**

6. Industry Classification Code: SEC Use Only)

7. Address of principal office: **6/F Floor Midland Buendia Building, 403 Senator Gil Puyat Avenue, Makati City** Postal Code: **1200**

8. Issuer's telephone number, including area code: **(632) 8890-8034**

9. Former name, former address, and former fiscal year, if changed since last report: **N/A**

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding
Common Shares	**3,298,408,430**

Amount of consolidated debt outstanding debt as of December 31, 2021: ₱5,935 million

11. Are any or all of these securities listed on a Stock Exchange?

Yes [√] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange - Common Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [√] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days

Yes [√] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates: Approximately ₱1.1 billion (based on the closing price of SSI Group, Inc. common shares as of May 06, 2022 and outstanding shares owned by the public as of December 31, 2021).

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission. **Not applicable**

    Yes [ ]   No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. Briefly describe documents incorporated by reference and identify the part of the SEC Form 17-A into which the document is incorporated:

    2021 Consolidated Financial Statements of SSI Group, Inc. and Subsidiaries

TABLE OF CONTENTS

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

BACKGROUND

SSI Group, Inc. (the "Company") with its subsidiaries (collectively "SSI" or the "Group") is the leading specialty retailer in the Philippines with an extensive portfolio of established international brands. The Group's portfolio caters to all aspects of a quality lifestyle and is supported by a nationwide strategic retail presence. SSI leads the Philippine specialist retail market in terms of the size and breadth of its international brand portfolio and store footprint. As of December 31, 2021, SSI's retail network consists of 525 stores located within approximately 79 major malls across the Philippines, including Metro Manila, Luzon, Visayas and Mindanao, with a total gross selling space of approximately 104,192 square meters.

While the Company was incorporated on April 16, 2007, the Group effectively began operations in 1987 through its subsidiary, Stores Specialists, Inc. The Group is the pioneer in introducing globally recognized brands through specialty store retailing to the Philippine market and continues to do so actively. The merchandise sold in its strategically located network of stores covers a broad range of categories and brands, from luxury and bridge apparel to casual wear and fast fashion, footwear, accessories and luggage, food, home and décor, and beauty and personal care. SSI represented 93 brands as of December 31, 2021, as listed in page 16 of this report. SSI's broad portfolio of international brands and retail formats targets the mid-to-upper tiers of the domestic consumer spectrum, positioning the Group to further capitalize on the macro-economic trends of increasing consumer spending and growing disposable income across the higher-income to middle-income segments in the Philippines. Always attuned to the evolving needs and desires of the Filipino consumer, the Group has actively transformed its business over time to capture a wider range of customers and consumer spending opportunities.

Brand management and specialty retailing is the Group's principal business. SSI believes that it has one of the largest and most attractive brand portfolios, comprising, among others, such well-known brands as Hermès, Gucci, Cartier, and Salvatore Ferragamo for premium luxury apparel and accessories, Zara, Bershka, Stradivarius, Pull&Bear, and Old Navy for popular fast fashion, Lacoste and Gap for casual wear, SaladStop! and Shake Shack for high-quality food and beverage selections, Samsonite for stylish travel and luggage offerings, and MUJI, Pottery Barn and West Elm for modern home furnishings and accessories. The Group believes that its proven track record and ability to provide brand principals an integrated offering of brand development and management services, which are geared toward building a strong and sustainable retail presence in prime locations, makes it the Philippine partner of choice. SSI's strong track record of brand agreement renewals with brand principals is testimony to its success as a retail operator and ability to protect and promote the integrity of international brands in the local market.

The Group's position as exclusive franchisee of such well-known and prestigious international brands and its extensive and diversified portfolio enable it to secure prime retail space appropriate to the brands, as mall operators are generally eager to have SSI's brands included in their list of retail offerings. SSI is one of the first companies that landlords approach when it comes to selecting tenants for their new mall developments, as SSI's portfolio breadth allows it to anchor and populate a retail development according to the developer's vision. Store selection features significantly in SSI's development and management of the brands, as it takes care to ensure the stores of each brand are situated in areas frequented by its targeted customer demographic and that the surroundings are suitable and complementary to the characteristics of the brand. For example, its luxury brand stores are only located in premium upmarket malls in central business districts aimed at sophisticated and affluent customers of all age groups looking for the best in fashion and lifestyle products. In summary, SSI believes that its synergistic relationship with retail developers significantly strengthens its ability to position the brands effectively in the Philippine market.

COMPETITIVE STRENGTHS

The market leader in specialty retailing with a nationwide strategic presence

SSI is the leading specialty retailer in the Philippines by size of international brand portfolio and store footprint. Established in 1987, but with a retail pedigree dating back to the founding of the Rustan's Group in 1951, the Group has benefited from a first mover advantage in developing standalone specialty stores for an increasingly diverse range of international brands in the Philippine market. SSI's extensive nationwide retail footprint consists of 525 directly-operated stores spread across approximately 83 major malls throughout the Philippines.

SSI's portfolio of international brands and footprint of stores has grown significantly since it commenced its retail operations in the Philippines and opened its first international branded retail store in 1988. Since then, SSI has leveraged its experience and expertise in retail operations and deep resources to expand its international offerings to Philippine consumers and establish its leading retail presence in the local market.

The Group believes that its leading market position in specialty retailing of international brands, broad brand portfolio, strategic store footprint and brand-centric management and execution capabilities favorably position it to capitalize on consumer trends.

Broad international brand portfolio that is highly attractive to both consumers and brand principals

The Group carries, on an exclusive basis, many of the world's elite and highly-anticipated up-and-coming international brands and products that appeal to increasingly discerning Filipino consumers. SSI's broad brand portfolio covers a wide range of distinctive merchandise across the market categories of luxury and bridge, casual wear, and fast fashion, and offering an extensive product range of apparel, footwear, accessories and luggage, food and dining, home and personal care — all targeting the lucrative and growing middle- to higher-income market in the Philippines. Furthermore, SSI has developed its own in-house concept store brands, "Beauty Bar," and "MakeRoom & More," in the personal care and home solutions categories, respectively, to carry both its own and also third-party brands, many of which are exclusive to it in the Philippine market. In an environment of rapidly changing consumer trends, SSI benefits from a balanced mix of well-established and newer international retail offerings that enable it to broaden its appeal across different segments of customers and provide them with retail choices at various price points. This balance drives sustainable growth for the Group's overall business.

The Group believes that the size and breadth of its brand portfolio and the competitive advantages it derives from the strength of its retail operations make it attractive to brand principals considering entry into the Philippine market. The Group believes that new brand principals take comfort in its proven track record of understanding the local market and connectivity to the Philippine consumer, and therefore what it takes for an international brand to be successful in the Philippines, as illustrated by the breadth of its brand portfolio, the longevity of its relationships with its major brand principals — some for as long as nearly three decades — and the breadth and quality of the store footprints it has developed for its brands.

Extensive network of directly-managed stores with strategic geographic coverage that is difficult to replicate

The Group believes that its specialty stores enjoy a footprint of prime locations across the Philippines that would be challenging to replicate. SSI stores are strategically located within malls, typically situated in urban areas with high foot traffic, such as central business districts and major metropolitan shopping districts, which attract a steady flow of target customers. The Group's store network includes tenancies in the major shopping centers in Metro Manila as well as new mall developments in other growth cities outside of Metro Manila that are complementary to its international brands. As SSI has no exclusivity arrangements with any one mall developer, SSI is able to gain access to most major mall developments in the country and select store sites according to the suitability of the retail space in terms of catchment area, customer demographics and image for its brands.

As the dominant player in the Philippine specialty retailing segment, the Group believes that it is a key tenant of all the major landlord groups and mall developers in terms of total leased floor area. SSI's current market presence, as well as its ability to impact mall developments by offering a uniquely broad portfolio of retail offerings, assists it to secure strategic locations for its brands in terms of access to targeted customer demographics and neighboring developments. Moreover, the breadth of SSI's international brand portfolio, valued and sought after by mall operators, provides SSI with the advantage of being a "tenant of choice," increasing its ability to gain attractive placements for its brands in new retail developments. The Group believes that its ability to secure prime locations is one of the factors that enable it to successfully develop the Philippine businesses of the Group's brand principals. The Group also believes that its ability to develop its existing brands makes it the preferred partner for new brand principals seeking entry into the Philippine retail market.

As of December 31, 2021, the Group's specialty store network of international brands was the largest in the country, with approximately 525 stores, representing a total gross selling space of 104,192 square meters. 414 stores are located in Metro Manila, 50 in Luzon (excluding Metro Manila), 33 in Visayas and 28 in Mindanao. SSI stores are located in prime retail space where consumer traffic is generally the most concentrated and brand visibility is the highest. The scale of SSI's network testifies to the Group's success and strength in constructing and operating specialty stores for international brand principals, which in turn facilitate its negotiations for favorable store-related arrangements, allowing for realization of cost savings and greater efficiencies in its store development processes.

Proven brand-centric execution capabilities that have cemented the Group's growing and long-standing relationships with brand principals

The Group's integrated operational approach to brand and store management is a key success factor in the development and operation of SSI's business. Leveraging the extensive resources, know-how and expertise, SSI operates an efficient and effective structure of specialized brand-centric teams led by experienced brand-merchandising managers. These professionals are supported, in turn, by the spectrum of centralized operational divisions, including the Group's capabilities and resources in sales and marketing, customer relationship management, construction and engineering, finance, information technology and human resources. The coordination between SSI's individual brand teams and its centralized divisions drives the Group's effectiveness and efficiency in bringing the brands to market, developing their local store footprint, and establishing their retail presence in the Philippines. The Group believes that its well-structured processes allow it to realize benefits of scale from SSI's shared resources, thus optimizing the Group's execution capabilities and allowing it to achieve operational efficiencies, while tailoring its expertise and focus to the requirements of SSI's brand principals.

The Group offers a unique strength in understanding and selecting international brand merchandise for the local market. Most of SSI's brand principals adopt a "pull" merchandising model and sales performance of SSI stores depends largely on the Group's ability to select and purchase the most suitable mix of merchandise from each brand to suit the needs and preferences of the local market. To achieve this, SSI's in-depth understanding not only of consumers and market segments in the Philippines but also of the brands themselves — from their history, principles and values, to their merchandise and image — is critical. Through the regular interaction and active management of the Group's relationships with brand principals, SSI receives early information on and access to international developments relating to the Group's brands, usually six to eight months ahead of the local market. The Group's international buying trips, made in accordance with each brand's seasonal schedules, provide SSI with intensive exposure to upcoming retail trends on a worldwide basis. Combining this "first look" advantage with the Group's knowledge of the Philippine retail market, SSI refines its merchandising targets and strategies to ensure that the Group is purchasing and importing the optimal mix of merchandise to generate customer sales.

Highly experienced management team with significant expertise

The Group's senior management team has deep experience across a broad range of disciplines in the specialty retail industry, including sales, marketing, merchandising, operations, logistics, IT, real estate, finance and human resources. Mr. Anthony T. Huang, SSI's President, with his Rustan's Group and Tantoco family heritage, has extensive experience running branded consumer as well as retail-oriented businesses. He has been instrumental to the growth of the Group over the past two decades. The Group's Executive Vice President and Vice Presidents are industry veterans with in-depth understanding of the Philippine market, and possess on average 20 years of experience in their respective fields. SSI's merchandising group is comprised of brand-merchandising managers, many of whom have been with SSI for an average of ten to 15 years and have acted as brand-merchandising managers of "their" brands since the inception of these brand relationships.

The quality of SSI's store personnel is likewise a key factor to the Group's success. As such, the Group takes care in selecting and appointing competent store managers who are well-educated and experienced with international brand retailing, and are trained to be familiar with the relevant brand policies and guidelines on daily store operations. To enhance the provision of quality services to the Group's customers, SSI also provides regular training to its retail staff, including courses on store operation skills, marketing skills and product knowledge conducted by the Group's brand principals.

Growing e-commerce presence

As of the end of 2021, the Group was operating eleven (11) e-commerce sites, giving it a diverse e-commerce presence. The Group expects to be able to capitalize on its existing brand portfolio by continuing to build out its e-commerce capabilities. The Group's brand portfolio allows it to make available online unique merchandise that is not available on other domestic e-commerce sites.

ANY BANKRUPTCY, RECEIVERSHIP OR SIMILAR PROCEEDING

The Company has not been into any bankruptcy, receivership or similar proceedings since its incorporation.

ANY MATERIAL RECLASSIFICATION, MERGER, CONSOLIDATION, OR PURCHASE OR SALE OF A SIGNIFICANT AMOUNT OF ASSETS NOT IN THE ORDINARY COURSE OF BUSINESS

MERGER OF LUXURY CONCEPTS, INC. AND SPECIALTY LIFESTYLE CONCEPTS, INC. (FORMERLY CASUAL CLOTHING RETAILERS, INC.)

On July 24, 2018, the Philippine SEC approved the merger of Luxury Concepts, Inc. and Specialty Lifestyle Concepts, Inc. ("SLCI"), with SLCI as the surviving company. The merger took effect on August 1, 2018. This structural reorganization was made to simplify the Group's financial reporting requirements as well as to maximize efficiencies within the Group.

In addition, the Philippine SEC also approved the change in CCRI's corporate name from "Casual Clothing Retailers, Inc." to "Specialty Lifestyle Concepts, Inc." The change in company name was also approved by the SEC on July 24, 2018.

BUSINESS OF THE GROUP

OVERVIEW

The Group's principal business is the management and operation of international lifestyle brands through stores situated in prime retail space in the Philippines. SSI's brand portfolio can be broadly classified into five categories: (1) luxury and bridge, (2) casual, (3) fast fashion, (4) footwear, accessories and luggage, and (5) others. As of December 31, 2021, SSI managed 93 brands through a nationwide retail footprint of approximately 525 stores.

In August 2015, the Group entered the growing travel retail market in the Philippines through the acquisition of a 50% stake in Landmark Management Services, Ltd. (LMS). LMS is a company specializing in travel retail concepts with existing supply and management agreements for travel retail stores at airport and downtown locations in the Philippines.

The Group also has a growing e-commerce presence and currently operates eleven (11) e-commerce websites, namely: (1) payless.ph, (2) lacoste.com.ph, (3) beautybar.com.ph, (4) bananarepublic.com.ph, (5) gap.com.ph, (6) dunelondon.ph. (7) superga.ph, (8) lush.com.ph, (9) zara.com/ph, (10) marksandspencer.com.ph, and (11) trunc.ph.

Specialty retailing accounts for all of the Group's revenues while gains and losses from its joint ventures are recorded under "Share in net income (losses) of joint ventures". Please refer to the attached financial statements of the Group as of December 31, 2021 and 2020 and for each of the three years ended December 31, 2021, 2020, and 2019 for more information.

The following table sets out the Company's subsidiaries as of December 31, 2021 together with their corresponding dates of organization:

Subsidiary Name	Date of Organization	Percentage Ownership	
		Direct	Indirect
Stores Specialists, Inc.	December 9, 1987	100	-
Rustan Marketing Specialists, Inc.	September 13, 1996	–	100
International Specialty Concepts, Inc.	June 3, 2005	–	100
Rustan Specialty Concepts, Inc.	August 24, 2005	–	100
Specialty Office Concepts, Inc.	July 16, 2008	–	100
Specialty Investments, Inc.	February 13, 2008	–	100
International Specialty Fashions, Inc.	November 26, 2008	–	100
Footwear Specialty Retailers, Inc.	July 16, 2008	–	100
Global Specialty Retailers, Inc.	August 9, 2011	–	100
Specialty Food Retailers, Inc.	June 25, 2012	–	100
International Specialty Retailers, Inc.	November 29, 2012	–	100
International Specialty Wear, Inc.	November 29, 2012	–	100
Fastravel Specialists Holdings, Inc.	February 21, 2013	–	100
International Specialty Apparel, Inc.	October 8, 2013	–	100
Specialty Lifestyle Concepts, Inc. (formerly Casual Clothing Retailers, Inc.)	January 10, 2014	–	100
SKL International, Ltd.	July 16, 2015	–	100

The following table further describes the Group's brand categories and product offerings:

Category	Description	Products
Luxury	Exclusive, prestigious brands which cater to the high-end luxury market. Examples are Hermès, Gucci, Salvatore Ferragamo and Cartier.	Apparel, footwear, timepieces, jewelry and accessories
Bridge	Affordable luxury brands that specifically target younger customers. Examples are Kate Spade, Michael Kors and Tory Burch.	Apparel, footwear and accessories
Casual	Can be used to describe a variety of styles, but brands in this category design informal clothing that usually emphasizes comfort. Examples are Gap and Lacoste.	Apparel, footwear and accessories
Fast Fashion	Affordable names and collections which are the result of runway designs moving into stores in the fastest possible way to respond to the latest trends. Examples are Zara, Stradivarius, Bershka, Pull&Bear Marks & Spencer and Old Navy.	Apparel, footwear and accessories
Footwear, Accessories and Luggage	Brands that focus only on collections of shoes, accessories, and luggage. Examples are Payless ShoeSource, Steve Madden, Dune, and Samsonite.	Footwear, accessories and luggage

Category	Description	Products
Others	Include: ***Home*** - Brands that cater to home furnishings and accessories, and interior design items. Examples are Pottery Barn, West Elm and MakeRoom & More. ***Food*** **-** Food brands such as SaladStop! and Shake Shack. ***Personal Care*** **-** Brands which manufacture products dedicated to health and beauty, including perfume, sunscreen, nails hair and skin care products and cosmetics. Examples are L'Occitane, Lush, Beauty Bar and MAC Cosmetics.	Furniture, food and beverage, and cosmetics

The table below sets out revenues by category as well as their respective percentage contribution for the years ended December 31, 2019, 2020 and 2021.

In PhP Millions	**For the years ended December 31**					
	2019	**(%)**	**2020**	**(%)**	**2021**	**(%)**
Luxury and Bridge	6,588	29.5	4,527	37.0	6,563	42.4
Casual Wear	3,140	14.0	1,798	14.7	2,480	16.0
Fast Fashion	6,853	30.6	3,198	26.2	3,711	24.0
Footwear, Accessories and Luggage	2,405	10.8	902	7.4	924	6.0
Others	3,379	15.1	1,797	14.7	1,790	11.6
Total Revenues	**22,366**		**12,222**		**15,468**	

FOREIGN SALES

As of December 31, 2021, the Group generated no foreign sales.

PATENTS, TRADEMARKS, LICENSES, FRANCHISES, ETC.

Substantially all of the Group's brand arrangements are in the form of exclusive franchise or distribution agreements with brand principals, pursuant to which SSI provides comprehensive retail management services, and acquire the right to construct, manage and operate customized stores for its brands in the Philippines. SSI's senior management is responsible for overseeing the overall development of the brands' retail operations in the Philippines, including the formulation of initial business plans and strategies with brand principals. In addition, SSI assigns to each brand a brand-merchandising manager who has primary responsibility for the day-to-day execution of all aspects of the relevant brand arrangements with the respective brand principal.

SSI is generally responsible, with strategic guidance from its brand principals, for all aspects of the brands' Philippine businesses, including the selection of store sites, construction and fitting-out of the stores, marketing and promotions, merchandising, pricing and after-sales service. SSI's brand principals provide operational support in the form of promotional materials, signage, design schemes, construction parameters and store personnel training, amongst others. The Group maintains close working relationships with its brand principals to ensure that its stores adhere to strict standards and that SSI's brand management services properly convey their images.

Under the Group's brand agreements, SSI must source the merchandise sold in its stores directly from its brand principals or their approved suppliers. In addition to minimum advertising and product purchase spend obligations, SSI has a number of further obligations under the brand agreements, including ensuring that SSI's stores are constructed and periodically refurbished in accordance with the standards mandated by its brand principals. All such construction and refurbishment costs are borne by the Group. Pursuant to the terms of its brand agreements, the Group is required to obtain the necessary business licenses and permits for store operations, and is responsible for compliance with applicable local laws and regulations. Substantially all of the Group's brand agreements grant it exclusive rights in the Philippine market for an average term ranging from three to eight years.

Most of the Group's brand agreements include terms that allow automatic renewal upon their expiry, and many of SSI's brand principals have been with it for ten years or more. At times, for commercial considerations, SSI has deliberately allowed certain brand agreements to lapse, but none of SSI's brand principals have voluntarily discontinued their cooperation with the Group in at least the last three years.

As of December 31, 2021, SSI registered over 50 trademarks in the Philippines as enumerated in the following table. SSI is also the owner or operator of thirteen (13) domain names, including: (1) ssigroup.com.ph, (2) ssilife.com.ph, (3) payless.ph, (4) lacoste.com.ph, (5) beautybar.com.ph, (6) superga.ph, (7) gap.com.ph, (8) dunelondon.ph, (9) bananarepublic.com.ph, (10) lush.com.ph, (11) zara.com/ph, (12) markandspencer.com.ph, and (13) trunc.ph.

Name of Trademark	Logo/Symbol	Expiry Date
"MAKEROOM" (4201400013426) (4201400013427) (4201400013428) (4201400013429) (4201400013430) (4201400013431)	MakeRoom The Storage and Organization Specialist	January 15, 2025
"KISS AND FLY WORD MARK" (42014012250)	**KISS AND FLY**	March 12, 2025
"BEAUTY BAR WORD MARK" (4201400013228)	Beauty bar	January 14, 2026
"THEXCHANGE (PLAIN ONLY)" (42015013294)	thexchange	April 15, 2026

Name of Trademark	Logo/Symbol	Expiry Date
"THEXCHANGE (WITH COLOR)" (42015013295)	thexchange	April 15, 2026
"158 DESIGNERS BLVD. WORD MARK" (42015013290)	158 Designers Blvd.	March 3, 2026
"TUTTO MODA WORD MARK" (42015013293)	Tutto Moda	August 25, 2026
"RED TAG WORD MARK" (42015013291)	Red Tag	July 7, 2026
"SOLES WORD MARK" (4201600013212)	SOLES	February 16, 2027
"GREEN WANDERER RECTANGLE" (42017010778) (42017010779) (42017010780) (42017010783) (42017010784)	GREEN WANDERER SUSTAINABLE TRAVEL SERIES	December 16, 2028 November 30, 2027 December 16, 2028 December 16, 2028 February 10, 2028
"GREEN WANDERER ROUND" (42017010771) (42017010773) (42017010774) (42017010775) (42017010776) (42017018026)	GREEN WANDERER SUSTAINABLE TRAVEL SERIES	November 30, 2027 November 30, 2027 November 30, 2027 November 30, 2027 November 30, 2027 April 26, 2028
"GREEN WANDERER WORD MARK" (42017019130)	GREEN WANDERER	April 26, 2028
"SSI WORD MARK AND LOGO (WITH COLOR)" (42017017229)	Stores Specialists, Inc.	November 25, 2028

Name of Trademark	Logo/Symbol	Expiry Date
"SSI GROUP, INC. WORD MARK AND LOGO (WITH COLOR)" (42014017230)	SSIGROUP, Inc	July 26, 2028
"GOOD EATS BY SFRI WORD MARK" (042017020712)	**GOOD EATS BY SFRI**	April 26, 2028
"SFRI WORD MARK" (042017020713)	**SFRI**	April 26, 2028
"GOOD EATS BY SFRI (COLOR)" (042018000572)	good eats	October 4, 2028
"GOOD EATS BY SFRI (COLOR)" (042018000573)	good eats	August 12, 2028
"GOOD EATS BY SFRI (COLOR)" (042018000574)		April 5, 2028
"GOOD EATS BY SFRI (COLOR)" (042018000575)		April 5, 2028
"GOOD EATS BY SFRI (PLAIN)" (042018000566)	good eats	April 5, 2028
"GOOD EATS BY SFRI (PLAIN)" (042018000568)	good eats	April 5, 2028

Name of Trademark	Logo/Symbol	Expiry Date
"GOOD EATS BY SFRI (PLAIN)" (042018000570)		April 26, 2028
"GOOD EATS BY SFRI (PLAIN)" (042018000571)		April 5, 2028
"SSI GROUP, INC. ENHANCING LIFE" (042018008024)	SSIGROUP, Inc Enhancing Life	December 23, 2028
"STORES SPECIALISTS, INC. ENHANCING LIFE" (042019001537)	STORES SPECIALISTS, Inc. Enhancing Life	August 15, 2029
"STEP ONE" (042019010219) (042019010214)	**STEP/ONE**	November 7, 2029
"STEP ONE" (042019010238) (042019010243)	STEP ONE	September 15, 2029
"5th AVENUE" (042019010218) (042019010223)	**5th AVENUE**	 November 7, 2029 March 16, 2030
"5th AVENUE" (042019010242) (042019010381)	5th Avenue	 September 11, 2030 November 7, 2029
"SANTA MONICA" (042019010222) (042019010217)	**SANTA MONICA**	November 7, 2029

Name of Trademark	Logo/Symbol	Expiry Date
"SANTA MONICA" (042019010240) (042019010245)	Santa Monica	September 15, 2029
"URBAN SNEAKS" (042019010221) (042019010215)	**URBAN SNEAKS**	March 9, 2030 January 15, 2031
"URBAN SNEAKS" (042019010246) (042019010241)	URBAN SNEAKS	December 29, 2029 February 6, 2030
"SHOE STUDIO" (042019010220) (042019010216)	**SHOE STUDIO**	Pending application approval September 11, 2030
"SHOE STUDIO" (042019010239) (042019010244)	SHOE STUDIO	February 6, 2030 December 29, 2029
"STEP ONE" (042019019312)	STEP ONE	September 11, 2030
"STEP ONE SLIDE" (042019019313)	STEP ONE Slide	September 11, 2030
"STEP ONE RUN" (042019019314)	STEP ONE Run	September 11, 2030
"STEP ONE PLAY" (042019019318)	STEP ONE play	September 11, 2030
"STEP ONE COMFORT" (042019019319)	STEP ONE comfort	Pending application approval
"STEP ONE WALK" (042019019320)	STEP ONE Walk	September 11, 2030

Name of Trademark	Logo/Symbol	Expiry Date
"STEP ONE STRUT" (042019019321)	STEP|ONE Strut	September 11, 2030
"STEP ONE STRUT" (042019019303)	STEP|ONE Strut	March 9, 2030
"STEP ONE WALK" (042019019304)	STEP|ONE Walk	March 9, 2030
"STEP ONE COMFORT" (042019019307)	STEP|ONE comfort	January 1, 2031
"STEP ONE PLAY" (042019019308)	STEP|ONE play	September 20, 2030
"STEP ONE SLIDE" (042019019310)	STEP|ONE Slide	January 01, 2031
"STEP ONE RUN" (042019019311)	STEP|ONE Run	September 11, 2030
"SANTA MONICA" (042019021462)	**SANTA MONICA**	August 14, 2030
"THE SPECIALIST WORD MARK" (42021503747)	**THE SPECIALIST**	August 13, 2031
"THE SPECIALIST YOUR SSI AT HOME CONCIERGE SERVICE" (042021503555)	THE Specialist YOUR SSI AT HOME CONCIERGE SERVICE	Pending registration
"TRUNC" (42021503308)	**TRUNC**	June 20, 2031

Name of Trademark	Logo/Symbol	Expiry Date
"TRUNC AT HOME" (42021503319)	Trunc at Home	June 06, 2031
"trunc.ph" (42021503307)	trunc.ph	September 26, 2031
"TRUNC SHOW" (42021503306)	TRUNC SHOW	June 20, 2031
"PowderRoom by Trunc" (42021503320)	PowderRoom by Trunc	June 06, 2031

DISTRIBUTION METHODS OF THE PRODUCTS OR SERVICES

The Group's products are distributed to its clients through its specialty store network and its e-commerce websites.

As of December 31, 2021, the Group's specialty retail footprint consisted of approximately 525 stores in Metro Manila and other major cities in the Philippines. SSI stores are located primarily in major malls in premium shopping districts with well-established customer traffic.

The following table sets out the number of SSI stores, gross selling space and growth in gross selling space for SSI's stores as of December 31, 2019, 2020 and 2021.

	As of December 31		
	2019	**2020**	**2021**
Number of Brands	95	96	93
Number of Stores	593	570	525
Gross selling space	118,922	115,622	104,192
Decrease in Gross Selling Space (%)	1.1	2.8	9.9

The following table sets out SSI's store footprint by region as of December 31, 2019, 2020 and 2021:

	As of December 31		
	2019	**2020**	**2021**
Metro Manila	471	451	414
Luzon (Excluding Metro Manila)	56	55	50
Visayas	36	34	33
Mindanao	30	30	28

SSI currently has 9 distribution centers with warehouse facilities located in strategic areas throughout Metro Manila to ensure the efficient coordination of its merchandise shipments and the timely delivery of products to its stores.

As of December 31, 2021, SSI had standing accounts with eight international third-party freight companies based in the main geographic areas from which SSI's brands originate their merchandise. Although SSI does not enter into long-term agreements with its logistics service providers, most of them have provided services to Group for more than ten years according to well-established terms of business. They are responsible for shipping merchandise from SSI's brand principals to the Group's distribution centers based on purchase orders. Delivery of merchandise from SSI's distribution centers to its stores in Metro Manila is generally handled by the Group's internal truck fleet. For stores located outside Metro Manila, SSI uses external transportation providers for merchandise delivery. Pursuant to the terms of SSI's shipping arrangements, the third-party service providers are responsible for any loss that may occur during transportation and SSI has the right to seek indemnification or damages from these providers for any such losses.

SSI's logistics staff is responsible for managing the Group's distribution centers and warehouse inventory levels and coordinating with the Group's brand-merchandising managers for the shipment and arrival of merchandise. They monitor and update the Group's brand-merchandising managers on shipment progress and arrivals to improve coordination and timely plan deliveries to SSI stores. This ensures that every store maintains appropriate and updated merchandise inventory throughout the year, to maximize sales.

COMPETITION

Amongst specialty domestic retailers who carry international brands, the Group competes primarily with Suyen Corporation, Robinsons Specialty Stores, Inc., Vogue Concepts, Inc., Retail Specialist, Inc. and Primer International Holdings & Management, Inc. The Group likewise competes with international retailers such as LVMH, *Uniqlo* and *H&M* that directly operate their stores in the Philippines.

SUPPLIERS

The following table sets out, in chronological order, the brands SSI represented as of December 31, 2021, including SSI's own "Beauty Bar" and "MakeRoom & More," concept brands, and the year each of these brands were added to the Group's portfolio.

Lacoste	1990	Cartier	2007	Nars	2013
Marks & Spencer	1990	Ermenegildo Zegna	2007	Alexander McQueen	2014
Salvatore Ferragamo	1991	Marc Jacobs	2007	Givenchy	2014
Anne Klein	1995	Michael Kors	2007	Longchamp	2014
Charriol	1996	Gap	2007	Cortefiel	2014
Polo Ralph Lauren	1996	Banana Republic	2008	Old Navy	2014
Nine West	1996	Samsonite	2008	Pull&Bear	2014
CK Jeans	1997	Steve Madden	2008	Acca Kappa	2014
Armani Exchange	1998	Superga	2008	Clarins	2014
Jessica	1998	L'Occitane	2008	Diptyque	2014
CK Underwear	1998	Hermès	2009	Hamleys	2014
Beauty Bar	1998	Jimmy Choo	2009	Pottery Barn	2014
Prada	1999	Massimo Dutti	2009	West Elm	2014
Kenneth Cole	2000	Tory Burch	2009	SaladStop!	2014
Bally	2001	MAC Cosmetics	2009	Coach	2015
DKNY	2001	Payless ShoeSource	2010	MAX&Co.	2015
Lush	2001	MUJI	2010	Joe Fresh	2015
MakeRoom & More	2001	Le Sportsac	2011	Kurt Geiger	2015
Diesel	2002	Hackett	2012	Lipault	2015
Bottega Veneta	2003	Tommy Hilfiger	2012	Montblanc	2016
Burberry	2003	Superdry	2012	Estée Lauder	2017
Gucci	2003	Bobbi Brown	2012	Good Eats	2017
Saint Laurent	2003	Clinique	2012	Loewe	2018
Tod's	2003	TWG Tea	2012	Shake Shack	2018
Kate Spade	2003	Swarovski	2013	Tiffany & Co.	2019
Springfield	2003	Brooks Brothers	2013	Hogan	2019
Lacoste Accessories	2003	Dune	2013	Pazzion	2019
Hugo Boss	2005	Women'secret	2013	Laura Mercier	2019
Zara	2005	Bershka	2013	Crystal Jade	2019
Dashing Diva	2005	Stradivarius	2013	Balenciaga	2020
Furla	2006	American Tourister	2013	Korres	2021

SSI offers a comprehensive and highly-attractive portfolio of lifestyle brands catering to different gender, age, occupation, income and demographics. For example, the Group carries bridge brands aimed at younger aspirational customers interested in stylish and fashionable yet affordable apparel and footwear. SSI's luxury brands, on the other hand, seek to capture the tastes of the country's affluent consumers that are modern, sophisticated, well-informed on international lifestyle trends, attuned to stylistic innovations and requiring products of both high quality and recognized prestige.

Please refer to the section—*PATENTS, TRADEMARKS, LICENCES, FRANCHISES, ETC.* for a discussion on the primary terms of the brand agreements.

DEPENDENCE UPON SINGLE OR FEW CUSTOMERS

SSI is not dependent upon a single customer or a limited number of customers. No single customer accounts for 20% or more of the Group's sales.

TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of business, the Group engages in a variety of transactions with related parties. The Group is controlled by the Tantoco Family Members. Members of the Tantoco Family also serve as directors and executive officers of the Group. Certain members of the Tantoco Family are also major shareholders of Rustan Commercial Corporation. The most significant transactions with the Tantoco Family include leasing retail spaces in department stores operated by Rustan Commercial Corporation. The Group's policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

RESEARCH AND DEVELOPMENT

SSI did not incur any material research and development costs from 2019 to 2021.

GOVERNMENT APPROVALS

The Group has obtained all permits and licenses from the relevant government units necessary to operate its stores.

COMPLIANCE WITH ENVIRONMENTAL LAWS

The Group is compliant with all relevant environmental laws. The Group does not consider compliance costs to these laws material.

EFFECTS OF EXISTING OR PROBABLE GOVERNMENTAL REGULATIONS ON THE BUSINESS

The Group may be affected by certain government regulations including, but not limited to regulations affecting the issuances of permits. Any change to laws affecting the issuance or the revocation of such permits could adversely affect the business of SSI. Please refer to the Section—*PRINCIPAL RISKS* for a discussion on risks related to regulation.

EMPLOYEES

As of December 31, 2021, SSI's specialty store operations employed a total of approximately 4,319 employees, of which approximately 62% are store-based.

The following table provides the Group's employees by function as of December 31, 2021.

Function	**Number of Employees**
Executive and managerial	858
Administrative and head office staff	796
Store personnel	2,665
Total	**4,319**

As of December 31, 2021, none of the Group's employees belonged to any union nor were they parties to any collective bargaining agreements. To the best of SSI's knowledge, it has not experienced any strikes or other disruptions to labor disputes.

PRINCIPAL RISKS

SSI's rights to manage and operate its portfolio of brands and stores are dependent on the brand agreements with its brand principals.

SSI's rights to manage and operate the brands it represents in the Philippines, and therefore conduct its business, are derived exclusively from the rights granted to it by the brand principals in the brand agreements SSI has entered into with them. However, there is no assurance that SSI will continue to be granted rights by the brand principals to the brands in its portfolio. As a result, SSI's ability to continue operating in its current capacity is dependent on the renewal and continuance of its contractual relationships with its brand principals. Any of its brand principals may decline to extend the terms of its brand agreements, or those who granted SSI exclusive rights in the Philippines may only agree to renewal on a non-exclusive basis or renew on less favorable terms, although SSI has not experienced such instances. Furthermore, if any of SSI's brand principals grants other parties the right to franchise or distribute their products in the Philippines, the Group may face significant competition from such other parties and may lose the benefit of the capital and other resources it has expended to market the brands in the country. Additionally, if SSI loses any of its brand principals for any reason, including due to changes in the business model of any brand principal, or changes in the operating or financial position of brand principals abroad, or any of its brand principals deciding to cease investments in the Philippine market or enter the Philippine market on their own, then SSI's business, financial condition and results of operations may be adversely affected.

