SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [x] Definitive Information Statement

2.	Name of Registrant as specified in its charter	:	**SSI Group, Inc. ("SSI" or the "Company")**
3.	Province, country or other jurisdiction of incorporation or organization	:	**Metro Manila, Philippines**
4.	SEC Identification Number	:	**CS200705607**
5.	BIR Tax Identification Coe	:	**006-710-876**
6.	Address of Principal Office	:	**6th Floor Midland Buendia Building, 403 Sen. Gil Puyat Avenue, 1200 Makati City**
	Postal Code	:	**1200**
7.	Registrant's telephone number, including area code	:	**+632 896 9591**
8.	Date, time and place of the meeting of security holders	:	**June 15, 2015 9:00 a.m. Rigodon Ballroom The Peninsula Manila Ayala Avenue corner Makati Avenue 1226 Makati City, Metro Manila**
9.	Approximate date on which the Information Statement is first to be sent or given to security holders	:	**May 22, 2015**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Common Stock Outstanding or Amount of Debt Outstanding (as of April 30, 2015)
Common Stock, ₱1.00 par value	**3,312,864,430**

11. Are any or all of registrant's securities listed on a Stock Exchange?

    Yes **X** No
    The Common Shares of SSI Group, Inc. are listed on the Philippine Stock Exchange

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders.

a. Date : June 15, 2015
   Time : 9:00 a.m.
   Place : Rigodon Ballroom, The Peninsula Manila
   Ayala Avenue corner Makati Avenue
   1226 Makati City, Metro Manila

b. Approximate date when the Information Statement is first to be sent out to stockholders of record: May 22, 2015

c. Complete mailing address of the principal office of the Company: 6th Floor, Midland Buendia Building, 403 Senator Gil Puyat Avenue, 1200 Makati City.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

Item 2. Dissenters' Right of Appraisal

In accordance with Sec. 81 of the Corporation Code and Article 6(A)(vi) of the Corporate Governance Manual, any stockholder shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
3. In case of merger or consolidation.

The procedure for the exercise by a dissenting stockholder of his appraisal right is as follows:

(a) A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right.
(b) The dissenting stockholder shall make a written demand on the Company within 30 days after the date on which the vote was taken for payment for the fair value of his shares.
The failure of the stockholder to make the demand within the 30-day period shall be deemed a waiver on his appraisal right.
(c) If the proposed corporate action is implemented or effected, the Company shall pay to such stockholder, upon surrender of corresponding certificate(s) of stock within 10 days after demanding payment for his shares, the fair value of the shareholder's shares in the Company as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of a merger, if such be the corporate action involved. Failure by the dissenting shareholder to surrender his shares within said 10-day period shall, at the option of SSI Group, Inc., terminate his appraisal rights.
(d) If within sixty (60) days from the date the corporate action was approved by the stockholders, the dissenting stockholder and SSI Group, Inc. cannot agree on the fair value of the shares, it shall be appraised and determined by three (3) disinterested persons, one of whom shall be named by the stockholder, another by SSI Group, Inc. and the third by the two (2) thus chosen.
(e) The findings of a majority of the appraisers shall be final, and their award shall be paid by SSI Group, Inc. within thirty (30) days after such award is made. No payment shall be made to any dissenting stockholder unless SSI Group, Inc. has unrestricted retained earnings in its books to cover such payment.

(f) Upon payment of the agreed or awarded price, the stockholder shall transfer his shares to the Company.

There are no actions or matters to be discussed in the Annual Stockholders' Meeting which would give rise to the exercise of the dissenter's right of appraisal.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

None of the following persons have any substantial interest, direct or indirect in any matter to be acted upon other than election to office:

i. Directors or officers of the Company at any time since the beginning of the last fiscal year;
ii. Nominees for election as directors of the Company;
iii. Associate of any of the foregoing persons.

No director or nominee for election as director has informed the Company of his opposition to any matter to be acted upon at the annual stockholders meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

a. The Company has 3,312,864,430 outstanding common shares as of April 30, 2015. Every stockholder shall be entitled to one vote for each share of stock held as of the established record date.

b. All **stockholders of record** as of May 15, 2015 are entitled to notice and to vote at the Company's annual stockholders' meeting.

c. Manner of Voting and Election of Directors (Cumulative Voting) In accordance with Sec 7 Article II of the By-laws, at all meetings of stockholders, a stockholder may vote in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. All proxies must be in the hands of the Secretary not later than ten (10) days before the date set for the meeting. Proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary at least five (5) days prior to a scheduled meeting or by their personal presence at the meeting. The decision of the Secretary on the validity of the proxies shall be final and binding until and unless set aside by a court of competent jurisdiction.

   The Stockholders are entitled to cumulative voting in the election of the board of directors, as provided by the Corporation Code.

   Each common share of SSI Group, Inc. owned by a shareholder as of 15 May 2015 is entitled to one (1) vote (each, a "Voting Share/s") except in the election of directors where one share is entitled to as many votes as there are Directors to be elected. The election of Directors shall be by ballot and each stockholder entitled to vote may cast the vote to which the number of shares he owns entitles him, for as many persons as there are to be elected as Directors, or he may cumulate or give to one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of Directors to be elected. Thus, since there are nine (9) directors to be elected, each Voting Share is entitled to nine (9) votes.

   The shareholder holding Voting Shares may nominate directors and vote in person or by proxy. If he chooses to vote through proxy, SSI Group, Inc.'s By-Laws require the submission of a proxy form to the Corporate Secretary no later than 5:30 p.m. on 5 June 2015 at the Office of the

Corporate Secretary at the 6th Floor Midland Building, 403 Senator Gil Puyat Avenue, 1200 Makati City.

A forum for the validation of proxies, chaired by the Corporate Secretary or Assistant Corporate Secretary and attended by SSI Group, Inc.'s stock transfer agent, shall be convened on 8 June 2015 at 10 a.m. at the 6th Floor Midland Building, 403 Sen. Gil Puyat Avenue, Makati City. Any questions and issues relating to the validity and sufficiency, both as to form and substance, of proxies shall only be resolved by the Corporate Secretary at that forum. The Corporate Secretary's decision shall be final and binding on the shareholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the meeting.

d. Security ownership of certain record and beneficial owners and management

i. **Security ownership of record and beneficial owners (of more than 5%) as of April 30, 2015**

As of April 30, 2015, 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**[1] 37th Floor Tower 1, the Enterprise Center, Ayala Avenue cor. Paseo de Roxas, Makati City *(stockholder)*	**Wellborn Trading and Investments, Inc.**[2] *(client of PCD participant)*	Filipino	468,043,679	14.1281%
Common	**PCD Nominee Corporation**[1] 37th Floor Tower 1, the Enterprise Center, Ayala Avenue cor. Paseo de Roxas, Makati City *(stockholder)*	**Marjorisca, Incorporated** [3] *(client of PCD participant)*	Filipino	434,440,400	13.1137%
Common	**PCD Nominee Corporation**[1] 37th Floor Tower 1, the Enterprise Center, Ayala Avenue cor. Paseo de Roxas, Makati City *(stockholder)*	**Birdseyeview, Inc.**[4] *(client of PCD participant)*	Filipino	434,412,500	13.1129%

Notes

[1] *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.*

[2] *Wellborn Trading and Investments, Inc. is beneficially owned by Zenaida R. Tantoco, Anthony T. Huang, Michael T. Huang and Catherine T. Huang as to 77.9%, 7.4%, 7.4% and 7.4% respectively. Zenaida R. Tantoco directly and indirectly owns 468,916,179 common shares of the company equivalent to 14.1544% of outstanding shares.*

[3] *Marjorisca Incorporated is wholly and beneficially owned by Ma. Elena T. Valbuena. Ma. Elena T. Valbuena directly and indirectly owns 466,495,379 common shares of the company equivalent to 14.0813% of outstanding shares.*

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**[1] 37th Floor Tower 1, the Enterprise Center, Ayala Avenue cor. Paseo de Roxas, Makati City *(stockholder)*	**Educar Holdings, Corp.**[5] *(client of PCD participant)*	Filipino	415,753,800	12.5497%
Common	**PCD Nominee Corporation**[1] 37th Floor Tower 1, the Enterprise Center, Ayala Avenue cor. Paseo de Roxas, Makati City *(stockholder)*	**Bordeaux Holdings, Inc.**[6] *(client of PCD participant)*	Filipino	414,967,821	12.5260%
Common	**PCD Nominee Corporation**[1] 37th Floor Tower 1, the Enterprise Center, Ayala Avenue cor. Paseo de Roxas, Makati City *(stockholder)*	**BPI Securities Corporation**[7] **(BPI)** *(PCD participant)*	Various	178,333,130	5.3831%
Common	**PCD Nominee Corporation**[1] 37th Floor Tower 1, the Enterprise Center, Ayala Avenue cor. Paseo de Roxas, Makati City *(stockholder)*	**Hongkong and Shanghai Banking Corporation Ltd.—Clients' Account (HSBC)**[7] *(PCD participant)*	Non-Filipino	170,517,210	5.1471%

ii. Security ownership of directors and management as of April 30, 2015

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	468,916,179 (direct and indirect)	Filipino	14.1544%
Common	Anthony T. Huang	President	3,599,100 (direct)	Filipino	0.1086%
Common	Elizabeth T. Quiambao	Executive Vice President	3,334,000 (direct)	Filipino	0.1006%

[4] Birdseyeview, Inc. is wholly and beneficially owned by Ma. Teresa R. Tantoco. Ma. Teresa R. Tantoco directly and indirectly owns 466,886,931 common shares of the company equivalent to 14.0931% of outstanding shares.
[5] 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, and Enrique Antonio T. Lopez, each of whom holds an equal shareholding interest of 14.3%
[6] Bordeaux Holdings, Inc. is wholly and beneficially owned by Ma. Lourdes T. Pineda
[7] BPI and HSBC are PCD participants. The 178,333,130 and 170,517,210 shares owned by BPI and HSBC, respectively, form part of shares registered in the name of PCD Nominee Corporation. The clients of BPI and HSBC have the power to decide how their shares are to be voted.

Title of Class	Name of beneficial owner	Position	Amount and Nature of Beneficial Ownership (shares)	Citizenship	% to Total Outstanding Shares
Common	Rosselina J. Escoto	Vice President—Finance	133,500 (direct)	Filipino	0.0040%
Common	Reuben J. Ravago	Vice President—IT	20,300 (direct)	Filipino	0.0006%
Other Executive Officers and Directors					
Common	Ma. Teresa R. Tantoco	Treasurer	466,886,931 (direct and indirect)	Filipino	14.0931%
Common	Ma. Elena T. Valbuena	Director	466,495,379 (direct and indirect)	Filipino	14.0813%
Common	Bienvenido V. Tantoco III	Director	856,100 (direct and indirect)	Filipino	0.0258%
Common	Eduardo T. Lopez III	Director	790,100 (direct)	Filipino	0.0238%
Common	Edgardo Luis Pedro T. Pineda, Jr.	Director	100 (direct)	Filipino	0.0000%
Common	Baltazar N. Endriga	Independent Director	1 (direct)	Filipino	0.0000%
Common	Carlo L. Katigbak	Independent Director	1 (direct)	Filipino	0.0000%
Common	Cheryl Anne M. Berioso	Head of Corporate Planning	20,000 (direct)	Filipino	0.0006%

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.

iii. Voting trust holders of 5% or more

The Company knows of no persons holding more than 5% of a class of shares under a voting trust or similar agreement as of April 30, 2015.

iv. Changes in control

Aside from the corporate restructuring detailed below, there has been no change in control of the Company since it was formed on April 16, 2007. As of April 30, 2015, there are no arrangements that may result in a change in the Control of the Company

2014 Corporate Restructuring in relation to the Company's initial public offering

In 2014, The Tantoco Family undertook a restructuring of its ownership over the Group in order to convert a subsidiary, Casual Clothing Specialists, Inc. ("CCSI") into a new holding company, SSI Group, Inc. CCSI was deemed to be the vehicle for the Initial Public Offering and listing of the Group last November 2014 based on its qualification under the listing eligibility requirements of the PSE. The Group's former holding company, Stores Specialists, Inc. was converted into a wholly-owned operating subsidiary of SSI Group, Inc. Stores Specialists, Inc. remains as the primary franchisee under the Group's brand agreements and also acts as the principal shareholder of most of its operating subsidiaries.

Prior to the restructuring activities undertaken in contemplation of the Offer, CCSI was owned 100% by Stores Specialists, Inc. and its nominees. On April 3, 2014, the Philippine Securities and Exchange Commission approved the increase in authorized capital stock of CCSI from ₱200 million divided into 2,000,000 shares with par value of ₱100.00 per share, to ₱3 billion divided into 30,000,000 shares with par value of ₱ 100.00 per share. Of the increased authorized capital stock of CCSI, Stores

Specialists, Inc. subscribed to 7,000,000 shares for a consideration of ₽700 million, of which ₽175 million was paid and ₱ 525 million was booked as subscription receivables. On April 10, 2014, all of the shares held by Stores Specialists, Inc. in CCSI were sold to the Tantoco Family via a deed of sale and a deed of assignment of subscription rights. As a result of the share sale, CCSI ceased to be a subsidiary of Stores Specialists, Inc. In turn, CCSI purchased all of the shares held by the Tantoco Family in Stores Specialists, Inc. for a total consideration of ₱ 2.2 billion and funded such purchase primarily with loan proceeds secured from the Bank of Philippine Islands. This transaction resulted in Stores Specialists, Inc. becoming a wholly-owned subsidiary of CCSI.

On April 15, 2014, using the proceeds of the sale of its shares in Stores Specialists, Inc. to CCSI, the Tantoco Family settled the outstanding ₱ 525 million subscription payable on the 7,000,000 shares in CCSI previously subscribed by Stores Specialists, Inc. and now owned by the Tantoco Family. Simultaneously, the Tantoco Family further subscribed to an additional unissued 12,171,629 shares in CCSI, which amounted to ₽1.2 billion. In addition, the Tantoco Family subscribed to an additional 5,000,000 shares in CCSI for a total consideration of ₽500 million following approval by the Philippine SEC of the increase in authorized capital stock of CCSI from ₽3 billion to ₽5 billion on August 29, 2014. On January 10, 2014, Casual Clothing Retailers, Inc. was incorporated for the purpose of continuing the businesses of CCSI, including operation of the brands under the Group's arrangements with GAP Inc.

On June 18, 2014, certain resolutions were approved by the Board and shareholders of CCSI in preparation for the Initial Public Offering and Listing of the Group, including, among others: (1) change in its corporate name from "Casual Clothing Specialists, Inc." to "SSI Group, Inc."; (2) change in its primary purpose as a retail company to that of a holding company; (3) increase in its authorized capital stock from P3 billion to P5 billion; (4) reduction of par value of its shares from ₽100.00 per share to ₽1.00 per share; and (5) increase in the number of members of its board of directors from five to nine. These changes, including the appropriate amendments to its articles of incorporation, were submitted to the Philippine SEC on July 30, 2014 and approved on August 29, 2014. As of December 31, 2014, the Company has an authorized capital stock of ₽5,000,000,000 divided into 5,000,000,000 Shares with a par value of ₽1.00 per Share, and 3,312,864,430 Shares are outstanding.

Public Offer and Listing in November 2014

In August 2014, the Company filed with the Philippine Securities and Exchange Commission (the "SEC") a registration statement and all the other pertinent documents to obtain a permit to sell in respect to the primary and secondary offer (the "Offer") of 864,225,503 common shares of the Company (the "Firm Shares") with an overallotment option of up to 129,633,826 common shares (the "Option Shares") (collectively, the "Offer Shares") at the offer price (the "Offer Price") of ₽7.50 per share. The Firm Shares was comprised of 695,701,530 new common shares and 168,523,973 existing common shares offered by selling shareholders. Certain selling shareholders have granted Credit Suisse (Singapore) Limited the role as stabilizing agent, an option exercisable in whole and in part beginning on the date the Offer Shares are listed in the Philippine Stock Exchange (the "Listing Date") and ending on the date 30 calendar days from Listing Date to purchase up to an additional 129,633,826 common shares at the Offer Price, on the same terms and conditions as the Firm Shares solely to cover over-allotments (the “Overallotment Option”).

A listing application has likewise been made by the Company with the Philippine Stock Exchange for the listing and trading of the Offer Shares. This was approved by the PSE on October 8, 2014 while the SEC issued a permit to sell in relation to the Offer Shares on October 24, 2014.

On November 7, 2014, the Offer Shares commenced trading in the Philippine Stock Exchange while the Overallotment Option was fully exercised on November 13, 2014. The total amount raised by the company was ₱5.22 billion gross of relevant expenses while the selling shareholders received an aggregate of ₱2.24 billion gross of relevant expenses for the secondary offer and the Overallotment Option. As of December 31, 2014, post the Offer and the exercise of the Overallotment Option, SSI Group, Inc. was 29.67% owned by the public.

Item 5. Directors and Executive Officers

The following are the names, ages, citizenship and periods of service of the incumbent directors/independent directors of the Company, who have been nominated for re-election at the Annual Meeting:

Name	Age	Citizenship	Period during which individual has served as such
Zenaida R. Tantoco	68	Filipino	Since 2007
Anthony T. Huang	43	Filipino	Since 2007
Ma. Teresa R. Tantoco	50	Filipino	Since 2008
Ma. Elena T. Valbuena	56	Filipino	Since 2008
Bienvenido V. Tantoco III	48	Filipino	Since 2007
Eduardo T. Lopez III	47	Filipino	Since 2008
Edgardo Luis Pedro T. Pineda, Jr.	43	Filipino	Since 2014
Carlo L. Katigbak	45	Filipino	Since 2014

The business experience of each of the directors of the Company for the last five (5) years is as follows:

Zenaida R. Tantoco 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 President 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 is also a member of the Board of Trustees of the Cultural Center of the Philippines. Ms. Tantoco graduated cum laude from the Assumption College with a Bachelor of Science degree in Business Administration.

Anthony T. Huang 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 22 years of experience in the retail business. He also serves as the Executive Vice President of Rustan Marketing Corporation. He is a member of the board of directors of Sta. Elena Properties, Inc. Rustan Supercenters, Inc. and Commonwealth Foods, Inc. Mr. Huang graduated from the University of Asia and the Pacific with a Bachelor of Arts degree in Humanities.

Ma. Teresa R. Tantoco 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 Apparel, Inc., Specialty Food Retailers, Inc., International Specialty Retailers, Inc., International Specialty Wear, Inc., Footwear Specialty Retailers, Inc., International Specialty Fashions, Inc. and Luxury Concepts, Inc. In addition, she serves as the Treasurer and a director of RPG Distribution Services, Inc., Rustan Marketing Corporation, 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 T. Valbuena is a Director of the Company. She is also a member of the board of directors of Group's companies, including, among others, Stores Specialists, Inc. Rustan Marketing Specialists, Inc. International Specialty Concepts, Inc. and Specialty Investments, Inc. She is a director of Rustan Commercial Corporation and serves the Vice President of Buying for its Home Division. In addition, she is a member of the board of directors of Rustan Coffee Corporation, Rustan Marketing Corporation and RPG Distribution Services, Inc. Ms. Valbuena graduated from the Assumption College with a Bachelor of Science degree in Entrepreneurship.

Bienvenido V. Tantoco III is a Director of the Company. He is the President of Rustan Supercenter, Inc. He was also the Executive Vice President and General Manager of Rustan Supercenter, Inc. prior to his appointment as the President. In addition, he serves as the President of Rustan Commercial Corporation. 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 is a Director of the Company. Mr. Lopez is the General Manager and Vice President of Finance and Administration of Superstar Security Agency, Inc., the Assistant to the President of Unilogix, Inc., the owner and General Manager of Blue Line Art Gallery, Inc., and the owner and General Manager of Secondo Time Pieces. He is a director of Touch Media Philippines, Inc. and Market Intelligence Holdings, Corp. In addition, Mr. Lopez serves as a member of the board of directors of Rustan Commercial Corporation, Rustan Marketing Corporation, Rustan Supermarket, Inc., Rustan Coffee Corporation, Rustan Superstore Administration, Inc., Rustan Investments Management Corporation and Rustan Design Specialists, Inc. Mr. Lopez graduated from Ateneo De Manila University with a Bachelor of Science degree in Economics, Santa Clara University with a Bachelor of Science degree in Economics, and Stanford University with a Master of Science degree in Management.

Edgardo Luis Pedro T. Pineda, Jr is a Director of the Company. Mr. Pineda is also a director of the Group's companies, Stores Specialists, Inc. and Rustan Marketing Specialists, Inc. a director of other Group companies, Stores Specialists, Inc. and Rustan Marketing Specialists, Inc. In addition, he is a director of Rustan Commercial Corporation, Rustan Marketing Corporation, Rustan Supermarket, Inc., Rustan Coffee Corporation, Rustan Superstore Administration, Inc., Rustan Investments Management Corporation and Rustan Design Specialists, Inc. 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 is an Independent Director of the Company. Mr. Katigbak is also the Chief Operating Officer of ABS-CBN Corporation and the President and Chief Executive Officer of Skycable Corporation. He is likewise the Managing Director of Bayantel Holdings Corporation and the President of ABS-CBM Convergence Corp. In addition, he is a member of the Board of Trustees of the Knowledge Channel Foundation. Mr. Katigbak graduated from the Ateneo de Manila University with a Bachelor of Science degree, major in Management Engineering and Harvard Business School, Advanced Management Program.

The following individuals have also been nominated to the Board of Directors for election at the Annual Meeting:

Name	Age	Citizenship
Jose Teodoro K. Limcaoco	**52**	**Filipino**

Jose Teodoro K. Limcaoco has been nominated as an Independent Director of the Company. Mr. Limcaoco is also the Chief Finance Officer and Finance Group Head of Ayala Corporation. Prior to assuming his current position, Mr. Limcaoco was the President of BPI Family Savings Bank. Prior to that, among other positions, he was the President of BPI Capital Corporation, Managing Director of BZW Asia, President of BZW Securities (Philippines) Inc., President of BPI Securities Corporation, and a Vice President – Emerging Asian Currency Derivatives at J.P. Morgan & Co., Singapore. He has served as the President of the Chamber of Thrift Banks, a Director of the Investment House Association of the Philippines, and a member of the PSE's Market Integrity Board. Mr. Limcaoco graduated from Stanford University with a Bachelor of Science degree in Mathematical Sciences (Honors Program), and the Wharton School, University of Pennsylvania with a Master of Business Administration degree, major in Finance and Investment Management.

Officers

The following are the names, ages, positions, citizenship and periods of service of the incumbent officers of the Company:

Position	Name	Age	Citizenship	Period during which individual has served as such[8]
Executive Vice President	Elizabeth T. Quiambao	63	Filipino	June 2014
Vice President—Finance	Rosselina J. Escoto	61	Filipino	June 2014
Vice President—IT	Reuben J. Ravago	46	Filipino	June 2014
Vice President—Investor Relations	Margarita A. Atienza	41	Filipino	February 2014
Corporate Secretary	Rosanno P. Nisce	51	Filipino	June 2014
Head of Corporate Planning	Cheryl Ann M. Berioso	36	Filipino	June 2014

The business experience of each of the officers and executives of the Company for the last five (5) years is attached to this Information Statement as Annex "B":

Article III Section 4 of the Company's By-laws provides:

Section 4—The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.

The Board has established committees to assist in exercising its authority in monitoring the performance of the business of the Company. The committees, as detailed below, provide specific and focused means for the Board to address relevant issues including those related to corporate governance.

	Audit Committee	Nomination Committee	Remuneration Committee
Zenaida R. Tantoco		C	C
Ma. Elena T. Valbuena*			
Ma. Teresa R. Tantoco			
Anthony T. Huang	M	M	M
Bienvenido V. Tantoco III*	M		
Eduardo T. Lopez III*			
Edgardo T. Pineda, Jr*.		M	
Baltazar N. Endriga**	C		
Carlo L. Katigbak**			M

C-Chairman **Non-executive director*
M-Member ***Independent Director*

[8] The date when Executive Officers were appointed as officers of SSI Group, Inc.

Information required of directors and executive officers

a. **Directors and executive officers**

As of the date of this Information Statement, the following persons have been nominated to the Board for election at the annual stockholders' meeting and have accepted their nomination

ZENAIDA R. TANTOCO	ANTHONY T. HUANG
MA. TERESA R. TANTOCO	MA. ELENA T. VALBUENA
BIENVENIDO V. TANTOCO III	EDUARDO T. LOPEZ
EDGARDO LUIS PEDRO T. PINEDA, JR.	JOSE TEODORO K. LIMCAOCO
CARLO L. KATIGBAK	

The nominees were formally nominated to the Nomination Committee of the Board by a shareholder of the Company, Mr. Joseph C. Romero. Mr. Carlo L. Katigbak and Mr. Jose Teodoro K. Limcaoco, are being nominated as independent directors. Mr. Romero is not related to any of the nominees including Mr. Limcaoco and Mr. Katigbak.

The qualifications of all nominated directors including the nominated independent directors, have been pre-screened in accordance with the Corporate Governance Manual and By-laws of the Company. Only the nominees whose names shall appear on the final list of candidates are eligible for election as directors (independent or otherwise), in accordance with the procedure set forth in By-Laws of the Company. No other nominations will be entertained after the preparation of the final list of candidates and no further nominations shall be entertained or allowed during the annual stockholders' meeting.

b. **Significant employees**

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

c. **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 T. Valbuena, 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 and Chief Executive Officer of the Company.

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

Ma. Teresa R. Tantoco, is the Treasurer of the Company.

Ma. Elena T. Valbuena, 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, Jr, 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.

d. **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.

e. **Certain relationships and related transactions**

Please refer to Note 21 (Related Party Disclosures) of the Notes to Consolidated Financial Statements.

The Company and its subsidiaries, 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.

f. **Resignation of directors**

No director has resigned from, or declined to stand for re-election to the Board since the date of the 2014 annual meeting of stockholders due to any disagreement with the Company relative to its operations, policies and practices.

Item 6. Compensation of Directors and Executive Officers

a. **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 and projected for the year 2015.

Name	Position
Zenaida R. Tantoco	Chairman and CEO
Anthony T. Huang	President
Elizabeth T. Quiambao	Executive Vice President
Rossellina J. Escoto	Vice President—Finance
Reuben J. Ravago	Vice President—IT

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 officers and Directors as a group, for the years ended December 31, 2012, 2013 and 2014.

	Year	**Total (In ₱ millions)**
CEO and the four most highly compensated executive officers named above	2012	14.7
	2013	15.6
	2014	16.1
	2015 (estimated)	16.9
Aggregate compensation paid to all other officers and Directors as a group unnamed	2012	1.4
	2013	3.1
	2014	3.4
	2015 (estimated)	3.6

b. **Compensation of Directors and Executive Officers**

Article III, Section 10 of the By-laws of the Company provides:

Section 10—By resolution of the board, each director, shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

i. **Standard Arrangement**

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.

ii. **Other Arrangement**

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 are expected to be issued to the eligible employees of the Corporation during the second and fourth quarter of 2015.

iii. **Employment contracts and termination of employment and change-in-control arrangements**

Executive Officers are subject to existing Company's policies, rules, regulations and labor laws. Their employment may be terminated for just or authorized cause as provided by the Labor Code of the Philippines.

The executive officers are entitled to receive retirement benefits in accordance with the terms and conditions of the Company's retirement plan and other benefits prescribed by labor laws.

There is no arrangement with any executive officer to receive any compensation or benefit in case of change-in-control of the Company or change in the officer's responsibilities following such change-in-control.

iv. **Warrants and options outstanding**

Not applicable

Item 7. Independent Public Accountants

a. The external auditor of the Company is the accounting firm of Sycip, Gorres, Velayo & Company ("SGV & Co.") The Board, upon the recommendation of the Company's Audit Committee, approved the reappointment of SGV & Co. as the Company's independent auditor for 2015 based on their performance and qualifications.

   The re-appointment of SGV and Co., will be presented to the stockholders for their approval at the annual stockholders' meeting.

b. Representatives of SGV & Co., for the current year and for the most recently completed fiscal year are expected to be present at the annual stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

c. **Changes in and disagreements with accountants on accounting and financial disclosure**

The Company has engaged the services of SGV & Co. during the two most recent fiscal years. There were no disagreements with SGV & Co. on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedure.

d. **Audit and Audit Related Fees**

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

(in PhP Millions)	**Audit and Audit-related Fees**		**Tax Fees**	**Other Fees**	**Total**
	Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings	Professional Fees related to the Initial Public Offering			
2014	4.6	11.0	-	-	14.6
2013	4.0	-	-	-	4.0
2012	3.7	-	-	-	3.7

The Company's Corporate Governance Manual 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.

The Company will comply with paragraph (3)(b)(iv) of Securities Regulation Code Rule 68, as amended, which provides that the external auditor should be rotated, or the handling partner changed, every five (5) years or earlier.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 10. Financial and Other Information

The audited financial statements as of December 31, 2014, Management's Discussion and Analysis, market price of shares and dividends and other data related to the Company's financial information are attached hereto as Annex "A".

Item 13. Restatement of Accounts

The consolidated financial statements of the Company have been prepared in compliance with Philippine Reporting Standards ("PFRS").

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new and amended standards and Philippine Interpretations from IFRIC and improved PFRS which the Group has adopted starting January 1, 2014. The adoption did not have any significant impact on the consolidated financial statements of the Group. The Group will also adopt several amended and revised standards and interpretations that will become effective subsequent to December 31, 2014.

Please refer to Note 2 of the attached Company's audited financial statements on the Summary of Significant Accounting Policies and Changes in Accounting Policies and Disclosures for the new PFRS and IFRIC which became effective in 2014 and new PFRS that will be effective in 2015, 2016 and 2018.

D. OTHER MATTERS

Item 14. Action with Respect to Reports

The following are to be submitted for approval during the stockholders' meeting:

(a) Minutes of the annual meeting of stockholders held on 18 June 2014.
(b) President's Report based on the Annual Report and 2014 Audited Financial Statements of the Company
(b) General ratification of the acts of the Board of Directors and the management from the date of the last annual stockholders' meeting up to the date of this meeting.

These acts are covered by Resolutions of the Board of Directors duly adopted in the normal course of trade or business, like:

(i) Approval of projects;
(ii) Treasury matters related to opening of accounts and transactions with banks;
(iii) Appointments of signatories and amendments thereof.

Item 16. Amendment of Charter, Bylaws or Other Documents

The amendment of Section 1 Article II of the By-laws of the Company will be presented for consideration and approval by the stockholders to move the date of the annual stockholders meeting from the 1st Monday of June to 15 June of each year.

The amendment of the date of the Annual Stockholders' Meeting seeks to align information required to be submitted to the SEC as part of the Definitive Information Statement and the expected yearly release of first quarter results.

Item 17. Other Proposed Actions

a. Election of the Members of the Board of Directors, including independent directors, for the ensuing calendar year
b. Reappointment of External Auditors

Item 18. Voting Procedures

Vote required for approval

The vote required for the election of directors is majority of the outstanding capital stock.

Matters subject to shareholder vote, except in cases where the law provides otherwise, shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present. All matters to be brought for approval of the shareholders of SSI Group, Inc. at this year's Annual Stockholders' Meeting require for approval only a majority of the stockholders present or by proxy provided a quorum is present.

Methods by which votes will be counted

SSI Group, Inc.'s By-Laws does not prescribe a method of voting. However, election of directors will be conducted by ballot as requested by voting shareholders. In the election of directors, the shareholders are entitled to cumulate their votes as discussed in Part B, Item 4(c) of this Information Statement. SSI Group, Inc.'s Corporate Secretary is tasked and authorized to count votes on any matter properly brought to the vote of the shareholders. SSI Group, Inc. shall appoint an independent entity before the scheduled date of the annual stockholders' meeting to assist in the validation of ballots.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF SEC FORM 17-A FREE OF CHARGE, EXCEPT FOR EXHIBITS ATTACHED THERETO WHICH SHALL BE CHARGED AT COST. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A SHALL BE ADDRESSED AS FOLLOWS:

ATTENTION: MA. MARGARITA ATIENZA
VICE PRESIDENT—INVESTOR RELATIONS
6TH FLOOR, MIDLAND BUENDIA BUILDING
403 SEN. GIL PUYAT AVENUE, MAKATI CITY

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 12 May , 2015

SSI GROUP, INC.

By: **ANTHONY T. HUANG**
President

ANNEX "A"

MANAGEMENT REPORT

RESULTS OF OPERATIONS

For the years ended December 31, 2014, 2013 and 2012

Key Performance Indicators	For the years ended Dec. 31		
PhP MM except where indicated	2014	2013	2012
Net Sales[1]	15,213	12,788	11,610
Gross Profit[2]	8,532	6,292	5,099
Net Income	998	614	462
Gross Selling Space (sq.m.)	133,640	98,126	82,593
Growth in Gross Selling Space (%)	36%	19%	18%

Key Financial and Operating Data	For the years ended Dec. 31		
PhP MM except where indicated	2014	2013	2012
Key Financial Data			
Net Sales	15,213	12,788	11,610
Luxury & Bridge	3,334	2,907	2,656
Casual	2,443	2,306	2,082
Fast Fashion	5,433	4,213	4,000
Footwear, Accessories & Luggage	2,134	1,746	1,534
Others	1,869	1,616	1,338
Gross Profit	8,532	6,292	5,099
Gross Profit Margin (%)	56.1%	49.2%	43.9%
EBITDA[3]	2,921	1,551	1,223
EBITDA Margin (%)	19.2%	12.1%	10.5%
Other Income (Charges)	(385)	(16)	26
Net Income	998	614	462
Net Income Margin (%)	6.6%	4.8%	4.0%
Adjusted Net Income[4]	1,143	634	462
Adjusted Net Income Margin (%)	7.5%	5.0%	4.0%
Total Debt[5]	5,417	5,094	673
Net Debt[6]	2,889	3,959	(584)
Key Operating Data			
Specialty Retailing			
Number of Brands	106	91	81
Number of Stores	723	597	524
Gross Selling Space (sq.m.)	133,640	98,126	82,593
Growth in Gross Selling Space (%)	36.2%	18.8%	17.6%
Convenience Stores			
Number of Stores	90	31	0
Gross Selling Space (sq.m.)	9,656	3,711	0
Growth in Gross Selling Space (%)	160%	-	-

[1] Gross Sales net of VAT, less sales returns and allowances and sales discounts
[2] Calculated as Net Sales less Cost of Goods Sold
[3] EBITDA is calculated as operating income plus depreciation and amortization
[4] Adjusted Net Income is derived by excluding the effect of share in net losses of joint ventures in the Group's net income
[5] Calculated as the sum of Short-term loans payable, Current portion of long-term debt and Long-term debt.
[6] Calculated as Total Debt minus Cash and cash equivalents

2014 vs. 2013
Net Sales

For the year ended Dec. 31, 2014, the Group generated net sales of ₱15.2 billion, an increase of 19%, as compared to the year ago period. The growth in net sales was driven by the expansion of the Group's store network as it continues to benefit from the availability of prime retail space located in leading malls that are suitable for its brands. The Group also continues to benefit from the breadth and relevance of its brand portfolio and from new brands added to the portfolio.

In the year ended Dec. 31, 2014 the Group expanded its store network by a net of 126 stores and fifteen brands. The additions in 2014 allowed the Group to increase its gross selling area by 36.2% or 35,514 sq.m. as compared to its gross selling area at the end of 2013. The Group's store network at the end of 2014 consisted of 723 specialty stores covering 133,640 sq.m. of retail space.

At end 2014 the Group's brand portfolio consisted of 106 brands. The Group acquired 22 international brands in 2014: A2 by Aerosoles, Acca Kappa, Alexander McQueen, Clarins, Cortefiel, Diptyque, Eden Park, F&F, Giuseppe Zanotti, Givenchy, Hamley's Isaac Mizrahi, Longchamp, MBT, Old Navy, Oliviers & Co., Pottery Barn, Pull & Bear, Reiss, Salad Stop, Saville Row and West Elm.

The following table sets out the Group's number of stores and gross selling space for the years ended Dec. 31, 2014, 2013 and 2012.

Store Network	**For the years ended Dec. 31**		
	2014	**2013**	**2012**
Number of Stores	723	597	524
Luxury & Bridge	150	130	119
Casual	119	94	77
Fast Fashion	92	62	47
Footwear, Accessories & Luggage	219	187	173
Others	143	124	108
Gross Selling Space (sq.m.)	133,640	98,126	82,593
Luxury & Bridge	15,229	12,597	11,434
Casual	18,217	13,723	11,264
Fast Fashion	56,151	33,924	27,095
Footwear, Accessories & Luggage	23,556	19,792	17,262
Others	20,487	18,090	15,536

*Number of Stores for the period excludes stores located in Guam.
As of Dec. 31, 2014 the Group operated 4 stores in Guam which contributed de minimis sales to the Group's net sales for the period

Gross Profit

For the year ended Dec. 31, 2014 the Group's gross profit was at ₱8.5 billion an increase of 35.6% as compared to the year ago period. Gross profit margin in 2014 was at 56.1% as compared to 49.2% in 2013. The Group's gross profit margin reflects continued strong sell-through rates, efficient management of its sales cycle and the impact of purchasing terms negotiated with brand principals.

Also, as the Group reduced its trade payable days, suppliers provided it with more favorable pricing for their goods.

Operating Expenses

For the year ended Dec. 31, 2014, the Group's operating expenses amounted to ₱6.7 billion an increase of 23.7% as compared to the year ago period. Increased selling & distribution expenses are driven primarily by additional rental and personnel expense as the Group expanded its store network and staff new stores, and by additional depreciation expense associated with new stores. Increased general & administrative expenses are driven largely by increases in personnel costs and rental as the Group expanded its head office spaces and personnel to support the Group's growing store network. Taxes and license expense also increased in 2014, reflecting ₱22.3 million in one-time listing fees related to the Company's IPO in November 2014.

Other Income (Charges)

For the year ended Dec. 31, 2014 the Group incurred other charges of ₱384.8 million as compared to other charges of ₱15.6 million in 2013. The increase in other charges is attributable primarily to an increase in interest expense to ₱281.6 million from ₱92.2 million in 2013 as the Group moved from trade payables to bank financing to fund its inventory purchases and secure prompt payment discounts, and as it financed its store expansion.

There was also an increase in the Group's share of the start-up losses of the FamilyMart and Wellworth joint ventures which were at ₱144.9 million in 2014 from ₱20.3 million during the year ago period.

Provision for Income Tax

For the year ended Dec. 31, 2014 provision for income tax was ₱498.4 million as compared to ₱287.8 million during the year ago period, as a result of a 66% increase in the Group's income before tax to ₱1.5 billion. The Group's effective tax rate was 33.2% as a result of non-tax deductible expenses such as the Group's share in the net losses of the FamilyMart and Wellworth joint ventures.

Net Income

As a result of the foregoing, 2014 net income was at ₱998.2 million, an increase of 62.7% as compared to 2013.

2014 net income, adjusted for the start-up losses of the FamilyMart and Wellworth joint ventures was at ₱1.1 billion, an 80.0% y-o-y increase.

EBITDA

As a result of the foregoing, 2014 EBITDA was at ₱2.9 billion an 88.3% y-o-y increase from 2013.

FINANCIAL CONDITION

As of Dec. 31, 2014 the Group had consolidated assets of ₱18.1 billion an increase of 52.0% as compared to Dec. 31, 2013.

Current Assets

Cash and Cash Equivalents

As of Dec. 31, 2014 cash and cash equivalents were at ₱2.5 billion as compared to ₱1.1 billion on Dec. 31, 2013 reflecting higher sales levels during 4Q 2014 as well as unutilized proceeds from the Initial Public Offering on Nov. 7, 2014.

Trade and Other Receivables

As of Dec. 31, 2014 trade and other receivables were at ₱584.8 million an increase of 17.1% over the year ago period. The largest components of trade and other receivables were trade receivables of ₱244.2 million and non-trade receivables of ₱183 million. Trade receivables represent receivables from credit card companies while non-trade receivables consist primarily of receivables from brand principals and contractors. Non-trade receivables increased 35.7% in 2014 primarily as a result of increases in receivables from brands and credit card companies related to promotional activities.

Merchandise Inventory

Merchandise inventory at the end of 2014 was at ₱8.0 billion as compared to ₱5.9 billion at the end of 2013. Increases in inventory are driven by higher sales levels as well as purchases for new store openings.

Prepayments and other Current Assets

As of Dec. 31, 2014 prepayments and other current assets were at ₱590.3 million as compared to ₱331.6 million at the end of 2013. The increase in prepayments and other current assets was due primarily to an increase in input VAT to ₱211.2 million from ₱116.9 million in 2013 and an increase in supplies inventory to ₱103.6 million from ₱46.3 million.

Non-Current Assets

Interests in Joint Ventures

Interests in Joint Ventures as of Dec. 31, 2014 were at ₱479.5 million from ₱369.1 million at end-2013 as the Group increased its investment in SIAL CVS Retailers, Inc. (SCRI) by ₱43.3 million and booked its share of SCRI losses amounting to ₱57.4 million. The Group also increased its investment in SIAL Specialty Retailers, Inc. (SSRI) by ₱212 million and booked its share of SSRI losses equivalent to ₱87.5 million.

As of Dec. 31, 2014 SCRI had established 90 FamilyMart stores all of which were company-owned, while SSRI continued to operate one Wellworth Department store at Ayala Fairview Terraces in Quezon City.

Property and Equipment

As of Dec. 31, 2014 Property and Equipment was at ₱4.7 billion an 80.5% increase as compared to ₱2.6 billion as of Dec. 31, 2013. The increase in Property and Equipment was driven by additions to leasehold improvements related to new store openings and renovations of ₱2.2 billion. Additions during the period to construction in progress related to the completion of the Central Square building in Bonifacio Global City were at ₱417 million, with a total of ₱678.6 million reclassified under the Building account at the end of the period.

Security Deposits and Construction Bonds

As of Dec. 31, 2014 Security Deposits and Construction Bonds were at ₱807.0 million a 42.8% increase as compared to ₱565 million as of Dec. 31, 2013. The increase was due primarily to security deposits for new stores.

Other Non-Current Assets

Other Non-Current Assets as of Dec. 31, 2014 were at ₱99.6 million a 60% decrease as compared to ₱249.6 million as of Dec. 31, 2013. This was due primarily to a decline in miscellaneous deposits which pertain to deposits with contractors for the construction and renovation of stores.

Current Liabilities

As of Dec. 31, 2014 the Group had consolidated current liabilities of ₱7.4 billion a decrease of 3.4% as compared to Dec. 31, 2013.

Trade and Other Payables

As of Dec. 31, 2014 Trade and Other Payables were at ₱3.2 billion a 7% decrease as compared to ₱3.5 billion as of Dec. 31, 2013. The decrease in Trade and Other Payables was due primarily to a decrease in trade payables as the Group moved from trade payables to bank financing to fund its inventory purchases and secure prompt payment discounts.

Short Term Loans Payable

Short-term loans payables as of Dec. 31, 2014 were at ₱3.6 billion a decrease of 6% as compared to ₱3.8 billion as of Dec. 31, 2013. The reduction in short term loans reflects repayments of short-term debt.

Retirement Benefit Obligation

As of December 31, 2014, Retirement Benefit Obligation increased 35.8% to ₱306 million from ₱225 million. Retirement Benefit Obligation represents the difference between the present value of the

Company's retirement plan obligations and the fair value of plan assets. In 2014, a total of ₱13.8 million in retirement benefits were paid out.

Current Portion of Long-Term Debt

Current Portion of Long-Term Debt was at ₱328.5 million as of Dec. 31, 2014 from ₱108.3 million as of Dec. 31, 2013. This reflects quarterly repayments due within the next 12 months on the ₱2.0 billion syndicated term loan facility entered into by the Group on May 8, 2013.

<u>Non- Current Liabilities</u>

Long-Term Debt

As of Dec. 31, 2014 Long-Term Debt was at ₱1.5 billion from ₱1.2 billion as of Dec. 31, 2013. Long-term debt for the period increased as a result of drawdowns on a ₱2.0 billion syndicated term loan facility entered into on May 8, 2013. Proceeds from this facility were used to finance the construction and fit-out of the Central Square Building in Bonifacio Global City.

Equity

As of Dec. 31, 2014 Total Equity was at ₱8.9 billion an increase of 221% as compared to ₱2.8 billion as of Dec. 31, 2013. The increase in Total Equity was driven by an increase in Capital Stock to ₱3.3 billion, from ₱200 million at the end of 2013. This increase reflects: (1) a restructuring undertaken in April 2014 that converted SSI Group, Inc. into the holding company of the Group and (2) the par value of 695,701,530 new shares issued further to the Group's IPO.

Under the April 2014 restructuring the Tantoco family subscribed to a total of ₱1.7 billion worth of SSI Group, Inc. shares and fully paid ₱525 million of P700 million partially paid SSI Group, Inc. shares purchased from Stores Specialists, Inc. The Tantoco family used proceeds from the sale of their Stores Specialists, Inc. shares to SSI Group, Inc. in order to subscribe and fully pay for the afore-mentioned SSI Group, Inc. shares.

Additional paid in capital as of Dec. 31, 2014 was at ₱4 billion reflecting subscriptions in excess of par value of the 695,701,530 new shares issued further to the Group's IPO, net of transaction costs incidental to the IPO amounting to ₱465.6 million.

Equity Reserve

The Equity reserve of ₱1.5 billion as of Dec. 31, 2014 arises from the restructuring undertaken in order to convert SSI Group, Inc. into the holding company of the Group and represents the difference between the capital stock of SSI Group, Inc. and Stores Specialists, Inc. at the conclusion of the reorganization.

2013 vs. 2012

Net sales

In 2013, the Group's net sales were at ₱12.8 billion, an increase of 10.1% compared to ₱11.6 billion in 2012. This increase in net sales was largely due to the increase in sales volume as a result of the net addition of 85 stores and five brands in 2012 and 73 stores and ten brands in 2013, allowing the Group to increase its gross selling space by 18.8% or 15,533 sq.m. over the period and to reach a larger number of consumers. The growth in net sales for the year ended December 31, 2013 was primarily driven by new store openings and brand additions in the year ended December 31, 2012, with new store openings and brand additions in the year ended December 31, 2013 also playing a part.

Given that the Group's new stores and brands typically require three to four years to ramp up their operations and gain market acceptance, the Group's gross selling space growth rate was higher than its total revenue growth. Furthermore, sales in the usually peak fourth quarter of 2013 were affected by the subdued sentiment following Typhoon Yolanda.

In 2013, the Group added a total of ten new international brands to its portfolio: Aéropostale, American Tourister, Bershka, Brooks Brothers, Desiqual, Dune, Nars, Stradivarius, Swarovski and Women's Secret.

Gross Profit

In 2013, the Group's cost of goods sold was ₱6 . 5 billion, a decrease of 0.2% compared to ₱6.5 billion in 2012. This reduction reflected a lowering of the Group's procurement costs due to lower-priced large volume orders offsetting the increase in merchandise sold. Also, as the Group reduced its trade payable days in 2013 by financing its inventory acquisition using short-term loans, suppliers provided us with more favorable pricing for their goods.

In 2013, the Group's gross profit was ₱6.3 billion, an increase of 23.4% compared to ₱5.1 billion in 2012. For the reasons stated above, the Group's gross profit margin increased to 49.2% in 2013, from 43.9% in 2012. The strong sell-through performance and effective management of the discount sales cycle also contributed to the higher gross profit margin.

Operating expenses

In 2013, the Group's operating expenses amounted to ₱5.4 billion, an increase of 20.3% compared to ₱4.5 billion in 2012, primarily due to the growth of the Group's operations. The percentage increase in operating expenses was greater than the percentage increase in net sales due in large part to the significant number of new stores that were opened, ramp up time related to these new stores as well as the subdued consumer sentiment in the fourth quarter of 2013. This increase was largely due to an increase in selling and distribution expenses. Increased selling and distribution expenses reflected rent and one-off setup expenses for new stores and an increase in average rental rates for existing stores, as well as personnel and utilities costs for the Group's new stores. Minor increases in supplies and maintenance expenses, security expenses and advertising, and other ancillary expenses were also contributory factors. The increase in operating expenses was also affected by an increase in general and administrative expenses, which were primarily incurred for personnel costs in the Group's merchandising and other departments, in connection with the addition of new brands and stores, as well as advertising expenses.

EBITDA

In 2013, the Group's EBITDA was ₱1.5 billion, up 25% from ₱1.2 billion in 2012. The increase was driven by the Group's increase in net sales as well as the expansion of the Group's Gross Margins, while being partially offset by increases in operating expenses

Other income (charges)

In 2013, the Group incurred other charges of ₱16 million, whereas in 2012 the Group realized other income of ₱26 million. This change resulted primarily from an increase in the Group's interest expense from ₱22 million in 2012 to ₱92 million in 2013, as the Group moved from trade payables to short-term loans to finance its inventory procurement. In 2013, the Group also recognized, for the first time, its share in net losses of joint ventures of ₱20 million because of the addition of its new line of business, the "FamilyMart" convenience stores.

Provision for income tax

In 2013, the Group's provision for income tax was ₱288 million, which was 48.1% higher than the ₱194 million recorded in 2012. The increase was attributable mainly to the increase in the Group's income before tax and its inability to deduct from taxable income its share in net losses of joint ventures, as well as a reduction in the Group's non-taxable income, namely, interest income. The Group's effective tax rates for 2012 and 2013 were 29.6% and 31.9%, respectively, compared to the standard Philippine corporate tax rate of 30%.

Net income

As a result of the foregoing, the Group's net income in 2013 was ₱614 million, an increase of 32.8% compared to ₱462 million in 2012. The Group's net income margin increased to 4.8% in 2013, from 4.0% in 2012, due primarily to its increased gross profit margin, offset in part by increased operating expenses and taxes.

FINANCIAL CONDITION

As of Dec. 31, 2013 the Group had consolidated assets of ₱11.9 billion an increase of 24.2% as compared to Dec. 31, 2012.

CURRENT ASSETS

Cash and Cash Equivalents

As of Dec. 31, 2013 cash and cash equivalents were at ₱1.1 billion as compared to ₱1.3 billion on Dec. 31, 2012 as the Group funded its store expansion program and acquired inventory for new stores.

Trade and Other Receivables

As of Dec. 31, 2013 trade and other receivables were at ₱499.3 million an increase of 33% over the year ago period arising from the larger ending balance of credit card receivables at year-end.

Merchandise Inventory

Merchandise inventory at the end of 2013 was at ₱5.9 billion as compared to ₱5.4 billion at the end of 2012. Increases in inventory are driven by higher sales levels as well as purchases for new store openings.

Prepayments and other Current Assets

As of Dec. 31, 2013 prepayments and other current assets were at ₱331.6 million as compared to ₱226.6 million at the end of 2012. The increase in prepayments and other current assets was due primarily to an increase in input VAT to ₱116.9 million, and an increase in supplies inventory to ₱46.3 million.

Non-Current Assets

Interests in Joint Ventures

Interests in Joint Ventures as of Dec. 31, 2013 were at ₱369.0 million from ₱136.9 million at end 2012 as the Group increased its investment in SIAL CVS Retailers, Inc. (SCRI) by ₱97.5 million and booked its share of SCRI losses amounting to ₱20.3 million. The Group also increased its investment in SIAL Specialty Retailers, Inc. (SSRI) by ₱155 million.

As of Dec. 31, 2013 SCRI had established 31 FamilyMart stores all of which were company owned.

Property and Equipment

As of Dec. 31, 2013 Property and Equipment was at ₱2.6 billion as compared to ₱1.3 billion as of Dec. 31, 2012. The increase in Property and Equipment was driven by additions to leasehold improvements related to new store openings and renovations of ₱1.0 billion. Additions during the period to construction in progress related to the Central Square building in Bonifacio Global City were at ₱372.7 million.

Security Deposits and Construction Bonds

As of Dec. 31, 2013 Security Deposits and Construction Bonds were at ₽565.0 million a 27% increase as compared to ₽444.9 million as of Dec. 31, 2012. The increase was due primarily to additional security deposits for new stores.

Current Liabilities

As of Dec. 31, 2013 the Group had consolidated current liabilities of ₽7.6 billion an increase of 3.1% as compared to Dec. 31, 2012.

Trade and Other Payables

As of Dec. 31, 2013 Trade and Other Payables were at ₽3.5 billion from ₽6.6 billion as at Dec. 31, 2012. The lower level of payables reflects the impact of prompt payment discounts secured from suppliers.

Short Term Loans Payable

Short-term loans payables as of Dec. 31, 2013 were at ₽3.8 billion as compared to ₽672.5 million as of Dec. 31, 2012 as the Group shifted from funding inventory purchases through trade payables to partially funding these through short term debt.

Current Portion of Long-Term Debt

Current Portion of Long-Term Debt was at ₽108.3 million as of Dec. 31, 2013. This reflects quarterly repayments due within the next 12 months on the ₽2.0 billion syndicated term loan facility entered into by the Group on May 8, 2013.

Non- Current Liabilities

Long-Term Debt

As of Dec. 31, 2013 Long-Term Debt was at ₽1.2 billion. Long-term debt for the period increased as a result of drawdowns on a ₽2.0 Bbillionsyndicated term loan facility entered into on May 8, 2013. Proceeds from this facility were used to finance the construction and fit-out of the Central Square Building in Bonifacio Global City.

Equity

As of Dec. 31, 2013 Total Equity was at ₽2.8 billion an increase of 99% as compared to ₽1.4 billion as of Dec. 31, 2012. The increase in Total Equity was driven by an increase in Retained Earnings.

Equity Reserve

The Equity reserve of ₽500.4 million as of Dec. 31, 2013 arises from the reorganization undertaken in April 2014 in order to convert SSI Group, Inc. into the holding company of the Group. Prior to the reorganization, the balance of the equity reserve represents the difference between the legal Capital of SSI Goup, Inc. and Stores Specialists, Inc.

Other Disclosures

(i) Except for the Initial Public Offering of shares of SSI Group, Inc. on Nov. 7, 2014 which raised gross primary proceeds of ₽5.2B for the Company, 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 and in line with the Group's store expansion program

(v) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations.

(vi) There were no significant elements of income or loss that did not arise from continuing operations.

(vii) The Group experiences the fourth quarter of the year as the peak season relating to increased sales resulting from the Christmas and New Year holidays.

For the Three Months Ended March 31, 2015 compared with the Three Months Ended March 31, 2014

Key Performance Indicators	For the Three Months Ended March 31	
PhP MM except where indicated	**2015**	**2014**
Net Sales[7]	4,034	3,390
Gross Profit[8]	2,239	1,907
Net Income	267	218
Gross Selling Space (sq.m.)	137,746	108,891
Growth in Gross Selling Space (%)	26.5%	

Key Financial Data	For the Three Months Ended March 31	
PhP MM except where indicated	**2015**	**2014**
Key Financial Data		
Net Sales	4,034	3,390
Luxury & Bridge	795	749
Casual	575	531
Fast Fashion	1,553	1,231
Footwear, Accessories & Luggage	565	457
Others	546	421
Gross Profit	2,239	1,907
Gross Profit Margin (%)	55.5%	56.2%
EBITDA[9]	848	612
EBITDA Margin (%)	21.0%	18.0%
Other Income (Charges)	(104)	(69)
Net Income	267	218
Net Income Margin (%)	6.6%	6.4%
Adjusted Net Income[10]	317	259
Adjusted Net Income Margin (%)	7.9%	7.6%
Total Debt[11]	5,838	5,417
Net Debt[12]	4,585	2,889
Key Operating Data		
Specialty Retailing		
Number of Stores	746	639
Gross Selling Space (sq.m.)	137,746	108,891
Growth in Gross Selling Space (%)	26.5%	
Convenience Stores		
Number of Stores	100	40
Gross Selling Space (sq.m.)	11,785	4,814
Growth in Gross Selling Space (%)	145%	

[7] Gross Sales net of VAT, less sales returns and allowances and sales discounts
[8] Calculated as Net Sales less Cost of Goods Sold
[9] EBITDA is calculated as operating income plus depreciation and amortization
[10] Adjusted Net Income is calculated as net income plus share in net losses of joint ventures
[11] Calculated as the sum of short-term loans payable, current portion of long-term debt and long-term debt. 2014 Total Debt is as of Dec. 31, 2014
[12] Calculated as Total Debt less cash and cash equivalents. 2014 Total Debt is as of Dec. 31, 2014

Net Sales

For the three months ended March 31, 2015, the Group generated net sales of ₱4.03B, an increase of 19% as compared to the year ago period. Growth in net sales continues to be driven by the Group's expanding store network and by the breadth and relevance of its brand portfolio.

Year to date March 31, 2015 the Group expanded its store network by a net of 23 stores and 4,106 square meters. As of March 31, 2015 the Group's store network consisted of 746 specialty stores covering 137,746 square meters. This represents a gross selling area increase of 26.5% as compared to March 31, 2014.

As of March 31, 2015 the Group's brand portfolio consisted of 112 brands and was composed of 45 luxury and bridge brands, 13 casual wear brands, 10 fast fashion brands, 23 footwear, accessories and luggage brands and 21 brands under the others category. The Group added the following 7 new brands during the period:

Luxury & Bridge – Max & Co.
Footwear, Accessories and Luggage – Amazonas, Charming Charlie, Jelly Bunny, Kurt Geiger, Lipault and Radley

Stores for these new brands will be opened during the latter part of 2015 and in 2016.

The following table sets out the number of stores and gross selling space as of March 31 2015 and 2014 and as of Dec. 31, 2014.

Store Network[13]	**March 31**		**Dec 31**
	2015	**2014**	**2014**
Number of Stores	746	639	723
Luxury & Bridge	153	136	150
Casual	127	106	119
Fast Fashion	93	69	92
Footwear, Accessories & Luggage	228	197	219
Others	145	131	143
Gross Selling Space (sq.m.)	137,746	108,891	133,640
Luxury & Bridge	15,820	13,246	15,229
Casual	18,857	14,540	18,217
Fast Fashion	58,269	41,054	56,151
Footwear, Accessories & Luggage	24,124	20,996	23,556
Others	20,676	19,055	20,487

Gross Profit

For the quarter ended March 31, 2015 The Group's gross profit was at ₱2.2B an increase of 17.5% as compared to the year ago period. Gross profit margin for the first quarter of 2015 was at 55.5% as compared to 55.7% during the fourth quarter of 2014 and 56.2% during the first quarter of 2014. The Group's gross profit margin reflects continued strong sell through rates, efficient management of its sales cycle and the impact of purchasing terms negotiated with brand principals.

[13] As of March 31, 2015 the Group operated 2 stores in Guam which contributed de minimis sales to its net sales for the period

Operating Expenses

For the quarter ended March 31, 2015, the Group's operating expenses amounted to ₱1.7B an increase of 14.7% as compared to the year ago period. Operating expenses as a percentage of revenue declined to 42.8% as compared to 44.4% during the year ago period. Operating expenses net of depreciation and amortization declined to 34.5% of revenues year-to-date March 31, 2015 as compared to 38.2% of revenues during the year ago period.

The ratio of operating expenses to revenue during 1Q 2015 improved as a result of an 11.4% increase in selling & distribution rent to ₱435m, and a 15.0% increase in selling & distribution personnel expense to ₱257m. This is as compared to a 19% increase in revenues.

General and administrative expenses declined by 7% y-o-y as a result of lower rental expense, as the Group completed the transfer of several of its head offices, lower personnel expenses as a percentage of revenue and as a result of cost savings related to items such as travel expenses, repairs and security expenses.

On the other hand, total depreciation and amortization for the period, increased by 59.7% to ₱335m as a result of additional depreciation expense associated with new stores added to the Group's network.

Other Income (Charges)

Year- to- date March 31, 2015 the Group incurred other charges of ₱103.7m as compared to other charges of ₱69.1m during the year ago period. The increase in other charges is attributable primarily to an increase in interest expense to ₱73.8m from ₱50.8m during the year ago period.

There was also an increase in the Group's share of the start-up losses of the FamilyMart and Wellworth joint ventures which were at ₱49.7m in 2014 from ₱40.3m during the year ago period.

Provision for Income Tax

For the quarter ended March 31, 2015 provision for income tax was ₱142.8m as compared to ₱114.7m during the year ago period. Provision for income tax increased in line with a 23.0% increase in the Group's before tax income. The effective tax rate was 34.8% as a result of non-tax deductible expenses such as the Group's share in the net losses of the FamilyMart and Wellworth joint ventures.

Net Income

As a result of the foregoing, net income for the period ended March 31, 2015 was at ₱267m, an increase of 22.3% as compared to the year ago period.

March 31, 2015 net income, adjusted for the start up losses of the FamilyMart and Wellworth joint ventures was at ₱316.7m, a 22.4% y-o-y increase.

EBITDA

Year-to-date March 31, 2015 the Group generated EBITDA of ₱848.2m a 38.7% y-o-y increase. EBITDA margin YTD March 31, 2015 was at 21.0% as compared to 18.0% during the year ago period, and compared to 19.2% for full year 2014.

FINANCIAL CONDITION

As of March 31, 2015 the Group had consolidated assets of ₱18.3B an increase of 1.3% as compared to Dec. 31, 2014.

Current Assets

Cash and Cash Equivalents

As of March 31, 2015 cash and cash equivalents were at ₱1.3B as compared to ₱2.5B on Dec. 31, 2014. The lower cash balance reflects the utilization of cash from the Group's Initial Public Offering as the Group continued to fund its store expansion program and acquired inventory for new store openings and from brands' spring collections.

Trade and Other Receivables

As of March 31, 2015 trade and other receivables were at ₱487.8m a decrease of 16.6% as compared to the balance as of December 31, 2014. Trade receivables are primarily receivables from credit card companies.

Merchandise Inventory

Merchandise inventory as of March 31, 2015 was at ₱9.0B as compared to ₱8.0B as of December 31, 2014. Increases in inventory are driven by purchases for new stores and purchases from brands' spring collections.

Prepayments and other Current Assets

As of March 31, 2015 prepayments and other current assets were at ₱720.6m as compared to ₱590.3m at the end of 2014. The increase was due to primarily to an increase in input VAT to ₱233.1m, and an increase in others, or advances for purchases arising from transactions made by the Group with its foreign suppliers and advances to suppliers which increased to ₱159.3m.

Non-Current Assets

Interests in Joint Ventures

Interests in Joint Ventures as of March 31, 2015 were at ₱690.9m from ₱479.5m at end-2014 as the Group increased its investment in SIAL CVS Retailers, Inc. (SCRI) by ₱129.6m and booked its share of SCRI losses amounting to ₱21.2m. The Group also increased its investment in SIAL Specialty Retailers, Inc. (SSRI) by ₱131.5m and booked its share of SSRI losses equivalent to ₱28.5m.

As of March 31, 2015 SCRI had opened 100 FamilyMart stores all of which were company owned, while SSRI continued to operate one Wellworth Department store at Ayala Fairview Terraces in Quezon City.

Security Deposits and Construction Bonds

As of March 31, 2015 Security Deposits and Construction Bonds were at ₱866m a 7.4% increase as compared to ₱807m as of Dec. 31, 2014. The increase was due primarily to security deposits for new stores.

Other Non-Current Assets

Other Non-Current Assets as of March 31, 2015 were at ₱166.8m as compared to ₱99.6m as of Dec. 31, 2014. This was due primarily to an increase in miscellaneous deposits which pertain to deposits with contractors for the construction and renovation of stores.

Current Liabilities

As of March 31, 2015 the Group had consolidated current liabilities of ₱7.4B comparable to ₱7.4B as of Dec. 31, 2014.

Trade and Other Payables

As of March 31, 2015 Trade and Other Payables were at ₱2.6B as compared to ₱3.2B as of Dec. 31, 2014. The decrease in Trade and Other Payables was due primarily to a decrease in trade payables, reflecting terms of merchandise deliveries during the quarter, and a decrease in accrued expenses, reflecting payments of expenses accrued at the end of 2014.

Short Term Loans Payable

Short-term loans payables as of March 31, 2015 were at ₱4.1B as compared to ₱3.6B as of Dec. 31, 2014. Additional short-term loans were used to fund inventory purchases.

Non- Current Liabilities

Long-Term Debt

As of March 31, 2015 Long-Term Debt was at ₱1.4B from ₱1.5B as of Dec. 31, 2014. Long-term debt for the period decreased as a result of repayments on the ₱2.0B syndicated term loan facility entered into on May 8, 2013.

Equity

As of March 31, 2015 Total Equity was at ₱9.1B as compared to ₱8.9B as of Dec. 31, 2014. The increase in Total Equity was due primarily to an increase in retained earnings, reflecting net income generated during 1Q 2015.

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 and in line with the Group's store expansion program
(v) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations.
(vi) There were no significant elements of income or loss that did not arise from continuing operations.
(vii) The Group experiences the fourth quarter of the year as the peak season relating to increased sales resulting from the Christmas and New Year holidays.

NATURE AND SCOPE OF BUSINESS

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, 2014, SSI’s retail network consists of 723 stores located within approximately 69 major malls across the Philippines, including Metro Manila, Luzon, Visayas and Mindanao, with a total gross selling space of approximately 133,640 sq.m. SSI has a developing multi-format business model and expanded its retail format offerings with new joint ventures in convenience stores under the “FamilyMart” franchise in 2013 and department stores under the “Wellworth” brand in 2014.

Brand management and specialty retailing is the Group’s principal business. SSI believes that it has one of the largest and most attractive brand portfolio, comprising, among others, such well-known brands as Hermès, Gucci and Salvatore Ferragamo for premium luxury apparel and accessories, Zara, Bershka and Stradivarius for popular fast fashion, Lacoste and GAP for casual wear, TWG and Oliviers & Co. for high-quality food and beverage selections, Samsonite for stylish travel and luggage offerings, Payless ShoeSource for value-priced trendy footwear, Muji and Pottery Barn for modern home furnishings and accessories, and “FamilyMart” for round-the-clock quality offerings with everyday convenience. 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.

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 fourth quarter of 2014, after the Company's common equity was listed on November 7, 2014:

	2014	
	High	**Low**
4th Quarter	9.94	7.73
	2015	
1st Quarter	11.3	9.74

Source: CapitalIQ

The market capitalization of SSI Group, Inc's common shares as of end-2014, based on the closing price of ₽9.91/share, was approximately ₽32.8 billion.

The stock price of SSI Group, Inc's common shares as of May 12 is ₽10.40 translating to a market capitalization of approximately ₽34.5 billion

HOLDERS

The number of registered shareholders as of April 30, 2015 was 13. Outstanding common shares as of April 30, 2015 were 3,312,864,430.

The following are the top 20 registered holders of SSI Group, Inc.'s securities as of April 30, 2015:

No.	Name of Shareholder	Number of shares held	Percent to Total Outstanding Shares
1	PCD Nominee Corporation (Filipino)	2,879,925,898	86.9316%
2	PCD Nominee Corporation (Non-Filipino)	432,927,382	13.0681%
3	Tacub, Pacifico B.	2,000	0.0001%
4	Blanco, Ofelia R.	2,000	0.0001%
5	Lucero, Camille Joelle F.	1,000	0.0000%
6	Lucero, Celine Carmela F.	1,000	0.0000%
7	Herrera, Joselito C.	1,000	0.0000%
8	Lucero, Celina F.	1,000	0.0000%
9	Lucero, Celine Carmela F. ITF Leal Alyssa Cheska Isabel L.	1,000	0.0000%
10	Lucero, Roy Eduardo T.	1,000	0.0000%
11	Lucero, Marie Carissa F.	1,000	0.0000%
12	Valencia, Jesus San Luis	100	0.0000%
13	Au Owen Nathaniel S.	50	0.0000%

DIVIDENDS

No Dividends were declared by the Company during the year while ₱100 million was declared by the Company as cash dividends in 2013.

DIVIDEND POLICY

The Group have not established a specific dividend policy. Dividends shall be declared and paid out of the Company's unrestricted retained earnings which shall be payable in cash, property or stock to all shareholders on the basis of outstanding stock held by them. Unless otherwise required by law, the Board shall determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including:

- The level of the Group's cash earnings, return on equity and retained earnings;
- Its results for and its financial condition at the end of the year in respect of which the dividend is to be paid and its expected financial performance;
- The projected levels of capital expenditures and other investment plans;
- Restrictions on payments of dividends that may be imposed on it by any of its financing arrangements and current or prospective debt service requirements; and
- Such other factors as the Board deems appropriate.

Aside from the provisions of the Corporation Code and applicable regulations there are no existing legal restrictions that limit the payment of dividends on common shares.

RECENT SALES OF UNREGISTERED SECURITIES

Not Applicable in the fiscal year covered by this report.

Corporate Governance

The Company submitted its Manual on Corporate Governance in compliance with Philippine SEC Memorandum Circular No. 6, series of 2009. The Company and its respective directors, officers and employees have complied with the best practices and principles on good corporate governance as embodied in the Company's Manual of Corporate Governance Manual (the "Manual"). The Manual also sets forth the various evaluation systems established by the Company to measure or determine the level of compliance of the Board of Directors and top level management with corporate governance.