The success of SSI's business depends on its ability to maintain and develop relationships with its current and future brand principals.

SSI derives substantially all of its revenue from direct sales of merchandise of its brand principals, and its success depends on its ability to both retain existing brands and attract new brand principals. SSI has long-standing working relationships with a large number of brand principals, most of which have existing franchise or distribution arrangements with it, but for a small minority of brand principals, SSI's operation of their stores and sale of their merchandise are currently premised on verbal extensions of prior written agreements. SSI is also in the process of actively negotiating with certain brand principals for the renewal of the relevant brand agreements. If SSI is unable to maintain these relationships, SSI may not be able to continue to maintain or further expand its brand portfolio and store network. Furthermore, SSI receives training, merchandising, design and other operational support from its brand principals, giving SSI the benefit of their global knowledge in the operation of specialty stores, logistics, merchandising, and their brand image. Should adverse changes occur in market conditions or its competitive position, SSI may not be able to maintain or negotiate continuing support from its brand principals, thus losing its access to their assistance and the benefit of their expertise, which could have a material adverse effect on SSI's ability to run its operations successfully and efficiently and, in turn, SSI's profitability and prospects.

SSI may encounter difficulties in expanding its store network.

SSI's ability to expand its retail portfolio and store footprint depends on, among others:

- favorable economic conditions and regulatory environment;
- SSI's ability to maintain existing relationships with brand principals and add new brands to its portfolio;
- SSI's ability to identify suitable sites for new stores and successfully negotiate lease agreements for these sites on terms acceptable to it;
- SSI's ability to control "cannibalization" among different brands and adjacent retail outlets;
- SSI's ability to construct and open new stores in a timely and cost-efficient manner;
- SSI's ability to market existing brands in new geographic regions and introduce new brands to the market;
- SSI's ability to continue to attract customers to its existing and new stores;
- SSI's ability to increase sales from existing customers or reduce inventory shrinkage and improve its operating margins;
- SSI's ability to attract, train and retain talented personnel in sufficient numbers for its expanded operations;
- SSI's ability to adapt and refine its operational and management systems, including its IT and CRM systems, to support an expanded network and maintain the effectiveness of its merchandising and sales processes;
- SSI's ability to control and manage its costs in SSI's expanded network, in particular purchase costs and expenses related to rent, logistics, human resources and marketing;
- The availability of sufficient levels of cash flow or necessary financing to support its expansion and operations;
- SSI's ability to obtain financing and other support from business partners for its expansion; and
- SSI's ability to manage its multi-format business model.

In addition, if SSI is unable to successfully manage the potential difficulties associated with growth of its retail portfolio and store footprint, it may not be able to capture fully the benefits of scale that it expects from expansion.

SSI operates in a regulated industry and its business is affected by the development and application of regulations in the Philippines.

SSI operates its businesses in a regulated environment. Retail establishments in the Philippines are subject to a variety of government ordinances, which vary from one locality to another but typically include zoning considerations as well as the requirement to procure a variety of environmental and construction-related permits. SSI must also comply with food safety, consumer quality and pricing regulations.

The primary regulations applicable to SSI's operations include standards regarding:

- the suitability of the store site;
- air pollution;
- price controls;
- food inspection;
- promotional activities;
- packaging safety;
- waste discharge;
- electricity supply;
- construction;
- business permits;
- fire safety;
- sanitation; and
- sale of consumer products.

All construction and development plans are required to be filed with and approved by the local government unit concerned. The requirements of each local government unit may vary but in general, approval of such plans is conditional upon, among other things, the developer's financial, technical and administrative capabilities and, where the project site is leased, presentation of the lease contract or authority from the registered owner of the land authorizing the construction. Alterations of approved plans that affect significant areas of the project, such as infrastructure and public facilities, also requires the prior approval of the relevant government unit. There can be no assurance that SSI or its associates or partners will be able to obtain governmental approvals for SSI's projects or that when given, such approvals will not be revoked. There can also be no assurance that SSI will continue to pass ongoing consumer safety and quality inspections in all of its store locations.

SSI may face increased competition in the Philippines from other retail companies as well as brand principals, including those who may choose to terminate their partnership arrangements with it.

The retail industry in the Philippines is highly competitive. The intensity of the competition in the Philippine retail market varies from region to region, but Metro Manila is generally considered to be the most competitive market. Metro Manila is SSI's largest market in terms of net sales. SSI faces potential competition principally on two levels: (i) with national and international retailers in the Philippines and neighboring shopping destinations such as Hong Kong, Singapore, Bangkok and Tokyo, among others, and (ii) with brands that are in competition with the brands in its portfolio, including those which SSI is restricted by its brand principals from operating, as well as SSI's existing brands should the respective brand principals decide to discontinue their brand arrangements with it. SSI's retail competitors, including operators of physical stores and online retailers, compete with it on the basis of brand selection, product quality, acquisition or development of new brands, customer service, and distribution networks. Brand competitors compete with SSI on the basis of product design and range, brand popularity, price, store location or a combination of these factors. SSI anticipates competition from new market entrants and joint partnerships between national and international operators and brand principals. SSI expects that an increasing number of international retailers may enter the Philippine market in the event that the geographical and shareholding restrictions on foreign enterprises engaged in the Philippine retail business are removed or diminished and as the economy continues to improve. Potential competition may also come from SSI's existing brand principals, who may decide to terminate or not renew their arrangements with it and attempt to operate their business in the Philippines on their own. In this regard, pursuant to the standard policies of a small number of SSI's brands, it has granted such brand principals certain options, which are generally exercisable on the expiration or termination of the respective brand agreements, to acquire the relevant store businesses and/or lease rights to the store locations, or up to 100% equity interests in relevant members of the Group. The regulatory and business environment of the Philippines, however, constrains the practicability of exercising any such options.

SSI leases substantially all of its premises and may not be able to continue to renew these leases or to enter into new leases in favorable locations on acceptable terms.

As of December 31, 2021, SSI has leased substantially all of its total gross selling space. SSI's lease terms generally average three years, and SSI generally has the option to renew its leases upon expiry. However, there is no assurance that SSI will be able to renew its leases on acceptable terms or at all. Leases of premises in large shopping centers may not be available for extension because landlords may decide to change tenants for better commercial arrangements or otherwise. In addition, SSI has a 20-year land lease with Fort Bonifacio Development Corporation ("FBDC") for its Central Square retail development, in which some of its brands' stores are located. Any inability to renew leases as they expire, including its Central Square land lease, or to acquire new leases in other comparable or more favorable locations on acceptable terms, the termination of the existing leases, or the revision of lease terms to SSI's detriment may have a material adverse effect on its business, financial condition and results of operations.

With a nationwide footprint of 525 stores, a continued increase in property prices in the Philippines will increase the costs that SSI incurs in securing locations for its stores and may increase its costs associated with locations that it already operates. Any sustained upward revisions in rental rates at major malls may squeeze SSI's margins, making it less economical to lease certain stores and requiring SSI to discontinue operations at some stores. Furthermore, a number of SSI's landlords are normally granted the right to terminate the leases prior to their expiration upon the occurrence of an event of default. In the event that any of SSI's leases are terminated prior to their expiration, or if SSI's leases expire and are not renewed, it would need to relocate to alternative premises. Relocation of any of its operations may cause disruptions to its business and may require significant expenditure, and SSI cannot assure that it will be able to find suitable premises on acceptable terms or at all, in a timely manner.

SSI depends on the development of mall operators for the growth of its business.

Historically, the development of SSI's store network has been substantially mall-based. In finding sites for SSI's stores, SSI also benefits from being one of the major tenants in a number of third-party malls in the Philippines, including Power Plant Mall, Greenbelt and Bonifacio High Street in Metro Manila. A significant amount of SSI's growth depends on the growth of mall operators. There is no assurance that these mall operators will continue to grow at a rate that is consistent with SSI's planned rate of growth, or that new malls will be developed and constructed in the cities where SSI operates or wishes to penetrate, or that such malls will offer suitable store sites for SSI's brands. In addition, there is no assurance that SSI will continue to be able to secure space in new malls on terms acceptable to it or at all. In the event that it is unable to obtain space in a sufficient number of malls, or malls in suitable locations for its brands, it may be unable to fully implement its expansion plans, and its business, financial condition and results of operations may be materially and adversely affected.

SSI is subject to risks associated with its dependence on the importation of foreign merchandise sold in all of its stores.

As a specialty retailer of international brands, SSI purchases merchandise from its brand principals directly or through their authorized suppliers. As a result, SSI's business is sensitive to the dynamics of global trade, including international trade and related cost factors that impact any specific foreign countries where its brand principals are located or from where its merchandise is sourced. SSI's dependence on foreign imports makes it vulnerable to risks associated with products manufactured abroad, including among other things, fluctuations in exchange rates, risks of damage, destruction or confiscation of products while in transit to SSI's distribution centers located in the Philippines, charges on or assessment of additional import duties, VAT, tariffs and quotas, work stoppages, freight cost increases, inflation, foreign government regulations, trade restrictions, and increased labor costs. Any delay or interruption in receiving the merchandise SSI orders could impair its ability to timely and adequately supply products to its stores. The lack of sufficient new merchandise or the merchandise anticipated by SSI's customers could have a negative impact on its sales, which in turn may have a material adverse effect on its profitability and results of operation.

As SSI typically place orders through individual purchase orders, it also may be subject to price fluctuations based on changes in SSI's brand principals' businesses, cost structures or other factors. Under SSI's brand agreements, it generally has the autonomy to set retail prices for the merchandise sold in its stores. However, its competiveness and profit margins may still be adversely affected if its brand principals increase the prices of their merchandise and SSI is unable to offset such increase in its merchandising costs or otherwise. In addition, the imposition of increased duties, taxes or other charges on SSI's imports, could also negatively impact its pricing strategies and generate a material adverse effect on its profitability, business, and results of operations.

SSI relies upon independent third-party service providers for substantially all of its product shipments and are subject to increased transportation costs as well as the risks of delay.

All merchandise purchased from SSI's brand principals is shipped and delivered to its distribution centers by third-party freight forwarders. Although SSI does not have any long-term agreements with these service providers, it has maintained long-standing relationships with them based on established terms of business. Any deterioration in or other changes relating to such relationships including changes in supply and distribution chains, could result in delayed or lost deliveries or damaged products. SSI may not be able to re-source lost or damaged merchandise from its brand principals and/or suppliers or re-arrange shipment and delivery in the shortest time possible. Moreover, these service providers are third parties whom SSI does not control. They may decide to increase their prices for services provided to SSI or discontinue their relationships with it. There is no assurance that SSI will be able -to negotiate for or maintain terms commercially acceptable to it, or locate replacement service providers on a timely basis. Delivery disruptions may also occur for reasons out of SSI's control, such as poor handling, transportation bottlenecks, labor strikes, and adverse climate conditions. For example, in February 2014, the local government imposed a truck ban in Manila, which was subsequently lifted in September 2014, that created congestion at the Port of Manila and the Manila International Container Port, two of the country's biggest ports, and backlogs in deliveries to and from these ports, thereby causing delays in transporting goods into and out of the city. Any occurrence of the foregoing could cause SSI to incur costs or suffer reduced sales, which could materially and adversely affect its business, profitability and competitiveness.

SSI relies on the satisfactory performance of its IT systems and any malfunction for an extended period or loss of data could materially and adversely affect its ability to operate.

The effectiveness and efficiency of SSI's operations are dependent on a number of management information systems. SSI relies on its IT systems to manage many key aspects of its business, such as demand forecasting, purchasing, supply chain management, store operations and sales processing, staff planning and deployment, marketing and advertising, financial management and safeguarding of information. These systems are critical to its operations, as it uses them for the exchange of information between its stores and centralized teams, to manage procurement, sales and inventory, to collect and analyze customer information, and to oversee cash management and internal processes. As it develops its online sales strategy, SSI's reliance on appropriate IT systems will also increase. There is no assurance that SSI's IT systems will always operate without interruption or malfunction in the future and that it will not lose data. Any failure of its management systems to perform as anticipated or to meet the needs of its operations, particularly as it conducts its expansion, could disrupt SSI's business, expose it to operational inefficiencies and risks, and may result in higher costs, reduced sales or otherwise adversely affect SSI's results of operation and future financial performance.

The sale of counterfeit products may affect SSI's reputation and profitability.

As the brands SSI operates enjoy widespread consumer recognition, it may encounter counterfeiting of the products sold in its stores, such as unauthorized imitation or replication of the brands' designs, trademarks, or labeling by third parties. SSI usually relies on its brand principals for anti-counterfeiting efforts and enforcement of their intellectual property rights, but it can be particularly difficult and expensive to detect and stop counterfeiting in the Philippines. Any actions taken by SSI's brand principals may require significant assistance on SSI's part and force it to devote substantial management time and resources, and may not provide a satisfactory or timely result, any of which could harm sales and results of operations. Under SSI's brand agreements, it is generally indemnified by its brand principals for any infringement of their intellectual property rights by third parties. Moreover, SSI believes that it serves vastly different markets to those targeted by counterfeiters. However, there can be no assurance that any actions taken to combat counterfeiting of SSI's brand principals' products will be successful in the prevention of counterfeiting, or that counterfeiting will not negatively impact SSI's sales. Despite SSI's success in combating piracy through measures such as pricing, the significant presence of counterfeit products in the market could dilute the value of the brands it operates and impact product sales, adversely affecting its business and results of operations.

SSI's business, financial performance and results of operations are subject to seasonality.

The apparel, footwear and accessories industries have historically been subject to cyclical variations, recessions in the general economy and uncertainties regarding future economic prospects that affect consumer spending habits. Purchases of discretionary luxury items, such as products of SSI's brands, tend to decline during recessionary periods, when disposable income is lower. The success of SSI's operations depends on a number of factors impacting discretionary consumer spending, including general economic conditions, consumer confidence, wages and unemployment, housing prices, consumer debt, interest rates, fuel and energy costs, taxation and political conditions. A worsening of the economy may negatively affect consumer purchases from SSI's brands and could have a material adverse effect on its business, financial condition and operating results.

SSI also experiences seasonal fluctuations in its specialty stores and may continue to do so. Sales generally slow down in the first and third quarters of the year, and start to pick up in the second and last quarters, driven by the summer and gift-giving holiday seasons as well as seasonal promotions and sales activities that SSI conducts. If sales during its peak selling periods are significantly lower than it expects for any reason, or if there is any prolonged disruption in its operations during its peak selling periods, it may be unable to adjust its expenses in a timely manner and may be left with a substantial amount of unsold inventory, especially seasonal merchandise that is difficult to liquidate after the applicable season. This may materially and adversely affect its profitability, results of operations, and financial condition.

Risks Relating to SSI's Organization and Structure

SSI is controlled by the Tantoco Family, whose interests may differ significantly from the interests of other shareholders.

SSI is controlled by members of the Tantoco Family who, together with other insiders as of December 31, 2021, own approximately 71.02% of the total outstanding common shares. Members of the Tantoco Family also serve as SSI's directors and executive officers. Certain members of the Tantoco Family are also major shareholders of the Group, and, either individually or collectively, have private interests in a number of other companies. While the Company's By-laws contain a non-compete clause as part of the qualifications of its directors, there is no assurance that companies controlled by the Tantoco Family will not engage in activities that compete directly with SSI's retail businesses or activities, which could have a negative impact on its business. Further, they could influence the outcome of any corporate transaction or other matters submitted to shareholders for approval, including the election of directors, mergers and acquisitions, and other significant corporate actions, to the extent they are not required to abstain from voting in respect of such transactions. The interests of the Tantoco Family, as SSI's controlling shareholder, may differ significantly from or compete with SSI's interests or the interests of its other shareholders, and there can be no assurance that the Tantoco Family will exercise influence over SSI in a manner that is in the best interests of its other shareholders.

Item 2. Properties

As of December 31, 2021, SSI owns one property, the Central Square building, which is located at Fort Bonifacio, Taguig, Metro Manila with a total gross floor area of 33,813 square meters. This property is a retail development which was constructed by the Group for its stores. It is situated on land owned by FBDC. SSI also entered into a cooperative agreement with Ayala Land, Inc., pursuant to which SSI transferred ownership to them of the uppermost floor and permitted the construction of a Cineplex that it operates.

As of December 31, 2021, other than liens created by the operation of law, there were no mortgage, lien or other encumbrances attached to this property or any limitations on SSI's ownership or usage of this property.

In the ordinary course of business, the Company leases substantially all of its 104,192 square meters gross selling area as of December 31, 2021. The Group maintains relationships with Philippine's major developers and mall operators including Ayala Land, Inc., SM Prime Holdings, Inc. Shangri-La Plaza Corporation, Rockwell Land Corporation, Megaworld Corporation and Robinsons Land

Corporation. SSI's lease terms generally average three years. Some contracts provide for renewal options subject to mutual agreement of the parties. The terms and conditions, including rental rates, are determined at arm's length, based on market conditions.
Please refer to Notes 10 and 26 of the accompanying Notes to the Consolidated Financial Statements for further details on property and equipment and lease agreements, respectively.

Item 3. Legal Proceedings

As of December 31, 2021, the Group is not engaged in nor a subject of any material litigation, claims or arbitration, either as a plaintiff or defendant, which could be expected to have a material effect on the Group's financial position. The Group is likewise unaware of any facts likely to give rise to any proceeding which would materially and adversely affect its business or operations.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this Report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

MARKET INFORMATION

The common stock of SSI Group, Inc. is listed on the Philippine Stock Exchange.

The following table sets out the high and low closing prices (in PhP) of SSI Group, Inc.'s shares in the Philippine Stock Exchange for the first quarter of 2022 and for the years 2021 and 2020:

	High	Low
2022		
1st Quarter	1.07	1.04
2021		
1st Quarter	1.23	1.20
2nd Quarter	1.27	1.22
3rd Quarter	1.12	1.10
4th Quarter	1.13	1.11
2020		
1st Quarter	1.26	1.13
2nd Quarter	1.15	1.11
3rd Quarter	1.14	1.12
4th Quarter	1.54	1.47

The market capitalization of SSI Group, Inc.'s common shares as of December 31, 2021, based on the closing price of ₱1.12 per share, was approximately ₱3.7 billion.

The stock price of SSI Group, Inc.'s common shares as of May 6, 2022 is ₱1.17 per share translating to a market capitalization of approximately ₱3.9 billion.

HOLDERS

The number of registered shareholders as of May 6, 2022 was 54. Outstanding common shares as of May 6, 2022 were 3,298,408,430.

The following are the top 20 registered holders of SSI Group, Inc.'s securities as of May 6, 2022:

No.	Name of Shareholder	Number of Shares Held	Percent to Total Outstanding Shares
1	PCD Nominee Corp - Filipino	757,995,084	22.9806%
2	Wellborn Trading & Investments, Inc.	466,043,679	14.1294%
3	Marjorisca Incorporated	434,440,400	13.1712%
4	Birdseyeview, Inc.	434,412,500	13.1704%
5	Educar Holdings Corporation	415,753,800	12.6047%
6	Bordeaux Holdings, Inc.	414,967,821	12.5809%
7	PCD Nominee Corp - Non-Filipino	280,165,095	8.4939%

No.	Name of Shareholder	Number of Shares Held	Percent to Total Outstanding Shares
8	Valbuena, Maria Elena T.	31,603,479	0.9581%
9	Tantoco, Maria Teresa Rustia	31,601,431	0.9581%
10	Lopez, Maria Carmencita T.	30,244,090	0.9169%
11	Edgardo M. Pineda	600,000	0.0182%
12	Iyo, Sarah Bismark	265,000	0.0080%
13	Goldclass Inc.	75,000	0.0023%
14	Natalya Ann I. Lagdameo	66,000	0.0020%
15	Salvador E. Lagdameo	34,000	0.0010%
16	Emilio C. Yap III	20,000	0.0006%
17	Manila Prime Land Holdings, Inc.	20,000	0.0006%
18	Maynila Properties and Management, Inc.	20,000	0.0006%
19	Go, Giselle Karen Y.	10,000	0.0003%
20	Tacub, Pacifico B.	7,000	0.0002%

DIVIDENDS

No dividends were declared by the Group in 2020 and 2021.

RECENT SALES OF UNREGISTERED SECURITIES

Not applicable in the fiscal year covered by this Report.

Item 6. Management Discussion and Analysis

RESULTS OF OPERATIONS

For the years ended December 31, 2021, 2020 and 2019

Key Performance Indicators	**For the years ended December 31**		
PhP MM except where indicated	**2021**	**2020**	**2019**
Net Sales	15,468	12,222	22,366
Gross Profit – merchandise	6,040	4,968	10,080
Operating Income (Loss)	894	(304)	1,701
Net Income (Loss)	151	(904)	815
Gross Selling Space (sq.m.)	104,192	115,622	118,922
Decrease in Gross Selling Space (%)	9.9%	2.8%	1.1%

The manner by which the Company calculates the key performance indicators above is as follows:

Net sales	Sales, net of VAT, less sales returns and allowances and sales discounts
Gross profit	Net sales less cost of sales
Operating income (loss)	Gross profit less operating expenses
Net income (loss)	Operating income (loss) less other charges
Gross selling space	Sum of floor area of all stores of the Group

Key Financial and Operating Data	For the years ended December 31		
PhP MM except where indicated	**2021**	**2020**	**2019**
Key Financial Data			
Net Sales*	15,468	12,222	22,366
Luxury & Bridge	6,563	4,527	6,588
Casual	2,480	1,798	3,140
Fast Fashion	3,711	3,198	6,853
Footwear, Accessories & Luggage	924	902	2,405
Others	1,790	1,797	3,379
Gross Profit*	6,040	4,968	10,080
Gross Profit Margin (%)*	39.0%	40.6%	45.1%
Operating Income (Loss)	894	(304)	1,701
Operating Income Margin (%)	5.8%	(2.5%)	7.6%
Other Income (Charges)	(495)	(709)	(469)
Net Income	151	(904)	815
Net Income Margin (%)	1.0%	(7.4%)	3.6%
Recurring Net Income (Loss)	251	(736)	920
Recurring Net Income Margin (%)	1.6%	(6.0%)	4.1%
Total Debt[1]	5,935	7,128	4,477
Net Debt[2]	(1,318)	1,824	1,984
Key Operating Data			
Specialty Retailing			
Number of Brands	93	96	95
Number of Stores	525	570	593
Gross Selling Space (sq.m.)	104,192	115,622	118,922
Decrease in Gross Selling Space (%)	9.9%	2.8%	1.1%

** Includes revenues and costs from sale of merchandise only*

2021 vs 2020

Revenues

Net sales

SSI Group, Inc. ("SSI", the "Company", or the "Group") generated net sales of ₱15.5 billion for the year ended December 31, 2021, an increase of 26.6% as compared to 2020. The Group's net sales strengthened significantly during the 4th quarter of the year, when COVID quarantine restrictions eased and paved the way for higher foot traffic in stores.

During the fourth quarter of 2021, the Group's sales amounted to ₱6.1 billion, a y-o-y increase of 24.3%. During this period, luxury and bridge, casual, home and food brands performed best with luxury and bridge sales increasing by 18.3% y-o-y, Casual sales at +26.4% y-o-y. Fast fashion also picked up during the 4th quarter of the year and increased 54.4% versus the same period last year. The Group's sales during fourth quarter 2021 began to approach pre-COVID levels, and were at 82% of sales during 4th quarter 2019. Sales performance in the 4th quarter highlights the resilience of the

[1] Calculated as the sum of Short-term loans payable, Current portion of long-term debt and Long-term debt.
[2] Calculated as Total Debt minus Cash.

Group's core customer base and the continued demand for discretionary high end products, especially when COVID-19 cases are controlled.

The Group also has a growing e-commerce presence and operates its multibrand marketplace, **Trunc.ph**. This is in addition to the Group's ten (10) brand.com websites and its presence on Rustans.com and other third party marketplaces. For the year ended December 31, 2021, e-commerce sales increased by 91% as compared to the same period last year, and accounted for 9.9% of total sales. This is as compared to 0.9% of total sales in 2019.

The Group's brand portfolio as of the end of 2021 included 93 brands, as the Group added Korres during the third quarter of 2021. During the year, the Group discontinued Debenhams, MBT, Aerosoles, and A2 by Aerosoles.

The following table sets out the Group's number of stores and gross selling space for the years ended December 31, 2021, 2020, and 2019.

Store Network	**For the years ended December 31**		
	2021	**2020**	**2019**
Number of Stores	525	570	593
Luxury & Bridge	139	147	147
Casual	76	75	76
Fast Fashion	51	57	58
Footwear, Accessories & Luggage	116	142	158
Others	143	149	154
Gross Selling Space (sq.m.)	104,192	115,622	118,922
Luxury & Bridge	12,713	13,592	13,705
Casual	11,567	11,856	12,721
Fast Fashion	43,468	50,545	50,862
Footwear, Accessories & Luggage	17,011	19,965	21,529
Others	19,434	19,664	20,107

Rental income

The Group booked rental income of ₱27.6 million in 2021. Rental income relates to the leasing out of certain store spaces at Central Square as well as income derived from parking spaces at Central Square.

Gross Profit

Gross profit for the year ended December 31, 2021 amounted to ₱6.0 billion, an increase of 21.0% over the same period last year. The increase is mainly due to higher sales level as a result of high foot traffic environment, with COVID cases relatively controlled during 4th quarter 2021.

Gross profit margin for merchandise sold in 2021 was 39.0% as compared to 40.6% over the same period last year. During the 4th quarter, gross profit margin was at 41.8% as compared to 37.2% during 4th quarter 2020.

Operating Expenses

Operating expenses for the year ended December 31, 2021 amounted to ₱5.2 billion, a decrease of 2.8% as compared to 2020. The decrease reflects initiatives to reduce expenses given uncertain operating conditions as a result of COVID. As a percentage of revenues, operating expenses were at 33.3% as compared to 43.2% in 2020.

Selling and distribution expenses were at ₱3.8 billion for the year 2021, an 8.8% decrease over last year. The decrease is mainly related decreases in rent expense (including depreciation), personnel, security services, and taxes and licenses expenses, which decreased by a total of ₱527.3 million. Likewise, travel and transportation and outside services expenses decreased to ₱13.7 million. As a percentage of revenues, selling and distribution expenses were at 24.6% as compared to 34.1% in 2020.

General and administrative expenses were at ₱1.3 billion for the year 2021, a 19.9% increase over last year. The increase is primarily attributable to increases in personnel, depreciation, travel and transportation, advertising, security services, communication, taxes and licenses, and repairs and maintenance expenses which increased by a total of ₱185.6.5 million. As a percentage of revenues, general and administrative expenses were at 8.6% as compared to 9.1% in 2020.

As a result of the foregoing, the Group generated an operating income of ₱893.7 million in 2021 as compared to ₱304.0 million operating loss in 2020. During the fourth quarter of the year, as a result of strong sales and rationalized operating expenses, the group generated operating income of ₱892.1 million, as compared to ₱322.3 million during the same period in 2020.

Other Income (Charges)

Other charges in 2021 totaled ₱492.0 million, a decrease of 30.6% as compared to 2020. The decrease is significantly due to the share in the net loss of Samsonite Philippines, Inc. (SPI) and share in the net earnings of its joint ventures with MUJI Philippines Corp. (MPC) and Landmark Management Services Ltd. (LMS) which totaled ₱12.9 million loss during the year.

The Group also incurred losses on stores closures and disposals of property and equipment and other assets recognized by the Group during the year amounting to ₱46.4 million.

Provision for (Benefit from) Income Tax

Provision for income tax in 2021 amounted to ₱250.7 million as compared to ₱109.6 million benefit from income tax in 2020.

Net Income (Loss)

As a result of the foregoing, the Group generated net income of ₱595.6 million during the 4th quarter of 2021, a significant improvement over the net losses during the 2nd and 3rd quarters amounting to ₱74.2 million and ₱271.0 million, respectively. Full year net income in 2021amounted ₱151.0 million as compared to ₱903.8 million net loss in 2020.

On a recurring basis, the Group booked profits with recurring net income, or net income excluding write-offs related to store closures and write-offs of expiring NOLCO and other assets, amounted to

₱601.3 million during the fourth quarter of 2021. Full year 2021 recurring income amounted to ₱250.6 million.

FINANCIAL CONDITION

As of December 31, 2021, the Group had consolidated assets of ₱21.5 billion, a decrease of 5.5% as compared to December 31, 2020.

Current Assets

Cash

As of December 31, 2021, cash amounted to ₱7.3 billion as compared to ₱5.3 billion at the end of 2020. The Group generated significant operating cash flows of ₱4.3 billion in 2021 and ₱3.0 billion during the 4th quarter of the year.

Trade and Other Receivables

As of December 31, 2021, trade and other receivables amounted to ₱776.3 million as compared to ₱713.3 million at the end of 2020.

Merchandise Inventories

As of December 31, 2021, merchandise inventories amounted to ₱6.6 billion as compared to ₱9.2 billion at the end of 2020. The decrease is due to continued reduced purchase levels, in line with the Group's strategy to optimize working capital and cash generation given temporary store closures and reduced foot traffic during the COVID pandemic, as well as strong sales in the 4th quarter of 2021.

Prepayments and other Current Assets

As of December 31, 2021, prepayments and other current assets amounted to ₱749.1. million as compared to ₱557.4 million at the end of 2020. The increase mainly reflects the increase in advances to suppliers to ₱232.2 million in 2021 as compared to ₱43.9 million in 2020.

Non-Current Assets

Investment in an Associate

As of December 31, 2021, investment in an associate amounted to ₱64.1 million as compared to ₱78.3 million at the end of 2020. The Group recognized its share in the net loss of SPI amounting to ₱14.2 million.

Investment in Joint Ventures

As of December 31, 2021, investment in joint ventures amounted to ₱544.9 million as compared to ₱543.7 million at the end of 2020. The Group recognized its share in the net earnings and net losses of MPC and LMS amounting to ₱27.1 million and ₱25.8 million, respectively.

Property and Equipment

As of December 31, 2021, property and equipment amounted to ₱3.8 billion as compared to ₱4.5 billion at the end of 2020. During the year, the Group made capital expenditures of ₱477.1 million, and recognized additional depreciation expense (excluding PFRS 16 impact) of ₱629.7 million.

During the year, the Group also recognized additional right-of-use (ROU) assets amounting to ₱202.4 million and related depreciation expense of ₱693.6 million. ROU assets, less the related accumulated depreciation, amounted to ₱2.4 billion at the end of 2021.

Deferred Tax Assets

As of December 31, 2021, deferred tax assets amounted to ₱574.5 million as compared to ₱591.2 million at the end of 2020. These pertain to tax assets recognized for the Group's deductible temporary differences, carryforward benefits of unused minimum corporate income tax (MCIT) and NOLCO, to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of unused MCIT and NOLCO can be utilized.

Security Deposits and Construction Bonds

As of December 31, 2021, security deposits and construction bonds amounted to ₱908.4 million as compared to ₱963.6 million at the end of 2020. Interest income recognized from these security deposits amounted to ₱18.9 million in 2021 and ₱14.6 million in 2020.

Other Noncurrent Assets

As of December 31, 2021, other noncurrent assets amounted to ₱148.1 million as compared to ₱198.5 million at the end of 2020. The decrease is primarily due to decreases in deferred input VAT, software costs, and franchise fees to ₱77.5 million.

Current Liabilities

As of December 31, 2021, the Group had consolidated current liabilities of ₱8.8 billion, as compared to ₱10.1 billion at the end of 2020.

Trade and Other Payables

As of December 31, 2021, trade and other payables amounted to ₱2.3 billion as compared to ₱2.1 billion at the end of 2020.

Short-term Loans Payable

As of December 31, 2021, short-term loans payable amounted to ₱5.9 billion as compared to ₱7.0 billion at the end of 2020. The Group reduced debt levels given strong cash flow generation in 2021.

Net debt at the end of 2021 was negative ₱1.3 billion as compared to ₱1.8 billion at the end of 2020.

Non- Current Liabilities

Long-term Debt

As of December 31, 2021, the Group had no long-term debt, as compared to ₱117.6 million at the end of 2020, reflecting the maturity and pay down of long term debt during the period.

Retirement Benefit Obligation

As of December 31, 2021, retirement benefit obligation amounted to ₱706.7 million as compared to ₱748.8 million at the end of 2020. This represents the difference between the present value of the Group's retirement plan obligations and the fair value of the Group's plan assets.

Lease Liabilities

As of December 31, 2021, lease liabilities amounted to ₱1.6 billion as compared to ₱2.1 billion at the end of 2020. The decrease is mainly attributable to the amortization (including lease concessions) during the year amounting to ₱868.7 million which was offset by additional lease liabilities recognized during the year (net of remeasurements) amounting to ₱156.4 million and interest expense amounting to ₱173.2 million.

Lease payments to be made over the next 12 months, less the related interest expense, are classified as current while those to be paid beyond the next 12 months are classified as noncurrent. As of December 31, 2021, the current portion of the Group's lease liabilities amounted to ₱325.3 million while the noncurrent portion was at ₱1.3 billion.

Equity

As of December 31, 2021, total equity amounted to ₱10.7 billion as compared to ₱10.4 billion at the end of 2020. The increase primarily reflects the Group's total net income of ₱151.0 million.

CASH FLOWS

The Group generated operating cash flows of ₱4.3 billion in 2021 and ₱3.0 billion during the 4th quarter of 2021.

Strong operating cashflows were a result of the Group's focus on turning over inventory, efficient working capital management, and cost and expense rationalization, given challenging operating conditions in 2021.

The Group limited capital expenditure outlays in 2021. Cash flows used in investing activities during the year amounted to ₱417.4 million. This primarily reflects capital expenditures of ₱477.1 million, receipt of its security deposits and construction bonds amounting to ₱74.1 million and payments of franchise and software costs and other noncurrent assets amounting to ₱14.4 million during the year.

Cash flows used in financing activities totaled ₱2.0 billion in 2021. During the year, the Group availed loans ₱300 million. The Group also paid down debt and lease liabilities, including their related interests, in the amounts of ₱1.8 billion and ₱467.3 million, respectively.

2020 vs. 2019

Revenues

Net sales

SSI Group, Inc. ("SSI", the "Company", or the "Group") generated net sales of ₱12.2 billion for the year ended December 31, 2020, a decrease of 45.4% as compared to the same period last year. The Group's net sales were heavily impacted by the COVID-19 pandemic and the community quarantines which started during the first quarter of the year.

During the third and fourth quarters of 2020, however, the Group's sales started to recover with 3rd quarter sales of ₱2.3 billion and 4th quarter sales of ₱4.9 billion. Luxury and bridge, casual, home and food brands performed best during the 4th quarter of the year, with 4Q Luxury and bridge sales at 95% of sales during the same period last year and Casual sales at 71% of the same period last year. Sales performance in the 4th quarter highlights the resilience of the Group's core customer base and the continued demand for discretionary high end products, especially when COVID-19 cases are controlled.

Sales levels during the 4th quarter were achieved despite the fact that most companies were still under work from home arrangements, and while Metro Manila was still under a General Community Quarantine.