ANNEX "B"

EXECUTIVE OFFICERS

Elizabeth T. Quaimbao, 62, is the Executive Vice President of the Company. Mrs. Quaimbao is also the Executive Vice President and General Manager of all of the Group's companies, except for Rustan Marketing Specialists, Inc. 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.

Rosselina J Escoto, 61, is the Vice President of Finance for the Company. Mrs. Escoto is also the Finance Manager of the Group companies, Stores Specialists, Inc, Global Specialty Retailers, Inc. Footwear Specialty Retailers, Inc., Luxury Concepts, Inc., International Specialty Fashions, Inc. and International Specialty Concepts, Inc. Prior to joining the Group in 1997, she was an auditor with SGV & Co., and also held a senior management position with the PSE. 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.

Reuben J. Ravago, 45, is the Vice President of IT for the Company. Mr. Ravago is the Chief Technical Consultant for Rustan Commercial Corporation, and the founder and Chief Technology Architect of OLM Technologies, Inc. Prior to joining the Group in 2007, he was a senior technology consultant with SGV Associates, and the Managing Director and IT Director of K2 Interactive, Inc. Mr. Ravago graduated from the University of the Philippines with a Bachelor of Science in Computer Science and a Master of Science degree in Electrical Engineering (Computers and Communication).

Margarita A. Atienza, 41, is the Vice President of Investor Relations and Compliance for the Company. 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 graduated from the Ateneo de Manila University with a Bachelors Degree in Social Sciences and the Asian Institute of Management with a Masters in Business Administration.

Rosanno P. Nisce, 51, is the Corporate Secretary of the Company. Mr. Nisce is a Senior Partner of the Nisce Mamuric Guinto Rivera and Alcantara Law Offices. He has been in law practice for 25 years, specializing in corporate and commercial law. Mr. Nisce graduated from the Ateneo De Manila University with a Bachelor of Arts degree in Economics, and obtained his Bachelor of Laws degree from the Ateneo de Manila School of Law. He subsequently obtained his Master of Laws degree in International Banking and Financial Law from the Morin Center of the Boston University School of Law.

Cheryl Anne M. Berioso, 35, is the Head of Corporate Planning for the Company. Prior to the joining the Group in 2001, she was a market and planning analyst with the Bank of Commerce, as well as the Secretary for the Executive and Asset and Liabilities Committees. Ms. Berioso graduated from De

La Salle University with a Bachelor of Science in Applied Economics and a Master of Science degree in Economics.

SSI Group, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
March 31, 2015 and 2014
(*With Comparative Audited Figures as of December 31, 2014*)

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)

890-8034

(Company Telephone Number)

1 2 *Month* **3 1** *Day*

(Calendar Year)

AACFS

(Form Type)

0 5 *Month* **0 7** *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

14

Total No. of Stockholders

₱5,838 million

Domestic

Not Applicable

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

As of March 31, 2015
(With Comparative Audited Figures as of December 31, 2014)

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱1,252,551,002**	₱2,527,828,209
Trade and other receivables (Note 5)	**487,800,864**	584,872,648
Merchandise inventory (Note 6)	**8,972,009,884**	7,980,070,099
Amounts owed by related parties (Note 20)	**6,484,297**	6,941,758
Prepayments and other current assets (Note 7)	**720,616,902**	590,339,738
Total Current Assets	**11,439,462,949**	11,690,052,452
Noncurrent Assets		
Investment in an associate (Note 8)	**56,685,149**	49,117,530
Interests in joint ventures (Note 9)	**690,863,875**	479,455,513
Property and equipment (Note 10)	**4,822,820,634**	4,680,064,601
Deferred tax assets	**250,419,941**	254,727,150
Security deposits and construction bonds (Note 24)	**866,309,374**	806,968,668
Other noncurrent assets (Note 11)	**166,782,979**	99,591,385
Total Noncurrent Assets	**6,853,881,952**	6,369,924,847
TOTAL ASSETS	**₱18,293,344,901**	₱18,059,977,299
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	**₱2,643,030,313**	₱3,248,120,916
Short-term loans payable (Note 13)	**4,098,736,738**	3,596,635,490
Current portion of long-term debt (Note 14)	**329,653,444**	328,514,924
Amounts owed to related parties (Note 20)	**85,398**	24,220
Deferred revenue	**23,765,211**	24,100,045
Income tax payable	**330,321,880**	192,460,335
Total Current Liabilities	**7,425,592,984**	7,389,855,930
Noncurrent Liabilities		
Long-term debt (Note 14)	**1,409,335,647**	1,491,839,072
Retirement benefit obligation	**312,232,069**	306,185,820
Deferred tax liability	**–**	236,484
Total Noncurrent Liabilities	**1,721,567,716**	1,798,261,376
Equity (Note 26)		
Capital stock - ₱1 par value	**3,312,864,430**	3,312,864,430
Additional paid-in capital	**4,056,457,439**	4,056,457,439
Stock grant	**16,820,490**	4,205,123
Equity reserve (Note 3)	**(1,537,147,726)**	(1,537,147,726)
Retained earnings		
Appropriated	**510,000,000**	510,000,000
Unappropriated	**2,884,195,751**	2,617,168,339
Cumulative translation adjustment	**(802,492)**	4,516,079
Other comprehensive income	**(96,203,691)**	(96,203,691)
Total Equity	**9,146,184,201**	8,871,859,993
TOTAL LIABILITIES AND EQUITY	**₱18,293,344,901**	₱18,059,977,299

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Three-Month Periods Ended March 31	
	2015 (Unaudited)	2014 (Unaudited)
NET SALES	**₱4,034,394,160**	₱3,389,643,489
COST OF GOODS SOLD (Note 15)	**1,794,895,818**	1,483,109,544
GROSS PROFIT	**2,239,498,342**	1,906,533,945
OPERATING EXPENSES		
Selling and distribution (Note 16)	**1,498,946,909**	1,259,098,078
General and administrative (Note 17)	**227,014,193**	245,254,009
	1,725,961,102	1,504,352,087
OTHER INCOME (CHARGES)		
Foreign exchange gains - net	**14,971,649**	3,484,189
Share in net earnings of an associate (Note 8)	**7,567,619**	4,839,879
Interest accretion on security deposits (Note 24)	**594,161**	536,255
Interest income (Note 4)	**1,200,315**	799,426
Interest expense (Notes 13 and 14)	**(73,836,778)**	(50,806,780)
Share in net losses of joint ventures (Note 9)	**(49,691,638)**	(40,322,089)
Others - net	**(4,544,069)**	12,385,562
	(103,738,741)	(69,083,558)
INCOME BEFORE INCOME TAX	**409,798,499**	333,098,300
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**137,054,861**	121,550,192
Deferred	**5,716,226**	(6,815,483)
	142,771,087	114,734,709
NET INCOME	**267,027,412**	218,363,591
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Cumulative translation adjustment on foreign operations, net of deferred tax	**(5,318,571)**	(1,087,501)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Re-measurement loss on retirement benefit, net of deferred tax	**–**	–
TOTAL COMPREHENSIVE INCOME	**₱261,708,841**	₱217,276,090
BASIC/DILUTED EARNINGS PER SHARE (Note 21)	**₱0.10**	₱0.11

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2015 AND 2014

	For the Three-Month Periods Ended March 31, 2015 and 2014								
					Retained Earnings				
	Capital Stock	Additional Paid-in Capital	Stock Grants	Equity Reserve	Appropriated	Unappropriated	Cumulative Translation Adjustment	Other Comprehensive Income	Total
Balances at January 1, 2014	₱200,000,000	₱–	₱–	₱500,434,495	₱1,290,000,000	₱838,616,229	(₱5,242,165)	(₱57,300,134)	₱2,766,508,425
Net income	–	–	–	–	–	218,363,591	–	–	218,363,591
Exchange differences on translation	–	–	–	–	–	–	(1,087,501)	–	(1,087,501)
Total comprehensive income for the period	–	–	–	–	–	218,363,591	(1,087,501)		217,276,090
Balances at March 31, 2014	**₱200,000,000**	**₱–**	**₱–**	**₱500,434,495**	**₱1,290,000,000**	**₱1,056,979,820**	**(₱6,329,666)**	**(₱57,300,134)**	**₱2,983,784,515**
Balances at January 1, 2015	₱3,312,864,430	₱4,056,457,439	₱4,205,123	(₱1,537,147,726)	₱510,000,000	₱2,617,168,339	₱4,516,079	(₱96,203,691)	₱8,871,859,993
Net income	–	–	–	–	–	267,027,412	–	–	267,027,412
Exchange differences on translation	–	–	–	–	–	–	(5,318,571)	–	(5,318,571)
Total comprehensive income for the period	–	–	–	–	–	267,027,412	(5,318,571)	–	261,708,841
Stock grants	–	–	12,615,367	–	–	–	–	–	12,615,367
Balances at March 31, 2015	**₱3,312,864,430**	**₱4,056,457,439**	**₱16,820,490**	**(₱1,537,147,726)**	**₱510,000,000**	**₱2,884,195,751**	**(₱802,492)**	**(₱96,203,691)**	**₱9,146,184,201**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three-month Periods Ended March 31	
	2015 (Unaudited)	2014 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱409,798,499**	₱333,098,300
Adjustments for:		
Depreciation and amortization (Notes 10, 11 and 19)	**334,676,352**	209,509,711
Interest expense (Note 13 and 14)	**73,836,778**	50,806,780
Share in net losses of joint ventures (Note 9)	**49,691,638**	40,322,089
Stock grants	**12,615,367**	–
Unrealized foreign exchange gains	**(3,615,010)**	(930,567)
Loss on disposal of property and equipment (Note 10)	**5,208,907**	1,110,714
Share in net earnings of an associate (Note 8)	**(7,567,619)**	(4,839,879)
Interest accretion on refundable deposits (Note 24)	**(594,161)**	(536,255)
Interest income (Note 4)	**(1,200,315)**	(799,426)
Operating income before working capital changes	**872,850,436**	627,741,467
Decrease (increase) in:		
Trade and other receivables	**97,071,784**	154,608,671
Merchandise inventory	**(991,939,785)**	(897,547,810)
Amounts owed by related parties	**457,461**	(6,825,190)
Prepayments and other current assets	**(139,655,506)**	(24,454,206)
Increase (decrease) in:		
Trade and other payables	**(605,090,603)**	1,146,943,132
Deferred revenue	**(334,834)**	519,674
Amounts owed to related parties	**61,178**	6,940,268
Retirement benefit obligation	**6,046,249**	5,987,873
Net cash generated from (used in) operations	**(760,533,620)**	1,013,913,879
Interest received	**1,200,315**	799,426
Net cash flows generated from (used in) operating activities	**(759,333,305)**	1,014,713,305
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 10)	**(482,641,292)**	(788,932,947)
Additional interests in joint ventures (Note 9)	**(261,100,000)**	(120,000,000)
Increase in:		
Security deposits and construction bonds	**(48,561,519)**	(26,535,789)
Other noncurrent assets	**(67,191,594)**	(159,303,539)
Net cash flows used in investing activities	**(859,494,405)**	(1,094,772,275)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of:		
Short-term loans payable	**1,046,000,000**	1,832,648,564
Long-term debt	**–**	700,000,000
Payments of:		
Short-term loans payable	**(543,898,752)**	(2,599,599,151)
Long-term debt	**(81,364,905)**	–
Interest	**(73,836,778)**	(50,806,780)
Proceeds from deposits for future stock subscription	**–**	252,999,980
Net cash flows from financing activities	**346,899,565**	135,242,613
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,271,928,145)**	55,183,643
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(3,349,062)**	(763,671)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**2,527,828,209**	1,134,749,837
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	**₱1,252,551,002**	₱1,189,169,809

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

SSI Group, Inc. (formerly Casual Clothing Specialists, Inc.; the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on April 16, 2007. 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).

Corporate Restructuring
The Tantoco Family undertook a restructuring of its ownership over SSI and subsidiaries (collectively referred to as the “Group”) in order to convert the Company into the new holding company of the Group. The Company is principally owned and controlled by the Tantoco Family members, directly or through their respective holding companies. The Group’s former holding company, SSI, was converted into a wholly-owned operating subsidiary of the Company. SSI remains as primary franchisee under the Group’s brand agreements and also acts as the principal shareholder of all of the operating subsidiaries.

Prior to the restructuring activities undertaken, the Company was owned 100% by SSI and its nominees. On April 3, 2014, the Philippine SEC approved the increase in authorized capital stock of the Company from ₱200.0 million divided into 2,000,000 shares with par value of ₱100.00 per share, to ₱3.0 billion divided into 30,000,000 shares with par value of ₱100.00 per share. Of the increased authorized capital stock of the Company, SSI subscribed to 7,000,000 shares for a consideration of ₱700.0 million, of which ₱175.0 million was paid and ₱525.0 million remained outstanding as subscription receivables. On April 9, 2014, all of the shares held by SSI in the Company were sold to the Tantoco Family via a deed of sale and a deed of assignment of subscription rights. As a result of the share sale, the Company ceased to be a subsidiary of SSI. In turn, on April 14, 2014, the Company purchased all of the shares held by the Tantoco Family in SSI for a total consideration of ₱2.2 billion. This transaction resulted in SSI becoming a wholly-owned subsidiary of the Company.

Using the proceeds of the sale of its shares in SSI to the Company, the Tantoco Family settled the outstanding ₱525.0 million subscription payable on the 7,000,000 shares in the Company previously subscribed by SSI and now owned by the Tantoco Family. On April 10, 2014, the Tantoco Family further subscribed to an additional unissued 12,171,629 shares in the Company, which amounted to ₱1.2 billion. In addition, on April 15, 2014, the Tantoco Family made a deposit for future subscription to the 5,000,000 shares in the Company for a consideration of ₱500.0 million, pending the Philippine SEC approval of the increase in authorized capital stock of the Company from ₱3.0 billion to ₱5.0 billion.

The above corporate restructuring resulted in the Company being wholly owned by members of the Tantoco Family, which in turn gives the Tantoco Family ownership and control of the Group. As of April 2014, the above restructuring was deemed legally complete.

On January 10, 2014, Casual Clothing Retailers, Inc. was incorporated for the purpose of continuing the businesses of the Company, including operation of the brands under the Group's arrangements with GAP Inc.

On June 18, 2014, certain resolutions were approved by the Board and shareholders of the Company, including, among others: (1) change in its corporate name from "Casual Clothing Specialists, Inc." to "SSI Group, Inc."; (2) change in its primary purpose as a retail company to that of a holding company; (3) increase in its authorized capital stock from ₱3.0 billion to ₱5.0 billion; (4) reduction of par value of its shares from ₱100.00 per share to ₱1.00 per share; and (5) increase in the number of members of its board of directors from five to nine. These changes, including the appropriate amendments to its articles of incorporation, were submitted to the Philippine SEC on July 30, 2014 and were subsequently approved on August 29, 2014. Upon approval, the Company has an authorized capital stock of ₱5,000,000,000 divided into 5,000,000,000 shares with a par value of ₱1 per share.

On November 7, 2014, SSI Group, Inc. completed its initial public offering of 695,701,530 common shares with the Philippine Stock Exchange (PSE) (see Note 29).

The registered office and principal place of business of the Company is 6/F Midland Buendia Building, 403 Senator Gil Puyat Avenue, Makati City.

The interim condensed consolidated financial statements were reviewed and recommended for approval by the Audit Committee to the Board of Directors (BOD) on May 12, 2015. The same consolidated financial statements were approved and authorized by the BOD on the same date.

2. Basis of Presentation, Preparation and Consolidation and Summary of Significant Accounting Policies

Basis of Presentation

As discussed in Note 1, the Company entered into a sale and purchase of shares transactions with SSI and the members of the Tantoco Family resulting in the Company becoming the holding company of the Group. The Company and its subsidiaries, now comprising "the Group", are under common control of the Tantoco Family before and after the sale and purchase transactions in April 2014. The said transactions were treated as a reorganization of entities under common control and were accounted for similar to pooling-of-interests method. Accordingly, the interim condensed consolidated financial statements of the Company have been prepared as a continuation of the consolidated financial statements of SSI, the former holding company of the Group.

Basis of Preparation

The unaudited interim condensed consolidated financial statements as of March 31, 2015 and for the three-month periods ended March 31, 2015 and 2014 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. The unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at December 31, 2014.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and the following wholly owned subsidiaries:

	Percentage ownership			
	March 31, 2015		December 31, 2014	
	Direct	**Indirect**	Direct	Indirect
Stores Specialists, Inc. (SSI)	**100**	–	100	–
Rustan Marketing Specialists, Inc. (RMSI)	–	**100**	–	100
International Specialty Concepts, Inc. (ISCI)	–	**100**	–	100
Rustan Specialty Concepts, Inc. (RSCI)	–	**100**	–	100
Specialty Office Concepts, Inc. (SOCI)	–	**100**	–	100
Specialty Investments, Inc. (SII)	–	**100**	–	100
Luxury Concepts, Inc. (LCI)	–	**100**	–	100
International Specialty Fashions, Inc. (ISFI)	–	**100**	–	100
Footwear Specialty Retailers, Inc. (FSRI)	–	**100**	–	100
Global Specialty Retailers, Inc. (GSRI)	–	**100**	–	100
Specialty Food Retailers, Inc. (SFRI)	–	**100**	–	100
International Specialty Retailers, Inc. (ISRI)	–	**100**	–	100
International Specialty Wears, Inc. (ISWI)	–	**100**	–	100
Fastravel Specialists Holdings, Inc. (FSHI)	–	**100**	–	100
International Specialty Apparels, Inc. (ISAI)[1]	–	**100**	–	100
Casual Clothing Retailers, Inc. (CCRI)[2]	–	**100**	–	100

[1] *ISAI was registered with the SEC on October 8, 2013 and started commercial operations on October 18, 2014.*
[2] *CCRI was registered with the SEC on January 10, 2014 and immediately started commercial operations*

All subsidiaries are in the retail business and hold exclusive distributorship of certain brands.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of March 31, 2015 and for the three months ended March 31, 2015 and 2014. 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.

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.

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. 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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any NCI
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Common control business combinations and group reorganizations
Where there are group reorganizations and business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent (i.e., controlling shareholders) before and after the business combination and the control is not transitory (business combinations under common control), the Group accounts for such group reorganizations and business combinations similar to a pooling-of-interests method. The assets and liabilities of the acquired entities and that of the Company are reflected at their carrying values at the stand-alone financial statements of the investee companies. The difference in the amount recognized and the fair value of the consideration given is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction without loss of control, the difference in the amount recognized and the fair value of consideration received, is also accounted for as an equity transaction.

The Group records the difference as equity reserve and is presented as a separate component of equity in the consolidated balance sheet. Comparatives shall be restated to include balances and transactions as if the entities have been acquired at the beginning of the earliest period presented in the consolidated financial statements, regardless of the actual date of the combination.

Changes in Accounting Policies and Disclosures
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2015.

The nature and impact of each new standard and amendment is described below:

New and Amended Standards and Interpretations and Improved PFRS Adopted in Calendar Year 2015
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended standards and Philippine Interpretations from IFRIC and improved PFRS which the Group has adopted starting January 1, 2015. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements of the Group.

- PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to

be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the FRSC. Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

- Annual Improvements to PFRSs (2010-2012 cycle)
  The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

  - PFRS 2, *Share-based Payment - Definition of Vesting Condition*
    This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
    - A performance condition must contain a service condition
    - A performance target must be met while the counterparty is rendering service
    - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
    - A performance condition may be a market or non-market condition
    - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- Annual Improvements to PFRSs (2011-2013 cycle)
  The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
    The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
    - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
    - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  - PFRS 13, *Fair Value Measurement - Portfolio Exception*
    The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

3. Reorganization Involving Entities Under Common Control

As discussed in Notes 1 and 2, as a result of the sale and purchase of shares transactions among the Company, SSI and the members of the Tantoco Family, the Company became the holding company of the Group. The reorganization was accounted for by the Company similar to pooling-of-interests method.

Under the pooling-of-interests method:

- The assets and liabilities of the combining entities are reflected at their carrying amounts;
- No adjustments are made to reflect fair values, or recognize any new assets or liabilities at the date of the reorganization;
- No 'new' goodwill is recognized as a result of the reorganization;
- Any difference between the consideration transferred and the net assets acquired is reflected within equity under "Equity reserve";
- The income statement in the year of reorganization reflects the results of the combining entities for the full year, irrespective of when the reorganization took place; and
- Comparatives are presented as if the entities had always been combined only for the period that the entities were under common control.

The equity reserve recognized in the statement of changes in equity as of March 31, 2015 represents the difference between the total consideration paid by the Company for its acquisition of SSI and the capital stock of SSI as shown below:

Capital stock of SSI	₱705,014,815
Capital stock of SGI	(2,242,162,541)
Equity reserve	(₱1,537,147,726)

Prior to the reorganization (i.e. as of December 31, 2013, 2012 and 2011 and March 31, 2014) the balance of the equity reserve represents the difference between the legal capital of the Company and SSI.

4. Cash and Cash Equivalents

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Cash on hand	**₱25,311,167**	₱76,104,404
Cash in banks	**1,227,239,835**	1,650,479,361
Short-term investments	**–**	801,244,444
	₱1,252,551,002	₱2,527,828,209

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months 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 three months ended March 31, 2015 and 2014 amounted to ₱1,200,315 and ₱799,426, respectively.

5. Trade and Other Receivables

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Trade receivables	**₱136,120,652**	₱244,248,603
Nontrade receivables	**212,979,095**	182,755,203
Advances to officers and employees	**80,012,504**	97,062,879
Receivables from related parties (see Note 20)	**54,363,776**	54,798,851
Others	**4,324,837**	6,007,112
	₱487,800,864	₱584,872,648

Trade receivables are due from credit card companies and normally settled on three days' terms. Nontrade receivables, advances to officers and employees and other receivables are usually settled within one year.

Other receivables generally include receivables from contractors for professional services and overpayment to supplier.

6. Merchandise Inventory

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
At cost		
On hand	**₱8,535,221,425**	₱7,437,886,515
In transit	**436,788,459**	542,183,584
	₱8,972,009,884	₱7,980,070,099

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. All inventories are presented at cost.

The cost of inventories recognized as expense and presented in “Cost of goods sold” amounted to ₱1,640,283,565 and ₱1,355,290,973, for the three months ended March 31, 2015 and 2014, respectively (see Note 15).

7. Prepayments and Other Current Assets

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Input VAT	**₱233,102,160**	₱211,196,273
Supplies inventory	**113,412,289**	103,590,564
Prepaid tax	**63,567,828**	33,360,716
Prepaid rent (see Note 24)	**59,841,948**	61,502,482
Deferred input VAT	**41,491,582**	39,770,839
Prepaid advertising	**26,245,860**	18,780,843
Prepaid insurance	**10,907,968**	11,288,664
Creditable withholding tax	**9,453,068**	5,841,444
Prepaid guarantee	**2,964,648**	2,790,533
Miscellaneous deposits	**300,000**	1,124,888
Current portion of security deposits (see Note 24)	**–**	10,185,026
Others	**159,329,551**	90,907,466
	₱720,616,902	₱590,339,738

Miscellaneous deposits pertain to deposits with contractors for the construction of leasehold improvements of stores. Input VAT will be applied against output VAT.

Others include advances for purchases arising from transactions made by the Group with its foreign suppliers and advances to suppliers.

8. Investment in an Associate

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Acquisition cost	**₱24,640,000**	₱24,640,000
Accumulated equity in net earnings:		
Balance at beginning of year	**24,477,530**	18,297,695
Share in net earnings	**7,567,619**	24,179,835
Dividends received	**–**	(18,000,000)
Balance at end of year	**32,045,149**	24,477,530
	₱56,685,149	₱49,117,530

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 March 31, 2015 and December 31, 2014, 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.

9. Interests in Joint Ventures

The Company entered into two joint venture projects in 2012. The Group's interests in joint ventures pertain to the following:

Joint venture	Joint venture partner	Project description	Income sharing arrangement
SCRI	Varejo Corporation	Open and operate convenience stores directly owned and/or franchised in the Philippines	50:50
SSRI	Ayala Land, Inc.	Investment in and operation of mid-market department stores	50:50

A summary of the movements in carrying values of interests in joint ventures are set out below:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
SCRI	**₱254,631,077**	₱146,194,230
SSRI	**436,232,798**	333,261,283
	₱690,863,875	₱479,455,513

SCRI (50% take up through SII)

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Acquisition cost	**₱353,450,000**	₱223,850,000
Accumulated equity in net earnings:		
Balance at beginning of period	**(77,655,770)**	(20,275,285)
Share in net loss	**(21,163,153)**	(57,380,485)
Balance at end of period	**(98,818,923)**	(77,655,770)
	₱254,631,077	₱146,194,230

SSRI (50% take up through SII)

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Acquisition cost	**₱552,250,000**	₱420,750,000
Accumulated equity in net earnings:		
Balance at beginning of period	**(87,488,717)**	–
Share in net loss	**(28,528,485)**	(87,488,717)
Balance at end of period	**(116,017,202)**	(87,488,717)
	₱436,232,798	₱333,261,283

The joint ventures have no contingent liabilities or capital commitments as of March 31, 2015 and December 31, 2014.

10. Property and Equipment

The composition and movements of this account are as follows:

	For the Three Months Ended March 31, 2015 (Unaudited)					
	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Construction in Progress	**Total**
Cost:						
Balances at beginning of year	₱6,340,315,432	₱1,872,078,320	₱736,966,441	₱243,614,203	₱101,973,187	**₱9,294,947,583**
Additions	315,152,049	86,767,383	64,190,269	3,644,998	12,886,593	**482,641,292**
Disposals	(8,422,471)	(2,310,236)	–	–	–	**(10,732,707)**
Reclassifications	13,204,768	14,001,857	–	–	(27,206,625)	**–**
Balances at end of year	6,660,249,778	1,970,537,324	801,156,710	247,259,201	87,653,155	**9,766,856,168**
Accumulated depreciation and Impairment:						
Balances at beginning of year	3,378,403,168	1,131,996,960	62,985,677	41,497,177	–	**4,614,882,982**
Depreciation (see Note 20)	256,711,307	63,731,419	9,522,910	4,710,716	–	**334,676,352**
Disposals	(4,065,303)	(1,458,497)	–	–	–	**(5,523,800)**
Balances at end of year	3,631,049,172	1,194,269,882	72,508,587	46,207,893	–	**4,944,035,534**
Net book values	**₱3,029,200,606**	**₱776,267,442**	**₱728,648,123**	**₱201,051,308**	**₱87,653,155**	**₱4,822,820,634**

	For the Year Ended December 31, 2014 (Audited)					
	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Construction in Progress	Total
Cost:						
Balances at beginning of year	₱4,185,621,829	₱1,367,468,612	₱58,326,550	₱228,272,062	₱400,380,187	₱6,240,069,240
Additions	2,200,779,247	509,626,706	–	16,359,998	417,099,098	3,143,865,049
Disposals	(82,951,851)	(5,016,998)	–	(1,017,857)	–	(88,986,706)
Reclassifications	36,866,207	–	678,639,891	–	(715,506,098)	–
Balances at end of year	6,340,315,432	1,872,078,320	736,966,441	243,614,203	101,973,187	9,294,947,583
Accumulated depreciation:						
Balances at beginning of year	2,642,537,431	938,835,542	43,279,720	22,716,040	–	3,647,368,733
Depreciation (see Note 20)	803,206,745	195,622,278	19,705,957	19,035,601	–	1,037,570,581
Disposals	(67,341,008)	(2,460,860)	–	(254,464)	–	(70,056,332)
Balances at end of year	3,378,403,168	1,131,996,960	62,985,677	41,497,177	–	4,614,882,982
Net book values	₱2,961,912,264	₱740,081,360	₱673,980,764	₱202,117,026	₱101,973,187	₱4,680,064,601

11. Other Noncurrent Assets

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Miscellaneous deposits	**₱125,476,226**	₱62,757,338
Franchise fee	**13,718,917**	14,146,743
Advances to suppliers and contractors	**10,953,981**	7,296,504
Prepaid rent - net of current portion	**6,677,048**	6,011,528
Software costs	**2,254,594**	1,397,495
Others	**7,702,213**	7,981,777
	₱166,782,979	₱99,591,385

Miscellaneous deposits pertain to advance payment to contractors for the construction and renovation of stores.

12. Trade and Other Payables

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Trade payables	**₱1,381,429,212**	₱1,599,830,624
Nontrade payables	**821,437,053**	948,693,341
Accrued expenses	**202,372,322**	430,413,494
Retention payable	**131,178,975**	107,308,393
Output VAT	**10,594,968**	37,809,812
Payables to related parties (see Note 20)	**1,808,833**	7,240,136
Others	**94,208,950**	116,825,116
	₱2,643,030,313	₱3,248,120,916

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

Nontrade payables represent customer's deposits, payables to contractors and statutory payables such as withholding taxes, SSS premiums and other liabilities to government agencies.

Accrued expenses pertain to accrued security and safety, supplies and utilities expense and accruals of royalties to be paid to foreign principals. Other payables include payables to other local suppliers. Nontrade payables, accrued expenses and other payables are generally paid within 12 months from balance sheet date.

13. **Short-term Loans Payable**

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Banks:		
Rizal Commercial Banking Corporation (RCBC)	**₱1,005,000,000**	₱755,000,000
Bank of Philippine Islands (BPI)	**1,000,000,000**	1,000,000,000
Hongkong and Shanghai Banking Corporation Limited (HSBC)	**580,736,738**	654,885,490
Security Bank Corporation (SBC)	**643,000,000**	416,750,000
Banco de Oro (BDO)	**570,000,000**	370,000,000
China Banking Corporation (CBC)	**300,000,000**	400,000,000
	₱4,098,736,738	₱3,596,635,490

The Group's outstanding short-term peso-denominated loans from local commercial banks bear interest at rates ranging from 3.00% to 4.60% and 3.00% to 5.24%, for the three months ended 2015 and 2014, respectively.

Interest expense recognized in the consolidated statements of comprehensive income for the three months ended March 31, 2015 and 2014 amounted to ₱59,501,772 and ₱32,602,677, respectively.

14. **Long-term Debt**

On May 8, 2013, the Group entered into a credit facility for the ₱2.0 billion syndicated term loan facility with BPI, SBC, CBC, MBTC and RCBC. 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. Principal repayments are due quarterly starting August 20, 2014.

The loan carries an 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 syndicated term loan will mature on February 20, 2020.

The details of the Group's long term debt (net of transaction costs) are as follows:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
BPI	**₱462,571,098**	₱484,214,163
SBC	**462,571,098**	484,214,163
CBC	**319,104,498**	334,034,958
MBTC	**319,104,498**	334,034,958
RCBC	**175,637,899**	183,855,754
Total	**1,738,989,091**	1,820,353,996
Less current portion	**329,653,444**	328,514,924
Noncurrent portion	**₱1,409,335,647**	₱1,491,839,072

The long-term debts are presented net of unamortized transaction costs. A rollforward analysis of unamortized transaction costs in 2014 and 2013 follows:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Balance at beginning of period	**₱12,979,337**	₱17,169,480
Transaction costs recognized during the period	–	3,500,000
Amortization	**(1,968,427)**	(7,690,143)
Balance at end of period	**₱11,010,910**	₱12,979,337

Interest expense relating to long-term debt recognized in the consolidated statements of comprehensive income for the three months ended March 31, 2015 and 2014 amounted to ₱14,335,006 and ₱18,204,103, respectively.

Loan Covenants

The loan covenants covering the Group's outstanding debts include, among others, maintenance of certain level of current, debt-to-equity and debt-service coverage ratios. As of March 31, 2015 and December 31, 2014 the Group is in compliance with the loan covenants of all their respective outstanding debts.

15. Cost of Goods Sold

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Cost of merchandise sold	**₱1,640,283,565**	₱1,355,290,973
Royalty fees	**61,318,023**	20,660,322
Advertising	**34,962,794**	29,768,690
Personnel costs (see Note 18)	**23,740,446**	48,416,023
Travel and transportation	**11,000,474**	10,864,354
Rent (see Notes 20 and 24)	**8,907,839**	6,850,191
Depreciation and amortization (see Notes 10, 11 and 19)	**5,711,154**	3,660,306
Utilities	**3,343,163**	2,065,511
Repairs and maintenance	**2,661,052**	1,070,411
Security and safety	**1,497,436**	2,764,251
Insurance	**627,557**	278,843
Supplies and maintenance	**106,645**	299,428
Taxes and licenses	**4,555**	83,216
Others	**731,115**	1,037,025
	₱1,794,895,818	₱1,483,109,544

Cost of merchandise sold:

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Merchandise inventory, beginning	**₱7,980,070,099**	₱5,898,907,758
Net purchases	**2,622,444,913**	2,252,838,783
Cost of merchandise available for sale	**10,602,515,012**	8,151,746,541
Less merchandise inventory, ending	**8,962,231,447**	6,796,455,568
	₱1,640,283,565	₱1,355,290,973

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

Cost of merchandise sold represents cost of merchandise inventory sold and the cost that are directly attributable to bringing the goods to its intended location.

16. Selling and Distribution Expenses

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Rent (see Notes 20 and 24)	**₱435,143,012**	₱390,648,462
Depreciation and amortization (see Notes 10, 11 and 19)	**302,671,741**	184,548,655
Personnel costs (see Note 18)	**256,845,443**	223,328,674
Utilities	**152,390,726**	130,887,965
Credit card charges	**78,399,559**	66,986,499
Taxes and licenses	**60,302,146**	57,721,661
Supplies and maintenance	**47,871,149**	57,705,338
Security services	**42,487,361**	37,095,873
Advertising	**25,751,214**	23,520,196
Global marketing contribution fee	**25,954,396**	18,747,415
Repairs and maintenance	**14,740,050**	13,460,561
Travel and transportation	**12,384,834**	12,102,697
Insurance	**9,438,449**	6,995,835
Delivery and freight charges	**9,438,270**	14,088,270
Communication	**9,133,298**	7,474,690
Outside services	**3,334,110**	1,444,776
Entertainment, amusement and recreation (EAR)	**1,286,784**	1,592,673
Telegraphic transfer	**709,171**	782,755
Others	**10,665,196**	9,965,083
	₱1,498,946,909	₱1,259,098,078

17. **General and Administrative Expenses**

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Personnel costs (see Note 18)	**₱102,748,498**	₱100,211,022
Rent (see Notes 20 and 24)	**29,408,276**	31,440,746
Depreciation and amortization (see Notes 10, 11 and 19)	**26,293,457**	21,300,750
Supplies and maintenance	**11,492,531**	9,794,733
Taxes and licenses	**10,941,690**	14,811,311
Travel and transportation	**6,580,012**	8,062,439
Security services	**5,413,347**	6,825,183
Repairs and maintenance	**5,071,264**	7,780,908
Utilities	**3,707,841**	7,186,519
Professional fees	**3,121,705**	3,899,563
Insurance	**3,086,857**	3,320,305
Advertising	**2,989,710**	9,208,853
EAR	**2,971,038**	3,423,591
Communication	**2,837,582**	2,579,886
Outside service	**103,237**	121,890
Others	**10,247,148**	15,286,310
	₱227,014,193	₱245,254,009

18. **Personnel Costs**

Personnel costs were charged to operations as follows:

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Salaries, wages and bonuses	**₱336,187,217**	₱315,065,497
Retirement benefit expense	**11,021,810**	18,611,879
Other employee benefits	**36,125,360**	38,278,343
	₱383,334,387	₱371,955,719

Personnel expenses were distributed as follows:

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Cost of goods sold (see Note 15)	**₱23,740,446**	₱48,416,023
Selling and distribution (see Note 16)	**256,845,443**	223,328,674
General and administrative (see Note 17)	**102,748,498**	100,211,022
	₱383,334,387	₱371,955,719

19. **Depreciation and Amortization Expense**

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Property and equipment (see Note 10)	**₱334,676,352**	₱209,092,957
Initial master fee (see Note 11)	**–**	416,754
	₱334,676,352	₱209,509,711

Depreciation and amortization were distributed as follows:

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Cost of goods sold (see Note 15)	**₱5,711,154**	₱3,660,306
Selling and distribution (see Note 16)	**302,671,741**	184,548,655
General and administrative (see Note 17)	**26,293,457**	21,300,750
	₱334,676,352	₱209,509,711

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

a. Lease of the Group's store outlet spaces from a related party (see Note 24). Related rent expense amounted to ₱26.6 million and ₱32.8 million, for the three months in the period ended March 31, 2015 and 2014, respectively;

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

c. Sales through the use of related parties' gift certificates. Total value of the related parties' gift certificates used amounted to ₱11.5 million and ₱15.2 million for the three months in the period ended March 31, 2015 and 2014, respectively;

d. Short-term noninterest-bearing cash advances to/from related parties; and

e. Compensation of the Company's key management personnel comprised of short-term employee benefits amounting to ₱9.5 million, ₱9.0 million for the three months in the period ended March 31, 2015 and 2014, respectively, and post-employment benefits amounting to ₱1.4 million and ₱1.1 million for the three months in the period ended March 31, 2015 and 2014, respectively;

As of March 31, 2015 and December 31, 2014, receivables from and payables to related parties are as follows (amounts in thousands):

Related Party	Nature of Transactions	Transactions: **Three months ended March 31 2015**	Transactions: Year ended December 31 2014	**Balances as at March 31 2015**	Balances as at December 31 2014
Receivables from related parties					
Affiliates					
Rustan Commercial Corporation (RCC)	Lease and purchase of gift certificates	**₱5,344**	₱35,729	**₱31,700**	₱41,626
Philippine Family Mart CVS,Inc. (PFM)	Various expenses	**308**	6,423	**6,731**	6,423
Rustan Marketing Corporation (RMK)	Various expenses	**667**	2,794	**4,392**	2,794
Joint venture					
SCRI	Various expenses	**8,765**	3,401	**11,031**	3,451
Associate					
SPI	Various expenses	**81**	505	**510**	505
		₱15,165	48,852	**₱54,364**	54,799
Payables to related parties					
Affiliates					
RMK	Various expenses	**(₱1,277)**	₱3,546	**₱1,809**	₱3,746
RCC	Various expenses	**(3,494)**	3,494	**–**	3,494
		(₱4,771)	₱7,040	**₱1,809**	₱7,240

Related Party	Nature of Transactions	Transactions: **Three months ended March 31 2015**	Transactions: Year ended December 31 2014	**Balances as at March 31 2015**	Balances as at December 31 2014
Amounts owed by related parties					
Affiliates					
RMK	Advances	**₱–**	₱–	**₱20**	₱20
RCC	Advances	**457**	456	**593**	1,050
PFM	Advances	**–**	4,386	**4,386**	4,387
Associate					
SPI	Advances	**–**	–	**1,485**	1,485
		₱457	₱4,842	**₱6,484**	₱6,942
Amounts owed to related parties					
Affiliate					
RMK	Advances	**₱61**	(₱22)	**₱85**	₱24

Others include advances from stockholders which are noninterest-bearing and have no fixed repayment dates but are due and demandable.

RCC and RMK are controlled by certain key management personnel of the Group.

SCRI and SPI are joint venture and associate, respectively, of the Group.

The above related party balances as of March 31, 2015 and December 31, 2014 are unsecured, on demand and noninterest-bearing.

21. **Earnings Per Share (EPS)**

The following tables reflect the net income and share data used in the basic/dilutive EPS computations:

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Net income	**₱267,027,412**	₱218,363,591
Divided by weighted average number of common shares	**2,574,955,204**	2,073,850,400
	₱0.10	₱0.11

EPS is calculated using the consolidated net income divided by the weighted average number of shares, wherein the 19,171,629 additional shares issued in 2014 to effect and fund the group reorganization were recognized as if these shares were issued at the beginning of the earliest period presented.

There were no potential dilutive common shares for the three months ended March 31, 2015 and 2014.

22. **Risk Management Objectives and Policies**

The principal financial instruments of the Group are cash and cash equivalents 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 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. The magnitudes of these risks that have arisen over the year are discussed below.

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 receivables since the Group expects to fully realize its receivables from its debtors. With respect to credit risk from other financial assets of the Group, which is mainly comprised of cash in banks, short-term investments, amounts owed by related parties, trade and other receivables and security deposits, the exposure of the Group to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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

The aging analyses of financial assets that are past due but not impaired are as follows:

March 31, 2015

	Total	**Neither past due nor impaired**	**Past due but not impaired <30 days**	**30 - 60 days**	**60 - 90 days**	**> 90 days**	**Impaired**
Cash in banks and short-term investments	**₱1,227,239,835**	₱1,227,239,835	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables	**136,120,652**	121,051,233	5,477,470	7,631,126	718,706	1,242,117	–
Nontrade receivables	**212,979,095**	128,336,461	34,388,873	4,700,262	8,273,317	37,280,182	–
Receivables from related parties	**54,363,776**	329,381	–	54,034,395	–	–	–
Advances to officers and employees	**80,012,504**	78,385,072	1,254,785	372,647	–	–	–
Other receivables	**4,324,837**	4,324,837	–	–	–	–	–
Amounts owed by related parties	**6,484,297**	6,484,297	–	–	–	–	–
Security deposits and construction bonds	**866,309,374**	866,309,374	–	–	–	–	–
Total	**₱2,587,834,370**	**₱2,432,460,490**	**₱41,121,128**	**₱66,738,430**	**₱8,992,023**	**₱38,522,299**	**₱–**

December 31, 2014

	Total	Neither past due nor impaired	Past due but not impaired <30 days	30 - 60 days	60 - 90 days	> 90 days	Impaired
Cash in banks and cash equivalents	₱2,451,723,805	₱2,451,723,805	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables	244,052,902	231,204,212	5,060,711	3,727,175	2,613,184	1,447,620	–
Nontrade receivables	182,755,203	99,594,691	29,462,458	10,395,954	4,056,416	39,245,684	–
Receivables from related parties	54,798,851	54,798,851	–	–	–	–	–
Advances to officers and employees	97,062,879	95,503,410	1,559,469	–	–	–	–
Other receivables	6,007,112	6,007,112	–	–	–	–	–
Amounts owed by related parties	6,941,758	6,941,758	–	–	–	–	–
Current portion of security deposits (presented under "Prepayments and other current assets")	10,185,026	10,185,026	–	–	–	–	–
Security deposits and construction bonds	806,968,668	806,968,668	–	–	–	–	–
Total	₱3,860,496,204	₱3,762,927,533	₱36,082,638	₱14,123,129	₱6,669,600	₱40,693,304	₱–

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 three months ended March 31, 2015 and year ended December 31, 2014. Capital includes equity as shown in the consolidated balance sheet.

As disclosed in Note 14, 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 Company includes within debt all interest-bearing short-term and long-term liabilities. These externally imposed capital requirements have been complied with as of March 31, 2015.

23. 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:

	March 31, 2015 (Unaudited)		December 31, 2014 (Audited)	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets				
Loans and receivables				
Security deposits and construction bonds	**₱866,309,374**	**₱842,807,344**	₱808,421,478	₱785,727,709
Financial Liabilities				
Other financial liabilities				
Long-term debt	**₱1,738,989,091**	**₱1,746,837,543**	₱1,820,353,996	₱1,824,075,610

Due to relatively short maturity, ranging from one to twelve months, carrying amounts approximate fair values for cash and cash equivalents, trade and other receivables, amounts owed by and to related parties and trade and other payables.

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, trade and other payables and short-term loans
The carrying values of cash and cash equivalents, trade and other receivables, amounts owed by/to related parties, trade and other payables and short-term loans approximate their fair values due to the short-term maturity of these financial instruments.

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 2.43% to 5.08% and 2.10% to 4.89%, were used in calculating the fair value of the Group's refundable deposits as of March 31, 2015 and December 31, 2014, 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 3.81% to 4.72% and 4.04% to 5.31% were used in calculating the fair value of the Group's long-term debt as of March 31, 2015 and December 31, 2014, respectively.

Fair Value Hierarchy
The Group uses the following hierarchy in determining and disclosing the fair value of financial instruments by valuation technique:

- 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.

Below is the list of financial assets carried at and/or disclosed at fair value that are classified using a fair value hierarchy:

	March 31, 2015 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
Disclosed at fair value				
Security deposits and construction bonds	₱–	₱842,807,344	₱–	**₱842,807,344**
Long-term debt	–	(1,746,837,543)	–	**(1,746,837,543)**
Total	**₱–**	**(₱904,030,199)**	**₱–**	**(₱904,030,199)**

	December 31, 2014 (Audited)			
	Level 1	Level 2	Level 3	Total
Disclosed at fair value				
Security deposits and construction bonds	₱–	₱785,727,709	₱–	₱785,727,709
Long-term debt	–	(1,824,075,610)	–	(1,824,075,610)
Total	₱–	(₱1,038,347,901)	₱–	(₱1,038,347,901)

As at March 31, 2015 and December 31, 2014 the Group does not have financial instruments with fair values determined using inputs that are classified under Level 1 and 3.

For the three months ended March 31, 2015 and years ended December 31, 2014, 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.

24. Contracts and Commitments

Leases

The Group leases its office space and certain store outlets used in its operations for lease terms ranging from two to three 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. Rentals charged to operations amounted to ₱473,459,127 and ₱428,939,399, for the three months ended March 31, 2015 and 2014, respectively (see Notes 15, 16 and 17).

Of the total rent expense, ₱115,351,894 and ₱105,521,686 for the three months ended March 31, 2015 and 2014, respectively, pertain to contingent rent of some stores based on percentage ranging from 3% to 6% of total merchandise sales.

The Group has paid security deposits for the store outlets and office spaces with carrying amounts of ₱866.3 million and ₱817.2 million as of March 31, 2015 and December 31, 2014, 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 1.24% to 7.15%. Interest income recognized from these security deposits amounted to ₱594,161 and ₱536,255, for the three months ended March 31, 2015 and 2014, respectively.

25. 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 three months ended March 30, 2015 and 2014 (amounts in thousands):

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Net Sales		
Luxury and Bridge	**₱795,390**	₱749,061
Casual	**575,021**	530,958
Fast Fashion	**1,552,607**	1,231,149
Footwear, Accessories and Luggage	**565,203**	457,472
Other	**546,173**	421,003
	₱4,034,394	₱3,389,643

The Group's customers are located in the Philippines and Guam, with bulk of the revenues being contributed by local customers. Following shows the revenue contribution by geographical areas (amounts in thousands).

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Philippines	**₱4,001,460**	₱3,348,589
Guam	**32,934**	41,054
	₱4,034,394	₱3,389,643

26. **Equity**

a. Common Shares

The Company's authorized and issued capital stock as of March 31, 2015 and December 31, 2014 follows:

	Number of Shares	
	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Authorized capital stock, ₱1 par value	**5,000,000,000**	5,000,000,000
Issued capital stock:		
Balance at beginning of year	**3,312,864,430**	2,000,000
Issued during the period	**–**	19,171,629
Balance before stock split	**3,312,864,430**	21,171,629
Effect of stock split*	**–**	2,095,991,271
Balance after stock split	**3,312,864,430**	2,117,162,900
Issued during the period	**–**	1,195,701,530
Balance at end of year	**3,312,864,430**	3,312,864,430

**Philippine SEC approved application of the Company for a stock split on August 29, 2014. As a result, par value of the Company's common shares changed from ₱100 per share to ₱1 per share.*

	Capital Stock	
	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Issued capital stock:		
Balance at beginning of year	**₱3,312,864,430**	₱200,000,000
Issued during the period	**–**	3,112,864,430
Balance at end of year	**₱3,312,864,430**	₱3,312,864,430

27. **Seasonality of operations**

The Group experiences seasonal fluctuations in its operations. The Group's sales typically peak during the fourth quarter of the year due to the increased sales attributable to the Christmas and New Year Holidays. The second quarter of the year is also a peak season as it coincides with summer break and back to school shopping, among others.

SSIGROUP, Inc

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

March 27, 2015

Securities and Exchange Commission
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

The management of SSI Group, Inc. (Formerly Casual Clothing Specialists, Inc.) and Subsidiaries (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

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

ZENAIDA R. TANTOCO
Chairman of the Board

ANTHONY T. HUANG
President

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 14th April 2015 in Makati, Metro Manila; affiants exhibiting to me their respective Philippine passports, as follows:

Name	Passport No.	Date/Place of Issue
Zenaida R. Tantoco	EB6381671	September 20, 2012/Manila
Anthony T. Huang	EB5215003	April 23, 2012/Manila
Ma. Teresa R. Tantoco	EB4601913	February 2, 2012/Manila

ATTY. DWIGHT M. GALARRITA
NOTARY PUBLIC
APPOINTMENT ... MAKATI CITY
... CITY
... CITY
... 2013
... 2423

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SSI Group, Inc. (Formerly Casual Clothing Specialists, Inc.) and Subsidiaries

Consolidated Financial Statements
December 31, 2014 and 2013
and Years Ended December 31, 2014, 2013 and 2012

and

Independent Auditors' Report

SGV
Building a better working world

A member firm of Ernst & Young Global Limited

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
SSI Group, Inc.

We have audited the accompanying consolidated financial statements of SSI Group, Inc. (formerly Casual Clothing Specialists, Inc.) and its Subsidiaries, which comprise the consolidated statements of balance sheets as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SSI Group, Inc. and its Subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Ladislao Z. Avila, Jr.
Partner
CPA Certificate No. 69099
SEC Accreditation No. 0111-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 109-247-891
BIR Accreditation No. 08-001998-43-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751254, January 5, 2015, Makati City

March 27, 2015

SSI GROUP, INC. (Formerly Casual Clothing Specialists, Inc.) AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱2,527,828,209**	₱1,134,749,837
Trade and other receivables (Note 6)	**584,872,648**	499,297,538
Merchandise inventory (Note 7)	**7,980,070,099**	5,898,907,758
Amounts owed by related parties (Note 21)	**6,941,758**	8,668,359
Prepayments and other current assets (Note 8)	**590,339,738**	331,649,745
Total Current Assets	**11,690,052,452**	7,873,273,237
Noncurrent Assets		
Investment in an associate (Note 9)	**49,117,530**	42,937,695
Interests in joint ventures (Note 10)	**479,455,513**	369,074,715
Property and equipment (Note 11)	**4,680,064,601**	2,592,700,507
Deferred tax assets (Note 23)	**254,727,150**	185,264,695
Security deposits and construction bonds (Note 27)	**806,968,668**	565,049,456
Other noncurrent assets (Note 12)	**99,591,385**	249,618,459
Total Noncurrent Assets	**6,369,924,847**	4,004,645,527
TOTAL ASSETS	**₱18,059,977,299**	₱11,877,918,764
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 13)	**₱3,248,120,916**	₱3,497,635,725
Short-term loans payable (Note 14)	**3,596,635,490**	3,810,985,777
Current portion of long-term debt (Note 15)	**328,514,924**	108,333,333
Amounts owed to related parties (Note 21)	**24,220**	155,236
Deferred revenue	**24,100,045**	22,507,779
Income tax payable	**192,460,335**	210,269,251
Total Current Liabilities	**7,389,855,930**	7,649,887,101
Noncurrent Liabilities		
Long-term debt (Note 15)	**1,491,839,072**	1,174,497,187
Retirement benefit obligation (Note 22)	**306,185,820**	225,445,731
Deferred tax liability (Note 23)	**236,484**	–
Deposits for future stock subscription to SSI	**–**	61,580,320
Total Noncurrent Liabilities	**1,798,261,376**	1,461,523,238
Equity		
Capital stock (Note 29)	**3,312,864,430**	200,000,000
Additional paid-in capital (Note 29)	**4,056,457,439**	–
Stock grant	**4,205,123**	–
Equity reserve (Note 4)	**(1,537,147,726)**	500,434,495
Retained earnings		
Appropriated	**510,000,000**	1,290,000,000
Unappropriated	**2,617,168,339**	838,616,229
Cumulative translation adjustment	**4,516,079**	(5,242,165)
Other comprehensive income	**(96,203,691)**	(57,300,134)
Total Equity	**8,871,859,993**	2,766,508,425
TOTAL LIABILITIES AND EQUITY	**₱18,059,977,299**	₱11,877,918,764

See accompanying Notes to Consolidated Financial Statements.

SSI GROUP, INC. (Formerly Casual Clothing Specialists, Inc.) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
NET SALES	**₱15,213,323,956**	₱12,787,581,909	₱11,609,762,839
COSTS OF GOODS SOLD (Note 16)	**6,680,845,452**	6,495,583,688	6,510,262,858
GROSS PROFIT	**8,532,478,504**	6,291,998,221	5,099,499,981
OPERATING EXPENSES			
Selling and distribution (Note 17)	**5,530,234,060**	4,583,855,201	3,746,285,955
General and administrative (Note 18)	**1,120,760,076**	791,070,174	722,983,583
	6,650,994,136	5,374,925,375	4,469,269,538
OTHER INCOME (CHARGES)			
Share in net earnings of an associate (Note 9)	**24,179,835**	17,628,250	16,129,065
Interest accretion on security deposits (Note 27)	**8,510,623**	6,165,280	2,505,521
Foreign exchange gains - net	**6,167,211**	21,117,594	10,942,751
Interest income (Note 5)	**4,473,664**	3,887,650	13,037,077
Interest expense (Notes 14 and 15)	**(281,585,421)**	(92,226,440)	(21,506,046)
Share in net losses of joint ventures (Note 10)	**(144,869,202)**	(20,275,285)	–
Others - net	**(1,692,202)**	48,125,922	5,089,873
	(384,815,492)	(15,577,029)	26,198,241
INCOME BEFORE INCOME TAX	**1,496,668,876**	901,495,817	656,428,684
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)			
Current	**551,119,917**	347,374,886	222,775,520
Deferred	**(52,733,938)**	(59,622,162)	(28,487,333)
	498,385,979	287,752,724	194,288,187
NET INCOME	**998,282,897**	613,743,093	462,140,497
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment on foreign operations, net of deferred tax	**9,758,244**	1,833,736	(7,696,234)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement loss on retirement benefit, net of deferred tax	**(38,903,557)**	(34,395,164)	(4,060,882)
TOTAL COMPREHENSIVE INCOME	**₱969,137,584**	₱581,181,665	₱450,383,381
BASIC/DILUTED EARNINGS PER SHARE (Note 24)	**₱0.42**	₱0.30	₱0.24

See accompanying Notes to Consolidated Financial Statements.

SSI GROUP, INC. (Formerly Casual Clothing Specialists, Inc.) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

	Capital Stock (Note 29)	Additional Paid-in Capital	Stock grants	Equity Reserve (Note 4)	Retained Earnings (Note 29)		Cumulative Translation Adjustment	Other Comprehensive Income	Total
					Appropriated	Unappropriated			
Balances at January 1, 2012	₱25,000,000	₱75,000,000	₱–	(₱194,985,185)	₱470,000,000	₱629,111,841	₱620,333	(₱18,844,088)	₱985,902,901
Net income	–	–	–	–	–	462,140,497	–	–	462,140,497
Other comprehensive income	–	–	–	–	–	–	–	(4,060,882)	(4,060,882)
Exchange differences on translation	–	–	–	–	–	–	(7,696,234)	–	(7,696,234)
Total comprehensive income for the year	–	–	–	–	–	462,140,497	(7,696,234)	(4,060,882)	450,383,381
Appropriation of retained earnings	–	–	–	–	430,000,000	(430,000,000)	–	–	–
Increase in deposits for future subscription	–	100,000,000	–	–	–	–	–	–	100,000,000
Cash dividend declared	–	–	–	–	–	(46,379,202)	–	–	(46,379,202)
Movement in equity reserve	–	–	–	(100,000,000)	–	–	–	–	(100,000,000)
Balances at December 31, 2012	**₱25,000,000**	**₱175,000,000**	**₱–**	**(₱294,985,185)**	**₱900,000,000**	**₱614,873,136**	**(₱7,075,901)**	**(₱22,904,970)**	**₱1,389,907,080**
Balances at January 1, 2013	₱25,000,000	₱175,000,000	₱–	(₱294,985,185)	₱900,000,000	₱614,873,136	(₱7,075,901)	(₱22,904,970)	₱1,389,907,080
Net income	–	–	–	–	–	613,743,093	–	–	613,743,093
Other comprehensive income	–	–	–	–	–	–	–	(34,395,164)	(34,395,164)
Exchange differences on translation	–	–	–	–	–	–	1,833,736	–	1,833,736
Total comprehensive income for the year	–	–	–	–	–	613,743,093	1,833,736	(34,395,164)	581,181,665
Appropriation of retained earnings	–	–	–	–	500,000,000	(500,000,000)	–	–	–
Reversal of appropriated retained earnings	–	–	–	–	(110,000,000)	110,000,000	–	–	–
Conversion of deposits for future subscription to capital stock	175,000,000	(175,000,000)	–	–	–	–	–	–	–
Movement in equity reserve	–	–	–	795,419,680	–	–	–	–	795,419,680
Balances at December 31, 2013	**₱200,000,000**	**₱–**	**₱–**	**₱500,434,495**	**₱1,290,000,000**	**₱838,616,229**	**(₱5,242,165)**	**(₱57,300,134)**	**₱2,766,508,425**

(Forward)

	Capital Stock (Note 29)	Additional Paid-in Capital	Stock grants	Equity Reserve (Note 4)	Retained Earnings (Note 29) Appropriated	Retained Earnings (Note 29) Unappropriated	Cumulative Translation Adjustment	Other Comprehensive Income	Total
Balances at January 1, 2014	₱200,000,000	₱–	₱–	₱500,434,495	₱1,290,000,000	₱838,616,229	(₱5,242,165)	(₱57,300,134)	₱2,766,508,425
Net income	–	–	–	–	–	998,282,897	–	–	998,282,897
Other comprehensive income	–	–	–	–	–	–	–	(38,634,344)	(38,634,344)
Exchange differences on translation	–	–	–	–	–	–	9,758,244	–	9,758,244
Total comprehensive income for the year	–	–	–	–	–	998,282,897	9,758,244	(38,634,344)	969,406,797
Issuance of capital stock	2,417,162,900	–	–	–	–	–	–	–	2,417,162,900
Issuance of capital stock through initial public offering	695,701,530	4,056,457,439	–	–	–	–	–	–	4,752,158,969
Reversal of appropriation of retained earnings	–	–	–	–	(780,000,000)	780,000,000	–	–	–
Stock grants	–	–	4,205,123	–	–	–	–	–	4,205,123
Movement in equity reserve (Note 4)	–	–	–	(2,037,582,221)	–	–	–	–	(2,037,582,221)
Other comprehensive income on retirement obligation closed directly to retained earnings	–	–	–	–	–	269,213	–	(269,213)	–
Balances at December 31, 2014	**₱3,312,864,430**	**₱4,056,457,439**	**₱4,205,123**	**(₱1,537,147,726)**	**₱510,000,000**	**₱2,617,168,339**	**₱4,516,079**	**(₱96,203,691)**	**₱8,871,859,993**

SSI GROUP, INC. (Formerly Casual Clothing Specialists, Inc.)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,496,668,876**	₱901,495,817	₱656,428,684
Adjustments for:			
Depreciation and amortization (Notes 11, 12 and 20)	**1,039,304,397**	633,675,839	592,612,612
Interest expense (Note 14 and 15)	**281,585,421**	92,226,440	21,506,046
Share in net losses of joint ventures (Note 10)	**144,869,202**	20,275,285	–
Loss on disposal of property and equipment (Note 11)	**18,930,374**	610,718	126,382
Unrealized foreign exchange losses (gains)	**15,693,554**	6,770,052	8,315,729
Impairment loss on security deposits (Note 27)	**4,870,502**	–	–
Stock grants	**4,205,123**	–	–
Mark-to-market gain	**–**	(2,644,762)	–
Share in net earnings of an associate (Note 9)	**(24,179,835)**	(17,628,250)	(16,129,065)
Interest accretion on refundable deposits (Note 27)	**(8,510,623)**	(6,165,280)	(2,505,521)
Interest income (Note 5)	**(4,473,664)**	(3,887,650)	(13,037,077)
Operating income before working capital changes	**2,968,963,327**	1,624,728,209	1,247,317,790
Decrease (increase) in:			
Trade and other receivables	**(85,575,110)**	(123,475,179)	(125,078,731)
Merchandise inventory	**(2,081,162,341)**	(504,767,181)	(742,477,799)
Amounts owed by related parties	**1,726,601**	(2,512,108)	32,289,981
Prepayments and other current assets	**(248,504,967)**	(102,383,832)	(63,414,849)
Increase (decrease) in:			
Trade and other payables	**(249,514,809)**	(3,108,769,403)	466,440,428
Deferred revenue	**1,592,266**	7,245,203	2,974,419
Amounts owed to related parties	**(131,016)**	(130,982)	(174,665,613)
Retirement benefit obligation	**25,163,579**	22,576,557	24,463,764
Net cash generated from (used in) operations	**332,557,530**	(2,187,488,716)	667,849,390
Interest received	**4,473,664**	3,887,650	13,037,077
Income taxes paid	**(568,928,833)**	(262,750,226)	(127,969,617)
Net cash flows from (used in) operating activities	**(231,897,639)**	(2,446,351,292)	552,916,850
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment (Note 11)	**(3,143,865,049)**	(1,950,468,614)	(864,095,398)
Additional interests in joint ventures (Note 10)	**(255,250,000)**	(252,500,000)	(136,850,000)
Dividends received from investment in an associate (Note 9)	**18,000,000**	16,000,000	11,200,000
Decrease (increase) in:			
Security deposits and construction bonds	**(248,464,117)**	(113,940,276)	(72,532,635)
Other noncurrent assets	**148,293,258**	34,474,522	(168,627,311)
Net cash flows used in investing activities	**(3,481,285,908)**	(2,266,434,368)	(1,230,905,344)

(Forward)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Short-term loans payable (Note 14)	**₱4,984,845,625**	₱4,202,965,834	₱382,500,000
Long-term debt (Note 15)	**704,190,142**	1,282,830,520	–
Payments of:			
Short-term loans payable (Note 14)	**(5,198,875,010)**	(1,072,500,000)	(230,000,000)
Long-term debt (Note 15)	**(166,666,666)**	–	–
Interest	**(281,585,421)**	(81,704,414)	(21,506,046)
Dividends (Note 29)	**–**	–	(46,379,202)
Proceeds from:			
Subscriptions to capital stock (Note 4)	**2,417,162,900**	195,419,680	–
Subscriptions to capital stock through initial public offering (Note 29)	**4,752,158,969**	–	–
Deposits for future stock subscription to SSI	**–**	61,580,320	–
Sale of SSI investment in CCSI (Note 1)	**200,119,176**	–	–
Return of deposits for future stock subscription to SSI	**(61,580,320)**	–	–
Payment for the purchase of SSI shares (Notes 1 and 4)	**(2,242,162,541)**	–	–
Net cash flows from financing activities	**5,107,606,854**	4,588,591,940	84,614,752
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,394,423,307**	(124,193,720)	(593,373,742)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(1,344,935)**	2,776,142	(16,011,963)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,134,749,837**	1,256,167,415	1,865,553,120
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱2,527,828,209**	₱1,134,749,837	₱1,256,167,415

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

SSI Group, Inc. (formerly Casual Clothing Specialists, Inc.; the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on April 16, 2007. 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).

Corporate Restructuring

The Tantoco Family undertook a restructuring of its ownership over SSI and subsidiaries (collectively referred to as the “Group”) in order to convert the Company into the new holding company of the Group. The Company is principally owned and controlled by the Tantoco Family members, directly or through their respective holding companies. The Group’s former holding company, SSI, was converted into a wholly-owned operating subsidiary of the Company. SSI remains as primary franchisee under the Group’s brand agreements and also acts as the principal shareholder of all of the operating subsidiaries.

Prior to the restructuring activities undertaken, the Company was owned 100% by SSI and its nominees. On April 3, 2014, the Philippine SEC approved the increase in authorized capital stock of the Company from ₱200.0 million divided into 2,000,000 shares with par value of ₱100.00 per share, to ₱3.0 billion divided into 30,000,000 shares with par value of ₱100.00 per share. Of the increased authorized capital stock of the Company, SSI subscribed to 7,000,000 shares for a consideration of ₱700.0 million, of which ₱175.0 million was paid and ₱525.0 million remained outstanding as subscription receivables. On April 9, 2014, all of the shares held by SSI in the Company were sold to the Tantoco Family via a deed of sale and a deed of assignment of subscription rights. As a result of the share sale, the Company ceased to be a subsidiary of SSI. In turn, on April 14, 2014, the Company purchased all of the shares held by the Tantoco Family in SSI for a total consideration of ₱2.2 billion. This transaction resulted in SSI becoming a wholly-owned subsidiary of the Company.

Using the proceeds of the sale of its shares in SSI to the Company, the Tantoco Family settled the outstanding ₱525.0 million subscription payable on the 7,000,000 shares in the Company previously subscribed by SSI and now owned by the Tantoco Family. On April 10, 2014, the Tantoco Family further subscribed to an additional unissued 12,171,629 shares in the Company, which amounted to ₱1.2 billion. In addition, on April 15, 2014, the Tantoco Family made a deposit for future subscription to the 5,000,000 shares in the Company for a consideration of ₱500.0 million, pending the Philippine SEC approval of the increase in authorized capital stock of the Company from ₱3.0 billion to ₱5.0 billion.

The above corporate restructuring resulted in the Company being wholly owned by members of the Tantoco Family, which in turn gives the Tantoco Family ownership and control of the Group. As of April 2014, the above restructuring was deemed legally complete.

On January 10, 2014, Casual Clothing Retailers, Inc. was incorporated for the purpose of continuing the businesses of the Company, including operation of the brands under the Group's arrangements with GAP Inc.

On June 18, 2014, certain resolutions were approved by the Board and shareholders of the Company, including, among others: (1) change in its corporate name from "Casual Clothing Specialists, Inc." to "SSI Group, Inc."; (2) change in its primary purpose as a retail company to that of a holding company; (3) increase in its authorized capital stock from ₱3.0 billion to ₱5.0 billion; (4) reduction of par value of its shares from ₱100.00 per share to ₱1.00 per share; and (5) increase in the number of members of its board of directors from five to nine. These changes, including the appropriate amendments to its articles of incorporation, were submitted to the Philippine SEC on July 30, 2014 and were subsequently approved on August 29, 2014. Upon approval, the Company has an authorized capital stock of ₱5,000,000,000 divided into 5,000,000,000 shares with a par value of ₱1 per share.

On November 7, 2014, SSI Group, Inc. completed its initial public offering of 695,701,530 common shares with the Philippine Stock Exchange (PSE) (see Note 29).

The registered office and principal place of business of the Company is 6/F Midland Buendia Building, 403 Senator 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, 2014 and 2013, and for each of the three years in the period ended December 31, 2014, were reviewed and recommended for approval by the Audit Committee to the Board of Directors (BOD) on March 27, 2015. The same consolidated financial statements were approved and authorized by the BOD on the same date.

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

Basis of Presentation

As discussed in Note 1, the Company entered into a sale and purchase of shares transactions with SSI and the members of the Tantoco Family resulting in the Company becoming the holding company of the Group. The Company and its subsidiaries, now comprising "the Group", are under common control of the Tantoco Family before and after the sale and purchase transactions in April 2014. The said transactions were treated as a reorganization of entities under common control and were accounted for similar to pooling-of-interests method. Accordingly, the consolidated financial statements of the Company have been prepared as a continuation of the consolidated financial statements of SSI, the former holding company of the Group.

The comparative December 31, 2013 and 2012 financial information presented in the accompanying consolidated financial statements (i.e. prior to reorganization) is that of SSI and not originally presented in the previous financial statements of the Company; and that has been retroactively adjusted to reflect the legal capital of the Company with the difference between the capital of SSI and the Company prior to the reorganization being recognized as "Equity Reserve" in the consolidated balance sheets. Refer to Note 4 for the movements in the "Equity Reserve" account.

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value, and are presented in Philippine peso, which is the Company's functional and presentation 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.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the Financial Reporting Standards Council (FRSC).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and the following wholly-owned subsidiaries:

	Percentage ownership					
	2014		2013		2012	
	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
Luxury Concepts, Inc. (LCI)	**–**	**100**	–	100	–	100
International Specialty Fashions, Inc. (ISFI)	**–**	**100**	–	100	–	100
Footwear Specialty Retailers, Inc. (FSRI)	**–**	**100**	–	100	–	100
Global Specialty Retailers, Inc. (GSRI)[1]	**–**	**100**	–	100	–	100
Specialty Food Retailers, Inc. (SFRI)[2]	**–**	**100**	–	100	–	100
International Specialty Retailers, Inc. (ISRI)[3]	**–**	**100**	–	100	–	100
International Specialty Wears, Inc. (ISWI)[4]	**–**	**100**	–	100	–	100
Fastravel Specialists Holdings, Inc. (FSHI)[5]	**–**	**100**	–	100	–	–
International Specialty Apparels, Inc. (ISAI)[6]	**–**	**100**	–	100	–	–
Casual Clothing Retailers, Inc. (CCRI)[7]	**–**	**100**	–	–	–	–

[1] GSRI was registered with the SEC on August 9, 2011 and started commercial operations on February 17, 2012.
[2] SFRI (formerly Specialtea Blends, Inc.) was registered with the SEC on June 25, 2012 and started commercial operations on November 8, 2012.
[3] ISRI was registered with the SEC on November 29, 2012 and started commercial operations on March 16, 2013.
[4] ISWI was registered with the SEC on November 29, 2012 and started commercial operations on March 17, 2013.
[5] FSHI was registered with the SEC on February 21, 2013 and immediately started commercial operations.
[6] ISAI was registered with the SEC on October 8, 2013 and started commercial operations on October 18, 2014.
[7] CCRI was registered with the SEC on January 10, 2014 and immediately started commercial operations

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

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012. 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.