On November 6, 2020, the Group launched **Trunc.ph**, SSI's multibrand marketplace. This is in addition to the Group's ten (10) brand.com websites and its presence on Rustans.com and other third party marketplaces. For the year ended December 31, 2020, e-commerce sales increased by more than 288% as compared to the same period last year, and accounted for 6% of total sales. This is as compared to 0.9% of total sales in 2019.

During the year, the Group also launched *The Specialist*, an At Home concierge service that provides customers with the ability to shop across the entire range of the Group's brands via a dedicated personal shopper.

The Group's brand portfolio as of the end of 2020 included 93 brands, as the Group added Balenciaga during the fourth quarter of 2020.

The following table sets out the Group's number of stores and gross selling space for the years ended December 31, 2020, 2019, and 2018.

Store Network	For the years ended December 31		
	2020	2019	2018
Number of Stores	570	593	596
Luxury & Bridge	147	147	134
Casual	75	76	74
Fast Fashion	57	58	69
Footwear, Accessories & Luggage	142	158	168
Others	149	154	151
Gross Selling Space (sq.m.)	115,622	118,922	120,305
Luxury & Bridge	13,592	13,705	13,076
Casual	11,856	12,721	12,954
Fast Fashion	50,545	50,862	51,756
Footwear, Accessories & Luggage	19,965	21,529	22,319
Others	19,664	20,107	20,201

Rental income

The Group booked rental income of ₱62.0 million in 2020. Rental income relates to the leasing out of certain store spaces at Central Square as well as income derived from parking spaces at Central Square.

Gross Profit

Gross profit for the year ended December 31, 2020 amounted to ₱5.0 billion, a decrease of 50.5% over the same period last year. The decrease is mainly due to lower sales level as a result of the temporary store closures during the first half of the year and due to lower gross profit margins in the 2nd, 3rd and 4th quarters, as the Group focused on driving sales and cash generation within a low foot traffic environment.

Gross profit margin for merchandise sold in 2020 was 40.6% as compared to 45.1% over the same period last year.

Operating Expenses

Operating expenses for the year ended December 31, 2020 amounted to ₱5.3 billion, a decrease of 36.9% as compared to the same period last year. The decrease reflects initiatives to reduce expenses given current operating conditions. However, as a percentage of revenues, operating expenses were at 43.2% as compared to 37.4% during the same period last year. The higher opex to revenues ratio was a result of lower sales levels due to temporary store closures during the year.

Selling and distribution expenses were at ₱4.2 billion for the year 2020, a 41.0% decrease over last year. The decrease is mainly related to the closure of the stores during the period which caused decreases in rent (including depreciation), personnel, royalties, credit card charges, utilities, and supplies and maintenance expenses which decreased by a total of ₱2.5 billion. As a percentage of revenues, selling and distribution expenses were at 34.1% as compared to 31.6% in 2019.

General and administrative expenses were at ₱1.1 billion for the year 2020, a 14.1% decrease over last year. The decrease is primarily attributable to decreases in personnel, travel and transportation, advertising, rent, utilities, and repairs and maintenance expenses which decreased by a total of ₱192.3 million. As a percentage of revenues, general and administrative expenses were at 9.1% as compared to 5.8% in 2019.

As a result of the foregoing, the Group incurred an operating loss of ₱304.0 million in 2020 as compared to ₱1.7 billion operating income in 2019. However, during the 4th quarter of 2020, the Group generated ₱322.3 million operating income which is an improvement over the operating losses incurred during the 2nd and 3rd quarters of the year.

Other Income (Charges)

Other charges in 2020 totaled ₱709.4 million, an increase of 51.2% as compared to 2019. The increase is significantly due to the loss on stores closures and disposals of property and equipment and other assets recognized by the Group during the year amounting to ₱219.8 million.

The Group also recognized its share in the net earnings of Samsonite Philippines, Inc. (SPI) and share in the net loss of its joint ventures with MUJI Philippines Corp. (MPC) and LMS which totaled ₱13.1 million loss during the year.

Provision for (Benefit from) Income Tax

Benefit from income tax for the year 2020 amounted to ₱109.7 million as compared to ₱416.0 million provision for income tax in 2019. This primarily reflects the net losses of the Group during the year as well as the impact of nontaxable income (for tax purposes) such as its share in the net earnings of its joint ventures and associate as well as nondeductible expenses related to the Group's leases and retirement benefit obligation.

The Group also wrote off expiring net loss carry-overs ("NOLCO") amounting to ₱90.1 million during the year.

Net Income (Loss)

As a result of the foregoing, the Group incurred a net loss of ₱142.3 million during the 4th quarter of 2020, a significant improvement over the net losses during the 2nd and 3rd quarters amounting to ₱586.2 million and ₱285.2 million, respectively. Full year net loss in 2020 amounted ₱903.8 million as compared to ₱815.5 million net income in 2019.

On a recurring basis, the Group booked profits during the 4th quarter with recurring net income, or net income excluding write-offs related to store closures and write-offs of expiring NOLCO and other assets, amounted to ₱147.6 million during the fourth quarter of 2020.

FINANCIAL CONDITION

As of December 31, 2020, the Group had consolidated assets of ₱22.7 billion, an increase of 2.9% as compared to December 31, 2019.

Current Assets

Cash

As of December 31, 2020, cash amounted to ₱5.3 billion as compared to ₱2.5 billion at the end of 2019. In 2020, the Group generated operating cash flows (excluding PFRS 16 impact) of ₱868.0 million and received dividends from SPI amounting to ₱44.0 million. The Group generated significant operating cash flows during the 4th quarter, with positive 4th quarter operating cash flows (excluding PFRS 16 impact) of ₱2.4 billion.

During the year, the Group also drew additional loans, net of principal and interest payments, of ₱2.3 billion and made capital expenditures of ₱436.7 million.

Trade and Other Receivables

As of December 31, 2020, trade and other receivables amounted to ₱713.3 million as compared to ₱785.7 million at the end of 2019. The decrease is primarily attributable to a decrease in trade receivables to ₱254.9 million, which pertains to receivables from credit card companies. The Group also received the dividend receivable of ₱25.2 million from SPI recognized in 2019.

Merchandise Inventories

As of December 31, 2020, merchandise inventories amounted to ₱9.2 billion as compared to ₱9.8 billion at the end of 2019. The decrease is due to reduced purchase levels in 2020, in line with the Group's strategy to optimize working capital and cash generation given temporary store closures and reduced foot traffic during the COVID pandemic in 2020, as well as relatively higher sales in the 4th quarter of 2020, as compared to the 2nd and 3rd quarters of the year.

Prepayments and other Current Assets

As of December 31, 2020, prepayments and other current assets amounted to ₱557.4 million as compared to ₱1.2 billion at the end of 2019. The decrease mainly reflects decreases in advances to suppliers to ₱43.9 million and supplies inventory to ₱292.5 million.

Non-Current Assets

Investment in an Associate

As of December 31, 2020, investment in an associate amounted to ₱78.3 million as compared to ₱86.8 million at the end of 2019. The Group recognized its share in the net income of SPI amounting to ₱10.3 million and received dividends of ₱18.8 million during the year.

Property and Equipment

As of December 31, 2020, property and equipment amounted to ₱4.5 billion as compared to ₱5.6 billion at the end of 2019. During the year, the Group made capital expenditures of ₱436.7 million, and recognized additional depreciation expense (excluding PFRS 16 impact) of ₱776.7 million.

During the year, the Group also recognized additional right-of-use (ROU) assets amounting to ₱506.3 million and related depreciation expense of ₱1.1 billion. ROU assets, less the related accumulated depreciation, amounted to ₱2.1 billion at the end of 2020.

Deferred Tax Assets

As of December 31, 2020, deferred tax assets amounted to ₱627.8 million as compared to ₱334.3 million at the end of 2019. These pertain to tax assets recognized for the Group's deductible temporary differences, carryforward benefits of unused minimum corporate income tax (MCIT) and NOLCO, to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of unused MCIT and NOLCO can be utilized.

Other Noncurrent Assets

As of December 31, 2020, other noncurrent assets amounted to ₱198.5 million as compared to ₱182.4 million at the end of 2019. The increase is primarily due to an increase in deferred input VAT to ₱47.5 million, which was offset by decreases in miscellaneous deposits and franchise fees to a total of ₱142.1 million.

Current Liabilities

As of December 31, 2020, the Group had consolidated current liabilities of ₱10.1 billion, as compared to ₱8.1 billion at the end of 2019.

Trade and Other Payables

As of December 31, 2020, other trade and other payables amounted to ₱2.1 billion as compared to ₱2.5 billion at the end of 2019. The decrease is mainly due to a decrease in trade payables to ₱1.1 billion and a decrease in nontrade payables and accrued expenses to a total of ₱715.9 million as a result of lower expenses (e.g. rent, utilities) incurred during the year.

Short-term Loans Payable

As of December 31, 2020, short-term loans payable amounted to ₱6.9 billion as compared to ₱4.1 billion at the end of 2019. The Group drew on additional lines to increase its cash reserves during the second quarter of the year. No additional debt was drawn during the second half of the year.

Net debt at the end of 2020 was ₱1.8 billion as compared to ₱2.0 billion at the end of 2019.

Non- Current Liabilities

Long-term Debt

As of December 31, 2020, long-term debt amounted to ₱117.6 million as compared to ₱284.0 million at the end of 2019. The decrease reflects the Group's principal repayments on its ₱500.0 million long-term loan and the full repayment of the Group's syndicated term loan facility during the period. Long-term debt as of the end of 2020 is classified as current as the total amount will be due within the next 12 months.

Retirement Benefit Obligation

As of December 31, 2020, retirement benefit obligation amounted to ₱748.8 million as compared to ₱600.7 million at the end of 2019. This represents the difference between the present value of the Group's retirement plan obligations and the fair value of the Group's plan assets.

Lease Liabilities

As of December 31, 2020, lease liabilities amounted to ₱2.1 billion as compared to ₱2.8 million at the end of 2019. The decrease is mainly attributable to the amortization (including lease concessions) during the year amounting to ₱1.2 billion which was offset by additional lease liabilities recognized during the year (net of remeasurements) amounting to ₱345.6 million and interest expense amounting to ₱173.6 million.

Lease payments to be made over the next 12 months, less the related interest expense, are classified as current while those to be paid beyond the next 12 months are classified as noncurrent. As of December 31, 2020, the current portion of the Group's lease liabilities amounted to ₱738.8 million while the noncurrent portion was at ₱1.4 billion.

Equity

As of December 31, 2020, total equity amounted to ₱10.4 billion as compared to ₱11.4 billion at the end of 2019. The decrease primarily reflects the Group's total net loss of ₱903.8 million.

CASH FLOWS

During the year, the Group generated operating cash flows of ₱1.3 billion. Excluding the impact of PFRS 16, the Group generated operating cash flows of ₱2.4 billion during the 4th quarter of 2020 and ₱868.0 million for the full year.

Strong operating cashflows were a result of the Group's focus on turning over inventory, efficient working capital management, and cost and expense rationalization, given challenging operating conditions in 2020.

The Group limited capital expenditure outlays in 2020. Cash flows used in investing activities during the year amounted to ₱329.4 million. This primarily reflects capital expenditures of ₱436.7 million, refunds of its security deposits amounting to ₱86.4 million and dividends received from SPI amounting to ₱44.0 million during the year.

Cash flows from financing activities totaled ₱1.8 billion in 2020. During the year, the Group availed loans (net of payments and related interest expense) amounting to ₱2.3 billion.

Other Disclosures

(i) There are no known trends, events or uncertainties that will result in the Company's liquidity increasing or decreasing in a material way.
(ii) There were no events that will trigger direct or contingent financial obligations that are material to the Company, including and default or acceleration of an obligation.
(iii) Likewise, there were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
(iv) There are no material commitments for capital expenditures aside from those performed in the ordinary course of business.
(v) The continuing community quarantines imposed by the government in the country may continue to have a material impact on the Group's revenues.
(vi) There were no significant elements of income or loss that did not arise from continuing operations.
(vii) The Group usually experiences the fourth quarter of the year as the peak season relating to increased sales resulting from the Christmas and New Year holidays.

Item 7. Financial Statements

The audited consolidated financial statements are filed as part of this Report.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The following table sets out the aggregate fees billed to SSI Group, Inc. for the last three fiscal years for professional services rendered by SyCip Gorres Velayo & Co ("SGV").

Year	**Audit fees** (*in PhpM*)
2021	8.5
2020	5.2
2019	5.7

The Company has engaged the services of SGV during the two most recent fiscal years. There were no disagreements with SGV on accounting and financial disclosures.

SSI Group, Inc.'s Revised Manual on Corporate Governance provides that the Audit Committee shall, among other activities: (i) evaluate significant issues reported by the independent auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes, and activities of the Company; (ii) ensure that other non-audit work provided by the independent auditors is not in conflict with their functions as independent auditors; and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

Currently, the Board consists of nine members, of which two are independent directors. The table below sets out certain information regarding the members of the Board of Directors and executive officers. All members of the Board of Directors and executive officers listed below are citizens of the Philippines.

Name	Position
Zenaida R. Tantoco	Chairman and Chief Executive Officer
Anthony T. Huang	Director and President
Maria Teresa R. Tantoco	Director and Treasurer
Maria Elena R. Tantoco	Director
Bienvenido V. Tantoco III	Director
Eduardo T. Lopez III	Director
Edgardo Luis Pedro T. Pineda	Director
Carlo L. Katigbak	Independent Director
Arthur R. Tan	Independent Director
Elizabeth T. Quiambao	Executive Vice President
Rossellina J. Escoto	Vice President - Finance
Ma. Margarita A. Atienza	Vice President - Investor Relations & Corporate Planning and Compliance Officer
Ma. Alicia G. Picazo-San Juan	Corporate Secretary

A summary of the qualifications of the incumbent directors and incumbent officers including positions currently held by the directors and executive officers, as well as positions held during the past five years is set forth below:

Zenaida R. Tantoco, 75, Director of the Company since 2007. She is the Chairman and Chief Executive Officer of the Company. Ms. Tantoco is also the Chairman and Chief Executive Officer of all of the Group's companies. She has over 40 years of experience in the retail business, and serves as the Chairman and Chief Executive Officer of Rustan Commercial Corporation and Rustan Marketing Corporation. In addition, she is a member of the board of directors of several Rustan's Group companies, including, among others, Rustan Commercial Corporation, Rustan Marketing Corporation and Rustan Coffee Corporation. Ms. Tantoco graduated cum laude from the Assumption College with a Bachelor of Science degree in Business Administration.

Anthony T. Huang, 50, Director of the Company since 2007. He is the President of the Company. Mr. Huang is also the President and a director of all of the Group's companies. He joined the Group in 1995 and has over 23 years of experience in the retail business. He also serves as the President of Rustan Marketing Corporation, Executive Vice President of Rustan Commercial Corporation, and the Chairman of the Board MUJI Philippines Corp. He is a member of the board of directors of Sta. Elena Properties, Inc. and Commonwealth Foods, Inc. Mr. Huang has been recognized as a Cavaliere of the Order of Merit of the Italian Republic and as a Chevalier de le Legion D' Honneur of France for his contributions to strengthening the economic ties between the Philippines and Italy and France, and for improving local accessibility to the products of these two countries. Mr. Huang graduated from the University of Asia and the Pacific with a Bachelor of Arts degree in Humanities.

Ma. Teresa R. Tantoco, 57, Director of the Company since 2008. She is the Treasurer of the Company. Ms. Tantoco is also the Treasurer and a director of the Group's companies, including, among others, International Specialty Concepts Inc., Specialty Food Retailers, Inc., International Specialty Retailers, Inc., International Specialty Wear, Inc., Footwear Specialty Retailers, Inc., International Specialty Fashions, Inc. and Specialty Lifestyle Concepts, Inc. In addition, she serves as the Treasurer and a director of Rustan Marketing Corporation and RPG Distribution Services, Inc., and is a member of the board of directors of Rustan Commercial Corporation. Ms. Tantoco graduated from John Cabot International College with a Bachelor of Science degree in Business Administration.

Ma. Elena R. Tantoco, 63, Director of the Company since 2008. Ms. Tantoco is also a member of the board of directors of several of the Group's companies, including, among others, Stores Specialists, Inc., Rustan Marketing Specialists, Inc., International Specialty Apparel, Inc., and Specialty Investments, Inc., She is a director of Rustan Commercial Corporation and serves as Vice President for Home Merchandising and Buying. In addition, she is a member of the board of directors of Rustan Coffee Corporation, Rustan Marketing Corporation and RPG Distribution Services, Inc. Ms. Tantoco graduated from the Assumption College with a Bachelor of Science degree in Entrepreneurship.

Bienvenido V. Tantoco III, 55, Director of the Company since 2007. Mr. Tantoco is also a director of the Group's companies, including Stores Specialists, Inc., Rustan Marketing Specialists, Inc., International Specialty Concepts, Inc. and Footwear Specialty Retailers, Inc. He served as the Vice President for Corporate Planning of Rustan Commercial Corporation prior to his appointment as its President. Mr. Tantoco graduated from Connecticut College with a Bachelor of Arts degree in Economics, and J.L Kellogg Graduate School of Management, Northwestern University with a Master of Management degree, majors in Marketing, Accounting, and Organizational Behavior.

Eduardo T. Lopez III, 54, Director of the Company since 2008. Mr. Lopez is also a director of the Group's companies. In addition, he serves as the General Manager and Vice President of Finance and Administration of Superstar Security Agency, Inc., the President of Nightside Security Agency, the General Manager of Topflight Inc., the Assistant to the President of Unilogix, Inc., and an owner of Secondo Time and Pieces. He is also a member of the board of directors of Rustan Marketing Corporation. Mr. Lopez attended Ateneo De Manila University and Santa Clara University and graduated with a Bachelor of Science degree in Economics, and Stanford University with a Master of Science degree in Management.

Edgardo Luis Pedro T. Pineda, 50, Director of the Company since 2014. Mr. Pineda is also a director of the Group's companies, including Stores Specialists, Inc., Rustan Marketing Specialists, Inc., International Specialty Concepts, Inc. and Footwear Specialty Retailers, Inc. In addition, he is a member of the board of directors of Rustan Commercial Corporation and Rustan Marketing Corporation. Mr. Pineda graduated from Fordham University with a Bachelor of Science degree in Business Administration, and Stanford University with a Master of Science degree in Business Management.

Carlo L. Katigbak, 52, Independent Director of the Company since 2014. Mr. Katigbak is the President and Chief Executive Officer of ABS-CBN Corporation, the Philippines' leading information and entertainment multimedia conglomerate. He has over 20 years of experience in business, spanning financial management, business operations, corporate planning and general management. He is a member of the board of directors of Skycable Corporation, ABS-CBN Convergence and Play Innovations, Inc. Mr. Katigbak is also a member of the Board of Trustees of Knowledge Channel

Foundation and ABS-CBN Lingkod Kapamilya Foundation. He holds a degree in Bachelor of Science in Management Engineering from the Ateneo de Manila University, and completed the Advanced Management Program at Harvard Business School in 2009.

Arthur R. Tan, 61, Independent Director of the Company since June 2021. Mr. Tan is also a member of the Board of Directors of IMI since July 2001. He's the Chief Executive Officer of IMI since April 2002 and was re-elected as President effective January 1, 2020. Concurrently, he is a Senior Managing Director of Ayala Corporation and a member of the Ayala Group Management Committee. He is also the Group President and Chief Executive Officer of AC Industrial Technology Holdings, Inc. Concurrently, he is also the Chairman of the Board and Chief Executive Officer of PSi Technologies Inc. and Merlin Solar Technologies (Phils.), Inc.; President and Chief Executive Officer of Speedy-Tech Electronics Ltd.; Chairman of the Board of Surface Technology International (STI) Ltd., Chairman of the Advisory Board of Via Optronics GmbH and MT Technologies GmbH. Prior to IMI, he was the Northeast Area Sales Manager and Acting Design Center Manager of American Microsystems Inc. (Massachusetts, USA), from 1994 to 1998, of which he became the Managing Director for Asia Pacific Region/ Japan from 1998 to 2001. He graduated with B.S. in Electronics Communications Engineering degree from Mapua Institute of Technology in 1982 and attended post-graduate programs at the University of Idaho, Singapore Institute of Management, IMD, and Harvard Business School..

EXECUTIVE OFFICERS

Elizabeth T. Quiambao, 70, is the Executive Vice President of the Company. Mrs. Quiambao is also the Executive Vice President and/or General Manager of most of the Group's companies She is also a member of the board of directors of MUJI Philippines, Corp. Prior to joining the Group in 1994, she was an auditor with SGV & Co., the Controller of Philippine Aerospace Development Corp., the Vice President of Tourist Duty Free Shops and Vice President of Grosby Footwear, Inc. Mrs. Quaimbao graduated magna cum laude from the University of Santo Tomas with a Bachelor of Science degree in Commerce, major in Accountancy and is a certified public accountant.

Rossellina J Escoto, 69, is the Vice President of Finance of the Company. Mrs. Escoto is also the Vice President of Finance or Finance Manager of most of the Group's companies. Prior to joining the Group in 1997, she was an auditor with SGV & Co., and also held a senior management position with the Philippine Stock Exchange. Mrs. Escoto graduated magna cum laude from the University of Santo Tomas with a Bachelor of Science degree in Commerce, major in Accountancy and is a certified public accountant.

Ma. Margarita A. Atienza, 48, is the Vice President of Investor Relations & Corporate Planning, and the Compliance Officer of the Company. Ms. Atienza is also a member of the board of directors and the Chief Financial Officer of Landmark Management Services, Ltd. and is the Treasurer of MUJI Philippines Corp. Ms. Atienza is also the Data Privacy Officer of the Group. Prior to joining the Group in 2014, she was an Associate Director for Client Coverage with BPI Capital Corporation, which she joined in 2008. Ms. Atienza was a Merit Scholar at the Ateneo de Manila University and graduated from the Ateneo with a Bachelor's Degree in Social Sciences and the Asian Institute of Management with a Master's in Business Administration.

Ma. Alicia G. Picazo-San Juan, 51, is the Corporate Secretary of the Company. Atty. Picazo-San Juan is a practicing lawyer and a Partner of Picazo Buyco Tan Fider & Santos Law Offices. She serves as the Corporate Secretary of various Philippine companies, including Max's Group, Inc., Yellow Cab Food Corporation, Pancake House Products, Inc. The Real American Doughnut Co., Inc., Max's Bakeshop, Inc., AsianLife and General Assurance Corporation, ATR Asset Management, Inc. and several mutual fund companies. Atty. Picazo-San Juan graduated magna cum laude with the degree of Bachelor of Science in Management, Major in Legal Management, from the Ateneo de Manila University in 1992, and graduated cum laude with the degree of Bachelor of Laws from the University of the Philippines in 1996.

SIGNIFICANT EMPLOYEES

The Company does not believe that its business is dependent on the services of any particular employee.

FAMILY RELATIONSHIPS

Bienvenido Tantoco, Sr. is the patriarch of the Tantoco Family, and together with his wife, the late Gliceria R. Tantoco, are the founders of the Rustan's Group. They have six children, Bienvenido R. Tantoco, Jr., Zenaida R. Tantoco, Ma. Carmencita T. Lopez, Ma. Elena R. Tantoco, Ma. Lourdes T. Pineda and Ma. Teresa R. Tantoco (collectively, the "Second Generation").

As set out below, the Board is comprised of several members of the Second Generation, as well as several of their children:

Zenaida R. Tantoco, is the Chairman of the Board and Chief Executive Officer of the Company.

Anthony T. Huang, is a Director and the President of the Company and the son of Zenaida R. Tantoco.

Ma. Teresa R. Tantoco, is a Director and the Treasurer of the Company.

Ma. Elena R. Tantoco, is a Director of the Company.

Bienvenido V. Tantoco III, is a Director of the Company and the son of Bienvenido R. Tantoco, Jr.

Eduardo T. Lopez III, is a Director of the Company and the son of Ma. Carmencita T. Lopez.

Edgardo Luis Pedro T. Pineda, is a Director of the Company and the son of Ma. Lourdes T. Pineda.

The only family members who hold senior management positions are Zenaida R. Tantoco, Ma. Teresa R. Tantoco and Anthony T. Huang.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

SSI Group, Inc. is not aware of (i) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (ii) Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses; (iii) any of the directors and executive officers being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and (iv) any of the directors and executive officers being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated, occurring during the past five (5) years up to the latest date that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter or control person of SSI Group, Inc.

Item 10. Executive Compensation

The following table sets out the Company's chief executive officer ("CEO") and the four most highly compensated senior officers for the last three years.

Name	Position
Zenaida R. Tantoco	Chairman and CEO
Anthony T. Huang	President
Maria Teresa R. Tantoco	Treasurer
Elizabeth T. Quiambao	Executive Vice President
Rossellina J. Escoto	Vice President - Finance

The following table identifies and summarizes the aggregate compensation of the Company's CEO and the four most highly compensated executive officers, as well as the aggregate compensation paid to all other officers and Directors as a group, for the years ended December 31, 2019, 2020 and 2021 and projected for the year 2022.

	Year	Total (In ₱ millions)
CEO and the four most highly compensated executive officers named above	2019	23.8
	2020	29.2
	2021	29.2
	2022 (estimated)	29.2
Aggregate compensation paid to all other officers and Directors as a group unnamed	2019	5.5
	2020	7.0
	2021	7.0
	2022 (estimated)	7.0

STANDARD ARRANGEMENTS

Other than payment of reasonable per diem as may be determined by the Board for its meetings, there are no standard arrangements pursuant to which the Company's Directors are compensated directly, or indirectly for any services provided as a director.

OTHER ARRANGEMENTS

On August 4, 2014, the Board and stockholders of SSI Group, Inc. approved a stock grant to reward and compensate the key executive officers for services rendered in 2014. As approved by the Board and stockholders of the Corporation, the shares to be issued pursuant to the stock grant for the year 2014 will be priced based on the Offer Price set during the initial public offering of the shares of the Company. The shares covered by the stock grant were issued to the eligible employees of the Corporation in 2018.

WARRANTS AND OPTIONS OUTSTANDING

Not applicable.

Item 11. Security Ownership of Certain Beneficial Owners and Management

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS HOLDING MORE THAN 5% OF THE COMPANY'S VOTING SECURITIES AS OF MAY 6, 2022

As of May 6, 2022, the Company knows no one who beneficially owns in excess of 5% of the Company's common stock except set forth in the table below.

Title of Class	Names and addresses of record owners and relationship with the Company	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	% to Total Outstanding Shares
Common	**PCD Nominee Corporation (Filipino)**[3] 37th Floor Tower 1, The Enterprise Center, Ayala Avenue cor. Paseo de Roxas, Makati City (*stockholder*)	PCD participants acting for themselves or for their customers	Filipino	757,995,084	22.9806%

[3] *PCD Nominee Corporation is the registered owner of shares beneficially owned by participants in the Philippine Central Depositary, Inc. (PCD), a private company organized to implement an automated book entry system of handling securities transactions in the Philippines. Under the PCD procedures, when an issuer of a PCD-eligible issue will hold a stockholders' meeting, the PCD shall execute a pro-forma proxy in favor of its participants for the total number of shares in their respective principal securities account as well as for the total number of shares in their client securities account. For the shares held in the principal securities account, the participant concerned is appointed as proxy with full voting rights and powers as registered owner of such shares. For the shares held in the client securities account, the participant concerned is appointed as proxy, with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by such clients. No single PCD participant owns 5% or more shares of the Company.*

Title of Class	Names and addresses of record owners and relationship with the Company	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	% to Total Outstanding Shares
Common	**Wellborn Holdings, Inc.**[4] 4th Floor Midland Buendia Building, 403 Sen. Gil Puyat Avenue, Makati City (*stockholder*)	Wellborn Holdings, Inc.	Filipino	466,043,679	14.1294%
Common	**Marjorisca, Inc.**[5] 25B Tamarind Road, South Forbes Park (*stockholder*)	Marjorisca, Inc.	Filipino	434,440,400	13.1712%
Common	**Birdseyeview, Inc.**[6] 25B Tamarind Rd. South Forbes Park, Makati City (*stockholder*)	Birdseyeview, Inc.	Filipino	434,412,500	13.1704%
Common	**Educar Holdings Corp.**[7] 2nd Floor Urban Bldg., 405 Sen. Gil Puyat Avenue, Makati City (*stockholder*)	Educar Holdings Corp.	Filipino	415,753,800	12.6047%

[4] *Wellborn Holdings, Inc. is beneficially owned by Zenaida R. Tantoco, Anthony T. Huang, Michael T. Huang, and Catherine T. Huang as to 19.9%. 26.7%, 26.7%, and 26.7%, respectively.*

[5] *Marjorisca, Inc. is beneficially owned by Ma. Elena R. Tantoco, Christopher James Tantoco and Jose Miguel Tantoco as to 40%, 30% and 30%, respectively.*

[6] *Birdseyeview, Inc. is wholly and beneficially owned by Ma. Teresa R. Tantoco.*

[7] *Educar Holdings Corp. is beneficially owned by seven members of the Lopez family, Eduardo S. Lopez, Jr., Ma. Carmencita T. Lopez, Eduardo T. Lopez III, Ma. Margarita L. De Jesus, Ma. Carmencita L. Tiangco, Emmanuel T. Lopez and Enrique Antonio T. Lopez, each of whom holds an equal shareholding interest of 14.3%.*

Title of Class	Names and addresses of record owners and relationship with the Company	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	% to Total Outstanding Shares
Common	**Bordeaux Holdings, Inc.**[8] 19th Floor BDO Plaza, 8737 Paseo de Roxas, Makati City (*stockholder*)	Bordeaux Holdings, Inc.	Filipino	414,967,821	12.5809%
Common	**PCD Nominee Corporation (Non-Filipino)**[9] 37th Floor Tower 1, The Enterprise Center, Ayala Avenue cor. Paseo de Roxas, Makati City (*stockholder*)	PCD participants acting for themselves or for their customers	Filipino	280,165,095	8.4939%

SECURITY OWNERSHIP OF MANAGEMENT AS OF MAY 6, 2022

Title of Class	Name of beneficial owner	Position	Amount and Nature of Beneficial Ownership (shares)	Citizenship	% to Total Outstanding Shares
Named Executive Officers					
Common	Zenaida R. Tantoco	Chairman and CEO	872,500 (direct)	Filipino	0.0265%
Common	Anthony T. Huang	Director and President	9,200,294 (direct)	Filipino	0.2789%
Common	Maria Teresa R. Tantoco	Director and Treasurer	471,280,931 (direct and indirect)	Filipino	14.2881%
Common	Elizabeth T. Quiambao	Executive Vice President	4,919,419 (direct)	Filipino	0.1491%
Common	Rossellina J. Escoto	Vice President - Finance	404,961 (direct)	Filipino	0.0123%

[8] *Bordeaux Holdings, Inc. is equally beneficially owned by Jaime T. Pineda and Emmanuel T. Pineda.*

[9] *PCD Nominee Corporation is the registered owner of shares beneficially owned by participants in the Philippine Central Depositary, Inc. (PCD), a private company organized to implement an automated book entry system of handling securities transactions in the Philippines. Under the PCD procedures, when an issuer of a PCD-eligible issue will hold a stockholders' meeting, the PCD shall execute a pro-forma proxy in favor of its participants for the total number of shares in their respective principal securities account as well as for the total number of shares in their client securities account. For the shares held in the principal securities account, the participant concerned is appointed as proxy with full voting rights and powers as registered owner of such shares. For the shares held in the client securities account, the participant concerned is appointed as proxy, with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by such clients. No single PCD participant owns 5% or more shares of the Company.*

Title of Class	Name of beneficial owner	Position	Amount and Nature of Beneficial Ownership (shares)	Citizenship	% to Total Outstanding Shares
Other Executive Officers and Directors					
Common	Maria Elena R. Tantoco	Director	32,054,979 (direct)	Filipino	0.9718%
Common	Bienvenido V. Tantoco III	Director	200 (direct and indirect)	Filipino	0.0000%
Common	Eduardo T. Lopez III	Director	790,100 (direct)	Filipino	0.0240%
Common	Edgardo Luis Pedro T. Pineda	Director	100 (direct)	Filipino	0.0000%
Common	Carlo L. Katigbak	Independent Director	305,001 (direct)	Filipino	0.0092%
Common	Arthur R. Tan	Independent Director	154,000 (direct)	Filipino	0.0047%
Common	Ma. Margarita A. Atienza	Vice President – Investor Relations & Corporate Planning and Compliance Officer	231,235 (direct)	Filipino	0.0070%
Common	Ma. Alicia G. Picazo-San Juan	Corporate Secretary	-	Filipino	-

Except as disclosed above, none of the Company's other executive officers or department managers own shares directly or indirectly in the Company. Ownership in the Company is limited to that indicated in the foregoing.

VOTING TRUST HOLDERS OF 5% OR MORE

There were no persons holding more than 5% of a class of shares under a voting trust or similar agreement as of May 6, 2022.

CHANGES IN CONTROL

As of December 31, 2021, there are no arrangements that may result in a change in the control of the Company.

Item 12. Certain Relationships and Related Transactions

Please refer to Note 20 (Related Party Disclosures) of the Notes to Consolidated Financial Statements.

The Group, in the ordinary course of business, have engaged in transactions with each other as well as other affiliated companies, consisting principally of sales and purchases at market prices, advances made and obtained, as well as leases on an arms-length basis.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Board approved the Company's Revised Manual on Corporate Governance (the "Manual") on May 10, 2017 to monitor and assess the level of the Company's compliance with leading practices on good corporate governance as specified in the relevant Philippine Securities and Exchange Commission ("SEC") Circulars. In addition to establishing specialized committees to assist in complying with principles of good corporate governance, the Manual also outlines specific investors' rights and protections and enumerates particular duties expected from the members of the Board, officers and employees. It also features a disclosure system which requires adherence to the principles of transparency, accountability and fairness. A compliance officer is responsible for the formulation of specific measures to determine the level of compliance with the Manual by members of the Board, officers and employees. As of December 31, 2021, the Company has not encountered any material deviations from the standards specified in the Manual.

The Manual also identifies the Company's policy with respect to the related party transactions, which covers any contract, agreement, transaction, arrangement or dealing of the Company with a director or officer or any related party. The Manual provides that such related party transactions shall be entered into by the Company on an arms' length basis and under such terms that inure to the benefit and best interest of the Company and its shareholders as a whole, considering relevant circumstances, but subject to the review and approval requirements set forth in the Manual and the Corporation Code. A copy of the Manual containing the foregoing provisions was submitted to the SEC and posted in the Company's website.

Committees of the Board

In accordance with the Company's By-Laws and Revised Manual on Corporate Governance, the Board has the following committees:

Audit Committee

The Company's audit committee is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to its management and shareholders of the continuous improvement of its risk management systems, business operations and the proper safeguarding and use of its resources and assets. The audit committee provides a general evaluation of and assistance in the overall improvement of its risk management, control and governance processes. The Audit Committee shall have the following functions:

(a) Recommend the approval the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;

(b) Through the Internal Audit (IA) Department, monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (i) safeguard the Corporation's resources and ensure their effective utilization, (ii) prevent occurrence of fraud and other irregularities, (iii) protect the accuracy and reliability of the

Corporation’s financial data, and (iv) ensure compliance with applicable laws and regulations;

(c) Oversee the IA Department, and recommend the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (CAE). The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;

(d) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;

(e) Review and monitor Management’s responsiveness to the Internal Auditor’s findings and recommendations;

(f) Prior to the commencement of the audit, discuss with the External Auditor the nature, scope, and expenses of the audit, and ensure the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;

(g) Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Corporation’s overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation’s Annual Report and Annual Corporate Governance Report;

(h) Review and approve the Interim and Annual Financial Statements before their submission to the Board with particular focus on the following matters:

- Any change/s in accounting policies and practices
- Areas where a significant amount of judgment has been exercised
- Significant adjustments resulting from the audit
- Going concern assumptions
- Compliance with accounting standards
- Compliance with tax, legal and regulatory requirements;

(i) Review the disposition of the recommendations in the External Auditor's management letter;

(j) Perform oversight functions over the Corporation’s Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

(k) Coordinate, monitor, and facilitate compliance with laws, rules and regulations;

(l) Recommend to the Board the appointment, reappointment, removal, and fees of the External Auditor, duly accredited by the SEC, who undertakes an independent audit of the Corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders; and

(m) Meet with the Board at least every quarter without the presence of the CEO or other management team members, and periodically meet with the head of the internal audit.

The audit committee is comprised of three members, all of whom have accounting, audit, and finance backgrounds. The members of the committee include one independent director, who serves as the chairman of the committee, and another with audit experience.

Remuneration and Compensation Committee

The Company's remuneration and compensation committee is responsible for objectively recommending a formal and transparent procedure for developing a polity on remuneration of directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates. The remuneration and compensation committee is comprised of three members, including one independent director. The remuneration and compensation committee reports directly to the Board and is required to meet at least once a year.

Nomination Committee

The Company's nomination committee is responsible for providing the Company's shareholders with an independent and objective evaluation and assurance that the members of the Board are competent and will foster long-term success and competitiveness. The nomination committee is comprised of four members, including one independent director. The nomination committee reports directly to the Board and is required to meet at least once a year.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Schedules

a. Exhibits - See accompanying Index to Financial Statements and Supplementary Schedules

b. Reports on SEC Form 17-C

Aside from compliance with periodic reporting requirements, the Company promptly discloses major and market sensitive information such as material transactions, press releases, and other information that may affect the decision of the investing public.

In 2021, the Company filed, among others, unstructured disclosures involving the following:

Date	Description
May 10, 2021	Postponement of the 2021 Annual Stockholders' Meeting of SSI Group, Inc.
May 10, 2021	Notice of Annual Stockholders' Meeting of SSI Group, Inc.
June 30, 2021	Results of SSI Group, Inc.'s Annual Stockholders' Meeting
June 30, 2021	Results of the Organizational Meeting of the Board of Directors of SSI Group, Inc.
July 15, 2021	Initial Statement of Beneficial Ownership of Securities (Arthur R. Tan)
August 16, 2021	Press Release: SSI Group, Inc. Financial Results for the Second Quarter and Six Months Ended June 30, 2021
November 15, 2021	Press Release: SSI Group, Inc. Financial Results for the Third Quarter and Nine Months Ended September 30, 2021

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this Report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on _________, 2022.

By:

ANTHONY T. HUANG
President

ROSSELLINA J. ESCOTO
Vice President – Finance

ATTY. MA. ALICIA PICAZO-SAN JUAN
Corporate Secretary

MAY 13 2022

SUBSCRIBED AND SWORN to before me this _________, 2022 affiant(s) exhibiting to me their identification documents, as follows:

NAMES	ID NUMBER	DATE OF ISSUE	PLACE OF ISSUE
Anthony T. Huang	Philippine Passport No. P7982876B	October 26, 2021	DFA Manila
Rossellina J. Escoto	Philippine Passport No. P2315581B	June 25, 2019	DFA Manila
Atty. Ma. Alicia Picazo-San Juan	Philippine Passport No. P7431608A	June 4, 2018	DFA Manila

Doc No. 282
Page No. 58
Book No. 215
Series of 2022.

NOTARY PUBLIC
ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2022 PER B.M. NO. 3795
11 KALAYAAN AVENUE EXTENSION,
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 171365/01-03-2022/Pasig City
PTR NO. MKT 8852502/01-03-2022/Makati City
MCLE Compliance No. VI-0007676/4-06-2019

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

I. 2021 Consolidated Financial Statements of the Company

a. Statement of Management's Responsibility for Financial Statements
b. SSI Group, Inc. and Subsidiaries' Consolidated Financial Statements as of December 31, 2021 and 2020 and years ended December 31, 2021, 2020 and 2019, and Independent Auditor's Report

II. Supplementary Schedules

Schedule	Contents
Index to the Consolidated Financial Statements	
I	Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Subsidiaries
II	Reconciliation of Retained Earnings Available for Dividend Declaration
Supplementary Schedules	
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties and Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-Term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Capital Stock

SSI GROUP, INC.
SUSTAINABILITY REPORT
(For the year ended December 31, 2021)

Contextual Information

Company Details	
Name of Organization	SSI Group, Inc. ("SSI," or the "Company")
Location of Headquarters	6F Midland Buendia Bldg., 403 Sen. Gil Puyat Ave., Makati City
Location of Operations	Various locations across Luzon, Visayas and Mindanao
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Stores Specialists, Inc. International Specialty Concepts, Inc. Rustan Marketing Specialists, Inc. Footwear Specialty Retailers, Inc. Specialty Lifestyle Concepts, Inc. International Specialty Fashions, Inc. International Specialty Retailers, Inc. International Specialty Wear, Inc. International Specialty Apparel, Inc. Rustan Specialty Concepts, Inc. Specialty Food Retailers, Inc.
Business Model, including Primary Activities, Brands, Products, and Services	The Company is primarily a holding company which operates through its main wholly-owned operating subsidiary, Stores Specialists, Inc. SSI with its subsidiaries (the "Group") is the leading specialty retailer in the Philippines with an extensive portfolio of established international brands. Brand management and specialty retailing is the Group's principal business. SSI believes that it has a unique and broad brand portfolio, comprising, among others, such well-known brands as Hermès, Gucci, Cartier and Salvatore Ferragamo for premium luxury apparel and accessories, Zara, Bershka, Stradivarius, Pull&Bear, and Old Navy for popular fast fashion, Lacoste and Gap for casual wear, SaladStop! and Shake Shack for high-quality food and beverage selections, Samsonite for stylish travel and luggage offerings, Payless ShoeSource for value-priced trendy footwear, and MUJI, Pottery Barn and West Elm for modern home furnishings and accessories.
Reporting Period	January 1, 2021 to December 31, 2021
Highest Ranking Person responsible for this report	Anthony T. Huang President

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

MATERIALITY PROCESS

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]
The SSI Group is involved primarily in the specialty retailing industry, through the operation of 525 specialty stores and restaurants for 93 brands. The Group also has an expanding e-commerce and restaurant businesses. The Group assessed materiality based on operational matters that impact the Group's primary stakeholders, namely customers, employees, shareholders, suppliers, and the communities in which the Group operates or maintains a presence.

[1] See *GRI 102-46* (2016) for more guidance.

ECONOMIC

ECONOMIC PERFORMANCE

Direct Economic Value Generated and Distributed

Disclosure	Amount ('000)	Units
Direct economic value generated (revenue)	15,495,522[b]	PhP
Direct economic value distributed:		
a. Operating costs	4,003,687[c]	PhP
b. Employee wages and benefits	1,471,497[d]	PhP
c. Payments to suppliers, other operating costs	9,439,614[e]	Php
d. Dividends given to stockholders and interest payments to loan providers	-	PhP
e. Taxes given to government	382,105[f]	PhP
f. Investments to community (e.g. donations, CSR)	*	PhP

* *The Company is still in the process of collecting data and will disclose information in future reporting periods as soon as it becomes available.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
SSI's principal business is brand management and specialty retailing. The Company operates over 500 specialty stores which are strategically located in the Philippines nationwide. The Company generates its primary source of revenues through these stores which in turn support the whole retail operations of the Group. Through its retail operations, the Group is able to provide investment opportunities to investors, an additional source of taxes paid to the government, as well as job opportunities to Filipinos.	Employees Customers Shareholders Government	The Group strives to provide customers with a range of quality products aimed at enhancing the lifestyles of its customers. The Group also aims to provide these products within world class specialty stores with a focus on upgraded customer service. The Group also aims to provide fair employment terms to its employees, who are majority women, with opportunities for career advancement. The Group also works to ensure that it operates in line with government rules and regulations that are applicable to the Group's retail operations.

[b] Based on total revenues as reflected in the 2021 audited financial statements.

[c] Based on total operating expenses excluding depreciation and amortization expense as reflected in the 2021 audited financial statements.

[d] Based on personnel costs under selling and distribution, and general and administrative expenses as reflected in the 2021 audited financial statements.

[e] Based on total cost of goods sold and services excluding depreciation and amortization expense as reflected in the 2021 audited financial statements.

[f] Based on income taxes paid, including creditable withholding tax, as reflected in the Statements of Cash Flows, and taxes and licenses expenses under selling and distribution and general and administrative expenses in the 2021 audited financial statements.

What are the Risk/s Identified?		The risks to the Group's business are managed through internal policies intended to ensure smooth operations, sound financial decisions and strong relationships with brands.
Please refer to pages 18-24 of SSI's Annual Report for the Principal Risks associated with its retail operations and economic performance.		
What are the Opportunity/ies Identified?		The Group is constantly scouting for new international brands that will resonate with Filipino consumers. The Group has an internal vetting and evaluation process that evaluates new brands based on projected returns on investments over the life of a brand contract.
Acquisition of other well-known international fashion and food brands Further innovation to enhance and personalize customer experience Expansion of e-commerce business		The Group has also established a Customer Relationship Management (CRM) Department and E-Commerce Business Division (EBG), with the former working to innovate and personalize the customer experience and the latter working to expand the Group's online presence.

Climate-related risks and opportunities[g]

NOTE: The Group currently does not have enough information to properly assess its impact on this topic. The Group has yet to establish a system of determining and measuring climate related risks and opportunities.

Governance	Strategy	Risk Management	Metrics and Targets
Please see note above.			
Recommended Disclosures			
Please see note above.			

[g] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

PROCUREMENT PRACTICES

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	30*	%

* *Due to the nature of the Company's retail operations, a significant part of its procurement budget is spent on foreign suppliers.*

***What* is the impact and where does it occur? What is the organization's involvement in the impact?**	**Which stakeholders are affected?**	**Management Approach**
Due to the nature of SSI's retail operations, a significant number of its suppliers (in terms of absolute peso amount) are international entities with whom the Group has entered into agreements that allow the Group to own and operate stores of these brands in the Philippines.	Suppliers	Maintain mutually beneficial and equitable relationships with international brands in the Group's portfolio. Ensure that stores are operated to world class standards. Manage risks related to renewal of brand agreements by maintaining a network of prime retail locations and by working in partnership with brands to develop and execute business plans for the Philippine market. The Group leverages on its track record of more than 30 years of operating specialty stores, identifying new brands and maintaining existing relationships, and its knowledge of Filipino consumers' tastes in order to successfully acquire new brands.
What are the Risk/s Identified?		
Dependency on brand agreements with brand principals, including the renewal of agreements Dependency on the ability to maintain and develop relationships with its current and future brand principals		
What are the Opportunity/ies Identified?		
Acquisition of new relationships with principals of other well-known brands		

ANTI-CORRUPTION

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

ENVIRONMENT

RESOURCE MANAGEMENT

Materials used by the organization

The Group does not yet have a mechanism in place to measure total materials used by over 500 stores over 83 malls nationwide. The Group is in the process of implementing an integrated program that will measure the impact of the Group's material usage and that will identify risks and opportunities through defined metrics and milestones.

Disclosure	Quantity	Units
Materials used by weight or volume	Please see note above.	
• renewable		kg/liters
• non-renewable		kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services		%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Please see note above.	Please see note above.	Please see note above.
What are the Risk/s Identified?		
Please see note above.		
What are the Opportunity/ies Identified?		
Please see note above.		

ENVIRONMENTAL COMPLIANCE

The Group is compliant with applicable environmental laws and regulations.

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations		PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations		#
No. of cases resolved through dispute resolution mechanism		#

`

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Please see note above.	Please see note above.	Please see note above.
What are the Risk/s Identified?		
Please see note above.		
What are the Opportunity/ies Identified?		
Please see note above.		

SOCIAL

EMPLOYEE MANAGEMENT

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[8]	4,238	
a. Number of female employees	2,872	#
b. Number of male employees	1,366	#
Attrition rate[9]	16.47%	rate
Ratio of lowest paid employee against minimum wage	None	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	93.92%	84.27%
PhilHealth	Y	93.91%	99.80%
Pag-ibig	Y	99.74%	99.93%
Parental leaves	Y	5.30%	1.10%
Vacation leaves	Y	42.42%%	38.75%
Sick leaves	Y	35.93%	28.85%
Medical benefits (aside from PhilHealth))	Y	63.36%	41.86%
Housing assistance (aside from Pag-ibig)	N	N/A	N/A
Retirement fund (aside from SSS)	Y	1.01%	0.36%
Further education support	N	N/A	N/A
Company stock options	N	N/A	N/A
Telecommuting	Y	24.93%	15.44%
Flexible-working Hours	N	N/A	N/A
(Others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Operation of retail stores across the country; approximately 62% of the Company's employees are store personnel	The Group seeks to provide fair compensation, a safe working environment, and superior training for its store employees, with opportunities for career advancement. The above factors also act to mitigate risks related to employee turnover. Additional training has been identified as a way to retain talent as well as promote from within the
What are the Risk/s Identified?	
Employee turnover	
What are the Opportunity/ies Identified?	
Further training of employees	

[8] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)
[9] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

	organization.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	8,542.5	hours
b. Male employees	4,495.5	hours
Average training hours provided to employees		
a. Female employees	3.59	hours/employee
b. Male employees	4.01	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Operation of retail stores across the country; approximately 62% of the Company's employees are store personnel	The Company provides adequate and proper training to all its store personnel to ensure that they are equipped with the knowledge relevant to their brand and product offerings.
What are the Risk/s Identified?	
None.	
What are the Opportunity/ies Identified?	
Additional training for head office employees, and evaluation and monitoring of existing training modules	

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	N/A	%
Number of consultations conducted with employees concerning employee-related policies	N/A	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable.	Not applicable.
What are the Risk/s Identified?	
Not applicable.	
What are the Opportunity/ies Identified?	
Not applicable.	

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	67.77	%
% of male workers in the workforce	32.23	%
Number of employees from indigenous communities and/or vulnerable sector*	30.00	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Operation of retail stores across the country, including head office operations More than 2/3 of the Group's employees are female that includes top management positions	The Company has policies in place to ensure equal treatment of its all employees. The Group also benchmarks with other companies in the same industry.
What are the Risk/s Identified?	
Equal opportunities for women employees in other companies	
What are the Opportunity/ies Identified?	
Continued development of employees	

WORKPLACE CONDITIONS, LABOR STANDARDS, AND HUMAN RIGHTS

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	6,108,907	Man-hours
No. of work-related injuries	2	#
No. of work-related fatalities	N/A	#
No. of work related ill-health	148	#
No. of safety drills	1	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Operation of retail stores across the country, including head office operations Approximately 62% of the Company's employees are store personnel	The Company has policies in place to ensure health and safety of its employees. To manage the pandemic, the Company rolled out company-wide vaccination and booster programs, which started with its store personnel. Currently, the Company is in a hybrid work-from-home arrangement, wherein head office employees go to the office 2-3 days in a week. There are health and safety protocols in place for employees who work from the office.
What are the Risk/s Identified?	
The operations were heavily affected by the COVID-19 pandemic. During lockdowns and strict quarantine restrictions, retail stores were forced to	

temporarily close.	The Company has also provided adequate ventilation, purifiers, alcohol, and sanitizers in all its offices.
What are the Opportunity/ies Identified?	
Opportunity to improve physical set up of head office and stores to provide for better ventilation.	

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	N	

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>Not applicable.</td><td rowspan="5">Not applicable.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>Not applicable.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>Not applicable.</td></tr>
</table>

Supply Chain Management

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	Y	

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>Not applicable.</td><td rowspan="5">Not applicable.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>Not applicable.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>Not applicable.</td></tr>
</table>

CUSTOMER MANAGEMENT

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	87%	N

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>The Group has identified customer satisfaction as one of the key drivers of growth for its business.

Customer satisfaction and engagement are important to grow the Company’s customer base.</td><td rowspan="6">The Company has policies and training in place to ensure store personnel are equipped with the knowledge relevant to their brand and product offerings. The Group also ensures to provide its customer with world-class store environment in line with the brand’s image.

The Group has also established a Customer Relationship Management (CRM) with the objective of innovating and personalizing the customer experience, and to address and manager customer concerns. Customers may also address their queries or concerns through the Group’s dedicated channels for communication such as website, electronic mail and social media accounts.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>Difficulty in managing relationships with different customers</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>Use of data analytics to better understand and manage relationships with customers</td></tr>
<tr><td></td></tr>
</table>

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	7	#
No. of complaints addressed	7	#

**Substantiated complaints include complaints from customers that went through the organization’s formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
The Group ensures that its food and beverage business within a strict set of operating procedures and in accordance with the minimum operating requirements of the respective brands to maintain the high level and quality of each brand’s food products. In 2021, the Group received seven (7) complaints on its food products which were addressed and resolved immediately.	The Group’s dedicated CRM teams ensure that any customer concerns or complaints regarding the Group’s products and services are addressed in a timely manner.

What are the Risk/s Identified?	
Loss of customer confidence in the products of the Group	
What are the Opportunity/ies Identified?	
Further improvements in product handling and food preparations and continuous review of operating manuals	

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	37	#
No. of complaints addressed	37	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Group conducts promotional activities (e.g. end-os-season sales, etc.) on a regular basis and in line with the overall brand direction. In 2021, the Group received 37 complaints on its marketing promos and labels (e.g. discounts on certain items)	The Group's dedicated CRM teams ensure that any customer concerns or complaints regarding the Group's products and services are addressed in a timely manner.
What are the Risk/s Identified?	
Loss of consumer trust in the Group's promotional activities and products	
What are the Opportunity/ies Identified?	
Improvements in communicating marketing promotions to customers (e.g. promo labels and mechanics)	

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	Nil	#
No. of complaints addressed	Nil	#
No. of customers, users and account holders whose information is used for secondary purposes	Nil	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable	Not applicable
What are the Risk/s Identified?	
Not applicable	
What are the Opportunity/ies Identified?	
Not applicable	

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	Nil	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable	Not applicable
What are the Risk/s Identified?	
Not applicable	
What are the Opportunity/ies Identified?	
Not applicable	

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs
Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Operations of retail stores and restaurant	Poverty reduction Decent work and economic growth Gender equality Women empowerment	Potential negative impact of contribution to UN SDGs include an increase in solid waste (e.g. packaging materials)	The Group is in the process of finalizing a mechanism to assess the negative impact with the ultimate goal of minimizing solid waste

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

SSI Group, Inc. and Subsidiaries

Consolidated Financial Statements
As of December 31, 2021 and 2020
and for the Years Ended December 31, 2021,
2020, and 2019

and

Independent Auditor's Report

SSIGROUP, Inc

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **SSI Group, Inc. and its Subsidiaries** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 not realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature ______________________
ZENAIDA R. TANTOCO – Chairman of the Board

Signature ______________________
ZENAIDA R. TANTOCO – Chief Executive Officer

Signature ______________________
ANTHONY T. HUANG - President

Signature ______________________
MA. TERESA R. TANTOCO - Treasurer

MAY 1 3 2022

SUBSCRIBED AND SWORN to before me this ________ in Makati City, affiant exhibiting to me their respective Passports, as follows:

Name	Passport No.	Date and Place of Issue
Zenaida R. Tantoco	P7660251B	September 22, 2021, DFA Manila
Anthony T. Huang	P7982876B	October 26, 2021, DFA Manila
Maria Teresa R. Tantoco	P6172182B	January 26, 2021, DFA Manila

Doc No. 281
Page No. 58
Book No. 215
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ATT[illegible]MOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
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1[illegible] KALAYAAN AVENUE EXTENSION,
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SC Roll No. 62179/04-26-2013
IBP NO. 171365/01-03-2022/Pasig City
PTR NO. MKT 8852502/01-03-2022/Makati City
MCLE Compliance No. [illegible]

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

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ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
SSI Group, Inc.
6th Floor, Midland Buendia Building
403 Sen. Gil Puyat Avenue
Makati City

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of SSI Group, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Existence and Completeness of Merchandise Inventories

The Group's merchandise inventories amounted to ₱6.62 billion or 31% of its consolidated assets as of December 31, 2021. The Group operates 525 stores and has 10 warehouses as of December 31, 2021. We focused on the existence and completeness of merchandise inventories since these are material to the consolidated financial statements and are located in various sites across the country.

The disclosures in relation to merchandise inventories are included in Note 6 to the consolidated financial statements.

Audit Response

We observed the conduct of inventory count at selected stores and warehouses and performed test counts. We traced the results of the test counts to the inventory compilation to determine if the inventory compilation reflects actual inventory count results. We also traced the last documents used for shipping, receiving and transfers which were obtained during the inventory count observation to the accounting records of sales and purchases. We reviewed the reconciliation of the physical inventory compilation with the general ledger account balances and tested reconciling items. We reviewed the rollforward and rollback procedures performed by management and on a sampling basis, we tested the transactions from the date of inventory count to the reporting date.

Valuation of Merchandise Inventories

The Group's merchandise inventories are carried at lower of cost and net realizable value. The Group sells goods that are subject to changing consumer demands and fashion trends. Thus, assessing the net realizable value of the Group's inventories requires significant management judgment. Such judgment includes management's expectations for future sales considering the impact brought about by the coronavirus pandemic and inventory liquidation plans.

The disclosures on the significant judgment in assessing the valuation of merchandise inventories are included in Notes 3 and 6 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's process in identifying out-of-season or obsolete inventories. We physically inspected sample inventories during the inventory count to check that the out-of-season or obsolete inventories are properly tagged as such. We obtained and reviewed management's calculation of the inventories' net realizable values including the revised selling price considering the reduced demand for the Group's inventories. We reviewed the list of out-of-season or obsolete inventories as of December 31, 2021 and inquired from management about its sales plan considering the reduced demand brought about by the coronavirus pandemic. We also reviewed through testing the revised selling price of such inventories, including out-of-season inventories, subsequent to year-end and the cost to sell and compared this against the cost of inventories.

Recoverability of Deferred Taxes

The Group recognized deferred tax assets amounting to ₱962.73 million as of December 31, 2021, including deferred tax assets on net operating loss carryover of subsidiaries that are in a tax loss position in the current year amounting to ₱337.42 million. Management's assessment of the recoverability of such deferred tax assets involves significant judgment and estimation of future taxable income of the affected subsidiaries. Management uses judgment in assessing the future market conditions and performance of the affected subsidiaries. The related estimation uncertainty has increased as a result of the effect of coronavirus pandemic on the macroeconomic factors used in developing the assumptions. The details of deferred income tax assets are disclosed in Note 22 to the consolidated financial statements.

Audit Response

We reviewed management's assessment regarding the availability of future taxable income in reference to the financial forecast and tax strategies. We likewise assessed the reasonableness of management's forecast by comparing the revenue growth rates used in the forecast with those of the industry and historical performance of the subsidiaries, taking into consideration the impact associated with the coronavirus pandemic. We also reviewed the timing of the reversals of the deductible temporary differences.

Impairment Testing of Long-lived Nonfinancial assets

The Group's operation is affected by Covid-19 pandemic, as non-essential retail industry, in general, is adversely affected. Furthermore, the Group permanently closed over 50 stores and decided to pre-terminate lease spaces in certain stores effective in 2021. Accordingly, management identified that 'property and equipment', 'franchise fees' and 'right-of-use assets' have indicators of impairment and henceforth performed impairment test to determine their recoverable amounts. The assessment of recoverable amount requires significant judgment and involves estimation and assumptions about future sales and costs, as well as external inputs such as discount rate and growth rate. In addition, because of the coronavirus pandemic, there is heightened level of uncertainty on the future economic outlook and market forecast. Hence, such assessment is a key audit matter in our audit.

The disclosures in relation to property and equipment, franchise fees and right-of-use assets are included in Notes 10, 11 and 26 to the consolidated financial statements, respectively.

Audit Response

We involved our internal specialist in evaluating the methodology and the assumptions used. These assumptions used include external inputs such as discount rate and growth rate. We compared the key assumptions used such as future sales and costs against historical sales and costs data, taking into consideration the impact associated with the coronavirus pandemic and the expected recovery. We compared the growth rate used against actual historical performance and industry outlook. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of 'property and equipment', 'franchise fees' and 'right-of-use assets'

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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 PFRSs, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 PSAs 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 PSAs, 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 Group's internal control.

- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Group 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 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 to 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 auditor's 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 auditor's report is Ma. Emilita L. Villanueva.

SYCIP GORRES VELAYO & CO.

Ma. Emilita L. Villanueva

Ma. Emilita L. Villanueva
Partner
CPA Certificate No. 95198
Tax Identification No. 176-158-478
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 95198-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-141-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8854388, January 3, 2022, Makati City

May 6, 2022

SSI GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱7,252,867,634**	₱5,303,876,139
Trade and other receivables (Note 5)	**776,320,437**	713,281,488
Merchandise inventories (Note 6)	**6,619,736,173**	9,209,038,936
Prepayments and other current assets (Note 7)	**749,115,691**	557,392,818
Total Current Assets	**15,398,039,935**	15,783,589,381
Noncurrent Assets		
Investment in an associate (Note 8)	**64,084,628**	78,251,625
Interests in joint ventures (Note 9)	**544,944,217**	543,663,728
Property and equipment (Note 10)	**3,817,425,379**	4,537,710,085
Deferred tax assets - net (Note 22)	**574,459,737**	591,167,488
Security deposits and construction bonds (Note 26)	**908,406,083**	963,591,768
Other noncurrent assets (Note 11)	**148,110,554**	198,475,979
Total Noncurrent Assets	**6,057,430,598**	6,912,860,673
TOTAL ASSETS	**₱21,455,470,533**	₱22,696,450,054
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	**₱2,291,910,440**	₱2,148,691,455
Short-term loans payable (Note 13)	**5,935,000,000**	7,010,000,000
Current portion of long-term debt (Note 13)	**–**	117,593,738
Current portion of lease liabilities (Note 26)	**325,273,001**	738,752,642
Deferred revenue	**42,773,076**	30,928,791
Income tax payable	**167,669,809**	30,383,591
Total Current Liabilities	**8,762,626,326**	10,076,350,217
Noncurrent Liabilities		
Retirement benefit obligation (Note 21)	**706,704,947**	748,787,027
Lease liabilities - net of current portion (Note 26)	**1,283,100,176**	1,408,703,347
Tenant deposits (Note 26)	**24,206,988**	20,279,738
Total Noncurrent Liabilities	**2,014,012,111**	2,177,770,112
Total Liabilities	**10,776,638,437**	12,254,120,329
Equity (Note 28)		
Capital stock	**3,312,864,430**	3,312,864,430
Additional paid-in capital	**2,519,309,713**	2,519,309,713
Treasury shares	**(30,893,010)**	(30,893,010)
Retained earnings	**5,011,670,617**	4,860,701,097
Cumulative translation adjustment	**(1,968,927)**	(2,080,603)
Other comprehensive loss	**(132,150,727)**	(217,571,902)
Total Equity	**10,678,832,096**	10,442,329,725
TOTAL LIABILITIES AND EQUITY	**₱21,455,470,533**	₱22,696,450,054

See accompanying Notes to Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2021	2020	2019
REVENUES			
Revenue from contracts with customers – net sales (Note 14)	**₱15,467,947,831**	₱12,222,341,393	₱22,365,831,939
Rental income (Note 26)	**27,574,406**	61,993,815	76,070,748
	15,495,522,237	12,284,335,208	22,441,902,687
COSTS OF GOODS SOLD AND SERVICES (Note 15)	**(9,446,790,445)**	(7,287,406,758)	(12,346,225,569)
GROSS PROFIT	**6,048,731,792**	4,996,928,450	10,095,677,118
OPERATING EXPENSES			
Selling and distribution (Note 16)	**3,816,587,182**	4,184,957,968	7,095,912,730
General and administrative (Note 17)	**1,338,490,969**	1,115,966,288	1,299,092,427
	5,155,078,151	5,300,924,256	8,395,005,157
OTHER INCOME (CHARGES)			
Interest income (Notes 4 and 26)	**33,744,700**	26,157,099	20,469,580
Gain on remeasurement of right-of-use assets and lease liabilities (Notes 10 and 26)	**5,276,558**	7,307,158	–
Gain on sale of interest in a joint venture (Note 9)	**–**	3,730,966	–
Foreign exchange losses - net	**(6,647,951)**	(16,058,981)	(16,786,745)
Share in net earnings (losses) of an associate and joint ventures (Notes 8 and 9)	**(12,886,508)**	(13,148,422)	106,392,946
Loss on stores closures and disposals of property and equipment and other assets (Notes 7 and 10)	**(46,447,735)**	(219,832,803)	(60,403,364)
Interest expense (Notes 13 and 26)	**(474,797,888)**	(535,902,141)	(549,866,677)
Others - net	**9,747,194**	38,330,308	31,025,242
	(492,011,630)	(709,416,816)	(469,169,018)
INCOME (LOSS) BEFORE INCOME TAX	**401,642,011**	(1,013,412,622)	1,231,502,943
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 22)			
Current	**290,724,261**	126,074,876	392,469,642
Deferred	**(40,051,770)**	(235,683,284)	23,542,684
	250,672,491	(109,608,408)	416,012,326
NET INCOME (LOSS)	**150,969,520**	(903,804,214)	815,490,617
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment on foreign operations	**111,676**	88,981	(46,312)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gain (loss) on retirement benefit, net of deferred tax (Note 21)	**85,421,175**	(62,434,209)	(148,583,252)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**85,532,851**	(62,345,228)	(148,629,564)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱236,502,371**	(₱966,149,442)	₱666,861,053
BASIC/DILUTED EARNINGS (LOSS) PER SHARE (Note 23)	**₱0.05**	(₱0.27)	₱0.25

See accompanying Notes to Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

	Capital Stock (Note 28)	Additional Paid-in Capital (APIC)	Stock Grants (Note 28)	Treasury Shares (Note 28)	Retained Earnings (Note 28)		Cumulative Translation Adjustment	Other Comprehensive Income (Loss)	Total
					Appropriated	Unappropriated			
Balances at January 1, 2019	₱3,312,864,430	₱2,519,309,713	₱–	(₱7,558,440)	₱1,100,000,000	₱3,898,971,978	(₱2,123,272)	(₱6,554,441)	₱10,814,909,968
Net income	–	–	–	–	–	815,490,617	–	–	815,490,617
Other comprehensive loss	–	–	–	–	–	–	–	(148,583,252)	(148,583,252)
Exchange differences on translation	–	–	–	–	–	–	(46,312)	–	(46,312)
Total comprehensive income for the year	–	–	–	–	–	815,490,617	(46,312)	(148,583,252)	666,861,053
Dividend payment (Note 28)	–	–	–	–	–	(49,957,284)	–	–	(49,957,284)
Treasury shares (Note 28)	–	–	–	(10,545,460)	–	–	–	–	(10,545,460)
Balances at December 31, 2019	₱3,312,864,430	₱2,519,309,713	₱–	(₱18,103,900)	₱1,100,000,000	₱4,664,505,311	(₱2,169,584)	(₱155,137,693)	₱11,421,268,277

(Forward)

	Capital Stock (Note 28)	Additional Paid-in Capital (APIC)	Stock Grants (Note 28)	Treasury Shares (Note 28)	Retained Earnings (Note 28)		Cumulative Translation Adjustment	Other Comprehensive Income (Loss)	Total
					Appropriated	Unappropriated			
Balances at January 1, 2020	₱3,312,864,430	₱2,519,309,713	₱–	(₱18,103,900)	₱1,100,000,000	₱4,664,505,311	(₱2,169,584)	(₱155,137,693)	₱11,421,268,277
Net loss	–	–	–	–	–	(903,804,214)	–	–	(903,804,214)
Other comprehensive loss	–	–	–	–	–	–	–	(62,434,209)	(62,434,209)
Exchange differences on translation	–	–	–	–	–	–	88,981	–	88,981
Total comprehensive loss for the year	–	–	–	–	–	(903,804,214)	88,981	(62,434,209)	(966,149,442)
Reversal of appropriation of retained earnings	–	–	–	–	(1,100,000,000)	1,100,000,000	–	–	–
Treasury shares (Note 28)	–	–	–	(12,789,110)	–	–	–	–	(12,789,110)
Balances at December 31, 2020	₱3,312,864,430	₱2,519,309,713	₱–	(₱30,893,010)	₱–	₱4,860,701,097	(₱2,080,603)	(₱217,571,902)	₱10,442,329,725

	Capital Stock (Note 28)	**Additional Paid-in Capital (APIC)**	**Stock Grants** (Note 28)	**Treasury Shares** (Note 28)	**Retained Earnings** (Note 28)		**Cumulative Translation Adjustment**	**Other Comprehensive Income (Loss)**	**Total**
					Appropriated	**Unappropriated**			
Balances at January 1, 2021	**₱3,312,864,430**	**₱2,519,309,713**	**₱–**	**(₱30,893,010)**	**₱–**	**₱4,860,701,097**	**(₱2,080,603)**	**(₱217,571,902)**	**₱10,442,329,725**
Net income	**–**	**–**	**–**	**–**	**–**	**150,969,520**	**–**	**–**	**150,969,520**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**85,421,175**	**85,421,175**
Exchange differences on translation	**–**	**–**	**–**	**–**	**–**	**–**	**111,676**	**–**	**111,676**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**150,969,520**	**111,676**	**85,421,175**	**236,502,371**
Balances at December 31, 2021	**₱3,312,864,430**	**₱2,519,309,713**	**₱–**	**(₱30,893,010)**	**₱–**	**₱5,011,670,617**	**(₱1,968,927)**	**(₱132,150,727)**	**₱10,678,832,096**

SSI GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱401,642,011**	(₱1,013,412,622)	₱1,231,502,943
Adjustments to reconcile income before income tax to net cash flows:			
Depreciation and amortization (Notes 10, 11 and 19)	**935,467,021**	1,128,196,981	2,051,127,090
Interest expense (Notes 13 and 26)	**474,797,888**	535,902,141	549,866,677
Retirement expense (Notes 18 and 21)	**122,852,022**	83,881,848	65,911,077
Loss on stores closures and disposals of property and equipment and other assets (Notes 7 and 10)	**46,447,735**	219,832,803	60,403,364
Share in net loss (earnings) of an associate and joint ventures (Notes 8 and 9)	**12,886,508**	13,148,422	(106,392,946)
Provision for inventory obsolescence - net (Note 6)	**1,266,468**	19,694,157	–
Provision (reversal) for expected credit losses (Notes 5 and 20)	**5,973,753**	44,607,228	(9,402,379)
Unrealized foreign exchange losses - net	**6,647,951**	4,249,976	3,759,307
Loss on derecognition of franchise cost (Note 11)	**3,636,294**	392,940	7,056,917
Gain on sale on interest in a joint venture (Note 9)	**–**	(3,730,966)	–
Gain on remeasurement of right-of-use assets and lease liabilities (Note 26)	**(5,276,558)**	(7,307,158)	–
Interest income (Notes 4 and 26)	**(33,744,700)**	(26,157,099)	(20,469,580)
Operating income before working capital changes	**1,972,596,393**	999,298,651	3,833,362,470
Decrease (increase) in:			
Trade and other receivables	**(69,012,702)**	2,654,465	(72,151,061)
Merchandise inventories	**2,588,036,295**	590,146,995	(573,690,134)
Prepayments and other current assets	**(141,734,400)**	383,827,470	(114,273,856)
Increase (decrease) in:			
Trade and other payables	**139,562,612**	(380,017,356)	1,054,946,814
Deferred revenue	**11,844,285**	9,937,500	(298,353)
Tenant deposits	**3,927,250**	415,287	(13,905,553)
Net cash generated from operations	**4,505,219,733**	1,606,263,012	4,113,990,327
Interest received	**14,825,646**	11,568,066	8,057,398
Contributions (Note 21)	**(11,250,000)**	(6,334,414)	(9,885,000)
Benefits paid directly by the Group (Note 21)	**(24,597,762)**	(18,363,589)	(3,124,640)
Income taxes paid, including creditable withholding tax	**(153,438,043)**	(257,692,698)	(333,127,845)
Net cash flows provided by operating activities	**4,330,759,574**	1,335,440,377	3,775,910,240
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment (Notes 10 and 29)	**(477,089,356)**	(436,726,993)	(960,963,076)
Payment of franchise cost and software	**(8,273,609)**	(3,243,725)	(16,161,936)
Cash receipts (payments) of:			
Security deposits and construction bonds	**74,104,739**	86,411,627	(4,723,481)
Other noncurrent assets	**(6,174,509)**	(27,276,694)	(19,422,410)
Proceeds from disposal of property and equipment (Note 10)	**–**	1,888,037	–
Dividends received from investment in an associate (Note 8)	**–**	44,022,859	–
Proceeds from sale of interests in a joint venture (Note 9)	**–**	5,480,966	–
Net cash flows used in investing activities	**(417,432,735)**	(329,443,923)	(1,001,270,903)

(Forward)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Short-term loans payable (Note 13)	**₱300,000,000**	₱5,735,000,000	₱5,162,500,000
Payments of:			
Short-term loans payable (Note 13)	**(1,375,000,000)**	(2,800,000,000)	(5,655,000,000)
Principal portion of lease liabilities (Note 26)	**(294,063,816)**	(295,117,840)	(1,088,308,169)
Long-term debt (Note 13)	**(117,670,000)**	(284,306,666)	(450,973,334)
Interest (Notes 26 and 29)	**(474,721,626)**	(535,543,122)	(548,618,081)
Dividends (Note 28)	**–**	–	(49,957,284)
Purchase of treasury shares (Note 28)	**–**	(12,789,110)	(10,545,460)
Net cash flows provided by (used in) financing activities	**(1,961,455,442)**	1,807,243,262	(2,640,902,328)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(2,879,902)**	(1,823,510)	(1,738,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,948,991,495**	2,811,416,206	131,999,009
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**5,303,876,139**	2,492,459,933	2,360,460,924
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱7,252,867,634**	₱5,303,876,139	₱2,492,459,933

See accompanying Notes to Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

SSI Group, Inc. was registered with the Philippine Securities and Exchange Commission (SEC) on April 16, 2007 as Casual Clothing Specialists, Inc. (the Company). Its primary purpose was to carry on a general mercantile and commercial business of importing, buying, acquiring, holding, selling or otherwise disposing of and dealing in any goods, wares, merchandise and commodities of all kinds, and products, natural or artificial, of the Philippines or other countries, which are or may become articles of commerce, without, however, engaging in the manufacture of foods, drugs, and cosmetics. The Company was formerly one of the subsidiaries of Stores Specialists, Inc. (SSI).