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
- The Group's voting rights and potential voting rights

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any NCI
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Common control business combinations and group reorganizations

Where there are group reorganizations and business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent (i.e., controlling shareholders) before and after the business combination and the control is not transitory (business combinations under common control), the Group accounts for such group reorganizations and business combinations similar to a pooling-of-interests method. The assets and liabilities of the acquired entities and that of the Company are reflected at their carrying values at the stand-alone financial statements of the investee companies. The difference in the amount recognized and the fair value of the consideration given is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction without loss of control, the difference in the amount recognized and the fair value of consideration received, is also accounted for as an equity transaction.

The Group records the difference as equity reserve and is presented as a separate component of equity in the consolidated balance sheet. Comparatives shall be restated to include balances and transactions as if the entities have been acquired at the beginning of the earliest period presented in the consolidated financial statements, regardless of the actual date of the combination.

Changes in Accounting Policies and Disclosures
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2014.

The nature and impact of each new standard and amendment is described below:

New and Amended Standards and Interpretations and Improved PFRS Adopted in Calendar Year 2014
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended standards and Philippine Interpretations from IFRIC and improved PFRS which the Group has adopted starting January 1, 2014. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements of the Group.

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.

- Annual Improvements to PFRSs (2010-2012 cycle)
  In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

- Annual Improvements to PFRSs (2011-2013 cycle)
  In the 2011 - 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, First-time Adoption of Philippine Financial Reporting Standards-First-time Adoption of PFRS. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2014

The Group will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new standards and interpretations to have any significant impact on the consolidated financial statements.

- PFRS 9, *Financial Instruments* - *Classification and Measurement* (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the FRSC. Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

Effective January 1, 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

- Annual Improvements to PFRSs (2010-2012 cycle)
  The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

  - PFRS 2, *Share-based Payment - Definition of Vesting Condition*
    This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
    - A performance condition must contain a service condition
    - A performance target must be met while the counterparty is rendering service
    - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
    - A performance condition may be a market or non-market condition
    - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
    The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- Annual Improvements to PFRSs (2011-2013 cycle)
  The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
    The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
    - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
    - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  - PFRS 13, *Fair Value Measurement - Portfolio Exception*
    The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

  - PAS 40, *Investment Property*
    The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment, and* PAS 41*, Agriculture - Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- Annual Improvements to PFRSs (2012-2014 cycle)
  The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
    The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
    PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing

involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*

  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, *Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and* PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

  The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

The following new standard issued by the IASB has not yet been adopted by the FRSC

- IFRS 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Summary of Significant Accounting Policies

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 to 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.

Cash and Cash Equivalents
Cash in the consolidated balance sheet 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 date of acquisition and that are subject to an insignificant risk of change in value.

Financial Assets
Initial recognition
Financial assets within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, are classified as financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial assets are recognized initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs.

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

The Group's financial assets include cash and cash equivalents, trade and other receivables, amounts owed by related parties, current portion of security deposits (presented as part of prepayments and other current assets), derivative assets (presented as part of prepayments and other current assets) and security deposits and construction bonds.

The Group has no HTM and AFS investments as of December 31, 2014 and 2013.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at FVPL
Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivatives financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by PAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at FVPL are carried in the consolidated balance sheet at fair value with gains and losses recognized in the consolidated statement of comprehensive income.

Financial assets may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing the gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains and losses arising from changes in fair value recognized in the consolidated statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Group's derivative asset, recorded under "Prepayments and other current assets" in the consolidated balance sheet as of December 31, 2013 is classified as financial assets at FVPL.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within twelve (12) months from the balance sheet date.

The Group's cash and cash equivalents, trade and other receivables, amounts owed by related parties and security deposits and construction bonds are classified as loans and receivables.

<u>Impairment of Financial Assets</u>
The Group assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets

that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets carried at amortized cost
For loans and receivables carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the financial asset. Loans together with the associated allowance are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss increased or decreased by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to trade receivables, a provision for impairment loss is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Financial Liabilities
Initial recognition
Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, reevaluates such designation at every reporting date.

Financial liabilities are recognized initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs.

Other financial liabilities
Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Other financial liabilities are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

The Group's financial liabilities include trade and other payables, short-term and long-term debt and amounts owed to related parties.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at FVPL
Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by PAS 39.

Gains and losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income.

The Group has no financial liabilities at FVPL as of December 31, 2014 and 2013.

Other financial liabilities
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

The Group's trade and other payables, short-term and long-term debt and amounts owed to related parties are classified as other financial liabilities.

Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated balance sheet.

'Day 1' profit and loss
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' profit and loss) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. 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' profit and loss amount.

<u>Derecognition of Financial Assets and Liabilities</u>
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 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 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.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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.

Merchandise Inventory
Merchandise inventory is valued at the lower of cost and net realizable value (NRV). Cost is determined using the weighted or moving average methods. 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 follow:

	Percentage of Ownership		
	December 31		
	2014	2013	2012
Joint Ventures:			
SIAL CSV Retailers, Inc. (SCRI)	**50%**	50%	50%
SIAL Specialty Retailers, Inc. (SSRI)	**50%**	50%	50%
Associate:			
Samsonite Philippines, Inc. (SPI)	**40%**	40%	40%

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 investments in an associate and interests in joint ventures are initially recognized at cost. The carrying amounts of the investments 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 of 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 of profit or loss 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 and non-controlling interests in the subsidiaries of the associate or joint venture.

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.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate and interests in joint ventures. At each balance sheet date, 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 'Share in net earnings/losses of an associate and joint ventures' in the consolidated statement of comprehensive income.

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 profit or loss.

Property and Equipment

Property and equipment are stated at cost, excluding the cost of day to day servicing, less accumulated depreciation 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 and overhaul costs, 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:

Category	Estimated useful lives (in years)
Leasehold improvements	2-5
Store, office, warehouse furniture and fixtures	3-5
Building	10-20
Transportation equipment	3-15

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.

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 or method, 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

Prepayments and other current assets, investment in an associate, interests in joint ventures, property and equipment and other noncurrent assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable 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. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations 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 estimated 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).

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. If additional paid-in capital is not sufficient, the excess is charged against an equity reserve account.

Retained Earnings
Retained earnings includes accumulated earnings of the Group reduced by dividends on capital stock. 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.

Equity Reserve
Equity reserve represents the effect of the application of the pooling-of-interests method as discussed under the Basis of Preparation.

Deposits for Future Stock Subscriptions
Deposits for future stock subscriptions represent the amount received that will be applied as payment in exchange for a fixed number of the Group's capital stock. It is classified as an equity item if there is sufficient unissued authorized capital stock, or if in case the unissued authorized capital stock is insufficient to cover the amount of deposit, (a) the BOD and stockholders have approved a proposed increase in authorized capital stock for which a deposit was received, and (b) the proposed increase was filed with the Philippine SEC as of financial reporting date, otherwise, the deposit is classified as a liability.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, returns and other sales taxes or duties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of merchandise
Revenue from the sale of merchandise, presented as "Net Sales", is recognized when the significant risks and rewards of ownership of the merchandise have passed to the buyer which is generally at the time the sale is consummated.

RMSI operates Marks and Spencer Loyalty Program and RSCI operates Debenhams Loyalty Program which allows customers to accumulate points when they purchase products. The points can then be redeemed or used to pay for the purchase of merchandise, subject to a minimum number of points being obtained.

The consideration received is allocated between the products sold and points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is the amount for which the award credits could be sold separately. The fair value of the points issued is deferred, presented as deferred revenue in the consolidated balance sheet and recognized as revenue when the points are redeemed.

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

Cost of Goods Sold
Cost of goods sold includes the purchase price of the merchandise sold, as well as costs that are considered to have functions a part of cost of merchandise sold. Vendor returns, discounts and allowances are generally deducted from the cost 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 incurred.

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 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 the 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.

Leases

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 exercised 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).

Group as lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are added to the cost of the assets, until such time that the assets are substantially ready for their intended use or sale, which necessarily take a substantial period of time. Income earned on temporary investment of specific borrowings, pending the expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance the project to the extent that they are regarded as an adjustment to interest costs. All other borrowing costs are recognized in the consolidated statements of comprehensive income in the period in which they are incurred.

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 profit or loss.

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 future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of unused MCIT and NOLCO can be utilized except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition 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 deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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 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 profit or loss.

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.

Sales tax
Revenues, expenses, and assets are recognized net of amount of sales tax except:
- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivable and payables that are stated with the amount of sales tax are included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

Input Value-Added Tax (VAT)
Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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 28 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 ordinary 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 Company as of balance sheet date.

For comparative purposes, the number of shares used in EPS calculation for the previous periods presented is the number of shares outstanding at the time of restructuring.

Contingencies
Contingent liabilities are not recognized but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefit is probable.

Foreign Currency Translation and Transactions
The consolidated financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Company. 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.

The functional currency of all the subsidiaries, except GSRI, is the Philippine Peso. The functional currency of GSRI is United States Dollar (USD). As of financial reporting date, the assets and liabilities of GSRI are translated into the presentation currency of the Company (the Philippine Peso) at the rate of exchange prevailing at financial reporting date while the capital stock and other equity balances are translated at historical rates of exchange. The income and expenses are translated at the weighted average exchange rates during the year. The exchange differences arising from the translation to the presentation currency are taken directly to “Exchange differences on translation” in the consolidated statement of comprehensive income and “Cumulative translation adjustment” account within the equity section of the consolidated balance sheet. Upon disposal of this foreign subsidiary, the deferred cumulative amount recognized in equity relating to that particular foreign subsidiary will be recognized in the consolidated statement of comprehensive income.

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 PFRS 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 functional currency
The functional currencies of the entities under the Group are the currencies of the primary economic environment in which the entity operates. It is the currency that mainly influences the sales prices of goods and the costs of the goods sold.

Based on the economic substance of the underlying circumstances, the functional currency of the Company and its subsidiaries, except GSRI, is Philippine peso. The functional and presentation currency of GSRI is the USD.

Determination of operating segment
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 in PFRS 8.

Assessment of control over investees
The Company has wholly owned subsidiaries as discussed in Note 2. Management concluded that the Company controls these subsidiaries as the Company 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.

Operating lease commitments - Group as the lessee
The Group has entered into leases of its office and commercial spaces. The Group has determined that it does not acquire all the significant risks and rewards of ownership of these properties which are leased on operating leases.

Classification of investment in 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. However, the Group holds voting power in SPI that represents significant influence. Accordingly, the Group classified its investment in SPI as an investment in an associate.

Classification of interests in SCRI and SSRI as interests in joint ventures
SII, together with another company, established SCRI and SSRI through joint venture agreements. 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 SCRI and SSRI as a 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 SCRI and SSRI as joint ventures.

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.

Estimating impairment losses on trade and other receivables and amounts owed by related parties

The Group maintains allowances for impairment losses on trade and other receivables and amounts owed by related parties at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors, their payment behavior and known market factors. The Group reviews the age and status of the receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment losses would increase the Group's recorded expenses and decrease current assets.

The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group assesses impairment into two areas: individually assessed allowances and collectively assessed allowances. The Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, non-moving account receivables, accounts of defaulted agents and accounts from closed stations.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectibility.

As of December 31, 2014 and 2013, the Group has no allowance for impairment losses on trade and other receivables and amounts owed by related parties. Trade and other receivables and amounts owed by related parties amounted to ₱591,814,406 and ₱507,965,897 as of December 31, 2014 and 2013, respectively (see Notes 6 and 21).

Assessing net realizable value of merchandise inventory

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. Increase in the NRV will increase the carrying amount of inventories but only to the extent of their original acquisition costs.

As of December 31, 2014 and 2013, the Group has no allowance for inventory losses. Merchandise inventory amounted to ₱7,980,070,099 and ₱5,898,907,758 as of December 31, 2014 and 2013, respectively (see Note 7).

Estimating useful lives of property and equipment, initial master fee and software costs
The Group estimates the useful lives of its property and equipment 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 and software costs based on factors that include asset utilization, internal technical evaluation, technological changes, 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 and software costs would increase depreciation and amortization expense and decrease noncurrent assets.

As of December 31, 2014 and 2013, the aggregate net book values of property and equipment, initial master fee and software costs presented under "Other noncurrent assets" amounted to ₱4,681,462,096 and ₱2,594,434,323, respectively (see Notes 11 and 12).

The Group recognized depreciation and amortization expense amounting to ₱1,039,304,397, ₱633,675,839 and ₱592,612,612 for the years ended December 31, 2014, 2013 and 2012, respectively (see Notes 11, 12 and 20).

Assessing impairment of investment in an associate, interests in joint ventures and property and equipment
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 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.

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.

As of December 31, 2014 and 2013, the Group has not identified any events or change in circumstances that would indicate impairment of its nonfinancial assets. The carrying values of the Group's nonfinancial assets are as follows:

	December 31	
	2014	2013
Property and equipment (see Note 11)	**₱4,680,064,601**	₱2,592,700,507
Interests in joint ventures (see Note 10)	**479,455,513**	369,074,715
Investment in an associate (see Note 9)	**49,117,530**	42,937,695
	₱5,208,637,644	₱3,004,712,917

Estimating retirement benefits
The cost of defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of returns on assets, 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 22 of the consolidated financial statements.

As of December 31, 2014 and 2013, the Group's retirement benefit obligation amounted to ₱306,185,820 and ₱225,445,731, respectively (see Note 22). The Group recognized retirement expense amounting to ₱36,143,485, ₱36,786,875 and ₱29,246,503 in 2014, 2013 and 2012, respectively (see Notes 19 and 22).

Estimating fair value of customer loyalty points
A portion of sales revenue attributable to the fair value of points issued is deferred until they are redeemed. The deferment of the revenue is estimated based on the historical trends of redemption, which is then used to project the estimated utilization of the points earned. Any remaining unredeemed points are recognized and measured at fair value. Fair value of the points is determined by applying statistical analysis.

The amount allocated to the award credits from the consideration received or receivable in respect of the initial sale is measured by reference to the fair value of the award credits. The Company takes into account the following in determining the fair value of the award credits:
a. The amount of the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale;
b. The proportion of award credits that is not expected to be redeemed by customers; and
c. Non-performance risk.

In instances where a customer can choose from a range of different awards, the fair value of the award credits reflects the fair value of the range of available awards, weighted in proportion to the frequency with each award is expected to be selected.

As of December 31, 2014 and 2013, the fair value of points deferred amounted to ₱24,100,045 and ₱22,507,779, respectively.

Realizability of deferred tax assets
The Group 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 taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of the deferred tax assets to be utilized. As of December 31, 2014 and 2013, deferred tax assets recognized amounted to ₱269,574,694 and ₱193,460,163, respectively (see Note 23).

4. Reorganization Involving Entities Under Common Control

As discussed in Notes 1 and 2, as a result of the sale and purchase of shares transactions among the Company, SSI and the members of the Tantoco Family, the Company became the holding company of the Group. The reorganization was accounted for by the Company similar to pooling-of-interests method.

Under the pooling-of-interests method:

- The assets and liabilities of the combining entities are reflected at their carrying amounts;
- No adjustments are made to reflect fair values, or recognize any new assets or liabilities at the date of the reorganization;
- No 'new' goodwill is recognized as a result of the reorganization;
- Any difference between the consideration transferred and the net assets acquired is reflected within equity under "Equity reserve";
- The income statement in the year of reorganization reflects the results of the combining entities for the full year, irrespective of when the reorganization took place; and
- Comparatives are presented as if the entities had always been combined only for the period that the entities were under common control.

The equity reserve recognized in the statement of changes in equity as of December 31, 2014 represents the difference between the total consideration paid by the Company for its acquisition of SSI and the capital stock of SSI as shown below:

Capital stock of SSI	₱705,014,815
Capital stock of SGI	(2,242,162,541)
Equity reserve	(₱1,537,147,726)

Prior to the reorganization (i.e. as of December 31, 2013) the balance of the equity reserve represents the difference between the legal capital of the Company and SSI.

Below is the summary of the movements of the "Equity reserve" account of the Group:

For the years ended December 31, 2014, 2013, and 2012

Paid-up capital of SSI as at January 1, 2011 (beginning of the earliest period presented)		
Capital stock	₱200,000,000	
Treasury shares	(294,985,185)	(₱94,985,185)
Less: Paid-up capital of the Company as at January 1, 2011 (beginning of the earliest period presented)		
Capital stock	25,000,000	
Subscriptions receivable	(18,750,000)	6,250,000
Balance at January 1, 2011		**(101,235,185)**
Receipt of subscriptions receivable by the Company	(18,750,000)	
Conversion of deposit for future stock subscriptions to capital stock by the Company	(75,000,000)	(93,750,000)
Balance at December 31, 2011		**(₱194,985,185)**
Balance at January 1, 2012		(₱194,985,185)
Conversion of deposit for future stock subscriptions to capital stock by the Company		(100,000,000)
Balance at December 31, 2012		**(₱294,985,185)**

Balance at January 1, 2013		(₱294,985,185)
Conversion of deposit for future stock subscriptions to capital stock by SSI	₱600,000,000	
Issuance of capital stock by SSI	195,419,680	795,419,680
Balance at December 31, 2013		**₱500,434,495**

Balance at January 1, 2014		₱500,434,495
Difference between investment of the Company in SSI and the capital stock of the Company	(₱2,042,162,221)	
Receipt of subscriptions receivable by SSI	4,580,000	(2,037,582,221)
Balance at December 31, 2014		**(₱1,537,147,726)**

5. Cash and Cash Equivalents

	2014	2013
Cash on hand	**₱76,104,404**	₱28,429,772
Cash in banks	**1,650,479,361**	1,106,320,065
Short-term investments	**801,244,444**	–
	₱2,527,828,209	₱1,134,749,837

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months 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, 2014, 2013 and 2012 amounted to ₱4,473,664, ₱3,887,650 and ₱13,037,077, respectively.

6. Trade and Other Receivables

	2014	2013
Trade receivables	**₱244,248,603**	₱232,753,039
Nontrade receivables	**182,755,203**	134,700,378
Advances to officers and employees	**97,062,879**	63,076,399
Receivables from related parties (see Note 21)	**54,798,851**	58,369,947
Others	**6,007,112**	10,397,775
	₱584,872,648	₱499,297,538

Trade receivables are due from credit card companies and normally settled on three days' terms. Nontrade receivables, advances to officers and employees and other receivables are usually settled within one year.

Other receivables generally include receivables from contractors for professional services.

7. Merchandise Inventory

	2014	2013
At cost		
On hand	**₱7,437,886,515**	₱5,538,302,843
In transit	**542,183,584**	360,604,915
	₱7,980,070,099	₱5,898,907,758

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. All inventories are presented at cost.

The cost of inventories recognized as expense and presented in "Costs of goods sold" amounted to ₱6,119,520,507, ₱6,109,189,837 and ₱6,171,543,762 for the years ended December 31, 2014, 2013 and 2012, respectively (see Note 16).

8. Prepayments and Other Current Assets

	2014	2013
Input VAT	**₱211,196,273**	₱116,895,569
Supplies inventory	**103,590,564**	46,306,808
Prepaid rent (see Note 27)	**61,502,482**	13,378,579
Deferred input VAT	**39,770,839**	10,270,893
Prepaid tax	**33,360,716**	2,471,686
Prepaid advertising	**18,780,843**	–
Prepaid insurance	**11,288,664**	11,512,742
Current portion of security deposits (see Note 27)	**10,185,026**	78,148,750
Creditable withholding tax	**5,841,444**	2,626,449
Prepaid guarantee	**2,790,533**	372,160
Miscellaneous deposits	**1,124,888**	21,580,507
Derivative asset (see Note 14)	**–**	2,644,762
Others	**90,907,466**	25,440,840
	₱590,339,738	₱331,649,745

Miscellaneous deposits pertain to deposits with contractors for the construction of leasehold improvements of stores. Input VAT will be applied against output VAT.

Others include advances for purchases arising from transactions made by the Group with its foreign suppliers and advances to suppliers.

9. Investment in an Associate

	2014	2013
Acquisition cost	**₱24,640,000**	₱24,640,000
Accumulated equity in net earnings:		
Balance at beginning of year	**18,297,695**	16,669,445
Share in net earnings	**24,179,835**	17,628,250
Dividends received	**(18,000,000)**	(16,000,000)
Balance at end of year	**24,477,530**	18,297,695
	₱49,117,530	₱42,937,695

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, 2014 and 2013, 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.

The following table sets out the financial information of SPI as of and for the years ended December 31, 2014 and 2013:

	2014	2013
Assets	**₱271,462,826**	₱136,559,379
Liabilities	**149,252,084**	29,467,425
Equity	**122,210,742**	107,091,954
Revenues	**323,225,584**	229,866,907
Net income	**60,449,588**	44,070,624

10. Interests in Joint Ventures

The Company entered into two joint venture projects in 2012. The Group's interests in joint ventures pertain to the following:

Joint venture	Joint venture partner	Project description	Income sharing arrangement
SCRI	Varejo Corporation	Open and operate convenience stores directly owned and/or franchised in the Philippines	50:50
SSRI	Varejo Corporation	Investment in and operation of mid-market department stores	50:50

A summary of the movements in carrying values of interests in joint ventures are set out below:

	2014	2013
SCRI	**₱146,194,230**	₱160,324,715
SSRI	**333,261,283**	208,750,000
	₱479,455,513	₱369,074,715

SCRI (50% take up through SII)

	2014	2013
Acquisition cost	**₱223,850,000**	₱180,600,000
Accumulated equity in net earnings:		
Balance at beginning of period	**(20,275,285)**	–
Share in net loss	**(57,380,485)**	(20,275,285)
Balance at end of period	**(77,655,770)**	(20,275,285)
	₱146,194,230	₱160,324,715

Key financial information of SCRI are as follows:

	2014	2013
Assets	**₱329,963,214**	₱364,118,133
Liabilities	**42,250**	43,600
Equity	**329,920,964**	364,074,533
Gross loss	**(114,745,771)**	(40,340,639)
Net loss	**(114,760,970)**	(40,550,571)

SCRI has started commercial operations in April 2013.

SSRI (50% take up through SII)

	2014	2013
Acquisition cost	**₱420,750,000**	₱208,750,000
Accumulated equity in net earnings:		**–**
Balance at beginning of period	–	–
Share in net loss	**(87,488,717)**	–
Balance at end of period	**(87,488,717)**	–
	₱333,261,283	₱208,750,000

Key financial information of SSRI are as follows:

	2014	2013
Assets	**₱738,666,726**	₱428,276,153
Liabilities	**528,230,628**	42,862,621
Equity	**210,436,098**	385,413,532
Revenues	**166,996,668**	835,407
Net loss	**(174,977,434)**	(31,301,647)

SSRI has started commercial operations in March 2014.

The joint ventures have no contingent liabilities or capital commitments as of December 31, 2014 and 2013.

11. **Property and Equipment**

The composition and movements of this account are as follows:

	December 31, 2014					
	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Construction in Progress	**Total**
Cost:						
Balances at beginning of year	₱4,185,621,829	₱1,367,468,612	₱58,326,550	₱228,272,062	₱400,380,187	**₱6,240,069,240**
Additions	2,200,779,247	509,626,706	–	16,359,998	417,099,098	**3,143,865,049**
Disposals	(82,951,851)	(5,016,998)	–	(1,017,857)	–	**(88,986,706)**
Reclassifications	36,866,207	–	678,639,891	–	(715,506,098)	**–**
Balances at end of year	6,340,315,432	1,872,078,320	736,966,441	243,614,203	101,973,187	**9,294,947,583**
Accumulated depreciation:						
Balances at beginning of year	2,642,537,431	938,835,542	43,279,720	22,716,040	–	**3,647,368,733**
Depreciation (see Note 20)	803,206,745	195,622,278	19,705,957	19,035,601	–	**1,037,570,581**
Disposals	(67,341,008)	(2,460,860)	–	(254,464)	–	**(70,056,332)**
Balances at end of year	3,378,403,168	1,131,996,960	62,985,677	41,497,177	–	**4,614,882,982**
Net book values	**₱2,961,912,264**	**₱740,081,360**	**₱673,980,764**	**₱202,117,026**	**₱101,973,187**	**₱4,680,064,601**

	For the Year Ended December 31, 2013					
	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Construction in Progress	Total
Cost:						
Balances at beginning of year	₱3,148,178,849	₱1,052,508,627	₱58,326,550	₱12,541,582	₱27,682,049	₱4,299,237,657
Additions	1,044,494,015	317,545,981	–	215,730,480	372,698,138	1,950,468,614
Disposals	(7,051,035)	(2,585,996)	–	–	–	(9,637,031)
Balances at end of year	4,185,621,829	1,367,468,612	58,326,550	228,272,062	400,380,187	6,240,069,240
Accumulated depreciation:						
Balances at beginning of year	2,162,376,094	812,840,845	40,166,583	9,343,889	–	3,024,727,411
Depreciation (see Note 20)	487,120,991	128,061,356	3,113,137	13,372,151	–	631,667,635
Disposals	(6,959,654)	(2,066,659)	–	–	–	(9,026,313)
Balances at end of year	2,642,537,431	938,835,542	43,279,720	22,716,040	–	3,647,368,733
Net book values	₱1,543,084,398	₱428,633,070	₱15,046,830	₱205,556,022	₱400,380,187	₱2,592,700,507

Additions to leasehold improvements in 2014 pertain to improvements and construction of newly opened and renovated stores during the year. Construction in progress in 2013 mainly pertains to the construction of the Group's Central Square building in Taguig City. The said building was completed in June 2014. Borrowing costs capitalized as cost of building amounted to ₱9.3 million, ₱10.8 million and nil in 2014, 2013 and 2012, respectively. Disposals for the years ended December 31, 2014 and 2013 pertain to leasehold improvements derecognized on closed or renovated stores during the year.

No property and equipment are pledged nor treated as security to the outstanding liabilities as of December 31, 2014 and 2013.

12. **Other Noncurrent Assets**

	2014	2013
Miscellaneous deposits	**₱62,757,338**	₱212,822,836
Franchise fee	**14,146,743**	–
Advances to suppliers and contractors	**7,296,504**	28,461,325
Prepaid rent - net of current portion	**6,011,528**	5,414,566
Initial master fee (net of accumulated amortization of ₱6,734,846, ₱5,001,030 and ₱3,334,020 as of December 31, 2014, 2013 and 2012, respectively)	**–**	₱1,733,816
Software costs (net of accumulated amortization of ₱65,638)	**1,397,495**	–
Others	**7,981,777**	1,185,916
	₱99,591,385	₱249,618,459

Miscellaneous deposits pertain to advance payment to contractors for the construction and renovation of stores.

Amortization expense of software costs amounted to nil, ₱341,194 and ₱9,047 for the years ended December 31, 2014 and 2013, 2012, respectively.

13. **Trade and Other Payables**

	2014	2013
Trade payables	**₱1,599,830,624**	₱2,483,452,859
Nontrade payables	**948,693,341**	502,910,214
Accrued expenses	**430,413,494**	390,925,059
Retention payable	**107,308,393**	69,443,156
Output VAT	**37,809,812**	–
Payables to related parties (see Note 21)	**7,240,136**	4,272,641
Others	**116,825,116**	46,631,796
	₱3,248,120,916	₱3,497,635,725

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

Nontrade payables represent customers' deposits and statutory payables such as withholding taxes, SSS premiums and other liabilities to government agencies.

Accrued expenses pertain to accrued security and safety, supplies and utilities expense and accruals of royalties to be paid to foreign principals. Other payables include payables to other local suppliers. Nontrade payables, accrued expenses and other payables are generally paid within 12 months from balance sheet date.

14. **Short-term Loans Payable**

	2014	2013
Banks:		
Bank of Philippine Islands (BPI)	**₱1,000,000,000**	₱1,957,482,750
Rizal Commercial Banking Corporation (RCBC)	**755,000,000**	–
Hongkong and Shanghai Banking Corporation Limited (HSBC)	**654,885,490**	307,253,027
Security Bank Corporation (SBC)	**416,750,000**	446,250,000
China Banking Corporation (CBC)	**400,000,000**	100,000,000
Banco de Oro (BDO)	**370,000,000**	800,000,000
Metropolitan Bank & Trust Co. (MBTC)	–	200,000,000
	₱3,596,635,490	₱3,810,985,777

The Group's outstanding short-term peso-denominated loans from local commercial banks bear interest at rates ranging from 3.00% to 4.75% and 2.67% to 5.50% in 2014 and 2013, respectively.

On October 18, 2013, ISCI, ISFI, ISRI and ISWI entered into an agreement with HSBC on the availment of loans amounting to €1,763,563 payable 90 days after the date of the agreements. The loans have an annual interest rate of 2.67% and mature on January 16, 2014. The loans carry with them free-standing derivative forward contracts requiring the Companies to settle the borrowed amounts and interest at a forward rate of ₱59.269. The derivatives have been carried at fair value through profit or loss. Consequently, the Companies recognized a derivative asset under "Prepayments and other current assets" in the consolidated balance sheet amounting to ₱2,644,762 as of December 31, 2013 and a corresponding "Mark-to-market gain" in the consolidated statement of comprehensive income.

In 2013, RMSI availed of short-term foreign currency deposit unit loan amounting to $7,920,000 equivalent to ₱351,608,400 obtained from the BPI on December 27, 2013 which bears an interest rate of 1.293%. The loans payable is due on February 25, 2014.

Interest expense recognized in the consolidated statements of comprehensive income for the years ended December 31, 2014, 2013 and 2012 amounted to ₱173,872,760, ₱72,574,391 and ₱21,506,046, respectively.

15. **Long-term Debt**

On May 8, 2013, the Group entered into a credit facility for the ₱2.0 billion syndicated term loan facility with BPI, SBC, CBC, MBTC and RCBC. 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.

The loan carries an 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 syndicated term loan will mature on February 20, 2020.

Out of the ₱2.0 billion syndicated loan, the Group has already drawn ₱2.0 billion and ₱1.3 billion as of December 31, 2014 and 2013, respectively. Principal repayments are due quarterly starting August 20, 2014.

The details of the Group's long term debt (net of transaction costs) are as follows:

	2014	2013
BPI	**₱484,214,163**	₱341,232,918
SBC	**484,214,163**	341,232,918
CBC	**334,034,958**	235,399,400
MBTC	**334,034,958**	235,399,400
RCBC	**183,855,754**	129,565,884
Total	**1,820,353,996**	1,282,830,520
Less current portion	**328,514,924**	108,333,333
Noncurrent portion	**₱1,491,839,072**	₱1,174,497,187

The long-term debts are presented net of unamortized transaction costs. A rollforward analysis of unamortized transaction costs in 2014 and 2013 follows:

	2014	2013
Balance at beginning of period	**₱17,169,480**	₱–
Transaction costs recognized during the period	**3,500,000**	19,131,579
Amortization	**(7,690,143)**	(1,962,099)
Balance at end of period	**₱12,979,337**	₱ 17,169,480

Interest expense relating to long-term debt recognized in the consolidated statements of comprehensive income for the years ended December 31, 2014, 2013 and 2012 amounted to ₱107,712,661, ₱19,652,049 and nil, respectively.

Loan Covenants

The loan covenants covering the Group's outstanding debts include, among others, maintenance of certain level of current, debt-to-equity and debt-service coverage ratios. As of December 31, 2014 and 2013, the Group is in compliance with the loan covenants of all their respective outstanding debts.

16. **Costs of Goods Sold**

	2014	2013	2012
Cost of merchandise sold	**₱6,119,520,507**	₱6,109,189,837	₱6,171,543,762
Personnel costs (see Notes 19 and 22)	**180,237,387**	86,919,485	68,048,461
Advertising	**162,641,469**	149,465,083	145,992,013
Royalty fees	**83,460,981**	47,728,817	45,367,456
Travel and transportation	**45,556,239**	31,880,439	28,057,188
Rent (see Notes 21 and 27)	**33,588,866**	26,036,041	21,387,393
Depreciation and amortization (see Notes 11, 12 and 20)	**19,889,501**	12,856,742	6,569,806
Security and safety	**10,192,718**	2,502,001	3,365,634
Utilities	**11,105,076**	8,374,478	5,361,759
Repairs and maintenance	**7,183,052**	4,411,945	1,138,783
Insurance	**1,843,788**	1,104,727	1,171,652
Supplies and maintenance	**1,463,570**	976,024	1,158,296
Taxes and licenses	**404,564**	144,913	150,051
Outside services	**45,825**	592,070	818,566
Others	**3,711,909**	13,401,086	10,132,038
	₱6,680,845,452	₱6,495,583,688	₱6,510,262,858

Cost of merchandise sold:

	2014	2013	2012
Merchandise inventory, beginning	**₱5,898,907,758**	₱5,394,140,577	₱4,651,662,778
Net purchases	**8,200,682,848**	6,613,957,018	6,914,021,561
Cost of merchandise available for sale	**14,099,590,606**	12,008,097,595	11,565,684,339
Less merchandise inventory, ending	**(7,980,070,099)**	(5,898,907,758)	(5,394,140,577)
	₱6,119,520,507	₱6,109,189,837	₱6,171,543,762

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

Costs of goods sold represents cost of merchandise inventory sold and the costs that are considered to have functions as part of cost of merchandise sold.