On November 7, 2014, SSI Group, Inc. listed its 695,701,530 common shares with the Philippine Stock Exchange (PSE).

The registered office and principal place of business of the Company is 6th Floor, Midland Buendia Building, 403 Sen. Gil Puyat Avenue, Makati City.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, 2020 and 2019 were reviewed and recommended for approval by the Audit Committee to the Board of Directors (BOD) on May 6, 2022. The same consolidated financial statements were approved and authorized for issuance by the BOD on May 6, 2022.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
The consolidated financial statements of the Group have been prepared on a historical cost basis and are presented in Philippine peso (₱), which is the Company's presentation and functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. All values are rounded to the nearest peso except when otherwise indicated.

<u>Statement of Compliance</u>
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

<u>Basis of Consolidation</u>
The consolidated financial statements comprise the financial statements of the Company and the following wholly-owned subsidiaries:

	Percentage ownership					
	2021		2020		2019	
	Direct	**Indirect**	Direct	Indirect	Direct	Indirect
Stores Specialists, Inc. (SSI)	100	–	100	–	100	–
Rustan Marketing Specialists, Inc. (RMSI)	–	100	–	100	–	100
International Specialty Concepts, Inc. (ISCI)	–	100	–	100	–	100
Rustan Specialty Concepts, Inc. (RSCI)	–	100	–	100	–	100
Specialty Office Concepts, Inc. (SOCI)	–	100	–	100	–	100
Specialty Investments, Inc. (SII)	–	100	–	100	–	100

(Forward)

	Percentage ownership					
	2021		2020		2019	
	Direct	**Indirect**	Direct	Indirect	Direct	Indirect
International Specialty Fashions, Inc. (ISFI)	–	100	–	100	–	100
Footwear Specialty Retailers, Inc. (FSRI)	–	100	–	100	–	100
Global Specialty Retailers, Inc. (GSRI)	–	100	–	100	–	100
Specialty Food Retailers, Inc. (SFRI)	–	100	–	100	–	100
International Specialty Retailers, Inc. (ISRI)	–	100	–	100	–	100
International Specialty Wears, Inc. (ISWI)	–	100	–	100	–	100
Fastravel Specialists Holdings, Inc. (FSHI)	–	100	–	100	–	100
International Specialty Apparels, Inc. (ISAI)	–	100	–	100	–	100
Specialty Lifestyles Concepts, Inc. (SLCI), formerly Casual Clothing Retailers, Inc. (CCRI)	–	100	–	100	–	100
SKL International, Ltd. (SKL)	–	100	–	100	–	100

All subsidiaries, except FSHI, SII and SKL, are in the retail business and hold exclusive distributorship of certain brands.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Company and to the non-controlling interests (NCI), even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

  The Group adopted the amendments beginning January 1, 2021. The impact of the adoption of this amendment to the consolidated financial statements of the Group is disclosed in Note 26.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:
  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The adoption of these amendments did have a significant impact on the consolidated financial statements of the Group.

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and will be applied prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*
  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Annual Improvements to PFRSs 2018-2020 Cycle
- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right

- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of the consolidated financial statements are summarized below.

Revenue Recognition

The Group is in a retail business. The Group recognized revenue from sale of goods to customers. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

Revenue from contract with customers

Revenue from contract with customers is recognized when the transfer of control has been passed to the buyer at the time when the performance obligation has been satisfied. The performance obligation is generally satisfied when the customer purchases the goods. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Other Income

Interest income

Interest income is recognized as the interest accrues using the effective interest rate (EIR) method.

Share in Net Earnings of an Associate

Share in net earnings of investment in an associate is recognized based on the percentage of ownership in the investee.

Rental income

The Group leased out portions of the store spaces and parking space as operating leases. Rental income on leased properties is recognized on a straight-line basis over the lease term, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Contingent rents are recognized as revenue in the period in which they are earned.

Costs of Goods Sold

Costs of goods sold include the purchase price of the merchandise sold, as well as costs that are considered to have functions as part of the cost of merchandise sold. Vendor returns, discounts and allowances are generally deducted from the costs of goods sold.

Operating Expenses

Operating expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Operating expenses are recognized when services are used, or the expenses are incurred.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

"Day 1" Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of comprehensive income. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Current and Noncurrent Classification
The Group presents assets and liabilities in the consolidated balance sheets based on current / noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Asset
Initial recognition
The Group classified its financial assets, at initial recognition, and subsequently measured at amortized cost, FVOCI, or FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Except for trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade and other receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

For a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement of financial assets
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost (debt instruments)
The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the asset is derecognized, modified or impaired. This accounting policy relates to the Group's "Cash and cash equivalents", "Trade and other receivables" excluding advances to officers and employees, and "Security deposits and construction bonds".

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if: i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

Definition of default
The Group considers that default has occurred when a financial asset is more than 90 days past due and when an internally developed information indicate that the debtor is unlikely to pay the Group in full unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off policy
The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in the consolidated statement of comprehensive income.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original EIR.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognizes an impairment gain or loss in the consolidated statement of comprehensive income for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financials liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

This accounting policy applies primarily to the Group's "Trade and other payables" excluding Statutory liabilities, "Short-term loans payable", "Long-term debt", "Lease Liabilities" and "Tenant deposits"

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Cash and Cash Equivalents
Cash consists of cash on hand and in banks. Cash in banks earn interest at a regular deposit rate. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three months or less from dates of replacement.

Merchandise Inventories
Merchandise inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of selling and distribution.

Investment in an Associate and Interests in Joint Ventures
The Group's investment in an associate and interests in joint ventures are accounted for under the equity method of accounting in the consolidated financial statements. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture, generally accompanying a shareholding of between 20% and 50% of the voting rights. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Under the equity method, the investment in an associate and interests in joint ventures are initially recognized at cost. The carrying amounts of the investment and interests are adjusted to recognize changes in the Group's share of net assets of the associate and joint ventures since the acquisition date. Goodwill relating to the associate and joint ventures are included in the carrying amount of the investment and are neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share in the results of operations of the associate and joint ventures. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share in net earnings of an associate and joint ventures is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in an associate and interests in joint ventures. The Group determines whether there is objective evidence that the investment in an associate and interests in joint ventures are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss as "Impairment losses on interest in joint ventures and amounts owed by related parties " in the consolidated statement of comprehensive income.

When the share of losses exceeds the Group's investment in an associate and interests in joint ventures, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Upon loss of significant influence over the associate or joint control over the joint ventures, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint ventures upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of comprehensive income.

The financial statements of the associate and joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Prepayments and Other Current Assets

This account comprises advances to suppliers, supplies, prepaid advertising, insurance premiums and other prepaid items and creditable withholding tax. Prepayments are expenses paid in advance and recorded as asset before they are utilized. Prepaid advertising, insurance premiums and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statement of comprehensive income when incurred. Creditable withholding tax is deducted from income tax payable.

Property and Equipment

Property and equipment are stated at cost, excluding the cost of day to day servicing, less accumulated depreciation and amortization and any accumulated impairment losses. Such cost includes the cost of replacing part of such property and equipment when the costs are incurred and if the recognition criteria are met.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to consolidated statement of comprehensive income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Construction in progress represents properties under construction and is stated at cost. This includes costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and are available for use.

Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets, or in the case of leasehold improvements, the term of the related lease or estimated useful lives of the improvement, whichever is shorter:

Building	10-20 years
Transportation equipment	3-15 years
Store, office, warehouse furniture and fixtures	3-10 years
Leasehold improvements	2-10 years
Right-of-use assets	2-10 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The asset's useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the asset is derecognized.

It is the Group's policy to classify right-of-use asset as part of property and equipment. The Group recognizes right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use asset is initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The initial cost of right-of-use asset includes the amount of lease liability recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use asset is depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use asset is subject to impairment for nonfinancial assets.

<u>Leases</u>
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercise and extension granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) there is a substantial change to the asset.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances give rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Operating leases - Group as a lessor
Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Lease payments received are recognized in the consolidated statement of comprehensive income as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Operating leases - Group as a lessee

- *Right-of-use assets (presented under as "Property and equipment")*
- *Lease liabilities.* At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

  In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit on the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- *Short-term leases.* The Group applies the short-term lease recognition exemption to its short-term leases of office, stores and warehouses (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

- *Variable Rent.* The Group recognizes additional variable lease payments. These variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. The additional variable lease payments are linked to future sales and, thus, do not meet the definition of lease payments. Consequently, these payments are not included in the measurement of the asset and liability.

- *Lease concessions.* The Group accounted for Covid-19 related lease concessions received in 2021 and 2020 as negative variable lease payments which is offset against the depreciation expense of ROU asset, in accordance with the provisions of the amendment to PFRS 16. Lease liability and right-of-use assets are not remeasured using a revised discount rate.

The Group classifies payment of interest related to accretion of lease liability as financing activities in the statements of cash flows.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses.

The useful life of intangible assets is assessed as finite.

Intangible assets with finite lives are amortized over the useful economic life of 5 years and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at least at the end of each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period and/or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Software Costs
Costs incurred in the purchase and customization of computer software are initially recognized at cost. Following initial recognition, software costs are carried at cost less accumulated amortization and any accumulated impairment in value.

Software costs, included in “Other noncurrent assets” account, are amortized on a straight-line basis over the estimated useful economic life of 5 years and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the related software is ready for use. The amortization period and the amortization method for the software costs are reviewed at each reporting date. Changes in the estimated useful life is accounted for by changing the amortization period, as appropriate, and treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the software costs.

Impairment of Nonfinancial Assets
Investment in an associate, interests in joint ventures, property and equipment and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s estimated recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its estimated recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For nonfinancial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its estimated recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. Proceeds and/or fair value of consideration received in excess of par value, if any, are recognized as additional paid-in capital (APIC).

Treasury Shares

Treasury shares are own equity instruments which are reacquired and are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

Retained Earnings

Retained earnings consist of appropriated and unappropriated balances. Appropriated retained earnings are restricted for specific purposes and/or are not available for dividend declaration. Unappropriated retained earnings are not restricted and include the cumulative balance of net income or loss, any dividend distributions, prior period adjustments and effects of any change in accounting policy. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date.

Retirement Benefit Obligation

The Group is covered by a noncontributory defined benefit retirement plan. The net defined benefit obligation or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. These are retained in other comprehensive income until full settlement of the obligation.

Plan assets comprise of assets held by long-term employee benefit fund. The fair value of plan assets is deducted from the present value of the defined benefit obligation in determining the net defined benefit liability or asset. This excludes unpaid contributions due from the Group to the fund, as well as any non-transferable financial instruments issued by the Group and held by the fund. Plan assets are reduced by any liabilities of the fund that do not relate to employee benefits, for example, trade and other payables and liabilities resulting from derivative financial instruments.

Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in other comprehensive income and not in the consolidated statement of comprehensive income.

Deferred tax

Deferred tax is provided using the balance sheet liability method on temporary differences on the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO) to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of unused MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted on the balance sheet date.

Deferred tax relating to items recognized directly in equity is recognized in other comprehensive income and not in the consolidated statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated balance sheet. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated balance sheet to the extent of the recoverable amount.

The net amount of VAT recoverable from, or payable, to the taxation authority is included as part of "Prepayments and other current assets", or "Trade and other payables", in the consolidated balance sheet.

Input VAT on the purchase of assets classified as capital assets exceeding a certain threshold as provided by the taxing authority is recognized as "Deferred input VAT" and is amortized within the life of the asset or 60 months, whichever is shorter. These are included as part of noncurrent assets except those amounts which will be amortized within 12 months from the balance sheet date.

Segment Reporting
The Group's operating business are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on reporting segment is presented in Note 27 to the consolidated financial statements.

Earnings Per Share (EPS)
Basic EPS is computed by dividing the net income of the Group by the weighted average number of common shares issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS amounts are calculated by dividing the net income attributable to the Group (after deducting interest on the convertible preferred shares, if any) by the weighted average number of common shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The weighted average number of common shares used in the calculation of the basic/diluted EPS is determined on the basis of the weighted average number of shares of the Group as of balance sheet date.

Foreign Currency Translation and Transactions
The consolidated financial statements are presented in Philippine Peso, which is the functional currency of the Group. Each entity determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity, and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Events After the Reporting Date
Events after the reporting date that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements in accordance with PFRSs requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determination of operating segment
The Group has determined that it is operating as one operating segment (see Note 27). Based on management's assessment, no part or component of the business of the Group meets the qualifications of an operating segment as defined in PFRS 8, *Operating Segments*.

Determination of lease term of contracts with renewal and termination options - Group as a lessee
The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic

incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group included the renewal period as part of the lease term for leases of office, stores and warehouses with shorter non-cancellable period. The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available.

Classification of investment in Samsonite Philippines, Inc.(SPI) as investment in an associate
SII, together with another company, established SPI through a joint venture agreement. The Group has determined that there is no control or joint control over the operating and financial activities of SPI since it does not own directly or indirectly more than 50% of the voting rights of SPI. The Group owns 40% and holds voting power in SPI that represents significant influence. The parties have no contract or arrangement that indicates joint control. Accordingly, the Group classified its investment in SPI as an investment in an associate (see Note 8).

Classification of interests in Landmark Management Services, Ltd. (LMS), Muji Philippines, Corp. (MPC), SIAL CSV Retailers, Inc. (SCRI) and SIAL Specialty Retailers, Inc.(SSRI) as interests in joint ventures
SII, together with another company, established SCRI and SSRI through joint venture agreements. In 2015, SKL was incorporated and subsequently acquired 50% stake in LMS through a joint venture agreement. In 2017, SSI entered into a joint venture agreement with another company for the 51% ownership interest in MPC. On November 20, 2020, the Company entered into a Deed of absolute sale of shares with RKJ for the sale of 1% or 1,750,000 common shares of the Company's ownership interest in MPC. As of December 31, 2021 and 2020, SSI has 50% ownership interest in MPC after the sale.

The Group has determined that these arrangements are joint arrangements as they have the following characteristics:

- the parties are bound by a contractual arrangement; and
- the contractual arrangement gives the parties joint control of the arrangement.

A joint arrangement is either a joint operation or a joint venture. The Group determines its interests in LMS, MPC, SCRI and SSRI as joint venture since it has rights to the net assets instead of rights to the assets and obligations for the liabilities of these companies. Accordingly, the Group classified its interests in LMS, MPC, SCRI and SSRI as joint ventures (see Note 9).

Operating Lease Commitments - the Group as a Lessor
Management has determined that the Group retains all significant risks and rewards of ROU assets and thus, accounts for the contracts as operating leases. The ownership of the ROU assets is not transferred to the lessee by the end of the lease term. Rental income amounted to ₱27.57 million, ₱61.99 million and ₱76.07 million in 2021, 2020 and 2019, respectively.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Leases - Estimating the incremental borrowing rates
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the. The Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates. The Company's lease liabilities amounted to ₱1,608.37 million and ₱2,147.46 million as of December 31, 2021 and 2020, respectively (see Note 26).

Provision for expected credit losses (ECL) of trade and other receivables and amounts owed by related parties
The Group maintains an allowance for impairment loss at a level considered adequate to provide for potential uncollectible receivables. The Group uses simplified approach to calculate ECLs on trade and other receivables and general approach on other financial assets. The Group performs a regular review of the age and status of these accounts, designed to identify accounts for impairment. The Group calibrated the matrix to adjust the historical credit loss experience with forward-looking information. For instance and considering the uncertainty brought about by the coronavirus pandemic, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. As of December 31, 2021 and 2020, allowance for doubtful accounts for trade and other receivables, and amounts owed by related parties amounted to ₱58.91 million and ₱52.93 million, respectively. Trade and other receivables, net of ECL, amounted to ₱776.32 million and ₱713.28 million, respectively (see Notes 5 and 20).

Assessing NRV of merchandise inventories
The Group sells goods that are subject to changing consumer demands and fashion trends. Thus, assessing the net realizable value of the Group's inventories requires significant management judgment. Such judgment includes management's expectations for future sales considering the impact brought about by the coronavirus pandemic and inventory liquidation plans. The Group maintains allowance for merchandise inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV of inventories are assessed regularly based on the prevailing selling prices of inventories less the estimated cost necessary to sell. In addition, the Company considered those inventories that are out-of-season, damaged and soiled in assessing the NRV of inventories. Increase in the NRV will increase the carrying amount of inventories but only to the extent of their original acquisition costs. Allowance for inventory losses amounted to ₱11.56 million and ₱19.69 million as of December 31, 2021 and 2020, respectively. Merchandise inventories amounted to ₱6,619.74 million and ₱9,209.04 million as of December 31, 2021 and 2020, respectively (see Note 6).

Estimating useful lives of property and equipment, franchise cost and software costs
The Group estimates the useful lives of its property and equipment, franchise fee and software costs based on the period over which these assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment, franchise fee and software costs based on factors that include asset utilization, internal technical evaluation, technological changes and environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property

and equipment, franchise fee and software costs would increase depreciation and amortization expense and decrease noncurrent assets.

There was no change in the estimated useful lives of the Group’s property and equipment in 2021 and 2020. As of December 31, 2021 and 2020, the aggregate depreciable net book values of property and equipment (including ROU), franchise fee and software costs presented under “Other noncurrent assets” amounted to ₱3,710.72 million and ₱4,565.75 million, respectively (see Notes 10 and 11).

Assessing impairment of investment in an associate, interests in joint ventures, franchise fees and property and equipment
The Group assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results; and
- Significant negative industry or economic trends.

Internal and external sources of information are reviewed at each balance sheet date to identify indications that investment in an associate, interests in joint ventures, right-of-use assets and property and equipment may be impaired or an impairment loss previously recognized no longer exists or may be decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

In 2021 and 2020, management identified that ‘property and equipment’, ‘franchise fees’ and ‘software’ with aggregate carrying amount of ₱3,710.72 million and ₱4,565.75 million, respectively, have indicators of impairment given the temporary closure of the stores during the quarantine period as well as the ongoing economic uncertainty due to the pandemic which led to changes in the projected financial performance and cash flows of the Group’s right-of-use assets and property and equipment. As result, management performed impairment tests as at December 31, 2021 and 2020 for its nonfinancial assets. The Group utilized a discounted cash flow model and used certain assumptions (including discount rate, performance growth rates, and a terminal value) to determine the value in use. The model used a) projected cash flows that incorporated the impact of the pandemic in 2021 and 2020, b) a pre-tax discount rate of 9.7% - 10.5% in 2021 and 9.95% - 10.89% in 2020, and c) average sales growth rate of 5% - 15% and 5% - 12%% for a 5-year period in 2021 and 2020, respectively. The Group benchmarked these assumptions against historical observations in internal businesses with similar performance drivers, as well as industry outlook.

As of December 31, 2021 and 2020, based on the impairment testing performed, the recoverable amount of the Group’s nonfinancial assets is higher than its carrying value. Thus, the Group did not recognize any impairment loss on such properties. Management believes that an increase in discount rate by 20.0% - 25.5% as of December 31,2021 and 2020 would cause the carrying value of the Group’s nonfinancial assets to equal the recoverable amount.

For other nonfinancial assets, no indication of impairment was noted as of December 31, 2021 and 2020.

The carrying values of the Group's nonfinancial assets as of December 31 are as follows:

	2021	2020
Property and equipment (Note 10)	**₱3,817,425,379**	₱4,537,710,085
Interests in joint ventures (Note 9)	**544,944,217**	543,663,728
Investment in an associate (Note 8)	**64,084,628**	78,251,625
Franchise fee (Note 11)	**75,708,914**	83,512,361
Software costs (Note 11)	**1,789,147**	3,014,491

Estimating retirement benefits
The cost of defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates, and future pension increases. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty. These assumptions are discussed in Note 21 to the consolidated financial statements. As of December 31, 2021 and 2020, the Group's retirement benefit obligation amounted to ₱706.70 million and ₱748.79 million, respectively (see Note 21). The Group recognized retirement expense amounting to ₱122.85 million, ₱83.88 million and ₱65.91 million in 2021, 2020 and 2019, respectively (see Note 21).

Recoverability of deferred tax assets
Management's assessment of the deferred tax assets to be recognized involves significant judgments and is based on assumptions regarding the future results of the subsidiaries. The related estimation uncertainty has increased as a result of the effect of coronavirus pandemic on the macroeconomic factors used in developing the assumptions. Management judgments and estimation is required to determine the amount of deferred tax assets that can be recognized based on the forecasted level of future taxable profits and the related tax strategies. As of December 31, 2021 and 2020, amounts of deferred tax assets recognized in the books are disclosed in Note 22. Management has determined that there is sufficient future taxable profit against which these recognized deferred tax assets will be realized. The Group also has temporary differences for which deferred tax assets were not recognized (see Note 22).

4. Cash and Cash Equivalents

	2021	2020
Cash on hand	**₱14,895,099**	₱38,550,938
Cash in banks	**5,118,980,407**	4,300,618,637
Short-term investments	**2,118,992,128**	964,706,564
	₱7,252,867,634	₱5,303,876,139

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of between 60 to 90 days depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates. Interest earned from cash in banks and short-term investments for the years ended December 31, 2021, 2020 and 2019 amounted to ₱14.82 million, ₱10.61 million and ₱4.54 million, respectively.

5. **Trade and Other Receivables**

	2021	2020
Trade receivables	**₱280,509,256**	₱254,892,223
Nontrade receivables	**360,674,621**	287,147,180
Receivables from related parties (Note 20)	**143,457,307**	139,352,584
Advances to officers and employees	**49,768,476**	81,336,458
Others	**818,574**	3,487,087
	835,228,234	766,215,532
Less allowance for ECL on nontrade receivables	**(15,736,798)**	(9,763,045)
Allowance for ECL on related parties (Note 20)	**(43,170,999)**	(43,170,999)
	₱776,320,437	₱713,281,488

Trade receivables primarily pertains to receivables from credit card companies which are normally settled on three days' terms.

Nontrade receivables mainly include receivables from banks for tie-up sale and promotional activities, and principals for their share in marketing expenses.

Nontrade receivables, advances to officers and employees and receivables from related parties are usually settled within one year. SSI's advances to officers and employees are subject to 12% annual interest and are payable within 3-6 months through salary deduction.

Movements in the allowance for expected credit losses are as follows:

	2021	2020
Balance at beginning of year	**₱52,934,044**	₱8,326,816
Provision	**5,973,753**	44,607,228
Balance at end of year	**₱58,907,797**	₱52,934,044

6. **Merchandise Inventories**

	2021	2020
At cost:		
On hand	**₱6,153,896,303**	₱8,660,001,514
In transit	**477,396,123**	568,731,579
Inventory - at cost	**6,631,292,426**	9,228,733,093
Less allowance for inventory obsolescence	**(11,556,253)**	(19,694,157)
	₱6,619,736,173	₱9,209,038,936

Inventories in transit include items not yet received but ownership or title to the goods has already passed to the Group. There are no merchandise inventories pledged as security for liabilities.

Movement in the allowance for inventory obsolescence is as follows:

	2021	2020
Balance at beginning of year	**₱19,694,157**	₱–
Provision (Note 15)	**2,817,469**	19,694,157
Reversal of provision	**(1,551,001)**	–
Write-off	**(9,404,372)**	–
Balance at end of year	**₱11,556,253**	₱19,694,157

The cost of inventories recognized as expense and presented in "Costs of goods sold" amounted to ₱9,428.31 million, ₱7,254.79 million and ₱12,285.71 million for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 15).

7. Prepayments and Other Current Assets

	2021	2020
Supplies	**₱284,872,392**	₱292,531,047
Advances to suppliers	**232,184,690**	43,929,057
Input VAT	**70,119,526**	73,092,445
Security deposits (Note 26)	**46,047,375**	56,034,171
Deferred input VAT - current	**45,773,071**	15,472,635
Prepaid insurance	**18,959,643**	7,194,294
Prepaid guarantee	**5,548,408**	4,326,819
Current portion of prepaid rent	**3,964,176**	4,876,020
Creditable withholding tax	**1,841,921**	23,107,860
Prepaid advertising	**457,916**	18,784,137
Others	**39,346,573**	18,044,333
	₱749,115,691	₱557,392,818

Supplies are composed of packaging materials, office and store supplies, and employees' uniform inventory. In 2021 and 2020, the Group recognized a loss on write of supplies and other assets amounting to ₱10.39 million and ₱180.23 million, respectively.

Advances to suppliers pertain to advance payments to principals and suppliers for inventory purchases.

Input VAT will be applied against output VAT.

8. Investment in an Associate

	2021	2020
Acquisition cost	**₱24,640,000**	₱24,640,000
Accumulated equity in net earnings:		
Balances at beginning of year	**53,611,625**	62,136,792
Share in net earnings (losses)	**(14,166,997)**	10,297,692
Dividends	–	(18,822,859)
Balances at end of year	**39,444,628**	53,611,625
	₱64,084,628	₱78,251,625

SPI, a company incorporated in the Philippines on September 9, 2008, was established primarily to engage in the importation, distribution, marketing and sale, both wholesale and retail, of all types of luggage and bags, including but not limited to suitcases, garment bags, brief cases, computer bags, backpacks, casual bags, hand bags, travel accessories and such other products of similar nature. As of December 31, 2021 and 2020, SPI is 40% owned by the Group and 60% owned by Samsonite Corporation, its ultimate parent and an entity incorporated under the laws of the United States of America. In 2020, the Group received dividends amounting to ₱44.02 million, inclusive of the outstanding dividends receivable in 2019 of ₱25.20 million.

The following table sets out the financial information of SPI as of and for the years ended December 31, 2021 and 2020:

	2021	2020
Statements of Financial Position:		
Current assets	**₱117,168,973**	₱164,631,786
Noncurrent assets	**26,366,753**	15,669,124
Total assets	**143,535,726**	180,300,910
Current liabilities	**24,252,073**	29,881,990
Noncurrent liabilities	**6,786,751**	2,504,524
Total liabilities	**31,038,824**	32,386,514
Equity	**112,496,902**	147,914,396
Share in equity of an associate	**44,998,761**	59,165,758
Goodwill	**19,085,867**	19,085,867
Carrying amount	**₱64,084,628**	₱78,251,625
Statements of Comprehensive Income:		
Revenue	**₱52,724,419**	₱212,091,395
Cost and expenses	**88,141,912**	186,347,165
Net income (loss)	**(35,417,493)**	25,744,230

9. Interests in Joint Ventures

The Group's interests in joint ventures pertain to the following:

Joint venture	Project description	Income sharing arrangement
MPC	Operation of retail stores in the Philippines	50:50
SCRI	Open and operate convenience stores directly owned and/or franchised in the Philippines	50:50
SSRI	Investment in and operation of mid-market department stores	50:50
LMS	Investment in and operation of travel retail stores in the Philippines	50:50

The movements in the carrying values of interests in joint ventures are as follows:

December 31, 2021

	LMS	MPC	SSRI	SCRI	Total
Cost:					
Balances at beginning	**₱375,296,454**	**₱87,500,000**	**₱407,344,383**	**₱420,350,000**	**₱1,290,490,837**
Accumulated equity in net earnings (losses):					
Balances at beginning of year	**10,601,453**	**70,265,821**	**(407,344,383)**	**(420,350,000)**	**(746,827,109)**
Share in net earnings (losses)	**(25,782,152)**	**27,062,641**	**–**	**–**	**1,280,489**
Balances at end of year	**(15,180,699)**	**97,328,462**	**(407,344,383)**	**(420,350,000)**	**(745,546,620)**
	₱360,115,755	**₱184,828,462**	**₱–**	**₱–**	**₱544,944,217**

December 31, 2020

	LMS	MPC	SSRI	SCRI	Total
Cost:					
Balances at beginning	₱375,296,454	₱89,250,000	₱407,344,383	₱420,350,000	₱1,292,240,837
Sale of shares	–	(1,750,000)	–	–	(1,750,000)
Balances at end of year	₱375,296,454	₱87,500,000	₱407,344,383	₱420,350,000	1,290,490,837
Accumulated equity in net earnings (losses) and impairment loss:					
Balances at beginning of year	44,796,080	59,517,308	(407,344,383)	(420,350,000)	(723,380,995)
Share in net earnings (losses)	(34,194,627)	10,748,513	–	–	(23,446,114)
Balances at end of year	10,601,453	70,265,821	(407,344,383)	(420,350,000)	(746,827,109)
	₱385,897,907	₱157,765,821	₱–	₱–	₱543,663,728

Investment in LMS

On August 12, 2015, SKL, a wholly owned subsidiary of SSI, executed agreements to effect the acquisition of a 50% equity stake in LMS from its two existing shareholders Regent and Prime. Regent and Prime will continue to own 50% ownership in LMS following the entry of SKL. LMS is a company specializing in travel retail concepts and has existing supply and management agreements with travel retail stores in the Philippines. The acquisition cost includes the consideration for goodwill amounting to ₱121.75 million and intangible asset amounting to ₱29.90 million. The intangible asset pertains to the concession agreement with Duty Free and is being amortized over 10.7 years. Amortization expense, which is included in the share in net earnings of LMS, amounted to ₱2.46 million and ₱2.41 million in 2021 and 2020, respectively.

Key financial information of LMS is as follows:

	2021	2020
Statements of Financial Position:		
Current assets	**₱433,801,838**	₱443,787,310
Noncurrent assets	**58,865,070**	76,147,980
Current liabilities	**(36,589,721)**	(17,221,903)
Equity	**456,077,187**	502,713,387
Group's share in equity - 50%	**228,038,594**	251,356,694
Goodwill	**121,750,000**	121,750,000
Intangible asset	**10,327,163**	12,791,214
Group's carrying amount of the investment	**₱360,115,757**	₱385,897,908
Statements of Comprehensive Income:		
Revenues	**₱175,447,514**	₱220,039,966
Cost and expenses	**222,083,735**	283,599,679
Net loss	**(46,636,221)**	(63,559,713)

Investment in MPC
On January 20, 2017, SSI and Ryohin Keikaku Co., Ltd. (RKJ) entered into a Joint Venture Agreement wherein the parties agreed to form MPC. SSI contributed ₱89.25 million for the 51% ownership interest in MPC. On November 20, 2020, the Company entered into a Deed of absolute sale of shares with RKJ for the sale of 1% or 1,750,000 common shares of the Company's ownership interest in MPC. The Joint Venture Agreement provides for unanimous votes of both parties in so far as most key and relevant operating activities are concerned. On December 3, 2020 the Company received cash amounting to ₱5.48 million for the sale of the said shares costing ₱1.75 million and recognized a gain amounting to ₱3.73 million. Key financial information of MPC is as follows:

	2021	2020
Statement of Financial Position:		
Current assets	**₱337,440,386**	₱317,104,550
Noncurrent assets	**218,482,992**	203,073,160
Current liabilities	**(53,240,484)**	(102,245,625)
Noncurrent liabilities	**(133,025,971)**	(108,414,937)
Equity	**369,656,923**	309,517,148
Group's share in equity - 50% (2019: 51%)	**184,828,462**	157,765,821
Goodwill	**–**	–
Group's carrying amount of the investment	**₱184,828,462**	₱157,765,821

	2021	2020
Statement of Comprehensive Income:		
Revenues	**₱396,984,256**	₱279,715,409
Cost and expenses	**342,858,974**	261,898,867
Net income	**54,125,282**	17,816,542

Investment in SSRI and SCRI
As of December 31, 2021, the Group has unrecognized share in net losses from SSRI and SCRI amounting to ₱22.91 million.

10. Property and Equipment

The composition and movements of this account are as follows:

December 31, 2021

	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Right-of-Use Asset - Store and Equipment (Note 26)	Right-of-Use Asset - Warehouse (Note 26)	Right-of-Use Asset - Office and parking (Note 26)	Right-of-Use Asset - Land (Note 26)	Construction in Progress	Total
Cost:										
Balances at beginning of year	**₱7,372,905,326**	**₱2,581,333,462**	**₱900,598,629**	**₱304,662,822**	**₱3,469,610,990**	**₱239,525,619**	**₱146,231,100**	**₱226,002,017**	**₱58,482,199**	**₱15,299,352,164**
Additions	**209,904,647**	**48,422,734**	**51,255,636**	**1,318,704**	**202,391,201**	–	–	–	**166,187,635**	**679,480,557**
Disposals and retirement	**(353,737,247)**	**(26,859,382)**	–	**(1,691,359)**	**(321,119,625)**	–	–	–	–	**(703,407,613)**
Remeasurement (Note 26)	–	–	–	–	**(51,862,076)**	–	–	–	–	**(51,862,076)**
Reclassifications	**40,470,327**	–	–	–	–	–	–	–	**(40,470,327)**	–
Balances at end of year	**7,269,543,053**	**2,602,896,814**	**951,854,265**	**304,290,167**	**3,299,020,490**	**239,525,619**	**146,231,100**	**226,002,017**	**184,199,507**	**15,223,563,032**
Accumulated Depreciation and Amortization:										
Balances at beginning of year	**6,101,708,342**	**2,144,782,791**	**335,623,194**	**178,246,620**	**1,735,812,071**	**134,550,801**	**100,784,658**	**30,133,602**	–	**10,761,642,079**
Depreciation and amortization (Note 19)	**416,500,278**	**141,307,972**	**47,853,303**	**24,018,220**	**635,302,163**	**18,390,999**	**24,797,835**	**15,066,801**	–	**1,323,237,571**
Disposals and retirement	**(323,423,268)**	**(21,115,585)**	–	**(1,691,359)**	**(321,119,625)**	–	–	–	–	**(667,349,837)**
Remeasurement (Note 26)	–	–	–	–	**(11,392,160)**	–	–	–	–	**(11,392,160)**
Balances at end of year	**6,194,785,352**	**2,264,975,178**	**383,476,497**	**200,573,481**	**2,038,602,449**	**152,941,800**	**125,582,493**	**45,200,403**	–	**11,406,137,653**
Net book values	**₱1,074,757,701**	**₱337,921,636**	**₱568,377,768**	**₱103,716,686**	**₱1,260,418,041**	**₱86,583,819**	**₱20,648,607**	**₱180,801,614**	**₱184,199,507**	**₱3,817,425,379**

December 31, 2020

	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Right-of-Use Asset - Store and Equipment (Note 26)	Right-of-Use Asset - Warehouse (Note 26)	Right-of-Use Asset - Office and parking (Note 26)	Right-of-Use Asset - Land (Note 26)	Construction in Progress	Total
Cost:										
Balances at beginning of year	₱7,255,634,677	₱2,514,378,268	₱892,989,252	₱304,733,387	₱3,324,398,641	₱219,710,993	₱156,314,838	₱226,002,017	₱87,301,743	₱14,981,463,816
Additions	268,697,770	99,942,586	7,609,377	627,345	461,724,113	44,303,697	294,012	–	59,849,915	943,048,815
Disposals and retirement	(239,328,815)	(33,755,157)	–	(697,910)	–	–	–	–	–	(273,781,882)
Remeasurement (Note 26)	–	–	–	–	(316,511,764)	(24,489,071)	(10,377,750)	–	–	(351,378,585)
Reclassifications	87,901,694	767,765	–	–	–	–	–	–	(88,669,459)	–
Balances at end of year	7,372,905,326	2,581,333,462	900,598,629	304,662,822	3,469,610,990	239,525,619	146,231,100	226,002,017	58,482,199	15,299,352,164
Accumulated Depreciation and Amortization:										
Balances at beginning of year	5,773,219,940	1,998,491,501	290,513,069	153,766,171	1,014,619,490	83,155,014	59,751,821	15,066,801	–	9,388,583,807
Depreciation and amortization (Note 19)	528,496,910	177,873,146	45,110,125	25,178,359	930,651,669	75,429,997	51,756,669	15,066,801	–	1,849,563,676
Disposals and retirement	(200,008,508)	(31,581,856)	–	(697,910)	–	–	–	–	–	(232,288,274)
Remeasurement (Note 26)	–	–	–	–	(209,459,088)	(24,034,210)	(10,723,832)	–	–	(244,217,130)
Balances at end of year	6,101,708,342	2,144,782,791	335,623,194	178,246,620	1,735,812,071	134,550,801	100,784,658	30,133,602	–	10,761,642,079
Net book values	₱1,271,196,984	₱436,550,671	₱564,975,435	₱126,416,202	₱1,733,798,919	₱104,974,818	₱45,446,442	₱195,868,415	₱58,482,199	₱4,537,710,085

Additions to leasehold improvements and construction in progress in 2021 and 2020 pertain to improvements and construction of newly opened and renovated stores during the year.

Disposals and retirement for the years ended December 31, 2020 and 2019 mainly pertain to leasehold improvements and store furniture and fixtures derecognized on closed or renovated stores. Loss on store closures arising from the disposal or retirement of property and equipment amounted to ₱36.06 million, ₱39.61 million and ₱60.40 million in 2021, 2020 and 2019, respectively. In 2021, 2020 and 2019, total proceeds from the disposal of property and equipment amounted to nil, ₱1.89 million and nil respectively.

No property and equipment were pledged or treated as security to the outstanding liabilities as of December 31, 2021 and 2020.

The Group has contractual obligations relating to property and equipment approximating ₱62.0 million and ₱52.31 million as of December 31, 2021 and 2020, respectively.

11. **Other Noncurrent Assets**

	2021	2020
Franchise fee (net of accumulated amortization of ₱30.33 million and ₱37.68 million as of December 31, 2021 and 2020, respectively)	**₱75,708,914**	₱83,512,361
Advances to contractors	**62,003,440**	58,588,899
Deferred input VAT - net of current portion (Note 7)	**–**	47,511,143
Software costs (net of accumulated amortization of ₱6.85 million and ₱8.47 million as of December 31, 2021 and 2020, respectively)	**1,789,147**	3,014,491
Others	**8,609,053**	5,849,085
	₱148,110,554	₱198,475,979

Advances to contractors pertain to advance payments to contractors for the construction and renovation of stores.

Franchise fees pertain to initial fees paid by the Group to the principals to operate newly acquired brands. In 2021, 2020 and 2019, the Group recognized amortization expenses on franchise cost amounting to ₱11.34 million, ₱11.71 million and ₱9.08 million, respectively (see Note 19). Loss on derecognition of franchise fee amounted to ₱3.64 million, ₱0.04 million and ₱7.06 million in 2021, 2020 and 2019, respectively, is presented as "Others - net" in the consolidated statements of comprehensive income. Amortization expense of software costs amounted to ₱2.33 million, ₱2.38 million and ₱1.93 million in 2021, 2020 and 2019, respectively (see Note 19).

12. **Trade and Other Payables**

	2021	2020
Trade payables	**₱1,111,763,757**	₱1,087,954,185
Nontrade payables	**733,722,811**	509,008,365
Accrued expenses	**211,634,969**	206,910,477
Output VAT	**175,509,007**	191,815,839
Retention payable	**28,882,628**	46,264,484
Tenant deposit (Note 26)	**7,551,985**	31,003,853
Payables to related parties (Note 20)	**775,753**	4,161,624
Others	**22,069,530**	71,572,628
	₱2,291,910,440	₱2,148,691,455

Trade payables are noninterest-bearing and are normally settled on 30 to 90 days' terms.

Nontrade payables represent statutory payables such as withholding taxes, SSS premiums and other liabilities to government agencies, rent payable, payable to contractors and suppliers of services, among others.

Accrued expenses pertain to accrued salaries, leaves and bonuses, security and safety, utilities and repairs and maintenance and accruals of royalties to be paid to foreign principals, among others.

Other payables mainly pertain to construction bond payable, gift certificate payable and customer deposits.

Trade and other payables are generally paid within 12 months from balance sheet date.

13. Short-term Loans Payable and Long-term Debt

Short-term Loans Payable

	2021	2020
Bank of Philippine Islands (BPI)	**₱2,365,000,000**	₱2,710,000,000
Banco de Oro (BDO)	**1,400,000,000**	960,000,000
Rizal Commercial Banking Corporation	**1,100,000,000**	1,440,000,000
Security Bank Corporation	**500,000,000**	500,000,000
China Banking Corporation (CBC)	**300,000,000**	300,000,000
Bank of Commerce (BOC)	**270,000,000**	700,000,000
Metropolitan Bank & Trust Co. (MBTC)	**–**	400,000,000
	₱5,935,000,000	₱7,010,000,000

The Group's outstanding unsecured short-term peso-denominated loans from local commercial banks bear interest at rates ranging from 4.10% to 5.13% and 4.38% to 6.25% in 2021 and 2020, respectively.

The movements of the short-term loans payable as of December 31 are set out below:

	2021	2020
Balance at beginning of the year	**₱7,010,000,000**	₱4,075,000,000
Availments	**300,000,000**	5,735,000,000
Payments	**(1,375,000,000)**	(2,800,000,000)
Balance at end of the year	**₱5,935,000,000**	₱7,010,000,000

Interest expense related to short-term loans for the years ended December 31, 2021, 2020 and 2019 amounted to ₱298.66 million, ₱334.99 million and ₱266.78 million, respectively.

Long-term debt

Syndicated Term Loan

The Group entered into a credit facility for the ₱2,000.00 million syndicated term loan facility with Bank of the Philippines Island (BPI), Security Banking Corporation, Chinabank Banking Corporation, Metropolitan Bank and Trust Company and Rizal Commercial Banking Corporation. This loan is unsecured and bears annual interest of a fixed base rate plus an interest spread of 150 basis points per annum or a 5.50% per annum floor rate. The purpose of the loan is to finance the Group's capital expenditures related to the construction of the Central Square and other corporate purposes. On May 5, 2020, the Group fully paid off the syndicated term loan.

Under the syndicated loan agreement, the Company has to maintain the following financial ratios:

- debt to equity ratio not exceeding 2.00
- debt service coverage ratio of at least 1.20

Midterm Loans

The Group entered into a 3-year unsecured loan agreement with BPI amounting to ₱1,500.00 million. The midterm loan carries interest on each interest payment date at a fixed rate per annum equivalent to the higher of the benchmark rate plus a spread per annum of 0.75% or 3.75%. The purpose of the loan is solely to finance the Group's existing short-term loans or their renewals.

The Group entered into a 5-year unsecured loan agreement with BPI amounting to ₱1,000.00 million. The loan carries interest on each interest payment date at a fixed rate per annum of 4% for borrowings made on or before October 17, 2017 and the higher of (a) the benchmark rate plus a spread per annum of 0.75% or (b) 3.50% for borrowings made after October 17, 2017. The purpose of the loan is solely to refinance the Group's existing short-term loans, for permanent working capital, capital expenditures and other general corporate purposes.

Under the loan agreements on the midterm loans, the Group on its consolidated balances has to maintain the following ratios:

- debt to equity ratio not exceeding 2.0
- current ratio not falling below 1.0

As of December 30, 2020, the Group is compliant with the loan covenants relating to midterm and syndicated term loans. There are no loan modifications or deferral in 2021 and 2020.

As of December 31, 2020, the Group has a long term debt (net of unamortized transaction costs) from BPI amounting to ₱117.59 million, which is classified as current. As of December 31, 2021, the loan is already fully paid.

The summary of the Group's long-term loans is as follows:

	2021	2020
Principal:		
Balance at beginning of year	**₱117,670,000**	₱401,976,666
Payments	**(117,670,000)**	(284,306,666)
Balance at end of year	**–**	117,670,000
Deferred financing costs:		
Balance at beginning of year	**76,262**	435,281
Amortizations	**(76,262)**	(359,019)
Balance at end of year	**–**	76,262
Carrying values	**–**	117,593,738
Less current portion, net of deferred financing costs	**–**	117,593,738
Noncurrent portion	**₱–**	₱–

Interest expense relating to long-term debt for the years ended December 31, 2021, 2020 and 2019 amounted to ₱2.92 million, ₱27.34 million and ₱60.54 million respectively.

Loan Covenants

The loan covenants covering the Group's outstanding debts include, among others, maintenance of certain levels of current, debt-to-equity and debt-service coverage ratios. As of December 31, 2021 and 2020, the Group is compliant with the loan covenants of all their respective outstanding debts.

14. Revenue from Contracts with Customers

All of the Group's revenue from contracts with customers are net sales recognized at a point in time or when it transfers control of a product to a customer. The following table disaggregates the revenue by major goods as follows:

	2021	2020	2019
Sale of major goods			
General merchandise	**₱14,790,569,882**	₱11,698,303,268	₱21,603,337,034
Food retail	**677,377,949**	524,038,125	762,494,905
	₱15,467,947,831	₱12,222,341,393	₱22,365,831,939

15. Costs of Goods Sold and Services

	2021	2020	2019
Cost of merchandise sold (Note 6)	**₱9,428,310,081**	₱7,254,794,746	₱12,285,711,760
Provision for inventory obsolescence (Note 6)	**2,817,469**	19,694,157	–
Depreciation and amortization (Notes 10, 11 and 19)	**4,359,258**	3,961,881	24,695,040
Utilities	**1,293,309**	2,336,510	19,546,123
Rent (Notes 20 and 26)	**3,242,017**	3,269,944	8,162,347
Outside services	**–**	1,667,563	6,037,755
Others	**6,768,311**	1,681,957	2,072,544
	₱9,446,790,445	₱7,287,406,758	₱12,346,225,569

Depreciation and amortization pertains to depreciation of leasehold improvements and furniture and fixtures of the leased spaces. Utilities, rent, security and safety expenses pertain to cost incurred in the operation of leased spaces.

Cost of merchandise sold:

	2021	2020	2019
Merchandise inventories, beginning	**₱9,209,038,936**	₱9,818,880,088	₱9,245,189,954
Net purchases	**6,839,007,318**	6,644,953,594	12,859,401,894
Cost of merchandise available for sale	**16,048,046,254**	16,463,833,682	22,104,591,848
Less merchandise inventories, ending	**(6,619,736,173)**	(9,209,038,936)	(9,818,880,088)
	₱9,428,310,081	₱7,254,794,746	₱12,285,711,760

Net purchases include cost of inventory, freight charges, insurance and customs duties.

16. **Selling and Distribution Expenses**

	2021	2020	2019
Personnel costs (Note 18)	**₱766,982,590**	₱884,954,542	₱1,261,301,143
Depreciation and amortization (Notes 10, 11 and 19)	**711,612,335**	965,276,975	1,853,175,971
Utilities	**404,877,879**	397,523,865	572,659,165
Rent (Notes 20 and 26)	**392,419,969**	429,610,664	911,310,376
Credit card charges	**301,575,516**	230,190,209	421,013,009
Advertising	**245,833,886**	171,487,435	318,230,794
Supplies and maintenance	**192,675,139**	166,140,624	318,545,514
Global marketing contribution fee	**170,845,808**	227,626,760	506,302,300
Taxes and licenses	**152,691,448**	250,804,464	249,218,421
Delivery and freight charges	**149,495,537**	97,220,575	86,481,333
Security services	**82,149,101**	102,479,927	171,448,295
Insurance	**54,084,796**	46,418,384	54,516,546
Repairs and maintenance	**45,991,435**	33,838,786	80,699,728
Communication	**32,263,003**	35,489,669	33,524,819
Outside services	**7,604,262**	17,859,676	19,425,321
Travel and transportation	**6,129,815**	23,594,808	99,545,809
Entertainment, amusement and recreation (EAR)	**1,594,975**	1,933,788	8,570,949
Telegraphic transfer	**1,076,164**	1,061,368	2,220,885
Professional fees	**781,913**	10,400,652	11,805,595
Others	**95,901,611**	91,044,797	115,916,757
	₱3,816,587,182	₱4,184,957,968	₱7,095,912,730

17. **General and Administrative Expenses**

	2021	2020	2019
Personnel costs (Note 18)	**₱704,514,878**	₱628,985,277	₱680,250,646
Depreciation and amortization (Notes 10, 11 and 19)	**219,495,428**	158,958,125	173,256,079
Taxes and licenses	**55,299,201**	47,758,686	41,161,949
Repairs and maintenance	**37,539,494**	14,289,617	38,585,901
Utilities	**33,274,403**	44,430,993	59,860,085
Security services	**33,078,572**	19,460,422	28,129,865
Insurance	**32,787,333**	48,350,789	16,554,237
Supplies and maintenance	**28,930,429**	34,625,497	39,687,576
Communication	**19,929,013**	18,342,660	19,833,027
Professional fees	**15,115,871**	29,551,921	11,363,046
Rent (Note 26)	**13,942,070**	19,464,541	46,867,155
Advertising	**11,853,982**	9,406,323	42,213,685
Travel and transportation	**8,161,399**	7,070,019	48,161,737
EAR	**1,450,802**	3,177,931	6,244,417
Others	**123,118,094**	32,093,487	46,923,022
	₱1,338,490,969	₱1,115,966,288	₱1,299,092,427

18. **Personnel Costs**

Personnel costs charged to operations are as follows:

	2021	2020	2019
Salaries, wages and bonuses	**₱1,206,981,224**	₱1,290,090,476	₱1,673,291,681
Retirement benefit expense (Note 21)	**122,852,022**	83,881,848	65,911,077
Other employee benefits	**142,147,760**	139,967,495	202,349,031
	₱1,471,981,006	₱1,513,939,819	₱1,941,551,789

Personnel costs were distributed as follows:

	2021	2020	2019
Cost of goods sold (Note 15)	**₱483,538**	₱–	₱–
Selling and distribution (Note 16)	**766,982,590**	₱884,954,542	₱1,261,301,143
General and administrative (Note 17)	**704,514,878**	628,985,277	680,250,646
	₱1,471,981,006	₱1,513,939,819	₱1,941,551,789

19. **Depreciation and Amortization Expense**

	2021	2020	2019
Property and equipment net of lease concession amounting to ₱401.44 million and ₱735.5 million in 2021 and 2020, respectively (Notes 10 and 26)	**₱921,800,915**	₱1,114,110,205	₱2,040,111,540
Franchise fee (Note 11)	**11,339,234**	11,707,957	9,084,310
Software cost (Note 11)	**2,326,872**	2,378,819	1,931,240
	₱935,467,021	₱1,128,196,981	₱2,051,127,090

Depreciation and amortization were distributed as follows:

	2021	2020	2019
Cost of goods sold (Note 15)	**₱4,359,258**	₱3,961,881	₱24,695,040
Selling and distribution (Note 16)	**711,612,335**	965,276,975	1,853,175,971
General and administrative (Note 17)	**219,495,428**	158,958,125	173,256,079
	₱935,467,021	₱1,128,196,981	₱2,051,127,090

20. **Related Party Disclosures**

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. Key management personnel are considered related parties.

The Group, transacts with the following related parties:

a. Rustan Commercial Corporation (RCC) and Rustan Marketing Corporation (RMK) are controlled by certain key management personnel of the Group.

b. SCRI and MPC are joint ventures while SPI is an associate of the Group.

c. PFM is a subsidiary of SCRI.

The Group, in the normal course of business, entered into the following transactions with related parties:

a. Lease of the Group's store outlet spaces from RCC (see Notes 15, 16 and 26). Related rent expense amounted to ₱73.01 million, ₱61.12 million and ₱110.56 million for the years ended December 31, 2021, 2020 and 2019, respectively. As of December 31, 2021, the related right-of-use of assets and lease liabilities amounted to ₱16.34 million and ₱17.50 million, respectively. The Group recognized depreciation expense amounting to ₱7.42 million in 2021 and 2020, and interest expense amounting to ₱1.11 million and ₱1.46 million in 2021 and 2020, respectively.

b. The Group reimburses related parties for the expenses paid by the related parties on behalf of the Group;

c. Sales through the use of related parties' gift certificates from RCC. Total value of the related parties' gift certificates used amounted to ₱18.17 million, ₱17.84 million, ₱27.34 million in 2021, 2020 and 2019, respectively;

d. Service fee charged by SSI to MPC as allocation on the service cost in SSI's centralized processes (i.e., Accounting, Human Resource, Information Technology, etc.) amounted to ₱7.78 million, ₱13.00 million and ₱20.06 million in 2021, 2020 and 2019, respectively. The service fee is presented under "Others – net" in the statement of comprehensive income.

e. Short-term noninterest-bearing cash advances to/from RCC, RMK, PFM, SCRI and SPI; and

f. Compensation of the Company's key management personnel are as follows (in millions):

	2021	2020	2019
Short-term employee benefits	**37**	₱37	₱43
Post-employment benefits	**6**	5	6
	43	₱42	₱49

As of December 31, 2021 and 2020, transactions with related parties are as follows:

			Outstanding balances	
Related Parties	Year	Transactions for the year	Receivables from related parties (Note 5)	Payable to related parties (Note 12)
Under common control				
RCC	**2021**	**₱129,468,827**	**₱54,667,672**	**₱–**
	2020	₱25,216,740	₱59,437,175	₱709,594

(Forward)

Related Parties	Year	Transactions for the year	Outstanding balances: Receivables from related parties (Note 5)	Outstanding balances: Payable to related parties (Note 12)
RMK	**2021**	**₱34,749,793**	**₱26,467,277**	**₱775,753**
	2020	(₱20,280,237)	₱18,719,189	₱259,110
Others	**2021**	–	–	–
	2020	(2,223,066)	862,228	3,078,913
Joint ventures				
SCRI	**2021**	–	–	–
	2020	(90,515)	23,492	114,007
MPC	**2021**	**11,008,378**	**15,986,869**	–
	2020	(2,613,497)	14,671,750	–
Associate				
SPI	**2021**	**696,739**	**3,164,490**	–
	2020	50,479	2,467,751	–
	2021		**₱100,286,308**	**₱775,753**
	2020		₱96,181,585	₱4,161,624

The related party balances as of December 31, 2021 and 2020 are due and demandable, non-interest bearing and unsecured. The allowance for expected credit losses on amounts owed by related parties amounted to ₱43.17 million as of December 31, 2021 and 2020, respectively, all receivables from related parties are not impaired. All related party balances are settled in cash.

21. Retirement Benefit Plan

Entities in the Group have a funded, noncontributory defined benefit retirement plan which covers all of its regular employees. The benefits are based on years of service and compensation on the last year of employment. Normal retirement benefits are equal to the employee’s retirement pay as defined in Republic Act (RA) No. 7641 multiplied by the years of service. Normal retirement date is the attainment of age sixty (60) and completion of at least five (5) years of service. The last actuarial valuation was made as of December 31, 2021.

Retirement benefit expense recognized in the consolidated statements of comprehensive income are as follows:

	2021	2020	2019
Current service cost	**₱94,070,627**	₱53,706,370	₱39,079,037
Net interest cost	**29,732,859**	30,559,309	26,996,098
Curtailment gain	**(951,464)**	(383,831)	(164,058)
Retirement benefit expense	**₱122,852,022**	₱83,881,848	₱65,911,077

As of December 31, 2021 and 2020, the amounts recognized in the consolidated balance sheets as retirement benefit obligation are as follows:

	2021	2020
Present value of obligations	**₱764,978,939**	₱807,978,006
Fair value of plan assets	**(58,273,992)**	(59,190,979)
Retirement benefit obligation	**₱706,704,947**	₱748,787,027

Changes in the present value of defined benefit obligations are as follows:

	2021	2020
Opening present value of obligation	**₱807,978,006**	₱655,475,443
Recognized in profit or loss:		
Current service cost	**94,070,627**	53,706,370
Interest cost	**31,930,860**	33,397,357
Curtailment gain	**(951,464)**	(383,831)
Profit or loss	**125,050,023**	86,719,896
Benefits paid	**(10,691,281)**	(6,416,829)
Benefits paid directly by the Group	**(24,597,762)**	(18,363,589)
Net transfer out	**(79,593)**	(280,651)
Recognized in other comprehensive income:		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**(152,545,503)**	89,666,139
Changes in demographic assumptions	**−**	489,957
Deviations of experience from assumptions	**19,865,049**	687,640
Other comprehensive loss (gain)	**(132,680,454)**	90,843,736
Closing present value of obligation	**₱764,978,939**	₱807,978,006

The retirement fund is managed by a trustee bank as appointed by the BOD. There are no unusual or significant risks to which the Plan exposes the Group.

Changes in fair value of plan assets are as follows:

	2021	2020
Opening fair value of plan assets	**₱59,190,979**	₱54,783,336
Contributions	**11,250,000**	6,334,414
Interest income	**2,198,001**	2,838,048
Benefits paid	**(10,691,281)**	(6,416,829)
Return on plan assets, excluding amounts included in interest income	**(3,673,707)**	1,652,010
Closing fair value of plan assets	**₱58,273,992**	₱59,190,979

The fair value of plan assets by each class as at the end of the reporting period is as follows:

	2021	2020
Cash and cash equivalents	**₱1,199,299**	₱2,012,347
Government securities	**29,880,019**	400,734
Fixed income	**2,025,910**	603,139
Mutual funds	**24,892,464**	57,443,588
Other assets	**331,016**	61,627
Trade and other payables	**(54,716)**	(1,330,456)
	₱58,273,992	₱59,190,979

The principal actuarial assumptions used as of December 31, 20201 and 2020 in determining retirement benefit obligations for the Group's retirement plan are as follows:

	2021	2020
Discount rate	**5.0%-5.2%**	3.5%-4.20%
Salary increase rate	**0%-3%**	0%-3%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the pension obligations as of December 31, 2021 and 2020, assuming all other assumptions were held constant:

		Increase (Decrease) in Present Value of Defined Benefit Obligation	
	Increase/(Decrease)	**2021**	2020
Discount rate	+1%	**(₱60,694,535)**	(₱122,413,506)
	-1%	**71,851,720**	154,372,372
Future salary increase rate	+1%	**93,532,384**	154,430,315
	-1%	**(72,753,552)**	(117,482,510)

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

The average duration of the defined benefit obligation at the end of the reporting date is from 10.9 to 22.1 years and 12.9 to 22.5 years in 2021 and 2020, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2021 and 2020:

	2021	2020
1 year or less	**₱133,920,617**	₱100,094,444
More than 1 year to 5 years	**138,317,971**	125,404,777
More than 5 years	**3,480,122,480**	3,807,392,550

22. **Income Taxes**

a. Reconciliation of income tax expense applicable to income before income tax at the statutory income tax rate to the provision for income tax for the years ended December 31, 2021, 2020 and 2019 are as follows:

	2021	2020	2019
Provision for (benefit from) income tax at statutory tax rate of 25% in 2021 and 30% in 2020	**₱100,410,503**	(₱304,023,786)	₱369,450,883
Additions to (reductions from) income tax resulting from:			
Movement in unrecognized deferred tax assets	**90,251,282**	196,620,982	43,149,479
Impact of change in tax rate	**61,186,550**	–	–
Nondeductible expenses	**9,019,045**	1,961,952	12,338,051
Share in net losses (earnings) of an associate and joint ventures	**3,221,627**	3,944,527	(31,917,884)
Interest income subjected to final tax	**(4,148,136)**	(1,671,511)	(1,366,727)
Others	**(9,268,380)**	(6,440,572)	24,358,524
	₱250,672,491	(₱109,608,408)	₱416,012,326

b. The components of net deferred tax assets of the Group are as follows:

	2021	2020
Deferred tax assets:		
Lease liabilities	**₱402,093,294**	₱644,236,796
Retirement benefit obligation	**132,625,995**	132,918,505
NOLCO	**337,419,721**	251,351,864
MCIT	**6,413,060**	67,233,838
Deferred revenue	**5,484,061**	6,580,873
Customer deposits	**2,651,187**	4,598,450
Unrealized foreign exchange losses	**879,055**	951,195
Allowance for impairment	**13,794,546**	12,725,356
Others	**17,318,420**	5,674,242
	918,679,339	1,126,271,119
Deferred tax liabilities:		
Right-of-use assets	**(387,113,020)**	(622,745,750)
Unrealized foreign exchange gains	**(21,194)**	(3,966,274)
Others	**(1,135,630)**	(1,636,711)
	(388,269,844)	(628,348,735)
Deferred tax asset related to retirement benefit obligation recognized under other comprehensive loss	**44,050,242**	93,245,104
Net deferred tax assets	**₱574,459,737**	₱591,167,488

c. The Group has recognized deferred tax assets on certain subsidiaries only to the extent of their expected future taxable profit and deferred tax liabilities since management believes that it will not be able to derive the benefits of these deferred tax assets arising from NOLCO and certain deductible temporary differences. The temporary differences for which deferred tax assets have not been recognized pertain to the following:

	2021	2020
NOLCO	**₱823,018,232**	₱798,400,510
MCIT	**30,808,935**	82,627,505
Others	**1,757,205**	11,598,426

d. As of December 31, 2021, the Group has NOLCO that can be claimed as deduction from future taxable income as follows:

Year incurred	Year of availment	Amount	Expired	Applied	Balance
2018	2019 - 2021	₱180,842,607	(₱180,842,607)	₱–	₱–
2019	2020 - 2022	224,580,244	–	–	224,580,244
2020	2021 - 2025	1,189,038,831	–	(361,962)	1,188,676,869
2021	2022 - 2026	759,440,003	–	–	759,440,003
		₱2,353,901,685	(₱180,842,607)	(₱361,962)	₱2,172,697,116

e. As of December 31, 2021, the MCIT that can be claimed as tax credits follows:

Year incurred	Year of availment	Amount	Remeasurement	Expired	Applied	Balance
2018	2019 - 2021	₱20,857,528	₱–	(9,201,476)	(₱11,656,052)	₱–
2019	2020 - 2022	38,993,978	–	–	(19,770,385)	19,223,593
2020	2021 - 2023	63,443,771	(15,860,943)	–	(37,706,145)	9,876,683
2021	2022 - 2024	8,121,719	–	–	–	8,121,719
		₱131,416,996	(₱15,860,943)	(₱9,201,476)	(₱69,132,582)	₱37,221,995

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill
On March 26, 2021, the CREATE Bill was signed into law by the Philippine President. General provisions of the CREATE bill include the following:

- Domestic corporations with total assets of 100.00 million and below
  - With taxable income of 5.00 million and below - 20% RCIT
  - With taxable income of more than 5.00 million - 25% RCIT
- Domestic corporations with total assets of more than 100.00 million - 25% RCIT
- Reduction of MCIT from 2% to 1% for a period of three years (effective July 1, 2020 until June 30, 2023).

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2021 continued to be computed and measured using the applicable income tax rates as of December 31, 2021 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Based on the provisions of Revenue Regulations (RR) No. 50-2021 dated April 5, 2021 issued by the BIR, the prorated CIT rate of the Company for CY2020 is 25%, hence the effective tax rate in CY2020 is 27.5%. This would have resulted to a lower provision for current income tax for the year ended December 31, 2021 by ₱24.32 million. The reduced amounts have been reflected in the Company's 2021 annual income tax return. This would also have resulted to a lower deferred tax assets and liabilities as of December 31, 2021 and provision for deferred tax for the year then ended by approximately ₱101.04 million and ₱85.50 million, respectively. These reductions were recognized in the 2021 financial statements.

23. Basic/Diluted Earnings (Loss) Per Share

The basic/dilutive earnings per share were computed as follows:

	2021	2020	2019
Net income (loss)	**₱150,969,520**	(₱903,804,214)	₱815,490,617
Divided by weighted average number of common shares	**3,298,408,430**	3,299,379,507	3,308,319,263
	₱0.05	(₱0.27)	₱0.25

There were no potentially dilutive common shares for the years ended December 31, 2021, 2020 and 2019.

24. **Risk Management Objectives and Policies**

The principal financial instruments of the Group are cash and cash equivalents, trade and other receivables, and short-term and long-term loans. The main purpose of these financial instruments is to anticipate future fund requirements of the Group. The Group has various other financial assets and liabilities such as trade and other receivables, trade and other payables, short-term loan payable and long-term debt, amounts owed to/by related parties, tenants' deposits and security deposits and construction bonds which arise directly from its operations. The main risks arising from the financial instruments of the Group are credit risk, foreign currency risk and liquidity risk. The Group's management reviews and approves policies for managing each of these risks and they are summarized below. The Group also monitors the market price risk arising from all financial instruments.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group trades only with recognized, creditworthy third parties, mostly with credit card companies. Trade receivables from third parties are monitored on an on-going basis with the result that the exposure of the Group to bad debts is not significant. There is no allowance for impairment of trade receivables since the Group expects to fully realize its receivables from debtors. The table below shows the maximum exposure of the Group to credit risk:

	2021	2020
Cash and cash equivalents*	**₱7,237,972,535**	₱5,265,325,201
Trade and other receivables		
Trade receivables	**280,509,256**	254,892,223
Nontrade receivables	**360,674,621**	287,147,180
Receivables from related parties	**143,457,307**	139,352,584
Others	**818,574**	3,487,088
Security deposits and construction bonds	**954,453,458**	1,019,625,939
	₱8,977,885,751	₱6,969,830,215

*excluding cash on hand

There is no significant concentration of credit risk in the Group.

Impairment of financial assets
The following financial assets are subject to expected credit loss model effective January 1, 2018:

a. Cash and cash equivalents, nontrade receivables (except those related to principals), amounts owed by related parties and security deposits and construction bonds. The Group uses general approach in assessing impairment of these financial assets. The credit risk of these financial asset is presumed to increase when the contractual payments are more than 30 days past due. As of December 31, 2021 and 2020, there has been no increase in credit risk of these financial assets since initial recognition except for amounts owed by related parties and nontrade receivables amounting to ₱43.17 million which are classified as credit impaired.

b. Trade receivables. For these financial assets, the Group uses simplified approach. An impairment analysis is performed at each reporting date to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The identified impairment losses on these financial assets were immaterial.

c. Nontrade receivables pertain to receivables from principals. The credit risk of these financial assets is presumed to increase when the contractual payments are more than 90 days past due.

   As of December 31, 2021 and 2020, nontrade receivables from principals amounting to ₱15.74 million and ₱9.76 million, respectively, are classified as credit impaired.

Foreign currency risk
Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group takes an exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financials and cash flows. This arises from foreign currency denominated cash in banks and trade and other payables as of December 31, 2020 and 2019. Management closely monitors the fluctuations in exchange rates so as to anticipate the impact of foreign currency risks. The Group's foreign currency-denominated financial assets and liabilities (translated in Philippine Peso) are as follows:

December 31, 2021

	USD[1]	**EUR[2]**	**HKD[3]**	**Total Peso Equivalent**
Financial assets				
Cash in banks	**$2,160,242**	**€1,490,597**	**$3,344**	**₱195,896,764**
Financial liabilities				
Trade and other payables	**1,451,342**	**3,361,818**	**1,401,563**	**276,466,244**
Net Financial Assets (Liabilities)	**$708,900**	**(€1,871,221)**	**($1,398,219)**	**(₱80,569,480)**

[1]$1 = 50.99
[2]€1 = 57.51
[3]HK$1 = 6.51

December 31, 2020

	USD[1]	EUR[2]	HKD[3]	Total Peso Equivalent
Financial assets				
Cash in banks	$4,801,283	€1,401,072	$8,894	₱312,918,392
Financial liabilities				
Trade and other payables	6,635,325	1,727,313	85,127	420,637,392
Net Financial Assets (Liabilities)	($1,834,042)	(€326,241)	($76,233)	(₱152,935,889)

[1]$1 = 48.04
[2]€1 = 58.61
[3]HK$1 = 6.19

The following table demonstrates the sensitivity to a reasonably possible change in the USD, Euro and HK Dollar exchange rates, with all other variables held constant, of the Group's income before income tax.

	2021		2020	
	Appreciation/ Depreciation of Foreign Currency	**Effect on Income Before Tax**	Appreciation/ Depreciation of Foreign Currency	Effect on Loss Before Tax
US Dollar	**+5%**	**₱1,807,342**	+5%	(₱5,019,768)
	-5%	**(1,807,342)**	-5%	5,019,768
Euro	**+5%**	**(5,380,696)**	+5%	(6,174,542)
	-5%	**5,380,696**	-5%	6,174,542
HK Dollar	**+5%**	**(455,120)**	+5%	(23,607)
	-5%	**455,120**	-5%	23,607

There is no other impact on the Group's equity other than those already affecting the profit or loss.

Liquidity risk
Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial institutions. The objective of the Group is to maintain a balance between continuity of funding and flexibility. The Group seeks to manage its liquid funds through cash planning on a monthly basis. The Group uses historical figures and experiences and forecasts of its collections and disbursements.

Also, the Group only places funds in money market instruments which exceed the Group's requirements. Placements are strictly made based on cash planning assumptions and cover only a short period of time.