17. **Selling and Distribution Expenses**

	2014	2013	2012
Rent (see Notes 21 and 27)	**₱1,705,386,223**	₱1,418,371,779	₱1,126,350,766
Personnel costs (see Notes 19 and 22)	**1,019,935,414**	943,124,768	729,985,628
Depreciation and amortization (see Notes 11, 12 and 20)	**917,892,527**	553,875,321	528,463,537
Utilities	**554,521,919**	435,557,082	353,575,011
Credit card charges	**270,505,097**	143,186,687	172,681,925
Supplies and maintenance	**250,089,287**	234,295,289	167,188,847
Taxes and licenses	**162,454,489**	134,221,490	115,672,645
Security services	**170,587,881**	137,423,007	100,936,360
Advertising	**100,531,934**	134,895,271	101,668,541
Global marketing contribution fee	**93,987,925**	71,234,407	54,651,819
Repairs and maintenance	**69,897,861**	45,984,020	41,738,227
Travel and transportation	**53,590,474**	35,494,763	31,330,737
Delivery and freight charges	**41,313,876**	39,595,133	50,727,533
Communication	**28,954,612**	38,554,785	30,464,108
Insurance	**27,006,452**	18,221,544	15,621,844
Entertainment, amusement and recreation (EAR)	**11,501,434**	5,936,966	4,481,464
Outside services	**8,559,742**	25,758,158	17,157,484
Professional fees	**6,533,482**	30,594,218	18,803,846
Telegraphic transfer	**3,073,835**	2,265,146	1,499,430
Others	**33,909,596**	135,265,367	83,286,203
	₱5,530,234,060	₱4,583,855,201	₱3,746,285,955

18. **General and Administrative Expenses**

	2014	2013	2012
Personnel costs (see Notes 19 and 22)	**₱425,607,374**	₱362,322,982	₱327,990,247
Taxes and licenses	**106,709,144**	30,250,242	26,954,909
Rent (see Notes 21 and 27)	**106,907,950**	65,846,124	66,085,763
Depreciation and amortization (see Notes 11, 12 and 20)	**101,522,369**	66,943,776	57,579,269
Advertising	**86,054,909**	53,500,578	17,643,496
Supplies and maintenance	**41,212,235**	30,340,899	28,902,123
Utilities	**39,101,467**	24,828,452	24,286,427
Professional fees	**36,561,512**	14,719,591	18,459,205
Travel and transportation	**34,863,630**	24,802,366	33,351,002
Security services	**23,660,394**	11,075,933	10,977,433
Repairs and maintenance	**22,031,820**	16,084,053	28,454,447
Insurance	**14,390,334**	10,561,476	10,642,997
Communication	**12,344,058**	17,148,386	13,986,894
EAR	**9,516,353**	8,655,315	15,491,270
Impairment loss on security deposits	**4,870,502**	–	–
Outside service	**754,970**	10,301,361	8,772,780
Others	**54,651,055**	43,688,640	33,405,321
	₱1,120,760,076	₱791,070,174	₱722,983,583

19. **Personnel Costs**

Personnel costs were charged to operations as follows:

	2014	2013	2012
Salaries, wages and bonuses	**₱1,453,193,177**	₱1,123,412,780	₱847,216,945
Retirement benefit expense (see Note 22)	**36,143,485**	36,786,875	29,246,503
Other employee benefits	**136,443,513**	232,167,580	249,560,888
	₱1,625,780,175	₱1,392,367,235	₱1,126,024,336

Personnel expenses were distributed as follows:

	2014	2013	2012
Cost of goods sold (see Note 16)	**₱180,237,387**	₱86,919,485	₱68,048,461
Selling and distribution (see Note 17)	**1,019,935,414**	943,124,768	729,985,628
General and administrative (see Note 18)	**425,607,374**	362,322,982	327,990,247
	₱1,625,780,175	₱1,392,367,235	₱1,126,024,336

20. **Depreciation and Amortization Expense**

	2014	2013	2012
Property and equipment (see Note 11)	**₱1,037,570,581**	₱631,667,635	₱590,936,555
Initial master fee (see Note 12)	**1,733,816**	1,667,010	1,667,010
Software cost (see Note 12)	**–**	341,194	9,047
	₱1,039,304,397	₱633,675,839	₱592,612,612

Depreciation and amortization were distributed as follows:

	2014	2013	2012
Cost of goods sold (see Note 16)	**₱19,889,501**	₱12,856,742	₱6,569,806
Selling and distribution (see Note 17)	**917,892,527**	553,875,321	528,463,537
General and administrative (see Note 18)	**101,522,369**	66,943,776	57,579,269
	₱1,039,304,397	₱633,675,839	₱592,612,612

21. **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, in the normal course of business, entered into the following transactions with related parties:

a. Lease of the Group's store outlet spaces from a related party (see Note 27). Related rent expense amounted to ₱131.3 million, ₱125.5 million and ₱136.5 million for the years ended December 31, 2014, 2013 and 2012, respectively;

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

c. Sales through the use of related parties' gift certificates. Total value of the related parties' gift certificates used amounted to ₱10.3 million, ₱5.2 million and ₱4.7 million in 2014, 2013 and 2012, respectively;

d. Short-term noninterest-bearing cash advances to/from related parties; and

e. Compensation of the Company's key management personnel comprised of short-term employee benefits amounting to ₱36.4 million, ₱34.7 million and ₱33.5 million in 2014, 2013 and 2012, respectively, and post-employment benefits amounting to ₱4.7 million, ₱3.9 million and ₱2.8 million in 2014, 2013 and 2012, respectively.

As of December 31, 2014 and 2013, receivables from and payables to related parties are as follows (amounts in thousands):

		Transactions			Balances as at December	
Related Party	Nature of Transactions	**2014**	2013	2012	**2014**	2013
Receivables from related parties						
Affiliates						
Rustan Commercial Corporation (RCC)	Lease and purchase of gift certificates	**₱35,729**	₱8,707	₱25,010	**₱41,626**	₱42,667
Philippine Family Mart CVS,Inc. (PFM)	Various expenses	**6,423**	5,172	–	**6,423**	5,172
Rustan Marketing Corporation (RMK)	Various expenses	**2,794**	2,531	–	**2,794**	2,531
Joint venture						
SCRI	Various expenses	**3,401**	1,805	–	**3,451**	1,805
Associate						
SPI	Various expenses	**505**	180	–	**505**	180
Others	Various expenses	**–**	1,965	1,385	**–**	6,015
		₱48,852	₱20,360	₱26,395	**₱54,799**	₱58,370
Payables to related parties						
Affiliates						
RMK	Various expenses	**₱3,546**	₱1,588	(₱2,472)	**₱3,746**	₱2,737
RCC	Various expenses	**3,494**	1,394	–	**3,494**	1,394
Others	Various expenses	**–**	(3,418)	2,172	**–**	142
		₱7,040	(₱436)	(₱300)	**₱7,240**	₱4,273

Related Party	Nature of Transactions	Transactions			Balances as at December 31	
		2014	2013	2012	**2014**	2013
Amounts owed by related parties						
Affiliates						
RMK	Advances	**₱–**	(₱83)	₱103	**₱20**	₱20
RCC	Advances	**456**	2	(10,925)	**1,050**	9
PFM	Advances	**4,386**	4	–	**4,387**	3
Joint venture						
SCRI	Advances	**–**	2,503	4,448	**–**	6,951
Associate						
SPI	Advances	**–**	–	1,485	**1,485**	1,485
Others	Advances	**–**	(124)	(889)	**–**	200
		₱4,842	₱2,302	(₱5,778)	**₱6,942**	₱8,668
Amounts owed to related parties						
Affiliate						
RMK	Advances	**(₱22)**	₱118	₱–	**₱24**	₱118
Associate						
SPI	Advances	**–**	35	–	**–**	35
Others	Advances	**–**	(291)	(174,666)	**–**	2
		(₱22)	(₱138)	(₱174,666)	**₱24**	₱155

Others include advances from stockholders which are noninterest-bearing and have no fixed repayment dates but are due and demandable any time.

RCC and RMK are controlled by certain key management personnel of the Group.

SCRI and SPI are joint venture and associate, respectively, of the Group.

The above related party balances as of December 31, 2014 and 2013 are unsecured, on demand and noninterest-bearing.

22. **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.

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

	2014	2013	2012
Current service cost	**₱23,369,802**	₱25,553,705	₱20,707,941
Net interest cost	**12,773,683**	11,233,170	8,538,562
Retirement benefit expense	**₱36,143,485**	₱36,786,875	₱29,246,503

As at December 31, 2014 and 2013, the amounts recognized in the consolidated balance sheets as retirement benefit obligation are as follows:

	2014	2013
Present value of obligations	**₱355,111,516**	₱276,404,872
Fair value of plan assets	**(48,925,696)**	(50,959,141)
Retirement benefit obligation	**₱306,185,820**	₱225,445,731

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

	2014	2013
Opening present value of obligation	**₱276,404,872**	₱201,969,966
Interest cost	**15,546,837**	14,518,854
Current service cost	**23,369,802**	25,553,705
Benefits paid	**(11,219,820)**	(14,758,054)
Benefits paid directly by the Group	**(2,599,131)**	(1,210,320)
Actuarial losses (gains) arising from:		
Deviations of experience from assumptions	**21,228,709**	25,029,110
Changes in financial assumptions	**42,892,983**	795,277
Changes in demographic assumptions	**(10,512,736)**	24,506,334
Closing present value of obligation	**₱355,111,516**	₱276,404,872

Changes in fair value of plan assets are as follows:

	2014	2013
Opening fair value of plan assets	**₱50,959,141**	₱48,236,739
Contributions	**7,930,640**	13,000,000
Interest income	**2,773,154**	3,285,684
Benefits paid	**(11,219,820)**	(14,758,054)
Return on plan assets, excluding amounts included in interest income	**(1,517,419)**	1,194,772
Closing fair value of plan assets	**₱48,925,696**	₱50,959,141

Plan assets are invested mostly in time deposits.

The principal actuarial assumptions used as of December 31, 2014 and 2013 in determining retirement obligations for the Group's retirement plan are as follows:

	2014	2013
Discount rate	**4.5% - 4.7%**	5.7% - 6.3%
Salary increase rate	**3.0%**	3.0%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the pension obligations as of December 31, 2014 and 2013, assuming all other assumptions were held constant:

		Effect on Present Value of Defined Benefit Obligation	
	Increase/(Decrease)	**2014**	2013
Discount rate	+1%	**(₱39,338,394)**	(₱31,231,058)
	-1%	**61,490,607**	38,196,169
Future salary increase rate	+1%	**61,898,369**	38,867,981
	-1%	**(40,417,188)**	(32,374,592)

The average duration of the defined benefit obligation at the end of the reporting date is 25 years. Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2014 and 2013:

	2014	2013
1 year or less	**₱46,436,426**	₱61,816,770
More than 1 year to 5 years	**43,716,426**	30,143,899
More than 5 years	**2,288,142,885**	2,022,359,720

23. Income Taxes

A reconciliation of income tax expense applicable to income before income tax at the statutory income tax rate to provision for income tax at the Group's effective income tax rate for the years ended December 31, 2014, 2013 and 2012 is as follows:

	2014	2013	2012
Provision for income tax at statutory tax rate of 30%	**₱449,000,663**	₱270,448,745	₱196,928,630
Additions to (reductions from) income tax resulting from:			
Share in net earnings of an associate and joint ventures	**36,206,810**	794,111	(4,838,744)
Expiration of NOLCO	**11,209,013**	7,866,643	4,975,715
Movement in unrecognized deferred tax assets	**3,174,924**	2,095,118	11,172
Nondeductible expenses	**1,126,663**	317,940	187,761
Nondeductible interest expense	**502,682**	172,598	922,004

(Forward)

	2014	2013	2012
Derecognized deferred tax assets on NOLCO	**₱–**	₱7,388,754	₱–
Interest income subjected to final tax	**(1,290,236)**	(1,123,600)	(3,911,124)
Others	**(1,544,540)**	(207,585)	12,773
	₱498,385,979	₱287,752,724	₱194,288,187

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

	2014	2013
Deferred tax assets:		
NOLCO	**₱132,965,657**	₱94,631,623
Retirement benefit obligation	**75,438,640**	51,175,649
Accrued rent	**22,112,945**	17,723,917
MCIT	**9,699,110**	1,529,129
Deferred revenue	**7,230,006**	6,752,325
Unrealized foreign exchange losses	**2,161,724**	3,334,419
Unamortized past service cost	**130,048**	156,058
Others	**1,853,909**	1,698,973
	251,592,039	177,002,093
Deferred tax liabilities:		
Carrying value of capitalized rent expense	**(10,794,678)**	(6,081,378)
Unamortized prepayments	**(1,247,127)**	(76,221)
Unrealized foreign exchange gains	**(1,138,877)**	(1,244,440)
Mark-to-market gain	**–**	(793,429)
	(13,180,682)	(8,195,468)
Deferred tax asset related to retirement benefit obligation recognized under other comprehensive income	**16,315,793**	16,458,070
Net deferred tax assets	**₱254,727,150**	₱185,264,695

The components of the net deferred tax liability of the Group are as follows:

	2014	2013
Deferred tax assets:		
Accrued rent	**₱1,509,630**	₱–
Unrealized foreign exchange losses	**157,232**	–
	1,666,862	–
Deferred tax liability:		
Unrealized foreign exchange gains	**(1,903,346)**	–
Net deferred tax liability	**(₱236,484)**	₱–

As of December 31, 2014, 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
2011	2012 - 2014	₱48,174,516	₱48,174,516	₱–	₱–
2012	2013 - 2015	63,666,322	–	–	63,666,322
2013	2014 - 2016	218,896,418	–	–	218,896,418
2014	2015 - 2017	386,669,421	–	–	386,669,421
		₱717,406,677	₱48,174,516	₱–	₱669,232,161

As of December 31, 2014, the MCIT that can be claimed as tax credits follows:

Year incurred	Year of availment	Amount	Expired	Applied	Balance
2012	2013 - 2015	₱9,296,283	₱–	₱8,603,673	₱692,610
2013	2014 - 2016	2,255,507	–	–	2,255,507
2014	2015 - 2017	9,665,724	–	–	9,665,724
		₱21,217,514	₱–	₱8,603,673	₱12,613,841

The movements in NOLCO follow:

	2014	2013
Balance at beginning of year	**₱330,737,256**	₱148,625,079
Additions	**386,669,421**	218,896,418
Application	**–**	(25,055,757)
Expiration	**(48,174,516)**	(11,728,484)
Balance at end of year	**₱669,232,161**	₱330,737,256

The movements in MCIT follow:

	2014	2013
Balance at beginning of year	**₱2,948,117**	₱9,296,283
Additions	**9,665,724**	2,255,507
Application	**–**	(8,603,673)
Balance at end of year	**₱12,613,841**	₱2,948,117

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 the deferred tax assets on certain NOLCO and other deductible temporary differences. The temporary differences for which deferred tax assets have not been recognized pertain to the following:

	2014	2013
NOLCO	**₱226,013,303**	₱15,252,056
MCIT	**2,914,731**	1,418,988
Retirement benefits	**184,769**	–
Unrealized foreign exchange loss	**2,303**	76,947
Accrued rent	**–**	119,926
Deferred revenue	**–**	4,844,416

A portion of unrecognized NOLCO amounting to ₱94,531,705 pertains to certain stock issuance costs charged against APIC in connection with the Company's initial public offering of its common shares in November 2014 (see Note 1)

24. Basic/Diluted Earnings Per Share

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

	2014	2013	2012
Net income	**₱998,282,897**	₱613,743,093	₱462,140,497
Divided by weighted average number of common shares	**2,399,779,822**	2,073,412,900	1,942,162,900
	₱0.42	₱ 0.30	₱0.24

There were no potential dilutive common shares for the years ended December 31, 2014, 2013 and 2012.

25. Risk Management Objectives and Policies

The principal financial instruments of the Group are cash and cash equivalents 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 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. The magnitudes of these risks that have arisen over the year are discussed below.

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 receivables since the Group expects to fully realize its receivables from its debtors. With respect to credit risk from other financial assets of the Group, which is mainly comprised of cash in banks, short-term investments, amounts owed by related parties, trade and other receivables and security deposits, the exposure of the Group to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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

The aging analyses of financial assets that are past due but not impaired are as follows:

December 31, 2014

	Total	Neither past due nor impaired	Past due but not impaired <30 days	30 - 60 days	60 - 90 days	> 90 days	Impaired
Cash in banks and cash equivalents	**₱2,451,723,805**	₱2,451,723,805	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables	**244,052,902**	231,204,212	5,060,711	3,727,175	2,613,184	1,447,620	–
Nontrade receivables	**182,755,203**	99,594,691	29,462,458	10,395,954	4,056,416	39,245,684	–
Receivables from related parties	**54,798,851**	54,798,851	–	–	–	–	–
Advances to officers and employees	**97,062,879**	95,503,410	1,559,469	–	–	–	–
Other receivables	**6,007,112**	6,007,112	–	–	–	–	–
Amounts owed by related parties	**6,941,758**	6,941,758	–	–	–	–	–
Current portion of security deposits (presented under "Prepayments and other current assets")	**10,185,026**	10,185,026	–	–	–	–	–
Security deposits and construction bonds	**806,968,668**	806,968,668	–	–	–	–	–
Total	**₱3,860,496,204**	**₱3,762,927,533**	**₱36,082,638**	**₱14,123,129**	**₱6,669,600**	**₱40,693,304**	**₱–**

December 31, 2013

	Total	Neither past due nor impaired	Past due but not impaired <30 days	30 - 60 days	60 - 90 days	> 90 days	Impaired
Cash in banks and cash equivalents	₱1,106,320,065	₱1,106,320,065	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables	232,753,039	232,753,039	–	–	–	–	–
Nontrade receivables	42,026,741	42,026,741	–	–	–	–	–
Receivables from related parties	58,369,947	58,369,947	–	–	–	–	–
Advances to officers and employees	63,076,399	59,776,481	329,992	494,988	824,980	1,649,958	–
Other receivables	103,071,412	72,052,675	7,298,942	661,499	1,273,156	21,785,140	–
Amounts owed by related parties	8,668,359	8,668,359	–	–	–	–	–
Prepayments and other current assets							
Current portion of security deposits	78,148,750	78,148,750	–	–	–	–	–
Derivative assets	2,644,762	2,644,762	–	–	–	–	–
Security deposits and construction bonds	565,049,456	556,724,012	–	–	1,378,957	6,946,487	–
Total	₱2,260,128,930	₱2,217,484,831	₱7,628,934	₱1,156,487	₱3,477,093	₱30,381,585	₱–

The credit quality per class of financial assets that were neither past due nor impaired are as follows:

December 31, 2014

	Neither past due nor impaired High grade	Standard grade	Substandard grade	Total
Cash in banks and cash equivalents	₱2,451,723,805	₱–	₱–	**₱2,451,723,805**
Trade and other receivables:				
Trade receivables	231,204,212	–	–	**231,204,212**
Nontrade receivables	99,594,691	–	–	**99,594,691**
Receivables from related parties	54,798,851	–	–	**54,798,851**
Advances to officers and employees	95,503,410	–	–	**95,503,410**
Other receivables	6,007,112	–	–	**6,007,112**
Amounts owed by related parties	6,941,758	–	–	**6,941,758**
Current portion of security deposits (presented under "Prepayments and other current assets")	10,185,026	–	–	**10,185,026**
Security deposits and construction bonds	806,968,668	–	–	**806,968,668**
Total	**₱3,762,927,533**	**₱–**	**₱–**	**₱3,762,927,533**

December 31, 2013

	Neither past due nor impaired			
	High grade	Standard grade	Substandard grade	Total
Cash in banks and cash equivalents	₱1,106,320,065	₱–	₱–	₱1,106,320,065
Trade and other receivables:				
Trade receivables	232,753,039	–	–	232,753,039
Nontrade receivables	42,026,741	–	–	42,026,741
Receivables from related parties	58,369,947	–	–	58,369,947
Advances to officers and employees	56,476,563	3,299,918	–	59,776,481
Other receivables	56,110,166	15,942,509	–	72,052,675
Amounts owed by related parties	6,803,592	1,864,767	–	8,668,359
Prepayments and other current assets:				
Current portion of security deposits	78,148,750	–	–	78,148,750
Derivative assets	2,644,762	–	–	2,644,762
Security deposits and construction bonds	556,724,012	–	–	556,724,012
Total	₱2,196,377,637	₱21,107,194	₱–	₱2,217,484,831

High - These pertain to receivables from counterparties with good favorable standing. The counterparties have remote likelihood of default and have consistently exhibited good paying habits.

Standard - These pertain to financial assets with counterparties who settle their obligation with tolerable delays.

Substandard - These accounts show probability of being impaired based on historical experience.

Foreign currency risk
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, trade and other payables and short term loans payable as of December 31, 2014 and 2013. 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, 2014

	USD[1]	EUR[2]	HKD[3]	**Total Peso Equivalent**
Financial assets				
Cash in banks and cash equivalents	\$956,706	€43,340	\$13,648	**₱45,217,464**
Financial liabilities				
Trade and other payables	(116,360)	(177,259)	–	**(14,835,873)**
Net financial assets (liabilities)	**\$840,346**	**(€133,919)**	**\$13,648**	**₱30,381,591**

[1] \$1 = ₱44.72
[2] €1 = ₱54.34
[3] HK\$1 = ₱5.75

December 31, 2013

	USD[1]	EUR[2]	HKD[3]	Total Peso Equivalent
Financial assets				
Cash in banks and cash equivalents	$5,425,252	€23,044	$9,063	₱242,307,414
Financial liabilities				
Trade and other payables	–	(2,860,730)	–	(173,978,442)
Short term loans payable	(7,920,000)	(1,763,563)	–	(458,861,424)
Net financial assets (liabilities)	($2,494,748)	(€4,601,249)	$9,063	(₱390,532,452)

[1] $1 = ₱44.3950
[2] €1 = ₱60.8161
[3] HK$1 = ₱5.7271

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.

		Appreciation/ Depreciation of Foreign Currency	Effect on Income Before Tax
US Dollar	**2014**	**+5%**	**₱1,879,014**
		-5%	**(1,879,014)**
	2013	+5%	(₱5,537,717)
		-5%	5,537,717
Euro	**2014**	**+5%**	**(363,858)**
		-5%	**363,858**
	2013	+5%	(13,991,501)
		-5%	13,991,501
HK Dollar	**2014**	**+5%**	**3,924**
		-5%	**(3,924)**
	2013	+5%	2,595
		-5%	(2,595)

There is no other impact on the Group's equity other than those already affecting the consolidated statements of comprehensive income.

Liquidity risk
Liquidity risk arises from the possibility that the Company 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 table below summarizes the maturity analysis of the Group's financial liabilities based on contractual undiscounted payments:

December 31, 2014

	Carrying Value	Contractual undiscounted payments On demand	Within 1 year	>1 to 5 years	> 5 years
Financial Liabilities					
Trade payables and other payables*	₱3,168,309,770	₱2,688,609,094	₱479,700,676	₱–	₱–
Amounts owed to related parties	24,220	24,220	–	–	–
Short-term loans payable**	3,600,328,857	3,693,367	3,596,635,490	–	–
Long-term debt**	2,138,742,188	11,524,113	419,317,972	1,707,900,103	–
Total Undiscounted Financial Liabilities	**8,907,405,035**	**2,703,850,794**	**4,495,654,138**	**1,707,900,103**	**–**
Financial Assets					
Cash and cash equivalents	2,527,828,209	2,527,828,209	–	–	–
Trade and other receivables					
Trade receivables	244,052,902	236,727,723	7,325,179	–	–
Nontrade receivables	182,755,203	174,605,562	8,149,641	–	–
Receivables from related parties	54,798,851	54,798,851	–	–	–
Advances to officers and employees	97,062,879	95,923,004	326,741	813,134	
Other receivables	6,007,112	5,575,301	431,811	–	–
Amounts owed by related parties	6,941,758	–	6,941,758	–	–
Current portion of security deposits (presented under "Prepayments and other current assets")	10,185,026	–	10,185,026	–	–
Security deposits	814,756,216	–	–	807,228,591	7,527,625
Total Undiscounted Financial Assets	**3,944,388,156**	**3,095,458,650**	**33,360,156**	**808,041,725**	**7,527,625**
Net Undiscounted Financial Liabilities	**₱4,963,016,879**	**(₱391,607,856)**	**₱4,462,293,982**	**₱899,858,378**	**(₱7,527,625)**

* *Excluding statutory liabilities*
** *Including interest payable*

December 31, 2013

	Carrying Value	Contractual undiscounted payments On demand	Within 1 year	>1 to 5 years	> 5 years
Financial Liabilities					
Trade payables and other payables*	₱3,480,621,479	₱2,423,216,091	₱1,057,405,388	₱–	₱–
Amounts owed to related parties	155,236	155,236	–	–	–
Short-term loans payable**	3,813,395,169	290,897,816	3,522,497,353	–	–
Long-term debt**	1,290,943,153	8,112,633	108,333,333	1,083,333,333	108,333,333
Total Undiscounted Financial Liabilities	8,585,115,037	2,722,381,776	4,688,236,074	1,083,333,333	108,333,333
Financial Assets					
Cash and cash equivalents	1,134,749,837	1,134,749,837	–	–	–
Trade and other receivables					
Trade receivables	232,753,039	232,753,039	–	–	–
Nontrade receivables	42,026,741	42,026,741	–	–	–
Receivables from related parties	58,369,947	58,369,947	–	–	–
Advances to officers and employees	63,076,399	63,076,399	–	–	–
Other receivables	103,071,412	100,088,776	2,982,636	–	–

(Forward)

	Carrying Value	Contractual undiscounted payments On demand	Within 1 year	>1 to 5 years	> 5 years
Amounts owed by related parties	₱8,668,359	₱8,668,359	₱–	₱–	₱–
Prepayments and other current assets					
Current portion of security deposits	78,148,750	–	78,148,750	–	–
Derivative assets	2,644,762	2,644,762	–	–	–
Security deposits	565,049,456	18,489,237	17,964,074	528,596,145	–
Total Undiscounted Financial Assets	2,288,558,702	1,660,867,097	99,095,460	528,596,145	–
Net Undiscounted Financial Liabilities	₱6,296,556,335	₱1,061,514,679	₱ 4,589,140,614	₱554,737,188	₱108,333,333

* *Excluding statutory liabilities*
** *Including interest payable*

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, 2014 and 2013. Capital includes equity as shown in the consolidated balance sheet.

As disclosed in Note 15, 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 Company 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, 2014.

26. 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:

	2014		2013	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets				
Loans and receivables				
Security deposits and construction bonds	**₱808,421,478**	**₱785,727,709**	₱565,049,456	₱556,920,007
Financial asset at FVPL				
Derivative asset	**–**	**–**	2,644,762	2,644,762
Total	**₱808,421,478**	**₱785,727,709**	₱567,694,218	₱559,564,769
Financial Liabilities				
Other financial liabilities				
Long-term debt	**₱1,820,353,996**	**₱1,824,075,610**	₱1,282,830,520	₱1,435,976,445

Due to relatively short maturity, ranging from one to twelve months, carrying amounts approximate fair values for cash and cash equivalents, trade and other receivables, amounts due from and to related parties and trade and other payables.

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), 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.

Derivative asset
Fair value is based on quotes provided by counterparty banks.

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 2.10% to 4.89% and 4.28% to 7.79% were used in calculating the fair value of the Group's refundable deposits as of December 31, 2014 and 2013, 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 4.04% to 5.31% were used in calculating the fair value of the Group's long-term debt as of December 31, 2014.

Fair Value Hierarchy
The Group uses the following hierarchy in determining and disclosing the fair value of financial instruments by valuation technique:

- 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.

Below is the list of financial assets carried at and/or disclosed at fair value that are classified using a fair value hierarchy:

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Disclosed at fair value				
Security deposits and construction bonds	**₱–**	**₱785,727,709**	**₱–**	**₱785,727,709**
Long-term debt	**–**	**(1,824,075,610)**	**–**	**(1,824,075,610)**
Total	**₱–**	**(₱1,038,347,901)**	**₱–**	**(₱1,038,347,901)**

	2013			
	Level 1	Level 2	Level 3	Total
Carried at fair value				
Derivative asset*	₱–	₱2,644,762	₱–	₱2,644,762
Disclosed at fair value				
Security deposits and construction bonds	–	556,920,007	–	556,920,007
Long-term debt	–	(1,435,976,445)	–	(1,435,976,445)
Total	₱–	(₱876,411,676)	₱–	(₱876,411,676)

**Presented as part of "Prepayments and other current assets"*

As at December 31, 2014 and 2013, the Group does not have financial instruments with fair values determined using inputs that are classified under Level 1 and 3.

For years ended December 31, 2014 and 2013, 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.

27. Contracts and Commitments

Leases

The Group leases its office space and certain store outlets used in its operations for lease terms ranging from two to three 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. Rentals charged to operations amounted to ₱1,845,883,039, ₱1,510,253,944 and ₱1,213,823,922 for the years ended December 31, 2014, 2013 and 2012, respectively (see Notes 16, 17 and 18).

Of the total rent expense, ₱367,320,943, ₱101,431,313 and ₱43,595,056 in 2014, 2013 and 2012, respectively, pertain to contingent rent of some stores based on percentage ranging from 3% to 6% of total merchandise sales in 2014, 2013 and 2012.

Future minimum rentals payable under these leases are as follows as of December 31, 2014 and 2013 (amounts in thousands):

	2014	2013
Within one year	**₱780,295**	₱746,145
After one year but not more than five years	**879,204**	787,303
Later than five years	**330,720**	–
	₱1,990,219	₱1,533,448

The Group has paid security deposits and construction bonds for the store outlets and office spaces with carrying amounts of ₱817.2 million and ₱643.2 million as of December 31, 2014 and 2013, 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 1.24% to 7.15%. Interest income recognized from these security deposits amounted to ₱8.5 million, ₱6.2 million and ₱2.5 million for the years ended December 31, 2014, 2013 and 2012, respectively.

28. 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, 2014, 2013 and 2012 (amounts in millions):

	2014	2013	2012
Net Sales			
Luxury and Bridge	**₱3,334**	₱2,907	₱2,656
Casual	**2,443**	2,306	2,082
Fast Fashion	**5,433**	4,213	4,000
Footwear, Accessories and Luggage	**2,134**	1,746	1,534
Other	**1,869**	1,616	1,338
	₱15,213	₱12,788	₱11,610

The Group's customers are located in the Philippines and Guam, with bulk of the revenues being contributed by local customers. Following shows the revenue contribution by geographical areas (amounts in millions).

	2014	2013	2012
Philippines	**₱15,067**	₱12,643	₱11,463
Guam	**146**	145	147
	₱15,213	₱12,788	₱11,610

29. Equity

a. Common Shares
The Company's authorized and issued capital stock as of December 31, 2014 and 2013 follows:

	Number of Shares	
	2014	2013
Authorized capital stock, ₱1 par value in 2014 and ₱100 in 2013	**5,000,000,000**	2,000,000

	Number of Shares	
	2014	2013
Issued capital stock:		
Balance at beginning of year	**2,000,000**	250,000
Issued during the period	**19,171,629**	1,750,000
Balance before stock split	**21,171,629**	2,000,000
Effect of stock split	**2,095,991,271**	–
Balance after stock split	**2,117,162,900**	2,000,000
Issued during the period	**1,195,701,530**	–
Balance at end of year	**3,312,864,430**	2,000,000

	Capital Stock	
	2014	2013
Issued capital stock:		
Balance at beginning of year	**₱200,000,000**	₱25,000,000
Issued during the year	**3,112,864,430**	175,000,000
Balance at end of year	**₱3,312,864,430**	₱200,000,000

At the special meeting held on March 5, 2014, the BOD and stockholders approved the increase of authorized capital stock of the Company to ₱3,000,000,000 divided into 30,000,000 common shares at its par value of ₱100 per share. Of the increase in the authorized capital stock of ₱2,800,000,000, the amount of ₱700,000,000 representing 7,000,000 shares of stock, has been fully subscribed and the amount of ₱175,000,000 representing 1,750,000 shares of stock has been fully paid by way of cash to and in favor of the Company.

The SEC approved the Company's application for the increase in authorized capital stock on April 3, 2014.

On April 9, 2014, all the outstanding shares of stock of the Company were acquired by the principal stockholders of SSI in order to implement the restructuring of the Group (see Note 1).

Also, on April 10, 2014, the aforementioned principal stockholders of SSI furthermore subscribed to new shares out of the authorized but unissued capital of the Company amounting to ₱1,217,162,900 representing 12,171,629 shares of stock. All subscriptions were subsequently fully paid on April 15, 2014.

On June 18, 2014, the BOD and stockholders approved the increase of authorized capital stock of the Company to ₱5,000,000,000 divided into 5,000,000,000 common shares at its par value of ₱1 per share. Of the increase in the authorized capital stock of ₱2,000,000,000, the amount of ₱500,000,000 representing 500,000,000 common shares has been fully subscribed and paid by way of cash to and in favor of the Company.

On August 29, 2014, the Philippine SEC approved the application of the Company for a stock split. As a result, par value of the Company's common shares changed from ₱100 per share to ₱1 per share.

On November 7, 2014, the Company listed with the PSE its 695,701,530 common shares at an issue price of ₱7.50 per share. Total proceeds from the issuance of common shares amounted to ₱5,217.8 million. The Company incurred transaction costs incidental to the IPO amounting to ₱465.6 million which is charged against "Additional paid-in capital" in the consolidated balance sheet.

b. Appropriation of Retained Earnings
In November 2011, the retained earnings of SSI and RMSI amounting to an aggregate of ₱270.0 million were appropriated for future expansion purposes.

On various dates in 2011, the BOD of SSI, ISCI, LCI and the Company approved the additional appropriation of an aggregate amount of ₱200.0 million for future expansion purposes.

On December 20, 2012, the BOD of SSI, RMSI, ISCI and LCI approved additional appropriation in the aggregate amount of ₱430.0 million from the unappropriated retained earnings as of December 31, 2012 to fund for future expansion in store outlets and operations.

On November 11, 2013 the BOD of ISCI approved additional appropriation amounting to ₱200.0 million from the unappropriated retained earnings as of December 31, 2013 for additional working capital and future expansion in store outlets. On the same date, the BOD of RMSI and the Company approved the reversal of the appropriated retained earnings of an aggregate amount of ₱110.0 million into unappropriated retained earnings.

Subsequently, on December 13, 2013, the BOD of SSI approved additional appropriation amounting to ₱300.0 million from the unappropriated retained earnings as of December 31, 2013 to fund future expansion in store outlets and operations.

On November 26, 2014, the BOD approved the following balance of retained earnings appropriation as of December 31, 2014:

	2014
RMSI	₱300,000,000
ISCI	100,000,000
LCI	100,000,000
RSCI	10,000,000
	₱510,000,000

The amount of appropriations above will be used by the group to fund future expansion in store outlets and operations. The said expansions are expected to be completed within two years from December 31, 2014.

c. Dividend declaration
In 2014 and 2013, the Company has no declaration of dividend. In 2012, the BOD approved the declaration of cash dividends amounting to ₱46.4 million out of the unappropriated retained earnings of the Company to all shareholders of record as of December 31, 2011.

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Casual Clothing Specialists, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Casual Clothing Specialists, Inc. and Subsidiaries (Group), which comprise the consolidated balance sheets as at December 31, 2013, 2012 and 2011, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information (the "Annual Financial Statements").