The tables below summarize the maturity analysis of the Group's financial liabilities based on contractual undiscounted payments:

December 31, 2021

		Contractual undiscounted payments			
	Total	**On demand**	**Within 1 year**	**>1 to 5 years**	**> 5 years**
Financial Liabilities					
Trade payables and other payables*	**₱2,116,401,433**	**₱–**	**₱1,396,824,946**	**₱719,576,487**	**₱–**
Lease liabilities	**2,012,933,150**	**–**	**418,035,833**	**1,393,702,045**	**201,195,272**
Short-term loans payable**	**5,987,932,118**	**–**	**5,987,932,118**	**–**	**–**
Tenant deposits	**24,206,988**	**–**	**–**	**24,206,988**	**–**
Total Undiscounted Financial Liabilities	**₱10,141,473,689**	**₱–**	**₱7,802,792,897**	**₱2,137,485,520**	**₱201,195,272**

* *Excluding statutory liabilities*
** *Including interest payable*

December 31, 2020

		Contractual undiscounted payments			
	Total	On demand	Within 1 year	>1 to 5 years	> 5 years
Financial Liabilities					
Trade payables and other payables*	₱1,956,875,617	₱–	₱1,323,134,656	₱633,740,961	₱–
Lease liabilities	2,604,363,508	–	794,619,081	1,809,744,427	–
Short-term loans payable**	7,059,537,332	–	7,059,537,332	–	–
Long-term debt**	120,651,430	–	120,651,430	–	–
Tenant deposits	51,283,591	–	31,003,853	20,279,738	–
Total Undiscounted Financial Liabilities	₱11,792,711,478	₱–	₱9,328,946,352	₱2,463,765,126	₱–

* *Excluding statutory liabilities*
** *Including interest payable*

The Company's financial assets amounting to ₱8,992.78 million and ₱7,008.38 million can be used to meet the Group's liquidity needs as of December 31, 2021 and 2020, respectively.

Capital Management
The primary objective of the Group is to maintain a strong credit rating and healthy capital ratios to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it based on changes in economic and business conditions. To maintain or adjust the capital structure, the Group may consider paying dividends to stockholders, returning capital to stockholders, or issuing new shares of stocks. No major changes were made on the objectives, policies, or processes during the years ended December 31, 2021 and 2020. Capital includes equity as shown in the consolidated balance sheets.

As disclosed in Note 13, the Group is required by their creditors to maintain a debt-to-equity ratio and debt-service coverage ratio. The Group, thus, monitors capital on the basis of debt-to-equity ratio which is calculated as total liabilities divided by total equity. The Group includes within debt all interest-bearing short-term and long-term liabilities. These externally imposed capital requirements have been complied with as of December 31, 2020. As of December 31, 2021, the Group fully-paid its long-term debt.

25. Fair Value of Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments:

	2021		2020	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets				
Loans and receivables				
Security deposits and construction bonds	**₱954,453,458**	**₱970,297,385**	₱1,019,625,939	₱1,036,529,420
Financial Liabilities				
Other financial liabilities				
Long-term debt*	**₱–**	**₱–**	₱117,593,738	₱120,134,685

**Includes interest to maturity.*

The following method and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, trade and other receivables, amounts owed by/to related parties, current portion of security deposits (presented under prepayments and other current assets), tenants' deposits, trade and other payables and short-term loans
The carrying values of these financial instruments approximate their fair values due to the short-term maturity, ranging from one to twelve months.

Security deposits and construction bonds
The fair values of security deposits are based on the discounted value of future cash flows using the applicable market interest rates. Discount rates ranging from 1.66% to 2.20% and 2.04% to 3.87% were used in calculating the fair value of the Group's refundable deposits as of December 31, 2021 and 2020, respectively.

Long-term debt
The fair value of long-term debt is based on the discounted value of future cash flows using the applicable market interest rates. Discount rates ranging from and 1.23% to 1.57% were used in calculating the fair value of the Group's long-term debt as of December 31, 2020.

Fair Value Hierarchy
The fair value of the Group's security deposits and construction bonds and long-term debt are classified as Level 3. As at December 31, 2021 and 2020, the Group does not have financial instruments with fair values determined using inputs that are classified under Levels 1 and 2. For the years ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

26. **Contracts and Commitments**

Group as a Lessee
The Group has various leases of its warehouse and office space and certain store outlets used in its operations for lease terms ranging from three to ten years. Rental payments on certain outlets are based on a fixed basic monthly rate plus a certain percentage of gross sales, while other store outlets and office spaces are based on fixed monthly rates. The Group also has certain leases of stores, office and warehouse space with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the ‘short-term lease’ and ‘lease of low-value assets’ recognition exemptions for these leases.

The following are the amounts recognized in the consolidated statement of comprehensive income for the years ended December 31, 2021, 2020 and 2019:

	2021	2020	2019
Depreciation expense of right-of-use assets included in property and equipment - gross of lease concession	**₱693,557,798**	₱1,072,905,136	₱1,172,593,126
Variable lease payments and rent expense relating to short-term leases (Notes 15, 16 and 17)	**409,604,056**	452,345,150	966,339,878
Interest expense on lease liabilities	**173,214,479**	173,576,791	222,544,637
Gain on remeasurement	**(5,276,558)**	(7,307,157)	−
Rental income	**(27,574,406)**	(61,993,815)	(76,070,748)
Lease concession	**(401,436,656)**	(735,453,471)	−
Total amount recognized in the consolidated statements of comprehensive income	**₱842,088,713**	₱894,072,634	₱2,285,406,893

The rollforward analysis of right-of-use assets follows:

	2021	2020
Balances at beginning of the year	**₱2,080,088,594**	₱2,753,833,363
Additions	**202,391,201**	506,321,822
Depreciation expense	**(693,557,798)**	(1,072,905,136)
Remeasurement/termination	**(40,469,916)**	(107,161,455)
Balances at end of the year	**₱1,548,452,081**	₱2,080,088,594

The rollforward analysis of lease liabilities follows:

	2021	2020
Balances at beginning of the year	**₱2,147,455,989**	₱2,832,462,784
Additions	**202,164,134**	460,033,129
Interest expense	**173,214,479**	173,576,791
Remeasurement/termination	**(45,746,474)**	(114,468,613)
Lease concession	**(401,436,656)**	(735,453,471)
Payments	**(467,278,295)**	(468,694,631)
Balances at end of the year	**1,608,373,177**	2,147,455,989
Less: current portion	**325,273,001**	738,752,642
Balances at end of the year	**₱1,283,100,176**	₱1,408,703,347

The Group classifies payment of interest related to accretion of lease liability as financing activities in the statements of cash flows. Total lease payments can be referred to statement of cash flows as follows:

	2021	2020
Payment of principal portion of lease liabilities	**₱294,063,816**	₱295,117,840
Payment of interest	**173,214,479**	173,576,791

Shown below is the maturity analysis of the undiscounted lease payments (in millions):

	2021	2020
Within one year	**₱418**	₱795
After one year but not more than five years	**1,394**	1,485
Later than five years	**201**	325

The Group has paid security deposits and construction bonds for the store outlets and office spaces with carrying amounts of ₱954.45 million and ₱1,019.63 million (including current portion in “Prepayments and other current assets”) as of December 31, 2021 and 2020, respectively, which are refundable upon complete turnover of the leased area. The present value of these deposits was computed using the discount rates prevailing at the inception date of the lease, ranging from 1.66% to 2.20% and from 2.04% to 3.87% in 2021 and 2020, respectively. Interest income recognized from these security deposits amounted to ₱18.92 million, ₱14.59 million and ₱12.41 million for the years ended December 31, 2021, 2020 and 2019, respectively.

In 2021 and 2020, the Group had various lease modification in its contracts including changes in lease term, pre-termination of lease and changes in lease payments during the year. In 2021, the effect of the lease modifications resulted to remeasurement in right-of-use asset and lease liability amounting to ₱40.47 million and ₱45.75 million, respectively. In 2020, the effect of the lease modifications resulted to remeasurement in right-of-use asset and lease liability amounting to ₱107.16 million and ₱114.47 million, respectively. In 2021 and 2020, the Group recognized a gain on remeasurement amounting to ₱5.28 million and ₱7.31 million, respectively.

Group as a Lessor
In 2014, the Group leased out portions of the store spaces and parking space in Central Square for a lease term ranging from one to three years. Rental income on these spaces is based on a fixed basic monthly rate plus a certain percentage of gross sales. Deposits received from tenants amounted to ₱31.76 million and ₱51.28 million (including current portion in “Trade and other payables” as of December 31, 2021 and 2020, respectively. The Group subleased its leased space in NAIA Terminal 3 for a lease term of one year to five years. Rental income on these spaces is based on a fixed basic monthly rate plus a certain percentage of gross sales. Rental income for the lease of these store spaces amounted to ₱27.57 million, ₱61.99 million and ₱76.07 million in 2021, 2020 and 2019, respectively.

27. **Segment Reporting**

The Group has determined that it is operating as one operating segment. Based on management's assessment, no part or component of the business of the Group meets the qualifications of an operating segment as defined by PFRS 8. The Company's store operations is its only income generating activity and such is the measure used by the chief operating decision maker in allocating resources. The Company derives its primary income from the sales of merchandise to external customers and is the only basis for segment reporting purposes. Sales are reported on an entity-wide basis. These information are measured using the same accounting policies and estimates as the Group's consolidated financial statements. The table below sets out revenue from external customers by category for the years ended December 31, 2021, 2020 and 2019 (amounts in millions):

	2021	2020	2019
Net Sales			
Fast fashion	**₱3,711**	₱3,198	₱6,853
Luxury and bridge	**6,563**	4,527	6,588
Casual	**2,480**	1,798	3,140
Footwear, accessories and luggage	**924**	902	2,405
Personal care, home and others	**1,790**	1,797	3,380
	₱15,468	₱12,222	₱22,366

The Group's customers are located in the Philippines and Guam, with bulk of the revenues being contributed by local customers. The following shows the revenue contribution by geographical areas (amounts in millions).

	2021	2020	2019
Philippines	**₱15,468**	₱12,197	₱22,303
Guam	**–**	25	63
	₱15,468	₱12,222	₱22,366

28. **Equity**

a. Common Shares

The Company's authorized and issued capital stock as of December 31, 2021, 2020 and 2019 are as follows:

Authorized capital stock, ₱1 par value	5,000,000,000
Issued capital stock	3,312,864,430

Movements of outstanding shares are as follows:

	2021	2020	2019
Balances at beginning of year	**3,298,408,430**	3,305,293,430	3,309,586,430
Treasury shares	**–**	(6,885,000)	(4,293,000)
Balances at end of year	**3,298,408,430**	3,298,408,430	3,305,293,430

Below is a summary of the Company's track record of registration of securities.

	Number of shares registered	Issue/ offer price	Date of approval
Authorized capital stock, ₱1 par value	695,701,530	₱7.50	November 7, 2014

As of December 31, 2021 and 2020, the Company has 54 and 48 stockholders, respectively.

b. Treasury Shares
On May 10, 2017, the Board of Directors approved the repurchase of its shares from the open market. The amount that has been allocated for the buy-back program is ₱200.00 million. Outstanding balance of treasury shares as of December 31, 2021 and 2020 amounted to ₱30.89 million. This is equivalent to 14,456,000 shares as of December 31, 2021 and 2020.

Details of treasury shares as of December 31, 2021 and 2020 are as follows:

	2021		2020	
	Shares	**Amount**	Shares	Amount
Balances at the beginning of year	**14,456,000**	**₱30,893,010**	7,571,000	₱18,103,900
Treasury shares	**−**	**−**	6,885,000	12,789,110
Balances at end of year	**14,456,000**	**₱30,893,010**	14,456,000	₱30,893,010

c. Appropriation of Retained Earnings
On December 9, 2020, the BOD approved the reversal of the previously appropriated retained earnings amounting to ₱1,100.00 million since the construction of new store in Subic and expansion and renovation of Trinoma and Greenbelt store outlets were delayed. The amount of appropriations above will be used by the Group to fund future expansion and renovations in store outlets and operations.

d. On June 26, 2019, Group's BOD approved the cash declaration of ₱0.0151 per share out of its unrestricted retained earnings for stockholders of records as of December 31, 2018 in proportion to their respective shares as of July 10, 2019. On August 5, 2019, cash dividend paid amounted to ₱49.96 million.

29. Notes to Consolidated Statements of Cash Flows

In 2021, right-of-use asset of the Group increased by ₱202.39 million and decreased by ₱40.47 million as additions and remeasurement or pre-termination, respectively (see Notes 10 and 26). In 2020, right-of-use asset of the Group increased by ₱506.32 million and decreased by ₱107.16 million as additions and remeasurement or pre-termination, respectively (see Notes 10 and 26). These are noncash investing activities.

The following tables show the changes in cash flows and non-cash changes in the liabilities arising from financing activities in 2021 and 2020:

December 31, 2021

	Short-term loans payable	**Long-term debt**	**Lease liabilities** (Note 26)	**Interest payable**	**Treasury shares**	**Total**
Balances at beginning of year	**₱7,010,000,000**	**₱117,593,738**	**₱2,147,455,989**	**₱–**	**(₱30,893,010)**	**₱9,244,156,717**
Cash movements:						
Availment	**300,000,000**	**–**	**–**	**–**	**–**	**300,000,000**
Settlement	**(1,375,000,000)**	**(117,670,000)**	**(467,278,295)**	**(301,507,147)**	**–**	**(2,261,455,442)**
Noncash movements:						
Additions and remeasurement	**–**	**–**	**156,417,660**	**–**	**–**	**156,417,660**
Accretion of interest	**–**	**–**	**173,214,479**	**301,583,409**	**–**	**474,797,888**
Lease concessions	**–**	**–**	**(401,436,656)**	**–**	**–**	**(401,436,656)**
Amortization of debt issue cost	**–**	**76,262**	**–**	**(76,262)**	**–**	**–**
Balances at end of year	**₱5,935,000,000**	**₱–**	**₱1,608,373,177**	**₱–**	**(₱30,893,010)**	**₱7,512,480,167**

December 31, 2020

	Short-term loans payable	Long-term debt	Lease liabilities (Note 26)	Interest payable	Treasury shares	Total
Balances at beginning of year	₱4,075,000,000	₱401,541,385	₱2,832,462,784	₱–	(₱18,103,900)	₱7,290,900,269
Cash movements:						
Availment	5,735,000,000	–	–	–	–	5,735,000,000
Settlement	(2,800,000,000)	(284,306,666)	(468,694,631)	(361,966,331)	(12,789,110)	(3,927,756,738)
Noncash movements:						
Additions and remeasurement	–	–	345,564,516	–	–	345,564,516
Accretion of interest	–	–	173,576,791	362,325,350	–	535,902,141
Lease concessions	–	–	(735,453,471)	–	–	(735,453,471)
Amortization of debt issue cost	–	359,019	–	(359,019)	–	–
Balances at end of year	₱7,010,000,000	₱117,593,738	₱2,147,455,989	₱–	(₱30,893,010)	₱9,244,156,717

December 31, 2019

	Short-term loans payable	Long-term debt	Lease liabilities (Note 26)	Interest payable	Treasury shares	Dividends Payable	Total
Balances at beginning of year	₱4,567,500,000	₱851,266,123	₱–	₱–	(₱7,558,440)	₱–	₱5,411,207,683
Cash movements:							
Availment	5,162,500,000	–	–	–			5,162,500,000
Settlement	(5,655,000,000)	(450,973,334)	(1,310,852,806)	(326,073,444)	(10,545,460)	(49,957,284)	(7,803,402,328)
Noncash movements:							
Effect of adoption of PFRS 16	–	–	3,343,221,838	–	–	–	3,343,221,838
Additions and remeasurements	–	–	577,549,115	–	–	–	577,549,115
Accretion of interest	–	–	222,544,637	327,322,040	–	–	549,866,677
Amortization of debt issue cost	–	1,248,596	–	(1,248,596)	–	–	–
Dividends declared	–	–	–	–	–	49,957,284	49,957,284
Balances at end of year	₱4,075,000,000	₱401,541,385	₱2,832,462,784	–	(₱18,103,900)	₱–	₱7,290,900,269

30. Other Matters

The COVID-19 pandemic which broke out in early 2020 resulted in nationwide community quarantine from March 15, 2020 that extends until audit report date and negatively impacted the Philippine economy. The Group received lease concessions in 2021 and 2020 from its lessors as the latter's response to the government's encouragement to grant certain lease concessions during the coronavirus pandemic (see Note 26 regarding lease concessions).

Accordingly, the Group has taken measures to reduce the expenses. The Group is fully aware of the business challenges posed by the COVID-19 outbreak and closely monitoring the possible impacts on the Company's operations and liquidity position and believes that its current policies for managing credit, liquidity and market risk are adequate in response to current situation.

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
SSI Group, Inc.
6th Floor, Midland Buendia Building
403 Sen. Gil Puyat Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SSI Group, Inc. and its subsidiaries (the Group) as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, included in this Form 17-A and have issued our report thereon dated May 6, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ma. Emilita L. Villanueva

Ma. Emilita L. Villanueva
Partner
CPA Certificate No. 95198
Tax Identification No. 176-158-478
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 95198-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-141-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8854388, January 3, 2022, Makati City

May 6, 2022

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
SSI Group, Inc.
6th Floor, Midland Buendia Building
403 Sen. Gil Puyat Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of SSI Group, Inc. and its subsidiaries (the Group) as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 and have issued our report thereon dated May 6, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Ma. Emilita L. Villanueva

Ma. Emilita L. Villanueva
Partner
CPA Certificate No. 95198
Tax Identification No. 176-158-478
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 95198-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
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Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-141-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8854388, January 3, 2022, Makati City

May 6, 2022

SSI GROUP, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2021

EXHIBIT I

SSI GROUP, INC.

MAP SHOWING RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND ITS SUBSIDIARIES

DECEMBER 31, 2021

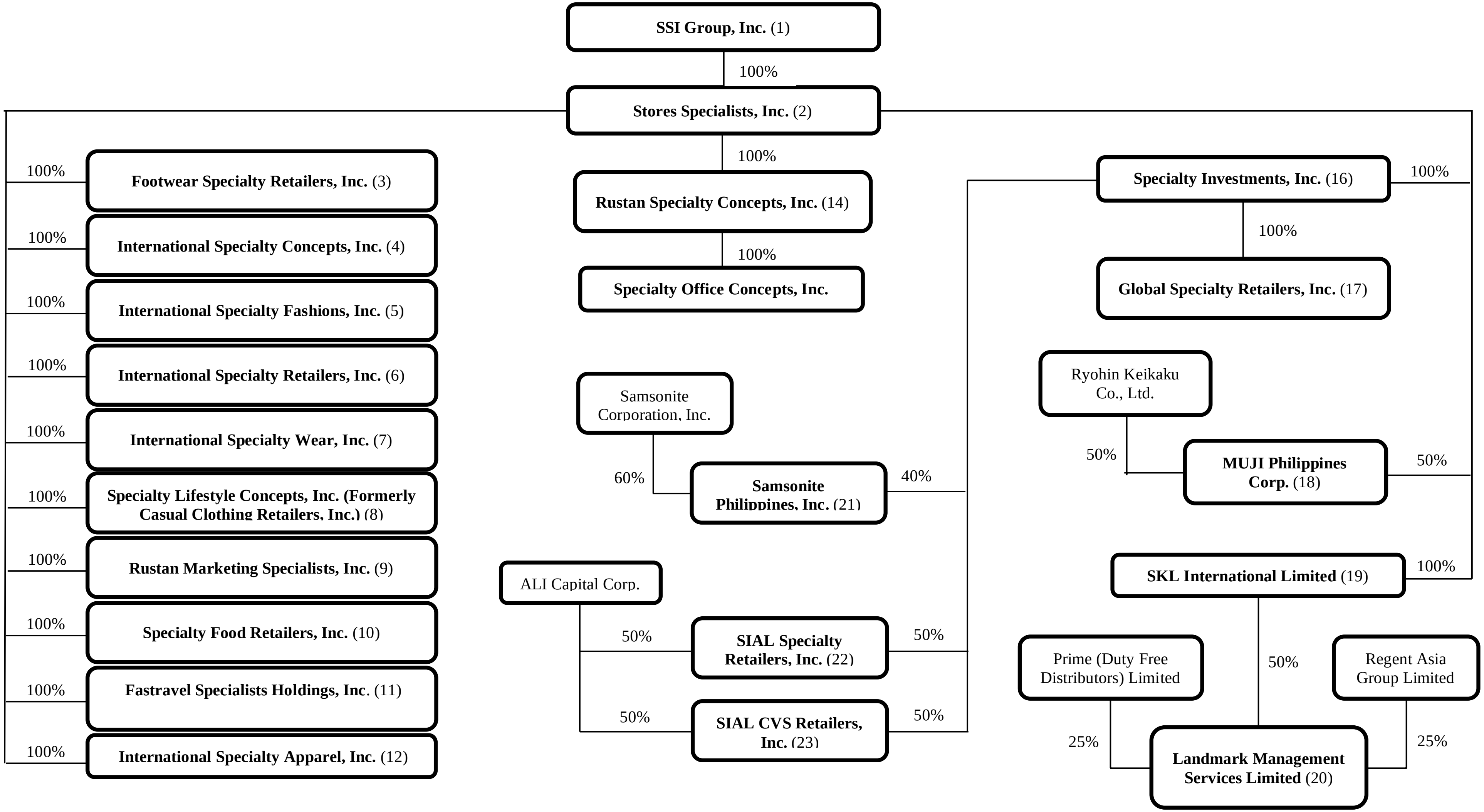

Exhibit II

SSI GROUP, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2021

Unappropriated retained earnings, beginning		₱1,005,767,369
Cumulative prior year adjustments:		
Interest income from accretion of the discount on security deposits		(5,574,182)
Benefit from deferred tax		(255,112)
Unappropriated retained earnings, beginning		999,938,075
Net income during the period closed to retained earnings	51,913,512	
Interest income from accretion of the discount on security deposits	–	
Benefit from deferred tax	–	
Interest expense from accretion of lease liabilities	–	
Interest income on lease receivable	–	51,913,512
Retained earnings available for dividend declaration		₱1,051,851,587

SCHEDULE A

SSI GROUP, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2021

	Name of Issuing entity and association of each issue	Amount shown in the balance sheet	Valued based on market quotations at end of reporting period	Income received or accrued
Cash and cash equivalents	Various	₱7,252,867,634	₱7,252,867,634	₱14,825,646
Trade and other receivables				
Trade receivables	N/A	280,509,256	280,509,256	–
Nontrade receivables	N/A	344,937,823	344,937,823	–
Receivables from related parties	N/A	100,286,308	100,286,308	–
Other receivables	N/A	818,574	818,574	
Security deposits and construction bonds	N/A	954,453,458	954,453,458	–
		₱8,933,873,053	₱8,933,873,053	₱14,825,646

SSI GROUP, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2021

Amounts Receivable from Officers, Employees and Related Parties under Trade and other receivables *(in thousands)*

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Non-Current	Balance at the end of the period
RCC	₱59,437	₱128,915	(₱133,684)	₱54,668	₱–	₱54,668
PFM*	18,481	–	–	18,481	–	18,481
RMK*	43,411	34,746	(27,000)	51,157	–	51,157
SPI	2,468	696	–	3,164	–	3,164
MPC	14,671	11,012	(9,696)	15,987	–	15,987
Others	885	–	(885)	–	–	–
Advances to officers and employees	81,336	38,553	(70,121)	49,768	–	49,768
	₱220,689	₱213,922	(₱241,386)	₱193,225	₱–	₱193,225

**With allowance for impairment loss amounting to ₱18.5 million and ₱24.7 million for PFM and RMK, respectively.*

Amounts owed by Related Parties *(in thousands)*

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Non-Current	Balance at the end of the period
SCRI*	₱23,625	₱–	₱–	₱23,625	–	₱23,625

**With allowance for impairment loss amounting to the full balance of the receivable.*

SCHEDULE C

SSI GROUP, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2021

Receivables from related parties which are eliminated during the consolidation (under Trade and other receivables)

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Noncurrent	Balance at end of period
SGI	₱1,543	₱38,809,341	(₱35,112,213)	₱–	₱3,698,671	₱–	₱3,698,671
SSI	7,799,409	6,148,717	–	–	13,948,126	–	13,948,126
RMSI	89,159,422	209,925,972	(24,511,627)	–	274,573,767	–	274,573,767
ISCI	40,409,813	18,063,835	(1,980,876)	–	56,492,772	–	56,492,772
RSCI	18,684,944	14,996,088	–	–	33,681,032	–	33,681,032
SOCI	135,309,324	–	(135,309,324)	–	–	–	–
SII	–	15,000,000	–	–	15,000,000	–	15,000,000
ISFI	–	71,428	–	–	71,428	–	71,428
FSRI	30,124,464	67,292,039	(50,044,943)	–	47,371,560	–	47,371,560
GSRI	327,294	–	(327,294)	–	–	–	–
SFRI	492,360,174	176,665,832	(51,795,807)	–	617,230,199	–	617,230,199
ISRI	1,433,475	621,660	–	–	2,055,135	–	2,055,135
ISWI	1,270,664	653,426	–	–	1,924,090	–	1,924,090
ISAI	1,671,905	883,243	–	–	2,555,148	–	2,555,148
FSHI*	40,269,805	8,340,868	–	–	48,610,673	–	48,610,673
SLCI	36,372,749	99,887,575	(88,558,153)	–	47,702,171		47,702,171
	₱895,194,985	₱657,360,024	(₱387,640,237)	₱–	₱1,164,914,772	₱–	₱1,164,914,772

**Net of allowance for ECL amounting to ₱33,148,719 and ₱91,928,368 in 2021 and 2020, respectively.*

Amounts owed by related parties which are eliminated during the consolidation

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Noncurrent	Balance at end of period
SGI	₱161,831,718	₱–	(₱196,426)	₱–	₱161,635,292	₱–	₱161,635,292
SSI	348,740,337	99,026,448	(117,473,866)	–	330,292,919	–	330,292,919
RMSI	97,505,414	11,361,534	(6,204,197)	–	102,662,751	–	102,662,751
ISCI	38,293,829	20,009,047	(37,052,103)	–	21,250,773	–	21,250,773
RSCI	23,573,533	275,837		–	23,849,370	–	23,849,370
ISFI	70,001,495	25,561,890	(20,016,651)	–	75,546,734	–	75,546,734
FSRI	11,839,961	6,321,918	(23,647)	–	18,138,232	–	18,138,232
GSRI	13,562,441		(13,559,165)	–	3,276	–	3,276
SFRI	20,876,279	6,652,537	(4,626,263)	–	22,902,553	–	22,902,553
ISRI	122,542,459	23,915,212	(17,793,508)	–	128,664,163	–	128,664,163
ISWI	97,268,939	14,613,013	(23,073,964)	–	88,807,988	–	88,807,988
ISAI	98,744,654	19,895,664	(15,784,654)	–	102,855,664	–	102,855,664
SLCI	17,154,688	18,270,320	(17,917,352)	–	17,507,656	–	17,507,656
	₱1,121,935,747	₱245,903,420	(₱273,721,796)	₱–	₱1,094,117,371	₱–	₱1,094,117,371

SCHEDULE D

SSI GROUP, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS

AS AT DECEMBER 31, 2021

Intangible Assets - Other Assets (amounts in ₱ millions)

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Franchise fee	₱83.51	₱7.17	(₱11.34)	−	(₱3.63)	₱75.71
Software	3.01	1.10	(2.33)	−	−	1.78

SCHEDULE E

SSI GROUP, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT

AS AT DECEMBER 31, 2021

Long-term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
Not Applicable			
The Group does not have long-term debt in its consolidated statements of financial position.			

SCHEDULE F

SSI GROUP, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

AS AT DECEMBER 31, 2021

Indebtedness to related parties (Long-term loans from related companies)		
Name of related party	Balance at beginning of period	Balance at end of period
	Not Applicable	

The Group does not have long-term loans from related companies in its consolidated statements of financial position and the indebtedness to related parties does not exceed 5% of the total current liabilities.

SCHEDULE G

SSI GROUP, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS

AS AT DECEMBER 31, 2021

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee

Not Applicable

The Group does not have any guarantees of securities of other issuing entities by the issuer for which the consolidated financial statement is filed.

SCHEDULE H

SSI GROUP, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
AS AT DECEMBER 31, 2021

Capital Stock

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees	Others
Common shares	5,000,000,000	3,298,408,430	–	–	520,213,720	–

SSI GROUP, INC.

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratios	Formula	December 31, 2021	December 31, 2020
(i) Current Ratio	Current Assets/Current Liabilities	1.76	1.57
(ii) Debt/Equity Ratio	Bank Debts/ Total Equity	0.56:1	0.68:1
(iii) Net Debt/Equity Ratio	Bank Debts-Cash & Equivalents/Total Equity	(0.12)	0.17
(iii) Asset to Equity Ratio	Total Assets/Total Equity	2.01	2.17
(iv) Interest Cover Ratio	EBITDA/Interest Expense	3.88	2.37
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	39.05%	40.54%
Net Profit Margin	Net Income/Revenues	0.97%	-7.39%
EBITDA Margin	EBITDA/Revenues	11.88%	11.34%
Return on Assets	Net Income/Total Assets	0.70%	-3.98%
Return on Equity	Net Income/Total Equity	1.41%	-8.66%

*EBITDA = Earnings before interest, taxes and depreciation and amortization

SSI Group, Inc.

Parent Company Financial Statements
December 31, 2021 and 2020

and

Independent Auditor's Report

SGV
Building a better working world

A member firm of Ernst & Young Global Limited

Gmail

Joanna Kamille Naypes <jcnaypes@rgoc.com.ph>

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1 message

eafs@bir.gov.ph <eafs@bir.gov.ph> Wed, May 11, 2022 at 3:23 PM
To: SGI.JUNIOR.ACCOUNTANT@rgoc.com.ph
Cc: JCNAYPES@rgoc.com.ph

Hi SSI GROUP, INC.,

Valid files

- EAFS006710876AFSTY122021.pdf
- EAFS006710876OTHTY122021.pdf
- EAFS006710876RPTTY122021.pdf
- EAFS006710876TCRTY122021-01.pdf
- EAFS006710876ITRTY122021.pdf
- EAFS006710876TCRTY122021-02.pdf

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- <None>

Transaction Code: **AFS-0-75JAA6DE04YPVMR1MW3RYTSN0A6GEKJ75**
Submission Date/Time: **May 11, 2022 03:23 PM**
Company TIN: **006-710-876**

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- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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SSIGROUP, Inc

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of **SSI Group, Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 not realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature ____________________
ZENAIDA R. TANTOCO – Chairman of the Board

Signature ____________________
ZENAIDA R. TANTOCO – Chief Executive Officer

Signature ____________________
ANTHONY T. HUANG - President

Signature ____________________
MA. TERESA R. TANTOCO - Treasurer

6/F Midland Buendia Bldg., 403 Sen. Gil Puyat Ave., Makati CIty 1200 Philippines
INFO@SSIGROUP.COM.PH. TEL: +632.890.9402 FAX: +632.890.4441

SUBSCRIBED AND SWORN to before me this MAY 13 2022 in Makati City, affiant exhibiting to me their respective Passports, as follows:

Name	Passport No.	Date and Place of Issue
Zenaida R. Tantoco	P7660251B	September 22, 2021, DFA Manila
Anthony T. Huang	P7982876B	October 26, 2021, DFA Manila
Maria Teresa R. Tantoco	P6172182B	January 26, 2021, DFA Manila

Doc No. 280
Page No. 57
Book No. 215
Series of 2022

ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2022 PER B.M. NO. 3795
11 KALAYAAN AVENUE EXTENSION,
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 171365/01-03-2022/Pasig City
PTR NO. MKT 8852502/01-03-2022/Makati City
MCLE Compliance No. VI-0007070/4-06-2018

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
SSI Group, Inc.
6/F Midland Buendia Building
403 Senator Gil Puyat Avenue
Makati City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of SSI Group, Inc. (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2021 and 2020, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

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

In preparing the parent company financial statements, management is responsible for assessing the Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 PSAs 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 parent company financial statements.

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

- Identify and assess the risks of material misstatement of the parent company 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 Parent Company's internal control.

- 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 Parent 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 auditor's report to the related disclosures in the parent company 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 auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.

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

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations 15 2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 20 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic parent company financial statements. Such information is the responsibility of the management of SSI Group, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Ma. Emilita L. Villanueva.

SYCIP GORRES VELAYO & CO.

Ma. Emilita L. Villanueva

Ma. Emilita L. Villanueva
Partner
CPA Certificate No. 95198
Tax Identification No. 176-158-478
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 95198-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-141-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8854388, January 3, 2022, Makati City

May 6, 2022

SSI GROUP, INC.

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱147,433,666**	₱87,815,013
Trade and other receivables (Note 5)	**4,480,846**	7,396,087
Amounts owed by related parties (Note 14)	**446,943,935**	476,402,804
Prepayments and other current assets (Note 6)	**281,621**	13,365,855
Total Current Assets	**599,140,068**	584,979,759
Noncurrent Assets		
Investment in a subsidiary (Note 7)	**7,999,929,453**	7,999,929,453
Property and equipment (Note 8)	**402,601**	872,317
Deferred tax asset - net (Note 12)	**2,043,509**	2,567,498
Total Noncurrent Assets	**8,002,375,563**	8,003,369,268
TOTAL ASSETS	**₱8,601,515,631**	₱8,588,349,027
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 9)	**16,600,557**	24,079,909
Amounts owed to related parties (Note 14)	**180,069,100**	213,581,233
Income tax payable	**1,943,090**	–
Total Current Liabilities	**198,612,747**	237,661,142
Noncurrent Liability		
Retirement benefit obligation (Note 15)	**8,169,347**	8,520,568
Total Liabilities	**206,782,094**	246,181,710
Equity (Note 13)		
Capital stock	**3,312,864,430**	3,312,864,430
Additional paid in capital	**4,056,457,439**	4,056,457,439
Treasury shares (Note 13)	**(30,893,010)**	(30,893,010)
Retained earnings	**1,057,680,881**	1,005,767,369
Other comprehensive loss	**(1,376,203)**	(2,028,911)
TOTAL Equity	**8,394,733,537**	8,342,167,317
TOTAL LIABILITIES AND EQUITY	**₱8,601,515,631**	₱8,588,349,027

See accompanying Notes to Parent Company Financial Statements.

SSI GROUP, INC.

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
REVENUES		
Revenue with contract with customers - service fees (Note 14)	**₱137,640,706**	₱109,142,276
Rental income (Note 16)	**–**	17,319,935
	137,640,706	126,462,211
OPERATING EXPENSES (Note 10)	**(68,099,540)**	(111,586,406)
INCOME FROM OPERATIONS	**69,541,166**	14,875,805
OTHER INCOME (EXPENSES)		
Interest income (Notes 4 and 16)	**74,301**	840,706
Interest expense from accretion of lease liabilities (Note 16)	**–**	(376,365)
Loss on disposal (Note 8)	**–**	(156,361)
	74,301	307,980
INCOME BEFORE INCOME TAX	**69,615,467**	15,183,785
PROVISION FOR INCOME TAX (Note 12)		
Current	**17,588,764**	5,937,624
Deferred	**113,191**	(255,114)
	17,701,955	5,682,510
NET INCOME	**51,913,512**	9,501,275
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that will not be reclassified subsequently to profit or loss in subsequent periods:		
Remeasurement income (loss) on retirement benefit, net of deferred tax (Note 15)	**652,708**	(865,430)
TOTAL COMPREHENSIVE INCOME	**₱52,566,220**	₱8,635,845
BASIC/DILUTED EARNINGS PER SHARE (Note 17)	**₱0.016**	₱0.003

See accompanying Notes to Parent Company Financial Statements.

SSI GROUP, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Capital Stock (Note 13)	Additional Paid-in Capital	Treasury Shares	Retained Earnings	Other Comprehensive Loss	Total
Balances at January 1, 2020	₱3,312,864,430	₱4,056,457,439	(₱18,103,900)	₱996,266,094	(₱1,163,481)	₱8,346,320,582
Total comprehensive income for the year	–	–	–	9,501,275	(865,430)	8,635,845
Purchase of treasury shares (Note 13)	–	–	(12,789,110)	–	–	(12,789,110)
Balances at December 31, 2020	₱3,312,864,430	₱4,056,457,439	(₱30,893,010)	₱1,005,767,369	(₱2,028,911)	₱8,342,167,317
Balances at January 1, 2021	₱3,312,864,430	₱4,056,457,439	(₱30,893,010)	₱1,005,767,369	(₱2,028,911)	₱8,342,167,317
Total comprehensive income for the year	–	–	–	51,913,512	652,708	52,566,220
Balances at December 31, 2021	**₱3,312,864,430**	**₱4,056,457,439**	**(₱30,893,010)**	**₱1,057,680,881**	**(₱1,376,203)**	**₱8,394,733,537**

See accompanying Notes to Parent Company Financial Statements.

SSI GROUP, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱69,615,467	₱15,183,785
Adjustments for:		
Depreciation and amortization (Note 8 and 16)	550,288	32,813,494
Retirement expense (Note 15)	1,105,115	996,601
Unrealized foreign exchange loss (gain)	(4,685)	37,761
Interest income (Notes 4 and 16)	(74,301)	(840,706)
Provision for expected credit loss (Note 5)	–	973,846
Interest expense (Note 16)	–	376,365
Loss on disposal of property and equipment (Note 8)	–	156,361
Operating income before working capital changes	71,191,884	49,697,507
Decrease (increase) in:		
Receivables	2,915,241	2,754,871
Lease receivables	–	7,007,483
Amounts owed by related parties	29,458,869	(12,229,951)
Prepayments and other current assets	13,084,234	3,492,568
Increase (decrease) in:		
Accounts payable and accrued expenses	(7,479,352)	(7,158,059)
Amounts owed to related parties	(33,904,963)	1,963,310
Net cash generated by operations	75,265,913	45,527,729
Interest received (Note 4 and 16)	74,301	317,582
Income taxes paid, including creditable withholding tax	(15,645,674)	(5,937,624)
Net cash flows from operating activities	59,694,540	39,907,687
CASH FLOWS FROM INVESTING ACTIVITIES		
Collection of security deposits (Note 16)	–	37,639,056
Additions to property and equipment (Note 8)	(80,572)	(66,518)
Net cash flows from (used in) investing activities	(80,572)	37,572,538
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease liability (Note 16):		
Principal	–	(23,751,926)
Interest	–	(376,365)
Purchase of treasury shares (Note 13)	–	(12,789,110)
Cash flows used in financing activities	–	(36,917,401)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	4,685	(37,761)
NET INCREASE IN CASH AND CASH EQUIVALENTS	59,618,653	40,525,063
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	87,815,013	47,289,950
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱147,433,666	₱87,815,013

See accompanying Notes to Parent Company Financial Statements.

SSI GROUP, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

SSI Group, Inc. was registered with the Philippine Securities and Exchange Commission (SEC) on April 16, 2007 to engage in the retail business. On June 18, 2014, the Parent Company amended its primary purpose as a retail company to that of the business of a holding company. The Parent Company's shares are listed and traded as "SSI" on the Philippine Stock Exchange (PSE) in 2014.

The registered office and principal place of business of the Parent Company is at 6/F Midland Buendia Building, 403 Senator Gil Puyat Avenue, Makati City.

The parent company financial statements as at and for the years ended December 31, 2021 and 2020 were approved and authorized for issuance by the BOD on May 6, 2022.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation
The parent company financial statements have been prepared on a historical cost basis and are presented in Philippine peso (₱), which is the Parent Company's presentation and functional currency. All values are rounded to the nearest ₱ except when otherwise indicated.

Statement of Compliance
The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The Parent Company also prepares and issues consolidated financial statements presented in compliance with PFRSs which can be obtained in the Parent Company's registered address.

New Standards, Interpretations and Amendments
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these pronouncements did not have any significant impact on the Company's financial position or performance.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*
- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*

Deferred effectivity
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Summary of Significant Accounting Policies
The significant accounting policies that have been used by the Parent Company in the preparation of the financial statements are discussed below.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Parent Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Financial assets

a) *Initial recognition and measurement*

The Parent Company classifies financial assets, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them.

For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Parent Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Parent Company commits to purchase or sell the asset.

b) *Subsequent measurement of financial assets*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

The Parent Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in the Parent Company profit or loss when the asset is derecognized, modified or impaired. This accounting policy relates to the Parent Company's "Cash and cash equivalents", "Receivables" and "Amounts owed by related parties".

c) *Derecognition*
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Parent Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Parent Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

d) *Impairment of financial assets*
The Parent Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Parent Company applies a simplified approach in calculating ECLs for "Receivables". Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Parent Company's "Cash and cash equivalents" are graded to be low credit risk investment based on the depository bank's credit ratings as published by Bloomberg Terminal.

Financial Liabilities

a) *Initial recognition and measurement*
Financial liabilities are classified, at initial recognition, as financials liabilities at fair value through profit or loss, loan and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value.

b) *Subsequent measurement*
After initial measurement, financial liabilities are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the Parent Company's "Accounts payable and accrued expenses" and "Amounts owed to related parties".

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired.

Derecognition of Financial Instruments

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Parent Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and
- either (a) the Parent Company has transferred substantially all the risks and rewards of the asset, or (b) the Parent Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Cash and cash equivalents
Cash in the statement of financial position consists of cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and are subject to an insignificant risk of change in value.

Property and Equipment
Property and equipment are stated at cost, excluding the cost of day to day servicing, less accumulated depreciation and amortization and any accumulated impairment losses.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets, or in the case of leasehold improvements, the term of the related lease or estimated useful lives of the improvement, whichever is shorter:

Category	Number of Years
Store, office, warehouse furniture and fixture	5
Leasehold improvements	5

The asset's useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

It is the Parent Company's policy to classify right-of-use asset as part of property and equipment. The Parent Company recognizes right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use asset is initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The initial cost of right-of-use asset includes the amount of lease liability recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Parent Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use asset is depreciated on a straight-line basis over the shorter of their estimated useful life of five (5) years and lease term of five (5) years. Right-of-use asset is subject to impairment for nonfinancial assets.

Investment in a Subsidiary

Investment in a subsidiary is accounted for at cost, less any impairment in value. Cost is determined as the fair value of consideration that the Parent Company has paid for its interest in the subsidiaries.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company controls an investee if, and only if, the Parent Company has all the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Parent Company's voting rights and potential voting rights.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The Parent Company recognizes income from the investment only to the extent that the Parent Company receives distributions or establishes a right to receive distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction in the cost of the investment.

Impairment of Nonfinancial Assets
The Parent Company assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired. If any such indication exists, or when annual impairment testing for a nonfinancial asset is required, the Parent Company makes an estimate of the nonfinancial asset's recoverable amount. A nonfinancial asset's estimated recoverable amount is the higher of a nonfinancial assets or cash-generating unit's fair value less costs to sell and its value in use (VIU) and is determined for an individual asset, unless the nonfinancial asset does not generate cash inflows that are largely independent of those from other nonfinancial assets or groups of nonfinancial assets. Where the carrying amount of a nonfinancial asset exceeds its recoverable amount, the nonfinancial asset is considered impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the nonfinancial asset.

For nonfinancial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the nonfinancial asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the nonfinancial asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the nonfinancial asset in prior years. Such reversal is recognized in the parent company profit or loss.

Capital Stock and Additional Paid-in Capital
Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. Proceeds and/or fair value of consideration received in excess of par value, if any, are recognized as additional paid-in capital (APIC).

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account.

Retained Earnings
Retained earnings includes profit or loss attributable to the Parent Company's equity holders and reduced by dividends on capital stock. Retained earnings may also include effect of changes in accounting policies as may be required by the standards' transitional provisions.

Treasury stock
Treasury stock is the Parent Company's own shares that are reacquired and are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments.

Other Comprehensive Income
OCI includes items of income and expense that are not recognized in the profit or loss for the year in accordance with PFRSs.

Earnings Per Share (EPS)
Basic EPS is computed by dividing the net income of the Parent Company by the weighted average number of common shares issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS amounts are calculated by dividing the net income attributable to the Parent Company (after deducting interest on the convertible preferred shares, if any) by the weighted average number of common shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The weighted average number of common shares used in the calculation of the basic/diluted EPS is determined on the basis of the weighted average number of shares of the Parent Company as of balance sheet date.

Revenue and Income Recognition
Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those services. The Parent Company has assessed its revenue arrangements against specific criteria in order to determine if it is acting as a principal or as an agent. The Parent Company has concluded that it is acting as a principal in all of its revenue arrangements.

Service fee
Management fees for services rendered are recognized when earned.

Interest income
Interest income is recognized as it accrues using effective interest rate (EIR).

Retirement Benefit Obligation
The Parent Company is covered by a noncontributory defined benefit retirement plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling, if any. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. These are retained in other comprehensive income until full settlement of the obligation.

Leases
Company as a lessee
The Parent Company applies a single recognition and measurement approach for all leases, except for short-term leases and lease of low-value assets. The Parent Company recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

Lease liabilities.
At the commencement date of the lease, the Parent Company recognizes lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The Parent Company recognizes additional variable lease payments. These variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. The recognized variable lease payments are linked to future sales and, thus, recognized as rent expense. Consequently, these payments are not included in the measurement of the asset and liability.

In calculating the present value of lease payments, the Parent Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Parent Company accounted for Covid-19 related lease concessions received in 2020 as negative variable lease payments which is offset against the depreciation expense of ROU asset, in accordance with the provisions of the amendment to PFRS 16. Lease liability and right-of-use assets are not remeasured using a revised discount rate.

The Company classifies payment of interest related to accretion of lease liability as financing activities in the statements of cash flows.

Company as a lessor
Operating Lease
Leases where the Parent Company does not transfer substantially all the risk and benefits of the ownership of the asset are classified as operating leases. Otherwise, they are classified as finance leases. Rental income from operating leases is recognized as income on a straight-line basis over the lease term.

Lease receivables.
At the commencement date of the lease, the Parent Company recognizes assets held under a finance lease and present them as a receivable at an amount equal to the net investment in the lease. The net investment in the lease is the gross investment in the lease discounted using the interest rate implicit in the lease. In the case of a sublease, if the interest rate implicit in the sublease cannot be readily determined, an intermediate lessor may use the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease. The gross investment in the lease is the sum of the lease payments receivable by the Parent Company under the finance lease. Subsequently, the carrying amount of the lease receivables is increased to reflect the accretion of interest and reduced for the lease collections made.

The Company classifies receipt of interest related to lease receivable - finance lease as operating activities in the statements of cash flows.

Short-term leases
The Parent Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'). These pertain to lease of stores. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Taxes
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred income tax
Deferred tax is provided using the balance sheet liability method on temporary differences at each reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax and unused net operating loss carryover (NOLCO) to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of unused tax credits from excess MCIT over RCIT and unused NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized directly in equity is recognized in other comprehensive income and not in profit or loss.

Value-added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company balance sheet. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the parent company balance sheet to the extent of the recoverable amount.

The net amount of VAT recoverable from, or payable, to the taxation authority is included as part of "Prepayments and other current assets", or "Accounts payables and accrued expenses", in the parent company statements of financial position.

Input VAT on the purchase of assets classified as capital assets exceeding a certain threshold as provided by the taxing authority is recognized as "Deferred input VAT" and is amortized within the life of the asset or 60 months, whichever is shorter. These are included as part of noncurrent assets except those amounts which will be amortized within 12 months from the balance sheet date.

Events After the Reporting Date
Events after the reporting date that provide additional information about the Parent Company's position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Parent Company's financial statements in accordance with PFRSs requires the Parent Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Parent Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements:

Determining Impairment Indicators of Nonfinancial Assets
The Parent Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The Parent Company determined that there were no indicators which could trigger an impairment review in 2021 and 2020, hence, no impairment loss was recognized in both years.

The net book values of property and equipment (including right-of-use assets) amounted to ₱0.40 million and ₱0.87 million as of December 31, 2021 and 2020, respectively (see Note 8). Investment in a subsidiary amounted to ₱8.00 billion as of December 31, 2021 and 2020 (see Note 7).

Operating Lease Commitments - the Company as a Lessor
Management has determined that the Parent Company retains all significant risks and rewards of ROU assets and thus, accounts for the contracts as operating leases. The ownership of the ROU assets is not transferred to the lessee by the end of the lease term. Rental income amounted to nil and ₱6.44 million in 2021 and 2020, respectively.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Realizability of deferred tax assets
The Parent Company reviews the carrying amounts of deferred tax assets at each balance sheet date and reduces the amounts to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Deferred tax assets amounted to ₱2.04 million and ₱2.57 as of December 31, 2021 and 2020, respectively (see Note 12).

4. Cash and Cash Equivalents

	2021	2020
Cash on hand	**₱18,236**	₱18,196
Cash with banks	**67,415,430**	87,796,817
Cash equivalents	**80,000,000**	–
	₱147,433,666	₱87,815,013

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term rates.

Interest income earned amounted to ₱0.07 million and ₱0.07 million in 2021 and 2020, respectively.

5. Receivables

	2021	2020
Advances to officers and employees	**₱803,704**	₱906,359
Other receivables	**4,650,988**	7,463,574
	5,454,692	8,369,933
Less: Allowance for ECL on other receivables	**973,846**	973,846
	₱4,480,846	₱7,396,087

Other receivables pertain to receivables from various operating leases of the Company and are generally due within one year (see Note 16). The Company recognized an allowance for ECL on other receivables amounted to ₱0.97 million in 2020 which is presented in the "Others" of operating expenses.

Prepayments and Other Current Assets

	2021	2020
Prepaid tax	**₱170,448**	₱13,223,232
Prepaid insurance	**111,173**	142,623
	₱281,621	₱13,365,855

Prepaid tax pertains to overpayments of income tax and creditable withholding tax that are amounts withheld from income subject to expanded withholding taxes.

7. Investment in a Subsidiary

The Parent Company's sole subsidiary as of December 31, 2021 and 2020 pertains to:

	Nature of Business	Country of Incorporation	Percentage of Ownership
SSI	Retail distribution	Philippines	100

The investment in a subsidiary is accounted for under the cost method. There were no movements in the cost of investment for the years ended December 31, 2021 and 2020.

8. Property and Equipment

December 31, 2021

	Store, Office, Warehouse Furniture and Fixtures	**ROU - Commercial space**	**Total**
Cost:			
Balances at beginning of year	**₱4,355,580**	**₱127,093,470**	**₱131,449,050**
Additions	**80,572**	**–**	**80,572**
Retirement	**–**	**(127,093,470)**	**(127,093,470)**
Balances at end of year	**4,436,152**	**–**	**4,436,152**
Accumulated depreciation and amortization:			
Balances at beginning of year	**3,483,263**	**127,093,470**	**130,576,733**
Depreciation and amortization (Note 10)	**550,288**	**–**	**550,288**
Retirement	**–**	**(127,093,470)**	**(127,093,470)**
Balances at end of year	**4,033,551**	**–**	**4,033,551**
Net book values	**₱402,601**	**₱–**	**₱402,601**

December 31, 2020

	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	ROU - Commercial Space (Note 16)	Total
Cost:				
Balances at beginning of year	₱80,769,822	₱4,289,062	₱127,093,470	₱212,152,354
Additions	–	66,518	–	66,518

(Forward)

Disposal	(80,769,822)	–	–	(80,769,822)
Balances at end of year	–	4,355,580	127,093,470	131,449,050
Accumulated depreciation and amortization:				
Balances at beginning of year	65,748,086	2,652,155	95,248,797	163,649,038
Depreciation and amortization (Notes 10 and 16)	14,865,375	831,108	31,844,673	47,541,156
Disposal	(80,613,461)	–	–	(80,613,461)
Balances at end of year	–	3,483,263	127,093,470	130,576,733
Net book values	₱–	₱872,317	₱–	₱872,317

No property and equipment are pledged nor treated as security to the outstanding liabilities as of December 31, 2021 and 2020.

The Company has no fully depreciated property and equipment that are still being used as of December 31, 2021 and 2020. The Company has no purchase commitments as of December 31, 2021 and 2020. In 2021 and 2020, loss on disposal of property and equipment amounted to nil and ₱156,361.

9. Accounts Payable and Accrued Expenses

	2021	2020
Nontrade account payable	**₱2,799,745**	₱3,318,587
Tenant deposits	**7,551,985**	15,675,685
VAT payable	**5,665,427**	4,639,937
Accrued expenses	**417,000**	322,600
Other payables	**166,400**	123,100
	₱16,600,557	₱24,079,909

Accounts payable are non-interest bearing and are normally settled on a 90-day term.

10. Operating Expenses

	2021	2020
Personnel expenses (Note 11)	**₱58,401,876**	₱57,656,243
Professional fees	**3,147,423**	3,277,815
Taxes and licenses	**2,988,264**	5,177,515
Rent	**950,971**	4,141,621
Repairs and maintenance	**852,829**	1,395,111
Depreciation and amortization - net of lease concession amounting to ₱14.73 million in 2020 (Notes 8 and 16)	**550,288**	32,813,494
Advertising and promotions	**323,848**	738,021
Utilities and communications	**115,678**	3,199,948
Others	**768,363**	3,186,638
	₱68,099,540	₱111,586,406

Others include delivery charges, security, advertising, promotions, repairs, maintenance, supplies, insurance, transportation, janitorial expenses, among others.

11. Personnel Expenses

	2021	2020
Salaries and wages	**₱54,759,686**	₱53,071,145
Employee benefits	**3,642,190**	4,585,098
	₱58,401,876	₱57,656,243

12. Income Taxes

a. The provision for current income tax represents regular corporate income tax in 2021 and 2020.

b. The reconciliation of the income tax expense computed at the statutory income tax rate to provision for income tax follows:

	2021	2020
At statutory income tax rate of 25% in 2021 and 30% in 2020	**₱17,403,867**	₱4,555,136
Additions to (reductions in) income tax resulting from:		
Impact of CREATE law	**(211,808)**	–
Interest income subjected to final tax	**(18,575)**	(21,441)
Retirement benefit obligation transferred out	**98,208**	–
Nondeductible expenses	**430,263**	856,661
Movement in unrecognized DTA	**–**	292,154
	₱17,701,955	₱5,682,510

The components of the net deferred tax assets (liabilities) are as follows:

	2021	2020
Recognized in profit or loss:		
Deferred tax asset		
Retirement benefit obligation	**₱1,583,602**	₱1,686,637
Unrealized foreign exchange losses	**1,172**	11,328
	1,584,774	1,697,965
Recognized directly in equity:		
Deferred tax asset related to retirement benefit obligation	**458,735**	869,533
Net deferred tax assets	**2,043,509**	₱2,567,498

The Parent Company has unrecognized deferred tax asset on the allowance for ECL on other receivables amounted to ₱0.97 million as of December 31, 2021 and 2020, respectively.

Republic Act (RA) 11534 or the CREATE Act

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%; and
- Minimum corporate income tax MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular corporate income tax rate of 1% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Company for CY2020 is 27.5%. This would have resulted in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020 amounting to ₱0.49 million. The reduced amounts were reflected in the Company's 2020 annual income tax return. However, for financial reporting purposes, the changes were only recognized in the 2021 parent company financial statements.
- This would have resulted in lower deferred tax assets as of December 31, 2020 and provision for deferred tax for the year then ended by ₱0.28 million. These reductions were only recognized in the 2021 financial statements.

13. Equity

Capital Stock

Authorized capital stock as of December 31, 2021 and 2020 amounted to ₱5,000,000,000 composed of 5,000,000,000 shares ₱1 par value. The Company's issued shares as of December 31, 2021 and 2020 amounted to ₱3,312,864,430 composed of 3,312,864,430 shares ₱1 par value.

There are no movements in capital stock in 2021 and 2020.

Treasury Shares

Outstanding balance of treasury shares as of December 31, 2021 and 2020 amounted to ₱30.89 million. This is equivalent to 14,456,000 shares as of December 31, 2021 and 2020, respectively.

Details of treasury shares as of December 31, 2021 and 2020 are as follows:

	2021		2020	
	Shares	**Amount**	Shares	Amount
Balances at the beginning of year	**14,456,000**	**₱30,893,010**	7,571,000	₱18,103,900
Treasury shares	–	–	6,885,000	12,789,110
Balances at end of year	**14,456,000**	**₱30,893,010**	14,456,000	₱30,893,010

In 2020, the Company purchased 6,885,000 shares or total amount of ₱12,789,110. This is presented as part of financing activities in the statement of cash flows.

14. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. Key management personnel are considered related parties. Related party transactions are settled in cash.

In the ordinary course of business, the Parent Company has the following transactions with related parties:

a. In 2021 and 2020, the Parent Company charged "Service fees" to subsidiaries as allocation of the service cost in the Group's centralized processes. Consequently, the Parent Company recognized all corporate-related expenses in centralized processes such as personnel costs, rent and utilities and all other common expenses as services are rendered. Service fees are billed to the subsidiaries proportionately on a monthly basis.

   Service fees recognized for the years ended December 31, 2021 and 2020 amounted to ₱137.64 million and ₱109.14 million, respectively.

b. Reimbursements to SSI and other subsidiaries for payments of various expenses on the Parent Company's behalf.

c. "Others" includes expenses paid for or in behalf of the parent Company's related parties.

d. The outstanding balances of transactions with related parties are non-interest bearing, unsecured and are not impaired. These are settled in cash.

e. Compensation of the Parent Company's key management pertains to short-term employee benefits amounting to ₱33.76 million and ₱33.72 million in 2021 and 2020, respectively.

f. In 2021, the Parent Company transferred retirement benefit obligation to SSI amounting to ₱0.39 million (see Note 15).

   The following balances resulted from transactions entered into with related parties (in thousands):

			Outstanding balances	
Related Parties	Year	Transactions for the year	Amounts owed by related parties	Amounts owed to related parties
Subsidiary:				
SSI	**2021**	**(₱3,236)**	**₱243,653**	**₱3,749**
	2020	(₱6,717)	₱273,725	₱37,056
Indirect subsidiaries:				
SLCI	**2021**	**562**	**17,476**	**155,820**
	2020	(726)	17,109	156,016
ISCI	**2021**	**(16,387)**	**10,898**	**–**
	2020	9,981	27,287	1
FSRI	**2021**	**6,313**	**18,039**	**1**
	2020	6,581	11,725	1

(Forward)

Related Parties	Year	Transactions for the year	Outstanding balances: Amounts owed by related parties	Amounts owed to related parties
RMSI	**2021**	**₱5,163**	**₱102,647**	**₱20,499**
	2020	(5,576)	97,484	20,499
RSCI	**2021**	**276**	**23,826**	
	2020	1,299	23,550	
Others	**2021**	**4,891**	**30,405**	–
	2020	5,424	25,523	8
	2021		**₱446,944**	**₱180,069**
	2020		₱476,403	₱213,581

15. Retirement Benefit Plan

The Parent Company has an unfunded, noncontributory defined benefit retirement plan which covers all of its regular employees. The benefits are based on years of service and compensation on the last year of employment. The benefits are based on a certain percentage of the final monthly basic salary for every year of credited service of the employees. The defined retirement benefit obligation is determined using the projected unit credit method. The last actuarial valuation was made as of December 31, 2021.

Retirement expense as of December 31, 2021 and 2020 is as follows:

	2021	2020
Current service cost	**₱819,300**	₱688,507
Interest cost	**285,815**	308,094
Retirement expense	**₱1,105,115**	₱996,601

The movement in present value of the defined benefit obligation as of December 31, 2021 and 2020 is as follows:

	2021	2020
Balance at beginning of year	**₱8,520,568**	₱6,287,638
Current service cost	**819,300**	688,507
Interest cost	**285,815**	308,094
Transfer out (see Note 14)	**(392,830)**	–
Remeasurement loss (gain) arising from:		
Changes in financial assumptions	**(1,665,798)**	934,829
Deviations of experience from assumptions	**602,292**	301,500
Balance at end of year	**₱8,169,347**	₱8,520,568

The principal actuarial assumptions used to determine the Parent Company's retirement benefit obligation as of December 31, 2021 and 2020 are as follows:

	2021	2020
Discount rate	**5.00%**	3.50%
Salary increase rate	**3.00%**	3.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the pension obligations, assuming all other assumptions were held constant as of December 31, 2021 and 2020:

		Effect on Present Value of Define Benefit Obligation	
	Increase (Decrease)	**2021**	2020
Discount rate	+1%	**₱774,861**	(₱915,016)
	-1%	**(887,143)**	1,065,264
Future salary increase rate	+1%	**(898,899)**	1,062,498
	-1%	**723,852**	(853,044)

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2021 and 2020:

	2021	2020
1 year or less	**₱80,084**	₱82,986
More than 1 year to 5 years	**1,175,198**	496,625
More than 5 years	**33,877,507**	144,414,997

The average duration of the defined benefit obligation as of December 31, 2021 and 2020 is 13.4 years and 15.3 years, respectively.

16. Lease Agreement

Parent Company as a lessee
On May 1, 2015, the Parent Company entered into a lease agreement with Manila International Airport Authority (MIAA) for the lease of commercial space in the Ninoy Aquino International Airport (NAIA) Terminal 3. The lease is for a period of five years and is renewable by mutual agreement. The inception of the lease is on the same date of lease agreement. As of December 31, 2020, the Parent Company has not renewed the lease agreement.

Variable rent expense related to this contract amounted nil and ₱2.80 million which is based on 5% to 30% of total merchandise sales in 2021 and 2020, respectively (see Note 10).

The following table shows the movements in the ROU assets and lease liabilities for the year ended December 31, 2020:

	ROU assets	Lease liabilities
Balances at beginning of the year	₱31,844,673	₱38,479,588
Interest expense	–	376,365
Depreciation (Note 8)	(31,844,673)	–
Payments	–	(24,128,291)
Lease concession (Note 2)	–	(14,727,662)
Balances at end of the year	₱–	₱–

Total lease payments can be referred to statement of cash flows in 2020 as follows:

Payment of interest - financing	₱376,365
Payment of principal portion of lease liabilities - financing	23,751,926
	₱24,128,291

The following are the amounts recognized in statement of comprehensive income in 2020:

Depreciation expense of right-of-use assets included in property and equipment - gross of lease concessions (Note 8)	₱31,844,673
Lease concessions	(14,727,662)
Variable lease payments	2,804,303
Short-term lease payment	1,337,318
Interest expense on lease liabilities	376,365
Rental income	(17,319,935)
Interest income on lease receivable	(246,111)
Total amount recognized in statement of comprehensive income	₱4,068,951

In 2021 and 2020, total rent expense on short-term lease amounted to ₱0.95 million and ₱1.34 million, respectively.

In 2021 and 2020, the Parent Company collected the security deposits and construction bond amounting to nil and ₱37.64 million, respectively. This is presented in the statement of cash flow under investing activities.

Interest income from accretion of the discount on security deposits amounted to nil and ₱0.52 million for the years ended December 31, 2021 and 2020, respectively.

Parent Company as a lessor

The Parent Company subleased its leased commercial space in NAIA Terminal 3 for a lease term of one (1) to five (5) years. Rental income on these spaces is based on a fixed basic monthly rate plus a certain percentage of gross sales.

Rental income from operating leases in 2021 and 2020 amounted to nil and ₱17.32 million, respectively.

The following table shows the movements in the lease receivables for the year ended December 31, 2020:

Balances at beginning of the year	₱7,007,483
Interest income	246,111
Collection of lease receivables	(7,253,594)
Lease receivable - current as of year end	₱–

Total lease received can be referred to statement of cash flows in 2020 as follows:

Receipt of interest - operating	₱246,111
Receipt of principal portion of lease receivable - operating	7,007,483
	₱7,253,594

Financing activities
The rollforward relating to cash flows from financing activities relates to lease liabilities which is already discussed above.

17. Basic/Diluted Earnings Per Share

The basic/dilutive earnings per share were computed as follows:

	2021	2020
Total comprehensive income	**₱52,566,220**	₱8,635,845
Divided by weighted average number of common shares	**3,298,408,430**	3,299,379,507
	₱0.016	₱0.003

There were no potentially dilutive common shares for the years ended December 31, 2021 and 2020.

18. Financial Risk Management Objective and Policies

The principal financial instruments of the Parent Company consist of cash and cash equivalents and amounts owed to related parties. The main purpose of these financial instruments is to raise funds for the Parent Company. The Parent Company has other financial assets and liabilities such as receivables, lease receivables, amounts owed by related parties and accounts payable and accrued expenses which arise directly from its operations.

The main risks arising from the financial instruments of the Parent Company are credit risk and liquidity risk. The Parent Company's management reviews and approves policies for managing each of these risks and they are summarized below.

Credit risk
Credit risk is the risk of financial loss to the Parent Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Parent Company's credit risk exposure arises principally from the possibility that the counterparties may fail to fulfill their agreed obligations. To manage such risk, the Parent Company monitors its financial assets on an ongoing basis. The objective is to reduce the risk of loss through default of counterparties.

The table below shows the maximum exposure of the Parent Company to credit risk:

	2021	2020
Cash and cash equivalents	**₱147,415,430**	₱87,796,817
Receivables*	**4,650,988**	7,463,574
Amounts owed by related parties	**446,943,935**	476,402,804
	₱599,010,353	₱571,663,195

**Excluding advances to officers and employees amounting to ₱0.80 million and ₱0.91 million for 2021 and 2020, respectively.*

Liquidity risk
Liquidity risk arises from the possibility that the Parent Company may encounter difficulties in raising funds to meet commitments from financial institutions.

The objective of the Parent Company is to maintain a balance between continuity of funding and flexibility through the use of credit lines available from local banks. The policy of the Parent Company is to first exhaust lines available from related parties before local bank lines are availed of.

The tables below summarize the maturity analysis of the Parent Company's financial assets and liabilities based on undiscounted contractual payments as at December 31:

December 31, 2021

	Contractual undiscounted payments			
	On demand	**One year**	**More than 1 year**	**Total**
Financial assets:				
Cash and cash equivalents	**₱147,433,666**	**₱–**	**₱–**	**₱147,433,666**
Receivables*	**–**	**38,200**	**4,612,788**	**4,650,988**
Amounts owed by related parties	**446,943,935**	**–**	**–**	**446,943,935**
Total undiscounted financial assets	**594,377,601**	**38,200**	**4,612,788**	**599,028,589**
Financial liabilities:				
Accounts payable and accrued expenses**	**(10,935,130)**	**–**	**–**	**(10,935,130)**
Amounts owed to related parties	**(180,069,100)**	**–**	**–**	**(180,069,100)**
Total undiscounted financial liabilities	**(191,004,230)**	**–**	**–**	**(191,004,230)**
Total net undiscounted financial assets	**₱403,373,371**	**₱38,200**	**₱4,612,788**	**₱408,024,359**

**Excluding advances to officers and employees amounting to ₱0.80 million*
*** Excluding statutory liabilities amounting to ₱5.67 million*

December 31, 2020

	Contractual undiscounted payments			
	On demand	One year	More than 1 year	Total
Financial assets:				
Cash and cash equivalents	₱87,815,013	₱–	₱–	₱87,815,013
Receivables*	–	7,463,574	–	7,463,574
Amounts owed by related parties	476,402,804	–	–	476,402,804
Total undiscounted financial assets	564,217,817	7,463,574	–	571,681,391
Financial liabilities:				
Accounts payable and accrued expenses**	(19,439,972)	–	–	(19,439,972)
Amounts owed to related parties	(213,581,233)	–	–	(213,581,233)
Total undiscounted financial liabilities	(233,021,205)	–	–	(233,021,205)
Total net undiscounted financial assets	₱331,196,612	₱7,463,574	₱–	₱338,660,186

**Excluding advances to officers and employees amounting to ₱0.91 million*
*** Excluding statutory liabilities amounting to ₱4.64 million*

Capital Management
The basic objective is to maintain a strong credit rating and healthy capital ratios to support its business and maximize shareholder value. Capital includes equity.

The Parent Company manages its capital structure and makes adjustments to it based on changes in economic and business conditions. To maintain or adjust the capital structure, the Parent Company may consider paying dividends to stockholders, returning capital to stockholders, or issuing new shares of stocks. No changes were made in the objectives, policies or processes during the years ended December 31, 2021 and 2020.

The Parent Company is not subject to externally imposed capital requirements.

Fair Value Measurement

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, Receivables, accounts payable and accrued expenses, and amounts owed by/to related parties

The carrying amounts of cash and cash equivalents, receivables, accounts payable and accrued expenses and amounts owed by/to related parties approximate their fair values due to the relatively short-term maturity of these financial instruments.

Fair Value Hierarchy

As of December 31, 2021 and 2020, the Parent Company does not have financial instruments with fair values determined using inputs that are classified under Level 1 and 2.

For the years ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

19. Other Matters

COVID-19

The COVID-19 pandemic which broke out in early 2020 resulted in nationwide community quarantine from March 15, 2020 that extends until audit report date and negatively impacted the Philippine economy. In 2020, the Parent Company received a lease concession amounting ₱14.73 million as a response to the laws and regulations issued by government encouraging the granting of certain lease concession during the coronavirus pandemic (see Note 16 regarding lease concession).

The Parent Company believes that there is no material uncertainty on going concern nor material impact on the Company's financial position and liquidity for the years ended December 31, 2021 and 2020. The Company will continue to monitor the situation.

20. Supplementary Information Required Under Revenue Regulations 15-2010

The Parent Company reported and/or paid the following types of taxes in 2021:

VAT

a. Net Sales/Receipts and Output VAT declared in the Company's VAT returns for 2021

   The Parent Company is a VAT-registered company with total output VAT for the year amounting to ₱16,516,885 which is based on the total amount of sale of services amounting to ₱137,640,706.

   Sale of services pertain to service fees which are based on actual collections hence may not be the same as the amounts recorded in the parent company statements of comprehensive income.

b. Input VAT declared in the Parent Company's VAT returns for 2021:

Balance at January 1	₱–
Current year's domestic purchases/payments for importations of goods for resale	311,200
	311,200
Claims against output VAT	(311,200)
Balance at December 31	₱–

Taxes and Licenses
Taxes and licenses, local and national taxes, licenses and permit fees, penalties, interests and compromise which are presented under the "Taxes and licenses" account in the 2021 statement of comprehensive income, are as follows:

Business taxes	₱817,197
Penalties, interests and compromise	2,034,879
Others	136,188
	₱2,988,264

Withholding Taxes\

Withholding taxes on compensation and benefits	₱12,589,304
Expanded withholding taxes	54,369

Tax Assessment and Cases
The Company has no pending tax assessments and tax cases as at December 31, 2021.

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
SSI Group, Inc.
6/F Midland Buendia Building
403 Senator Gil Puyat Avenue
Makati City

We have audited the parent company financial statements of SSI Group, Inc. (the Parent Company) as at and for the year ended December 31, 2021, on which we have rendered the attached report dated May 6, 2022.

In compliance with Securities Regulation Code Rule No. 68, As Amended (2011), we are stating that the Parent Company has 43 stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Ma. Emilita L. Villanueva

Ma. Emilita L. Villanueva
Partner
CPA Certificate No. 95198
Tax Identification No. 176-158-478
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 95198-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-141-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8854388, January 3, 2022, Makati City

May 6, 2022