We have also reviewed the interim financial statements of the Group, which comprise the interim consolidated balance sheet as at June 30, 2014, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the six months ended June 30, 2014 and 2013, and a summary of significant accounting policies and other explanatory information (the "Interim Financial Statements").

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the Annual Financial Statements based on our audits and a review conclusion on the Interim Financial Statements based on our review.

We conducted our audits of the Annual Financial Statements in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Annual Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Annual Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Annual Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Annual Financial Statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We conducted our review of the Interim Financial Statements in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of the interim financial statements consists principally of making inquiries of management and applying analytical procedures. A review is substantially less in scope than an audit conducted in accordance with PSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Interim Financial Statements.

Opinion in Respect of the Annual Financial Statements

In our opinion, the Annual Financial Statements present fairly, in all material respects, the financial position of Casual Clothing Specialists, Inc. and Subsidiaries as at December 31, 2013, 2012 and 2011, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Review Conclusion in Respect of the Interim Financial Statements

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Statements do not present fairly, in all material respects, the financial position of Casual Clothing Specialists, Inc. and Subsidiaries as at June 30, 2014 and their financial performance and their cash flows for the six months ended June 30, 2014 and 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Ladislao Z. Avila, Jr.
Partner
CPA Certificate No. 69099
SEC Accreditation No. 0111-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 109-247-891
BIR Accreditation No. 08-001998-43-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225149, January 2, 2014, Makati City

August 11, 2014

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30		December 31	
	2014 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
ASSETS				
Current Assets				
Cash and cash equivalents (Note 5)	**₱964,705,882**	₱1,134,749,837	₱1,256,167,415	₱1,865,553,120
Trade and other receivables (Note 6)	**327,033,910**	499,297,538	375,611,359	273,570,927
Merchandise inventory (Note 7)	**6,943,002,368**	5,898,907,758	5,394,140,577	4,651,662,778
Amounts owed by related parties (Note 21)	**9,253,336**	8,668,359	6,367,251	15,618,232
Prepayments and other current assets (Note 8)	**535,303,285**	331,649,745	226,621,151	163,206,306
Total Current Assets	**8,779,298,781**	7,873,273,237	7,258,907,753	6,969,611,363
Noncurrent Assets				
Investment in an associate (Note 9)	**52,617,452**	42,937,695	41,309,445	36,380,380
Interests in joint ventures (Note 10)	**440,430,537**	369,074,715	136,850,000	–
Property and equipment (Note 11)	**3,623,325,345**	2,592,700,507	1,274,510,246	1,001,477,785
Deferred tax assets (Note 23)	**196,159,839**	185,264,695	119,197,938	95,363,755
Security deposits and construction bonds (Note 27)	**669,530,821**	565,049,456	444,943,900	369,905,744
Other noncurrent assets (Note 12)	**337,579,082**	249,618,459	286,101,185	119,150,632
Total Noncurrent Assets	**5,319,643,076**	4,004,645,527	2,302,912,714	1,622,278,296
TOTAL ASSETS	**₱14,098,941,857**	₱11,877,918,764	₱9,561,820,467	₱8,591,889,659
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables (Note 13)	**₱3,632,485,137**	₱3,497,635,725	₱6,595,876,102	₱6,129,435,675
Short-term loans payable (Note 14)	**4,378,996,205**	3,810,985,777	672,500,000	520,000,000
Current portion of long-term debt (Note 15)	**333,333,333**	108,333,333	–	–
Amounts owed to related parties (Note 21)	**159,206**	155,236	293,218	174,958,831
Deferred revenue	**22,176,840**	22,507,779	15,262,576	12,288,157
Income tax payable	**214,483,407**	210,269,251	134,248,264	45,835,889
Total Current Liabilities	**8,581,634,128**	7,649,887,101	7,418,180,160	6,882,518,552
Noncurrent Liabilities				
Long-term debt (Note 15)	**1,649,454,015**	1,174,497,187	–	–
Retirement benefit obligation (Note 22)	**233,778,770**	225,445,731	153,733,227	123,468,206
Deposits for future stock subscription (Note 29)	**500,000,000**	–	–	–
Deposits for future stock subscription to SSI (Note 29)	**–**	61,580,320	600,000,000	600,000,000
Total Noncurrent Liabilities	**2,383,232,785**	1,461,523,238	753,733,227	723,468,206
Equity (Note 29)				
Capital stock - ₱100 par value				
Issued - 21,171,629 shares in 2014, 2,000,000 shares in 2013 and 250,000 shares in 2012 and 2011	**2,117,162,900**	200,000,000	25,000,000	25,000,000
Deposits for future stock subscription	**–**	–	175,000,000	75,000,000
Equity reserve (Note 4)	**(1,537,147,726)**	500,434,495	(294,985,185)	(194,985,185)
Retained earnings				
Appropriated	**1,290,000,000**	1,290,000,000	900,000,000	470,000,000
Unappropriated	**1,324,901,446**	838,616,229	614,873,136	629,111,841
Cumulative translation adjustment	**(3,541,542)**	(5,242,165)	(7,075,901)	620,333
Other comprehensive income	**(57,300,134)**	(57,300,134)	(22,904,970)	(18,844,088)
Total Equity	**3,134,074,944**	2,766,508,425	1,389,907,080	985,902,901
TOTAL LIABILITIES AND EQUITY	**₱14,098,941,857**	₱11,877,918,764	₱9,561,820,467	₱8,591,889,659

See accompanying Notes to Consolidated Financial Statements.

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six Months Ended June 30		Years Ended December 31		
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
NET SALES	**₱6,671,531,398**	₱5,844,449,916	₱12,787,581,909	₱11,609,762,839	₱10,182,852,748
COST OF GOODS SOLD (Note 16)	**2,884,836,317**	3,018,783,492	6,495,583,688	6,510,262,858	6,098,865,603
GROSS PROFIT	**3,786,695,081**	2,825,666,424	6,291,998,221	5,099,499,981	4,083,987,145
OPERATING EXPENSES					
Selling and distribution (Note 17)	**2,409,390,620**	2,076,609,859	4,583,855,201	3,746,285,955	3,111,553,560
General and administrative (Note 18)	**452,365,373**	377,359,656	791,070,174	722,983,583	647,962,750
	2,861,755,993	2,453,969,515	5,374,925,375	4,469,269,538	3,759,516,310
OTHER INCOME (CHARGES)					
Foreign exchange gains - net	**26,378,528**	30,739,230	21,117,594	10,942,751	11,639,165
Share in net earnings of an associate (Note 9)	**9,679,757**	8,018,162	17,628,250	16,129,065	9,127,483
Interest accretion on security deposits (Note 27)	**2,908,845**	3,810,522	6,165,280	2,505,521	2,579,268
Interest income (Note 5)	**1,501,799**	2,556,623	3,887,650	13,037,077	11,878,923
Interest expense (Notes 14 and 15)	**(124,580,716)**	(21,412,668)	(92,226,440)	(21,506,046)	(14,081,591)
Share in net losses of joint ventures (Note 10)	**(80,644,178)**	(10,137,643)	(20,275,285)	–	–
Others - net	**(9,213,739)**	51,243,421	48,125,922	5,089,873	20,305,120
	(173,969,704)	64,817,647	(15,577,029)	26,198,241	41,448,368
INCOME BEFORE INCOME TAX	**750,969,384**	436,514,556	901,495,817	656,428,684	365,919,203
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)					
Current	**281,128,364**	160,352,717	347,374,886	222,775,520	120,520,086
Deferred	**(16,444,197)**	(18,600,452)	(59,622,162)	(28,487,333)	(18,781,419)
	264,684,167	141,752,265	287,752,724	194,288,187	101,738,667
NET INCOME	**486,285,217**	294,762,291	613,743,093	462,140,497	264,180,536
OTHER COMPREHENSIVE INCOME					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Cumulative translation adjustment on foreign operations, net of deferred tax	**1,700,623**	2,710,191	1,833,736	(7,696,234)	620,333
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Re-measurement loss on retirement benefit, net of deferred tax	**–**	536,712	(34,395,164)	(4,060,882)	(18,844,088)
TOTAL COMPREHENSIVE INCOME	**₱487,985,840**	₱298,009,194	₱581,181,665	₱450,383,381	₱245,956,781
BASIC/DILUTED EARNINGS PER SHARE (Note 24)	**₱22.97**	₱14.22	₱29.60	₱23.80	₱13.60

See accompanying Notes to Consolidated Financial Statements.

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2013, 2012 and 2011 (Audited)

	Capital Stock (Note 29)	Deposits for future subscriptions	Equity Reserve (Note 4)	Retained Earnings (Note 29) Appropriated	Retained Earnings (Note 29) Unappropriated	Cumulative Translation Adjustment	Other Comprehensive Income	Total
Balances at January 1, 2011	₱25,000,000	₱75,000,000	(₱101,235,185)	₱270,000,000	₱564,931,305	₱–	₱–	₱833,696,120
Net income	–	–	–	–	264,180,536	–	–	264,180,536
Other comprehensive income	–	–	–	–	–	–	(18,844,088)	(18,844,088)
Exchange differences on translation	–	–	–	–	–	620,333	–	620,333
Total comprehensive income for the year	–	–	–	–	264,180,536	620,333	(18,844,088)	245,956,781
Appropriation of retained earnings	–	–	–	200,000,000	(200,000,000)	–	–	–
Movement in equity reserve	–	–	(93,750,000)	–	–	–	–	(93,750,000)
Balances at December 31, 2011	**₱25,000,000**	**₱75,000,000**	**(₱194,985,185)**	**₱470,000,000**	**₱629,111,841**	**₱620,333**	**(₱18,844,088)**	**₱985,902,901**
Balances at January 1, 2012	₱25,000,000	₱75,000,000	(₱194,985,185)	₱470,000,000	₱629,111,841	₱620,333	(₱18,844,088)	₱985,902,901
Net income	–	–	–	–	462,140,497	–	–	462,140,497
Other comprehensive income	–	–	–	–	–	–	(4,060,882)	(4,060,882)
Exchange differences on translation	–	–	–	–	–	(7,696,234)	–	(7,696,234)
Total comprehensive income for the year	–	–	–	–	462,140,497	(7,696,234)	(4,060,882)	450,383,381
Appropriation of retained earnings	–	–	–	430,000,000	(430,000,000)	–	–	–
Increase in deposits for future subscription	–	100,000,000	–	–	–	–	–	100,000,000
Cash dividend declared	–	–	–	–	(46,379,202)	–	–	(46,379,202)
Movement in equity reserve	–	–	(100,000,000)	–	–	–	–	(100,000,000)
Balances at December 31, 2012	**₱25,000,000**	**₱175,000,000**	**(₱294,985,185)**	**₱900,000,000**	**₱614,873,136**	**(₱7,075,901)**	**(₱22,904,970)**	**₱1,389,907,080**
Balances at January 1, 2013	₱25,000,000	₱175,000,000	(₱294,985,185)	₱900,000,000	₱614,873,136	(₱7,075,901)	(₱22,904,970)	₱1,389,907,080
Net income	–	–	–	–	613,743,093	–	–	613,743,093
Other comprehensive income	–	–	–	–	–	–	(34,395,164)	(34,395,164)
Exchange differences on translation	–	–	–	–	–	1,833,736	–	1,833,736
Total comprehensive income for the year	–	–	–	–	613,743,093	1,833,736	(34,395,164)	581,181,665
Appropriation of retained earnings	–	–	–	500,000,000	(500,000,000)	–	–	–
Reversal of appropriated retained earnings	–	–	–	(110,000,000)	110,000,000	–	–	–
Conversion of deposits for future subscription to capital stock	175,000,000	(175,000,000)	–	–	–	–	–	–
Movement in equity reserve	–	–	795,419,680	–	–	–	–	795,419,680
Balances at December 31, 2013	**₱200,000,000**	**₱–**	**₱500,434,495**	**₱1,290,000,000**	**₱838,616,229**	**(₱5,242,165)**	**(₱57,300,134)**	**₱2,766,508,425**

	For the Six Months Ended June 30, 2014 and 2013 (Unaudited)							
				Retained Earnings (Note 29)				
	Capital Stock (Note 29)	Deposits for future subscriptions	Equity Reserve (Note 4)	Appropriated	Unappropriated	Cumulative Translation Adjustment	Other Comprehensive Income	Total
Balances at January 1, 2013	₱25,000,000	₱175,000,000	(₱294,985,185)	₱900,000,000	₱614,873,136	(₱7,075,901)	(₱22,904,970)	₱1,389,907,080
Net income	–	–	–	–	294,762,291	–	–	294,762,291
Other comprehensive income	–	–	–	–	–	–	536,712	536,712
Exchange differences on translation	–	–	–	–	–	2,710,191	–	2,710,191
Total comprehensive income for the period	–	–	–	–	294,762,291	2,710,191	536,712	298,009,194
Conversion of deposits for future subscription to capital stock	175,000,000	(175,000,000)	–	–	–	–	–	–
Movement in equity reserve	–	–	600,000,000	–	–	–	–	600,000,000
Balances at June 30, 2013	**₱200,000,000**	**₱–**	**₱305,014,815**	**₱900,000,000**	**₱909,635,427**	**(₱4,365,710)**	**(₱22,368,258)**	**₱2,287,916,274**
Balances at January 1, 2014	₱200,000,000	₱–	₱500,434,495	₱1,290,000,000	₱838,616,229	(₱5,242,165)	(₱57,300,134)	₱2,766,508,425
Net income	–	–	–	–	486,285,217	–	–	486,285,217
Other comprehensive income	–	–	–	–	–	–	–	–
Exchange differences on translation	–	–	–	–	–	1,700,623	–	1,700,623
Total comprehensive income for the period	–	–	–	–	486,285,217	1,700,623	–	487,985,840
Issuance of capital stock	1,917,162,900	–	–	–	–	–	–	1,917,162,900
Movement in equity reserve (Note 4)	–	–	(2,037,582,221)	–	–	–	–	(2,037,582,221)
Balances at June 30, 2014	**₱2,117,162,900**	**₱–**	**(₱1,537,147,726)**	**₱1,290,000,000**	**₱1,324,901,446**	**(₱3,541,542)**	**(₱57,300,134)**	**₱3,134,074,944**

See accompanying Notes to Consolidated Financial Statements.

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30		Years Ended December 31		
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES					
Income before income tax	**₱750,969,384**	₱436,514,556	₱901,495,817	₱656,428,684	₱365,919,203
Adjustments for:					
Depreciation and amortization (Notes 11, 12 and 20)	**440,602,065**	277,074,382	633,675,839	592,612,612	483,057,874
Interest expense (Note 14 and 15)	**124,580,716**	21,412,668	92,226,440	21,506,046	14,081,591
Share in net losses of joint ventures (Note 10)	**80,644,178**	10,137,643	20,275,285	–	–
Unrealized foreign exchange losses (gains)	**9,769,369**	2,369,988	6,770,052	8,315,729	(11,639,165)
Impairment loss (Notes 11 and 27)	**5,320,000**	–	–	–	–
Mark-to-market loss (gain)	**5,020,973**	–	(2,644,762)	–	–
Loss on disposal of property and equipment (Note 11)	**3,357,064**	7,358,908	610,718	126,382	2,037,171
Share in net earnings of an associate (Note 9)	**(9,679,757)**	(8,018,162)	(17,628,250)	(16,129,065)	(9,127,483)
Interest accretion on refundable deposits (Note 27)	**(2,908,845)**	(3,810,522)	(6,165,280)	(2,505,521)	(2,579,268)
Interest income (Note 5)	**(1,501,799)**	(2,556,623)	(3,887,650)	(13,037,077)	(11,878,923)
Operating income before working capital changes	**1,406,173,348**	740,482,838	1,624,728,209	1,247,317,790	829,871,000
Decrease (increase) in:					
Trade and other receivables	**168,575,628**	(26,097,453)	(123,475,179)	(125,078,731)	(50,022,764)
Merchandise inventory	**(1,044,094,610)**	(357,301,241)	(504,767,181)	(742,477,799)	(1,272,268,409)
Amounts owed by related parties	**3,103,021**	(38,983,490)	(2,512,108)	32,289,981	47,428,705
Prepayments and other current assets	**(203,653,540)**	(91,672,127)	(102,383,832)	(63,414,849)	(55,396,675)
Increase (decrease) in:					
Trade and other payables	**134,856,412**	(593,880,305)	(3,108,769,403)	466,440,428	790,094,047
Deferred revenue	**(330,939)**	4,688,004	7,245,203	2,974,419	12,288,157
Amounts owed to related parties	**(3,030)**	(166,835)	(130,982)	(174,665,613)	23,463,291
Retirement benefit obligation	**8,333,039**	15,552,012	22,576,557	24,463,764	19,562,011
Net cash generated from (used in) operations	**472,959,329**	(347,378,597)	(2,187,488,716)	667,849,390	345,019,363
Interest received	**1,501,799**	2,556,623	3,887,650	13,037,077	11,878,923
Income taxes paid	**(271,365,157)**	(177,432,282)	(262,750,226)	(127,969,617)	(104,680,269)
Net cash flows from (used in) operating activities	**203,095,971**	(522,254,256)	(2,446,351,292)	552,916,850	252,218,017

(Forward)

	Six Months Ended June 30		Years Ended December 31		
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisitions of property and equipment (Note 11)	**(₱1,475,500,151)**	(₱1,120,376,464)	(₱1,950,468,614)	(₱864,095,398)	(₱687,508,631)
Additional interests in joint ventures (Note 10)	**(152,000,000)**	(50,000,000)	(252,500,000)	(136,850,000)	–
Dividends received from investment in an associate (Note 9)	**–**	–	16,000,000	11,200,000	11,200,700
Decrease (increase) in:					
Security deposits and construction bonds	**(104,242,520)**	(101,826,950)	(113,940,276)	(72,532,635)	(80,028,455)
Other noncurrent assets	**(89,694,437)**	101,318,577	34,474,522	(168,627,311)	21,971,965
Net cash flows used in investing activities	**(1,821,437,108)**	(1,170,884,837)	(2,266,434,368)	(1,230,905,344)	(734,364,421)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from availment of:					
Short-term loans payable (Note 14)	**2,355,621,855**	1,496,250,000	4,202,965,834	382,500,000	270,000,000
Long-term debt (Note 15)	**699,956,828**	485,073,065	1,282,830,520	–	–
Payment of short-term loans payable	**(1,787,611,427)**	(572,500,000)	(1,072,500,000)	(230,000,000)	–
Payments of:					
Interest	**(124,580,716)**	(21,412,668)	(81,704,414)	(21,506,046)	(14,081,591)
Dividends (Note 29)	**–**	–	–	(46,379,202)	–
Proceeds from:					
Subscriptions to capital stock (Note 4)	**1,917,162,900**	–	195,419,680	–	–
Deposits for future stock subscription (Notes 1 and 29)	**500,000,000**	–	61,580,320	–	–
Sale of SSI investment in CCSI (Note 1)	**200,119,176**	–	–	–	–
Payment of advances from stockholders	**(61,580,320)**	–	–	–	–
Payment for the purchase of SSI shares (Notes 1 and 4)	**(2,242,162,541)**	–	–	–	–
Net cash flows from financing activities	**1,456,925,755**	1,387,410,397	4,588,591,940	84,614,752	255,918,409
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(161,415,382)**	(305,728,696)	(124,193,720)	(593,373,742)	(226,227,995)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(8,628,573)**	1,873,647	2,776,142	(16,011,963)	11,639,165
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,134,749,837**	1,256,167,415	1,256,167,415	1,865,553,120	2,080,141,950
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱964,705,882**	₱952,312,366	₱1,134,749,837	₱1,256,167,415	₱1,865,553,120

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Casual Clothing Specialists, Inc. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on April 16, 2007. 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).

Corporate Restructuring
The Tantoco Family undertook a restructuring of its ownership over SSI and subsidiaries (collectively referred to as the "Group") in order to convert the Company into the new holding company of the Group. The Company is principally owned and controlled by the Tantoco Family members, directly or through their respective holding companies. The Group's former holding company, SSI, was converted into a wholly-owned operating subsidiary of the Company. SSI remains as primary franchisee under the Group's brand agreements and also acts as the principal shareholder of most of the operating subsidiaries.

Prior to the restructuring activities undertaken, the Company was owned 100% by SSI and its nominees. On April 3, 2014, the Philippine SEC approved the increase in authorized capital stock of the Company from ₱200.0 million divided into 2,000,000 shares with par value of ₱100.00 per share, to ₱3.0 billion divided into 30,000,000 shares with par value of ₱100.00 per share. Of the increased authorized capital stock of the Company, SSI subscribed to 7,000,000 shares for a consideration of ₱700.0 million, of which ₱175.0 million was paid and ₱525.0 million remained outstanding as subscription receivables. On April 9, 2014, all of the shares held by SSI in the Company were sold to the Tantoco Family via a deed of sale and a deed of assignment of subscription rights. As a result of the share sale, the Company ceased to be a subsidiary of SSI. In turn, on April 14, 2014, the Company purchased all of the shares held by the Tantoco Family in SSI for a total consideration of ₱2.2 billion. This transaction resulted in SSI becoming a wholly-owned subsidiary of the Company.

Using the proceeds of the sale of its shares in SSI to the Company, the Tantoco Family settled the outstanding ₱525.0 million subscription payable on the 7,000,000 shares in the Company previously subscribed by SSI and now owned by the Tantoco Family. On April 10, 2014, the Tantoco Family further subscribed to an additional unissued 12,171,629 shares in the Company, which amounted to ₱1.2 billion. In addition, on April 15, 2014, the Tantoco Family made a deposit for future subscription to the 5,000,000 shares in the Company for a consideration of ₱500.0 million, pending the Philippine SEC approval of the increase in authorized capital stock of the Company from ₱3.0 billion to ₱5.0 billion.

The above corporate restructuring resulted in the Company being wholly owned by members of the Tantoco Family, which in turn gives the Tantoco Family ownership and control of the Group. As of April 2014, the above restructuring was deemed legally complete, subject to certain regulatory approvals from the Philippine Bureau of Internal Revenue.

On January 10, 2014, Casual Clothing Retailers, Inc. was incorporated for the purpose of continuing the businesses of the Company, including operation of the brands under the Group's arrangements with GAP Inc.

On June 18, 2014, certain resolutions were approved by the Board and shareholders of the Company, including, among others: (1) change in its corporate name from "Casual Clothing Specialists, Inc." to "SSI Group, Inc."; (2) change in its primary purpose as a retail company to that of a holding company; (3) increase in its authorized capital stock from ₱3.0 billion to ₱5.0 billion; (4) reduction of par value of its shares from ₱100.00 per share to ₱1.00 per share; and (5) increase in the number of members of its board of directors from five to nine. These changes, including the appropriate amendments to its articles of incorporation, have been submitted to the Philippine SEC on July 30, 2014 and are pending approval as of August 11, 2014. Upon approval, the Company will have an authorized capital stock of ₱5,000,000,000 divided into 5,000,000,000 shares with a par value of ₱1.00 per share.

The registered office and principal place of business of the Company is 6/F Midland Buendia Building, 403 Senator Gil Puyat Avenue, Makati City.

The accompanying consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") as of June 30, 2014 and for the six months ended June 30, 2014 and 2013 and as of and for each of the three years in the period ended December 31, 2013, 2012 and 2011, were authorized for issue by the Board of Directors (BOD) on August 11, 2014.

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

Basis of Presentation

As discussed in Note 1, the Company entered into a sale and purchase of shares transactions with SSI and the members of the Tantoco Family resulting in the Company becoming the holding company of the Group. The Company and its subsidiaries, now comprising "the Group", are under common control of the Tantoco Family before and after the sale and purchase transactions in April 2014. The said transactions were treated as a reorganization of entities under common control and were accounted for similar to pooling-of-interests method. Accordingly, the consolidated financial statements of the Company have been prepared as a continuation of the consolidated financial statements of SSI, the former holding company of the Group.

The comparative June 30, 2013 and the December 31, 2013, 2012 and 2011 financial information presented in the accompanying consolidated financial statements (i.e. prior to reorganization) is that of SSI and not originally presented in the previous financial statements of the Company; and that has been retroactively adjusted to reflect the legal capital of the Company with the difference between the capital of SSI and the Company prior to the reorganization being recognized as "Equity Reserve" in the consolidated balance sheets. Refer to Note 4 for the movements in the "Equity Reserve" account.

Basis of Preparation

The consolidated annual and interim financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value, and are presented in Philippine peso, which is the Company's functional and presentation 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.

The consolidated financial statements have been prepared solely for the inclusion in the offering circular prepared by the Group for the primary and secondary offering of the Company's shares and for no other purpose.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the Financial Reporting Standards Council.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and the following wholly owned subsidiaries:

	Percentage of Ownership									
	June 30				December 31					
	2014		2013		2013		2012		2011	
	Direct	**Indirect**	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
Stores Specialists, Inc. (SSI)	**100**	–	100	–	100	–	100	–	100	–
Rustan Marketing Specialists, Inc. (RMSI)	–	**100**	–	100	–	100	–	100	–	100
International Specialty Concepts, Inc. (ISCI)	–	**100**	–	100	–	100	–	100	–	100
Rustan Specialty Concepts, Inc. (RSCI)	–	**100**	–	100	–	100	–	100	–	100
Specialty Office Concepts, Inc. (SOCI)	–	**100**	–	100	–	100	–	100	–	100
Specialty Investments, Inc. (SII)	–	**100**	–	100	–	100	–	100	–	100
Luxury Concepts, Inc. (LCI)	–	**100**	–	100	–	100	–	100	–	100
International Specialty Fashions, Inc. (ISFI)	–	**100**	–	100	–	100	–	100	–	100
Footwear Specialty Retailers, Inc. (FSRI)	–	**100**	–	100	–	100	–	100	–	100
Global Specialty Retailers, Inc. (GSRI)[1]	–	**100**	–	100	–	100	–	100	–	–
Specialty Food Retailers, Inc. (SFRI)[2]	–	**100**	–	100	–	100	–	100	–	–
International Specialty Retailers, Inc. (ISRI)[3]	–	**100**	–	100	–	100	–	100	–	–
International Specialty Wears, Inc. (ISWI)[4]	–	**100**	–	100	–	100	–	100	–	–
Fastravel Specialists Holdings, Inc. (FSHI)[5]	–	**100**	–	100	–	100	–	–	–	–
International Specialty Apparels, Inc. (ISAI)[6]	–	**100**	–	–	–	100	–	–	–	–
Casual Clothing Retailers, Inc. (CCRI)[7]	–	**100**	–	–	–	–	–	–	–	–

[1] GSRI was registered with the SEC on August 9, 2011 and started commercial operations on February 17, 2012.
[2] SFRI (formerly Specialtea Blends, Inc.) was registered with the SEC on June 25, 2012 and started commercial operations on November 8, 2012.
[3] ISRI was registered with the SEC on November 29, 2012 and started commercial operations on March 16, 2013.
[4] ISWI was registered with the SEC on November 29, 2012 and started commercial operations on March 17, 2013.
[5] FSHI was registered with the SEC on February 21, 2013 and immediately started commercial operations.
[6] ISAI was registered with the SEC on October 8, 2013 and has not yet started commercial operations as of report date.
[7] CCRI was registered with the SEC on January 10, 2014 and immediately started commercial operations

All subsidiaries are in the retail business and hold exclusive distributorship of certain brands.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of June 30, 2014 and for the six months ended June 30, 2014 and 2013 and as of and for the years ended December 31, 2013, 2012 and 2011. 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.

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
- The Group's voting rights and potential voting rights

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any NCI
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Common control business combinations and group reorganizations
Where there are group reorganizations and business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent (i.e., controlling shareholders) before and after the business combination and the control is not transitory (business combinations under common control), the Group accounts for such group reorganizations and business combinations similar to a pooling-of-interests method. The assets and liabilities of the acquired entities and that of the Company are reflected at their carrying values at the stand-alone financial statements of the investee companies. The difference in the amount recognized and the fair value of the consideration given is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction without loss of control, the difference in the amount recognized and the fair value of consideration received, is also accounted for as an equity transaction.

The Group records the difference as equity reserve and is presented as a separate component of equity in the consolidated balance sheet. Comparatives shall be restated to include balances and transactions as if the entities have been acquired at the beginning of the earliest period presented in the consolidated financial statements, regardless of the actual date of the combination.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

Several other new standards and amendments apply for the first time in 2014. However, they do not have significant impact to the annual consolidated financial statements of the Group or the interim consolidated financial statements of the Group.

The nature and the impact of each new standard and amendment are described below:

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36, *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's consolidated financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's consolidated financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's consolidated financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's consolidated financial position or performance.

Deferred Effectivity

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still

ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

Summary of Significant Accounting Policies

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 to 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.

Cash and Cash Equivalents
Cash in the consolidated balance sheet 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 date of acquisition and that are subject to an insignificant risk of change in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Financial Assets

Initial recognition

Financial assets within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, are classified as financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial assets are recognized initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs.

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

The Group's financial assets include cash and cash equivalents, trade and other receivables, amounts owed by related parties, current portion of security deposits, derivative assets (presented as part of prepayments and other current assets), security deposits and construction bonds.

The Group has no HTM and AFS investments as of June 30, 2014 and December 31, 2013, 2012 and 2011.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivatives financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by PAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at FVPL are carried in the consolidated balance sheet at fair value with gains and losses recognized in the consolidated statement of comprehensive income.

Financial assets may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing the gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains and losses arising from changes in fair value recognized in the consolidated statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Group's derivative asset, recorded under "Prepayments and other current assets" in the consolidated balance sheets as of June 30, 2014 and December 31, 2013, 2012 and 2011 are classified as financial assets at FVPL.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within twelve (12) months from the balance sheet date.

The Group's cash and cash equivalents, trade and other receivables, amounts owed by related parties, current portion of security deposits, derivative assets, recorded under "Prepayment and other current assets", and security deposits and construction bonds are classified as loans and receivables.

Impairment of Financial Assets
The Group assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets carried at amortized cost
For loans and receivables carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the financial asset. Loans together with the associated allowance are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss increased or decreased by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to trade receivables, a provision for impairment loss is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

<u>Financial Liabilities</u>
Initial recognition
Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, reevaluates such designation at every reporting date.

Financial liabilities are recognized initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs

Other financial liabilities
Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Other financial liabilities are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

The Group's financial liabilities include trade and other payables, short-term and long-term debt and amounts owed to related parties.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at FVPL
Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by PAS 39.

Gains and losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income.

The Group's derivative liabilities, recorded under "Trade and other payables" are classified as financial liabilities as at FVPL.

Other financial liabilities
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

The Group's trade and other payables, short-term and long-term debt and amounts owed to related parties are classified as other financial liabilities.

Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated balance sheet.

'Day 1' profit and loss
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' profit and loss) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. 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' profit and loss amount.

<u>Derecognition of Financial Assets and Liabilities</u>
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 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 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.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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.

Merchandise Inventory
Merchandise inventory is valued at the lower of cost and net realizable value (NRV). Cost is determined using the weighted or moving average methods. 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 interest in joint ventures follow:

	Percentage of Ownership			
	June 30	December 31		
	2014	2013	2012	2011
Joint Ventures:				
SIAL CSV Retailers, Inc. (SCRI)	**50%**	50%	50%	–
SIAL Specialty Retailers, Inc. (SSRI)	**50%**	50%	50%	–
Associate:				
Samsonite Philippines, Inc. (SPI)	**40%**	40%	40%	40%

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 investments in an associate and interests in joint ventures are initially recognized at cost. The carrying amounts of the investments 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 of 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 of profit or loss 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 and non-controlling interests in the subsidiaries of the associate or joint venture.

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.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate and interests in joint ventures. At each balance sheet date, the Group determines whether there is objective evidence that the investments 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 'Share in net earnings/losses of an associate and joint ventures' in the consolidated statement of comprehensive income.

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 profit or loss.

Property and Equipment

Property and equipment are stated at cost, excluding the cost of day to day servicing, less accumulated depreciation 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 and overhaul costs, 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:

Category	Estimated useful lives (in years)
Leasehold improvements	2-5
Store, office, warehouse furniture and fixtures	3-5
Building	10-20
Transportation equipment	3-15

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.

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 or method, 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
Prepayments and other current assets, investment in an associate and joint ventures, property and equipment and other noncurrent assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable 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. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations 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 estimated 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
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).

Retained Earnings
Retained earnings includes accumulated earnings of the Group reduced by dividends on capital stock. 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.

Equity Reserve
Equity reserve represents the effect of the application of the pooling-of-interests method as discussed under the Basis of Preparation.

Deposits for Future Stock Subscriptions
Deposits for future stock subscriptions represent the amount received that will be applied as payment in exchange for a fixed number of the Group's capital stock. It is classified as an equity item if there is sufficient unissued authorized capital stock, or if in case the unissued authorized capital stock is insufficient to cover the amount of deposit, (a) the BOD and stockholders have approved a proposed increase in authorized capital stock for which a deposit was received, and (b) the proposed increase was filed with the Philippine SEC as of financial reporting date, otherwise, the deposit is classified as a liability.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, returns and other sales taxes or duties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of merchandise
Revenue from the sale of merchandise, presented as "Net Sales", is recognized when the significant risks and rewards of ownership of the merchandise have passed to the buyer which is generally at the time the sale is consummated.

RMSI operates Marks and Spencer Loyalty Program and RSCI operates Debenhams Loyalty Program which allows customers to accumulate points when they purchase products. The points can then be redeemed or used to pay for the purchase of merchandise, subject to a minimum number of points being obtained.

The consideration received is allocated between the products sold and points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is the amount for which the award credits could be sold separately. The fair value of the points issued is deferred, presented as deferred revenue in the consolidated balance sheet and recognized as revenue when the points are redeemed.

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

Cost of Goods Sold
Cost of goods sold includes the purchase price of the products sold, as well as costs that are directly attributable to bringing the goods to its intended condition and location. Vendor returns, discounts and allowances are generally deducted from the cost 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 incurred.

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 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 the 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.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

Leases
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 exercised 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).

Group as lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are added to the cost of the assets, until such time that the assets are substantially ready for their intended use or sale, which necessarily take a substantial period of time. Income earned on temporary investment of specific borrowings, pending the expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance the project to the extent that they are regarded as an adjustment to interest costs. All other borrowing costs are recognized in the consolidated statements of comprehensive income in the period in which they are incurred.

Taxes
Current income tax
Current income 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 profit or loss.

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 future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of unused MCIT and NOLCO can be utilized except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition 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 deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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 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 profit or loss.

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

Sales tax
Revenues, expenses, and assets are recognized net of amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivable and payables that are stated with the amount of sales tax are included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

Input Value-Added Tax (VAT)
Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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 28 to the consolidated financial statements.

Earnings Per Share (EPS)
Basic EPS is computed by dividing 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 ordinary 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 Company as of balance sheet date.

For comparative purposes, the number of shares used in EPS calculation for the previous periods presented is the number of shares outstanding at the time of restructuring.

Contingencies
Contingent liabilities are not recognized but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefit is probable.

Foreign Currency Translation and Transactions
The consolidated financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Company. 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.

The functional currency of all the subsidiaries, except GSRI, is the Philippine Peso. The functional currency of GSRI is United States Dollar (USD). As of financial reporting date, the assets and liabilities of GSRI are translated into the presentation currency of the Company (the Philippine Peso) at the rate of exchange ruling at reporting date and, its statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to "Exchange differences on translation" in the consolidated statement of comprehensive income and "Cumulative translation adjustment" account within the equity section of the consolidated balance sheet. Upon disposal of this foreign subsidiary, the deferred cumulative amount recognized in equity relating to that particular foreign subsidiary will be recognized in the consolidated statement of comprehensive income.

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 PFRS 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 functional currency
The functional currencies of the entities under the Group are the currencies of the primary economic environment in which the entity operates. It is the currency that mainly influences the sales prices of goods and the costs of the goods sold.

Based on the economic substance of the underlying circumstances, the functional currency of the Company and its subsidiaries, except GSRI, is Philippine peso. The functional and presentation currency of GSRI is the USD.

Determination of operating segment
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 in PFRS 8.

Assessment of control over investees
The Company has wholly owned subsidiaries as discussed in Note 2. Management concluded that the Company controls these subsidiaries if and only if the Company 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.

Operating lease commitments - Group as the lessee
The Group has entered into leases of its office and commercial spaces. The Group has determined that it does not acquire all the significant risks and rewards of ownership of these properties which are leased on operating leases.

Classification of investment in 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 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. However, the Group holds voting power in SPI that represents significant influence. Accordingly, the Group classified its investment in SPI as an investment in an associate.

Classification of interests in SCRI and SSRI as interests in joint ventures
SII, together with another company, established SCRI and SSRI through joint venture agreements. The Group determines an arrangement as a joint arrangement if it has 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 SCRI and SSRI as a joint venture since it has rights to the net assets instead of rights to the assets and obligation for the liabilities of these companies. Accordingly, the Group classified its interests in SCRI and SSRI as joint ventures.

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.

Estimating impairment losses on trade and other receivables and amounts owed by related parties
The Group maintains allowances for impairment losses on trade and other receivables and amounts owed by related parties at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors, their payment behavior and known market factors. The Group reviews the age and status of the receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment losses would increase the Group's recorded expenses and decrease current assets.

The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group assesses impairment into two areas: individually assessed allowances and collectively assessed allowances. The Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, non-moving account receivables, accounts of defaulted agents and accounts from closed stations.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectibility.

As of June 30, 2014 and December 31, 2013, 2012 and 2011, the Group has no allowance for impairment losses on trade and other receivables and amounts owed by related parties. Trade and other receivables and amounts owed by related parties amounted to ₱336,287,246, ₱507,965,897, ₱381,978,610 and ₱289,189,159 as of June 30, 2014 and December 31, 2013, 2012 and 2011, respectively (see Notes 6 and 21).

Assessing net realizable value of merchandise inventory
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. Increase in the NRV will increase the carrying amount of inventories but only to the extent of their original acquisition costs.

As of June 30, 2014 and December 31, 2013, 2012 and 2011, the Group has no allowance for inventory losses. Merchandise inventory amounted to ₱6,943,002,368, ₱5,898,907,758, ₱5,394,140,577 and ₱4,651,662,778 as of June 30, 2014, and December 31, 2013, 2012 and 2011, respectively (see Note 7).

Estimating useful lives of property and equipment, initial master fee and software costs
The Group estimates the useful lives of its property and equipment 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 and software costs based on factors that include asset utilization, internal technical evaluation, technological changes, 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 and software costs would increase depreciation and amortization expense and decrease noncurrent assets.

As of June 30, 2014 and December 31, 2013, 2012 and 2011, the aggregate net book values of property and equipment, initial master fee and software costs presented under "Other noncurrent assets" amounted to ₱3,623,325,345, ₱2,594,434,323, ₱1,277,911,073 and ₱1,006,554,669, respectively (see Notes 11 and 12).

The Group recognized depreciation and amortization expense amounting to ₱440,602,065 and ₱277,074,382, for the six months ended June 30, 2014 and 2013, respectively, and ₱633,675,839, ₱592,612,612 and ₱483,057,874 for the years ended December 31, 2013, 2012 and 2011, respectively (see Notes 11, 12 and 20).

Assessing impairment of investment in an associate, interest in joint ventures and property and equipment
Internal and external sources of information are reviewed at each balance sheet date to identify indications that investment in an associate, interest in joint ventures 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.

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.

As of June 30, 2014 and December 31, 2013, 2012 and 2011, the Group has not identified any events or change in circumstances that would indicate impairment of its nonfinancial assets. The carrying values of the Group's nonfinancial assets are as follows:

	June 30, 2014 (Unaudited)	December 31 2013 (Audited)	2012 (Audited)	2011 (Audited)
Property and equipment (see Note 11)	**₱3,623,325,345**	₱2,592,700,507	₱1,274,510,246	₱1,001,477,785
Investment in an associate (see Note 9)	**52,617,452**	42,937,695	41,309,445	36,380,380
Interests in joint ventures (see Note 10)	**440,430,537**	369,074,715	136,850,000	–
	₱4,116,373,334	₱3,004,712,917	₱1,452,669,691	₱1,037,858,165

**Excluding derivative assets and current portion of security deposits*

Estimating retirement benefits
The cost of defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of returns on assets, 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 22 of the consolidated financial statements.

Estimating fair value of customer loyalty points
A portion of sales revenue attributable to the fair value of points issued is deferred until they are redeemed. The deferment of the revenue is estimated based on the historical trends of redemption, which is then used to project the estimated utilization of the points earned. Any remaining unredeemed points are recognized and measured at fair value. Fair value of the points is determined by applying statistical analysis.

The amount allocated to the award credits from the consideration received or receivable in respect of the initial sale is measured by reference to the fair value of the award credits. The Company takes into account the following in determining the fair value of the award credits:
a. The amount of the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale;
b. The proportion of award credits that is not expected to be redeemed by customers; and
c. Non-performance risk.

In instances where a customer can choose from a range of different awards, the fair value of the award credits reflects the fair value of the range of available awards, weighted in proportion to the frequency with each award is expected to be selected.

As of June 30, 2014 and December 31, 2013, 2012 and 2011, the fair value of points deferred amounted to ₱22,176,840, ₱22,507,779, ₱15,262,576 and ₱12,288,157, respectively.

Realizability of deferred tax assets
The Group 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 taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of the deferred tax assets to be utilized. As of June 30, 2014 and December 31, 2013, 2012 and 2011, deferred tax assets recognized amounted to ₱205,132,269, ₱193,460,163, ₱119,273,643 and ₱96,112,865, respectively (see Note 23).

4. Reorganization Involving Entities Under Common Control

As discussed in Notes 1 and 2, as a result of the sale and purchase of shares transactions among the Company, SSI and the members of the Tantoco Family, the Company became the holding company of the Group. The reorganization was accounted for by the Company similar to pooling-of-interests method.

Under the pooling-of-interests method:

- The assets and liabilities of the combining entities are reflected at their carrying amounts;
- No adjustments are made to reflect fair values, or recognize any new assets or liabilities at the date of the reorganization;
- No 'new' goodwill is recognized as a result of the reorganization;
- Any difference between the consideration transferred and the net assets acquired is reflected within equity under "Equity reserve";
- The income statement in the year of reorganization reflects the results of the combining entities for the full year, irrespective of when the reorganization took place; and
- Comparatives are presented as if the entities had always been combined only for the period that the entities were under common control.

The equity reserve recognized in the statement of changes in equity as of June 30, 2014 represents the difference between the total consideration paid by the Company for its acquisition of SSI and the capital stock of SSI as shown below:

Capital stock of SSI	₱705,014,815
Cash consideration	(2,242,162,541)
Equity reserve	(₱1,537,147,726)

Prior to the reorganization (i.e. as of December 31, 2013, 2012 and 2011 and June 30, 2013) the balance of the equity reserve represents the difference between the legal capital of the Company and SSI.

Below is the summary of the movements of the "Equity reserve" account of the Group:

For the years ended December 31, 2013, 2012 and 2011 (Audited)

Paid-up capital of SSI as at January 1, 2011 (beginning of the earliest period presented)		
Capital stock	₱200,000,000	
Treasury shares	(294,985,185)	(₱94,985,185)
Less: Paid-up capital of the Company as at January 1, 2011 (beginning of the earliest period presented)		
Capital stock	25,000,000	
Subscriptions receivable	(18,750,000)	6,250,000
Balance at January 1, 2011		**(101,235,185)**
Receipt of subscriptions receivable by the Company	(18,750,000)	
Conversion of deposit for future stock subscriptions to capital stock by the Company	(75,000,000)	(93,750,000)
Balance at December 31, 2011		**(₱194,985,185)**
Balance at January 1, 2012		(₱194,985,185)
Conversion of deposit for future stock subscriptions to capital stock by the Company		(100,000,000)
Balance at December 31, 2012		**(₱294,985,185)**

For the years ended December 31, 2013, 2012 and 2011 (Audited)

Balance at January 1, 2013		(₱294,985,185)
Conversion of deposit for future stock subscriptions to capital stock by SSI	₱600,000,000	
Issuance of capital stock by SSI	195,419,680	795,419,680
Balance at December 31, 2013		**₱500,434,495**

For the six months ended June 30, 2014 and 2013 (Unaudited)

Balance at January 1, 2013		(₱294,985,185)
Conversion of deposit for future stock subscriptions to capital stock by SSI		600,000,000
Balances at June 30, 2013		**₱305,014,815**
Balance at January 1, 2014		₱500,434,495
Difference between investment of the Company in SSI and the capital stock of the Company	(₱2,042,162,221)	
Receipt of subscriptions receivable by SSI	4,580,000	(2,037,582,221)
Balance at June 30, 2014		**(₱1,537,147,726)**

5. Cash and Cash Equivalents

	June 30, 2014 (Unaudited)	December 31 2013 (Audited)	2012 (Audited)	2011 (Audited)
Cash on hand	**₱44,095,034**	₱28,429,772	₱36,978,204	₱237,661,107
Cash in banks	**920,610,848**	1,106,320,065	1,154,027,513	1,224,971,352
Short-term investments	**–**	–	65,161,698	402,920,661
	₱964,705,882	₱1,134,749,837	₱1,256,167,415	₱1,865,553,120

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months 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 six months ended June 30, 2014 and 2013 amounted to ₱1,501,799 and ₱2,556,623, respectively, and for the years ended December 31, 2013, 2012 and 2011 amounted to ₱3,887,650, ₱13,037,077 and ₱11,878,923, respectively.

6. Trade and Other Receivables

	June 30, 2014 (Unaudited)	December 31 2013 (Audited)	2012 (Audited)	2011 (Audited)
Trade receivables	**₱98,357,566**	₱232,753,039	₱162,911,940	₱123,083,287
Nontrade receivables	**72,006,909**	42,026,741	52,473,445	53,867,767
Receivables from related parties (see Note 21)	**47,994,006**	58,369,947	38,009,649	11,615,288
Advances to officers and employees	**71,905,827**	63,076,399	49,776,277	26,508,993
Others	**36,769,602**	103,071,412	72,440,048	58,495,592
	₱327,033,910	₱499,297,538	₱375,611,359	₱273,570,927

Trade receivables are due from credit card companies and normally settled on three days' terms. Nontrade receivables, advances to officers and employees and other receivables are usually settled within one year.

Other receivables generally include receivables from contractors for professional services and overpayment to supplier.

7. Merchandise Inventory

	June 30, 2014 (Unaudited)	December 31 2013 (Audited)	2012 (Audited)	2011 (Audited)
At cost				
On hand	**₱6,348,120,305**	₱5,538,302,843	₱5,108,275,145	₱4,330,058,314
In transit	**594,882,063**	360,604,915	285,865,432	321,604,464
	₱6,943,002,368	₱5,898,907,758	₱5,394,140,577	₱4,651,662,778

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. All inventories are presented at cost.

The cost of inventories recognized as expense and presented in "Cost of goods sold" amounted to ₱2,631,438,679 and ₱2,826,355,413, for the six months ended June 30, 2014 and 2013, respectively, and ₱6,109,189,837, ₱6,171,543,762 and ₱5,791,226,590 for the years ended December 31, 2013, 2012 and 2011, respectively (see Note 16).

8. Prepayments and Other Current Assets

	June 30, 2014 (Unaudited)	December 31 2013 (Audited)	2012 (Audited)	2011 (Audited)
Input VAT	**₱185,886,345**	₱116,895,569	₱63,939,813	₱57,978,087
Supplies inventory	**41,465,640**	46,306,808	3,796,943	4,144,663
Prepaid rent (see Note 27)	**23,516,576**	13,378,579	11,336,833	6,900,700
Current portion of security deposits (see Note 27)	**21,073,499**	78,148,750	52,499,584	49,001,819
Prepaid tax	**11,155,381**	2,471,686	–	1,709,897
Prepaid insurance	**9,637,442**	11,512,742	7,495,102	5,078,527
Creditable withholding tax	**3,943,244**	2,626,449	9,669,896	1,184,902
Prepaid guarantee	**859,199**	372,160	414,787	311,726
Deferred input VAT	**476,991**	10,270,893	–	–
Derivative asset (see Note 14)	**–**	2,644,762	–	–
Miscellaneous deposits	**96,611,962**	21,580,507	15,292,635	11,953,797
Others	**140,677,006**	25,440,840	62,175,558	24,942,188
	₱535,303,285	₱331,649,745	₱226,621,151	₱163,206,306

Miscellaneous deposits pertain to deposits with contractors for the construction of leasehold improvements of stores. Input VAT will be applied against output VAT.

Others include advances for purchases arising from transactions made by the Group with its foreign suppliers and advances to suppliers.

9. Investment in an Associate

	Six Months Ended June 30		Years Ended December 31		
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
Acquisition cost	**₱24,640,000**	₱24,640,000	₱24,640,000	₱24,640,000	₱24,640,000
Accumulated equity in net earnings:					
Balance at beginning of year	**18,297,695**	16,669,445	16,669,445	11,740,380	13,813,597
Share in net earnings	**9,679,757**	8,018,162	17,628,250	16,129,065	9,127,483
Dividends received	**–**	(16,000,000)	(16,000,000)	(11,200,000)	(11,200,700)
Balance at end of year	**27,977,452**	8,687,607	18,297,695	16,669,445	11,740,380
	₱52,617,452	₱33,327,607	₱42,937,695	₱41,309,445	₱36,380,380

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 June 30, 2014 and December 31, 2013, 2012 and 2011, 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.

The following table sets out the financial information of SPI as of and for the six months ended June 30, 2014 and 2013 and as of and for the years ended December 31, 2013, 2012 and 2011:

	Six Months Ended June 30		Years Ended December 31		
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
Assets	**₱226,257,726**	₱181,880,649	₱136,559,379	₱130,407,089	₱128,824,402
Liabilities	**140,001,871**	98,559,881	29,467,425	27,131,725	37,871,701
Equity	**86,255,855**	83,320,768	107,091,954	103,275,364	90,952,701
Revenues	**139,259,238**	111,597,518	229,866,907	204,728,994	154,238,153
Net income	**24,199,293**	20,045,404	44,070,624	40,322,864	22,818,708

10. Interests in Joint Ventures

The Company entered into two joint venture projects in 2012. The Group's interests in joint ventures pertain to the following:

Joint venture	Joint venture partner	Project description	Income sharing arrangement
SCRI	Varejo Corporation	Open and operate convenience stores directly owned and/or franchised in the Philippines	50:50
SSRI	Ayala Land, Inc.	Investment in and operation of mid-market department stores	50:50

A summary of the movements in carrying values of interests in joint ventures are set out below:

	Six Months Ended June 30		Years Ended December 31	
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)
SCRI	**₱136,984,100**	₱72,962,357	₱160,324,715	₱83,100,000
SSRI	**303,446,437**	103,750,000	208,750,000	53,750,000
	₱440,430,537	₱176,712,357	₱369,074,715	₱136,850,000

SCRI (50% take up through SII)

	Six Months Ended June 30		Years Ended December 31	
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)
Acquisition cost	**₱180,600,000**	₱83,100,000	₱180,600,000	₱83,100,000
Accumulated equity in net earnings:				
Balance at beginning of period	**(20,275,285)**	–	–	–
Share in net loss	**(23,340,615)**	(10,137,643)	(20,275,285)	–
Balance at end of period	**(43,615,900)**	(10,137,643)	(20,275,285)	–
	₱136,984,100	₱72,962,357	₱160,324,715	₱83,100,000

Key financial information of SCRI are as follows:

	Six Months Ended June 30		Years Ended December 31	
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)
Assets	**₱650,473,509**	₱305,934,176	₱364,118,133	₱170,343,426
Liabilities	**198,846,106**	39,570,567	43,600	1,074,160
Equity	**451,627,403**	266,363,609	364,074,533	169,269,266
Revenues	**344,269,785**	14,823,988	40,340,639	–
Net Loss	**(77,802,050)**	(20,275,285)	(40,550,571)	–

SCRI has started commercial operations on April 2013.

SSRI (50% take up through SII)

	Six Months Ended June 30		Years Ended December 31	
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)
Acquisition cost	**₱360,750,000**	₱103,750,000	₱208,750,000	₱53,750,000
Accumulated equity in net earnings:	–	–	–	–
Balance at beginning of period	–	–	–	–
Share in net loss	**(57,303,563)**	–	–	–
Balance at end of period	**(57,303,563)**	–	–	–
	₱303,446,437	₱103,750,000	₱208,750,000	₱53,750,000

Key financial information of SSRI are as follows:

	Six Months Ended June 30		Years Ended December 31	
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)
Assets	**₱719,177,464**	₱207,831,539	₱428,276,153	₱108,989,954
Liabilities	**111,784,585**	893,169	42,862,621	2,274,775
Equity	**607,392,879**	206,938,370	385,413,532	106,715,179
Revenues	**49,273,678**	417,704	835,407	507,996
Net Loss	**(82,020,656)**	(15,650,824)	(31,301,647)	(1,284,821)

SSRI has started commercial operations on March 2014.

The joint ventures have no contingent liabilities or capital commitments as of June 30, 2014 and December 31, 2013 and 2012.

11. Property and Equipment

The composition and movements of this account are as follows:

	For the Six Months Ended June 30, 2014 (Unaudited)					
	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Construction in Progress	**Total**
Cost:						
Balances at beginning of year	₱4,185,621,829	₱1,367,468,612	₱58,326,550	₱228,272,062	₱400,380,187	**₱6,240,069,240**
Additions	998,164,615	212,902,361	–	3,369,205	261,063,970	**1,475,500,151**
Disposals	(13,712,958)	(2,949,123)	–	–	(10,081,440)	**(26,743,521)**
Balances at end of year	5,170,073,486	1,577,421,850	58,326,550	231,641,267	651,362,717	**7,688,825,870**
Accumulated depreciation and Impairment:						
Balances at beginning of year	2,642,537,431	938,835,542	43,279,720	22,716,040	–	**3,647,368,733**
Depreciation (see Note 20)	345,347,128	83,462,440	1,556,569	8,502,112	–	**438,868,249**
Disposals	(22,948,907)	(437,550)	–	–	–	**(23,386,457)**
Impairment loss for the year	2,650,000	–	–	–	–	**2,650,000**
Balances at end of year	2,967,585,652	1,021,860,432	44,836,289	31,218,152	–	**4,065,500,525**
Net book values	**₱2,202,487,834**	**₱555,561,418**	**₱13,490,261**	**₱200,423,115**	**₱651,362,717**	**₱3,623,325,345**

	For the Six Months Ended June 30, 2013 (Unaudited)					
	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Construction in Progress	Total
Cost:						
Balances at beginning of year	₱3,148,178,849	₱1,052,508,627	₱58,326,550	₱12,541,582	₱27,682,049	₱4,299,237,657
Additions	490,294,224	188,135,109	–	210,821,378	231,125,753	1,120,376,464
Disposals	(6,284,714)	(1,794,539)	–	–	–	(8,079,253)
Balances at end of year	3,632,188,359	1,238,849,197	58,326,550	223,362,960	258,807,802	5,411,534,868
Accumulated depreciation:						
Balances at beginning of year	2,162,376,094	812,840,845	40,166,583	9,343,889	–	3,024,727,411
Depreciation (see Note 20)	201,615,089	65,888,930	4,162,606	5,042,571	–	276,709,196
Disposals	(30,133)	(499,413)	(190,800)	–	–	(720,346)
Balances at end of year	2,363,961,050	878,230,362	44,138,389	14,386,460	–	3,300,716,261
Net book values	₱1,268,227,309	₱360,618,835	₱14,188,161	₱208,976,500	₱258,807,802	₱2,110,818,607

	For the Year Ended December 31, 2013 (Audited)					
	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Construction in Progress	Total
Cost:						
Balances at beginning of year	₱3,148,178,849	₱1,052,508,627	₱58,326,550	₱12,541,582	₱27,682,049	₱4,299,237,657
Additions	1,044,494,015	317,545,981	–	215,730,480	372,698,138	1,950,468,614
Disposals	(7,051,035)	(2,585,996)	–	–	–	(9,637,031)
Balances at end of year	4,185,621,829	1,367,468,612	58,326,550	228,272,062	400,380,187	6,240,069,240
Accumulated depreciation:						
Balances at beginning of year	2,162,376,094	812,840,845	40,166,583	9,343,889	–	3,024,727,411
Depreciation (see Note 20)	487,120,991	128,061,356	3,113,137	13,372,151	–	631,667,635
Disposals	(6,959,654)	(2,066,659)	–	–	–	(9,026,313)
Balances at end of year	2,642,537,431	938,835,542	43,279,720	22,716,040	–	3,647,368,733
Net book values	₱1,543,084,398	₱428,633,070	₱15,046,830	₱205,556,022	₱400,380,187	₱2,592,700,507

	For the Year Ended December 31, 2012 (Audited)					
	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Construction in Progress	Total
Cost:						
Balances at beginning of year	₱3,042,480,894	₱901,995,186	₱58,326,550	₱9,908,983	₱13,701,428	₱4,026,413,041
Additions	691,885,577	155,596,601	–	2,632,599	13,980,621	864,095,398
Disposals	(586,187,622)	(5,083,160)	–	–	–	(591,270,782)
Balances at end of year	3,148,178,849	1,052,508,627	58,326,550	12,541,582	27,682,049	4,299,237,657
Accumulated depreciation:						
Balances at beginning of year	2,279,358,026	704,156,376	33,356,602	8,064,252	–	3,024,935,256
Depreciation (see Note 20)	469,138,927	113,708,010	6,809,981	1,279,637	–	590,936,555
Disposals	(586,120,859)	(5,023,541)	–	–	–	(591,144,400)
Balances at end of year	2,162,376,094	812,840,845	40,166,583	9,343,889	–	3,024,727,411
Net book values	₱985,802,755	₱239,667,782	₱18,159,967	₱3,197,693	₱27,682,049	₱1,274,510,246

	For the Year Ended December 31, 2011 (Audited)					
	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Construction in Progress	Total
Cost:						
Balances at beginning of year	₱2,565,225,382	₱765,698,736	₱58,326,550	₱8,407,197	₱–	₱3,397,657,865
Additions	536,316,617	136,609,133	–	1,501,786	13,701,428	688,128,964
Disposals	(59,061,105)	(312,683)	–	–	–	(59,373,788)
Balances at end of year	3,042,480,894	901,995,186	58,326,550	9,908,983	13,701,428	4,026,413,041
Accumulated depreciation:						
Balances at beginning of year	1,964,441,434	610,298,711	19,736,639	6,469,864	–	2,600,946,648
Depreciation (see Note 20)	371,970,730	94,140,144	13,619,963	1,594,388	–	481,325,225
Disposals	(57,054,138)	(282,479)	–	–	–	(57,336,617)
Balances at end of year	2,279,358,026	704,156,376	33,356,602	8,064,252	–	3,024,935,256
Net book values	₱763,122,868	₱197,838,810	₱24,969,948	₱1,844,731	₱13,701,428	₱1,001,477,785

Additions to leasehold improvements in 2014 pertain to improvements and construction of newly opened and renovated stores during the year. Construction in progress in 2014 and 2013 mainly pertains to the ongoing construction of the Group's Central Square building in Taguig City. Borrowing costs capitalized as cost of building amounted to ₱9.3 million, ₱10.8 million, nil and nil as of June 30, 2014 and December 31, 2013, 2012 and 2011, respectively. Disposals for the six months ended June 30, 2014 and 2013 and for the years ended December 31, 2013, 2012 and 2011 pertain to leasehold improvements derecognized on closed or renovated stores during the year.

No property and equipment are pledged nor treated as security to the outstanding liabilities as of June 30, 2014 and December 31, 2013, 2012 and 2011.

12. Other Noncurrent Assets

	June 30, 2014 (Unaudited)	December 31 2013 (Audited)	2012 (Audited)	2011 (Audited)
Miscellaneous deposits	**₱277,556,227**	₱212,822,836	₱134,953,271	₱69,783,716
Advances to suppliers and contractors	**50,152,280**	28,461,325	130,825,069	34,394,469
Prepaid rent - net of current portion	**5,803,662**	5,414,566	4,758,196	1,925,016

(Forward)

	June 30, 2014 (Unaudited)	December 31 2013 (Audited)	2012 (Audited)	2011 (Audited)
Initial master fee (net of accumulated amortization of ₱6,734,846 as of June 30, 2014 and ₱5,001,030, ₱3,334,020 and ₱1,667,010 as of December 31, 2013, 2012 and 2011, respectively)	**₱–**	₱1,733,816	₱3,400,827	₱5,067,838
Software costs (net of accumulated amortization of ₱65,638 in 2011)	**–**	–	–	9,046
Others	**4,066,913**	1,185,916	12,163,822	7,970,547
	₱337,579,082	₱249,618,459	₱286,101,185	₱119,150,632

Miscellaneous deposits pertain to advance payment to contractors for the construction and renovation of stores.

Amortization expense of software costs amounted to nil and ₱92,551, for the six months ended June 30, 2014 and 2013, respectively, and, ₱341,194, ₱9,047 and ₱65,639 for the years ended December 31, 2013 and 2012, 2011, respectively.

13. Trade and Other Payables

	June 30, 2014 (Unaudited)	December 31 2013 (Audited)	2012 (Audited)	2011 (Audited)
Trade payables	**₱2,326,895,573**	₱2,483,452,859	₱5,556,283,244	₱5,428,871,015
Nontrade payables	**983,054,667**	562,598,034	533,437,519	397,432,636
Accrued expenses	**283,804,572**	390,925,059	309,418,910	250,375,584
Payables to related parties (see Note 21)	**4,592,783**	4,272,641	4,709,212	5,009,253
Derivative liability	**5,020,973**	–	–	–
Others	**29,116,569**	56,387,132	192,027,217	47,747,187
	₱3,632,485,137	₱3,497,635,725	₱6,595,876,102	₱6,129,435,675

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

Nontrade payables represent customer's deposits, retention payable and statutory payables such as withholding taxes, SSS premiums and other liabilities to government agencies.

Accrued expenses pertain to accrued security and safety, supplies and utilities expense and accruals of royalties to be paid to foreign principals. Other payables include payables to other local suppliers. Nontrade payables, accrued expenses and other payables are generally paid within 12 months from balance sheet date.

14. Short-term Loans Payable

	June 30, 2014 (Unaudited)	December 31 2013 (Audited)	2012 (Audited)	2011 (Audited)
Banks:				
Banco de Oro (BDO)	**₱1,230,000,000**	₱800,000,000	₱200,000,000	₱205,000,000
Bank of Philippine Islands (BPI)	**850,000,000**	1,957,482,750	–	–
Security Bank Corporation (SBC)	**799,250,000**	446,250,000	272,500,000	215,000,000
China Banking Corporation (CBC)	**600,000,000**	100,000,000	100,000,000	–
Hongkong and Shanghai Banking Corporation Limited (HSBC)	**474,746,205**	307,253,027	–	–
Rizal Commercial Banking Corporation (RCBC)	**225,000,000**	–	–	–
Metropolitan Bank & Trust Co. (MBTC)	**200,000,000**	200,000,000	100,000,000	100,000,000
	₱4,378,996,205	₱3,810,985,777	₱672,500,000	₱520,000,000

The Group's outstanding short-term peso-denominated loans from local commercial banks bear interest at rates ranging from 2.80% to 4.75%, 2.67% to 5.50%, 5.50% to 8.00% and 7.00% to 8.00% in 2014, 2013, 2012 and 2011, respectively.

On October 18, 2013, ISCI, ISFI, ISRI and ISWI entered into an agreement with HSBC on the availment of loan amounting to €1,763,563 payable 90 days after the date of the agreement. The loan has an annual interest rate of 2.67% and matures on January 16, 2014.

The loan carries with it a free-standing derivative forward contract requiring the Companies to settle the borrowed amount and interest at a forward rate of ₱59.269. The derivative has been carried at fair value through profit or loss. Consequently, the Companies recognized a derivative asset under "Prepaid expenses and other current assets" in the consolidated balance sheet and a corresponding "Mark-to-market gain" in the consolidated statement of comprehensive income amounting to ₱2,644,762 as of December 31, 2013. As of June 30, 2014, ISCI recognized a derivative liability under "Trade and other payables" in the consolidated balance sheet and a corresponding "Mark-to-market loss" in the consolidated statement of comprehensive income amounting to ₱5,020,973.

In 2013, RMSI availed short-term foreign currency deposit unit loan amounting to $7,920,000 equivalent to ₱351,608,400 obtained from the BPI on December 27, 2013 which bears an interest rate of 1.293%. The loans payable is due on February 25, 2014.

Interest expense recognized in the consolidated statements of comprehensive income for the six months ended June 30, 2014 and 2013 amounted to ₱78,218,415 and ₱18,292,424, respectively, and for the years ended December 31, 2013, 2012 and 2011 amounted to ₱72,574,391, ₱21,506,046 and ₱14,081,591, respectively.

15. Long-term Debt

On May 8, 2013, the Group entered into a credit facility for the ₱2.0 billion syndicated term loan facility with BPI, SBC, CBC, MBTC and RCBC. 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.

The loan carries an 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 syndicated term loan will mature on February 20, 2020.

Out of the ₱2.0 billion syndicated loan, the Group has already drawn ₱2.0 billion and ₱1.3 billion as of June 30, 2014 and December 31, 2013, respectively. Principal repayments are due quarterly starting August 20, 2014.

The details of the Group's long term debt (net of transaction costs) are as follows:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
BPI	**₱527,421,435**	₱341,232,918
SBC	**527,421,435**	341,232,918
CBC	**363,841,479**	235,399,400
MBTC	**363,841,478**	235,399,400
RCBC	**200,261,521**	129,565,884
Total	**1,982,787,348**	1,282,830,520
Less current portion	**333,333,333**	108,333,333
Noncurrent portion	**₱1,649,454,015**	₱1,174,497,187

The long-term debts are presented net of unamortized transaction costs. A rollforward analysis of unamortized transaction costs in 2014 and 2013 follows:

	Six Months Ended June 30,	Year Ended December 31	
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)
Balance at beginning of period	**₱17,169,480**	₱–	₱–
Transaction costs recognized during the period	**3,500,000**	15,131,579	₱19,131,579
Amortization	**(3,456,828)**	(204,644)	(1,962,099)
Balance at end of period	**₱17,212,652**	₱14,926,935	₱17,169,480

Interest expense relating to long-term debt recognized in the consolidated statements of comprehensive income for the six months ended June 30, 2014 and 2013 amounted to ₱46,362,301 and ₱3,120,244 respectively, and for the years ended December 31, 2013, 2012 and 2011 amounted to ₱19,652,049, nil and nil, respectively.

<u>Loan Covenants</u>
The loan covenants covering the Group's outstanding debts include, among others, maintenance of certain level of current, debt-to-equity and debt-service coverage ratios. As of June 30, 2014, December 31, 2013, 2012 and 2011, the Group is in compliance with the loan covenants of all their respective outstanding debts.

16. Cost of Goods Sold

	Six Months Ended June 30		Years Ended December 31		
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
Cost of merchandise sold	**₱2,631,438,679**	₱2,826,355,413	₱6,109,189,837	₱6,171,543,762	₱5,791,226,590
Personnel costs (see Notes 19 and 22)	**91,599,504**	40,419,952	86,919,485	68,048,461	72,611,048
Advertising	**58,452,062**	79,845,935	149,465,083	145,992,013	133,455,099
Royalty fees	**41,345,954**	22,458,219	47,728,817	45,367,456	31,126,920
Travel and transportation	**22,555,928**	16,272,633	31,880,439	28,057,188	30,330,549
Rent (see Notes 21 and 27)	**13,359,099**	12,975,673	26,036,041	21,387,393	15,459,452
Depreciation and amortization (see Notes 11, 12 and 20)	**7,180,241**	6,068,101	12,856,742	6,569,806	4,166,120
Security and safety	**4,047,707**	2,327,068	2,502,001	3,365,634	2,855,251
Utilities	**3,388,475**	4,330,631	8,374,478	5,361,759	3,971,332
Repairs and maintenance	**2,231,460**	1,989,893	4,411,945	1,138,783	995,909
Insurance	**1,353,277**	496,190	1,104,727	1,171,652	735,706
Outside services	**668,855**	372,597	592,070	818,566	694,829
Supplies and maintenance	**457,398**	331,782	976,024	1,158,296	857,207
Taxes and licenses	**89,013**	93,067	144,913	150,051	117,803
Others	**6,668,665**	4,446,338	13,401,086	10,132,038	10,261,788
	₱2,884,836,317	₱3,018,783,492	₱6,495,583,688	₱6,510,262,858	₱6,098,865,603

Cost of merchandise sold:

	Six Months Ended June 30		Years Ended December 31		
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
Merchandise inventory, beginning	**₱5,898,907,758**	₱5,394,140,577	₱5,394,140,577	₱4,651,662,778	₱3,379,394,369
Net purchases	**3,675,533,289**	3,204,188,142	6,613,957,018	6,914,021,561	7,063,494,999
Cost of merchandise available for sale	**9,574,441,047**	8,598,328,719	12,008,097,595	11,565,684,339	10,442,889,368
Less merchandise inventory, ending	**(6,943,002,368)**	(5,771,973,306)	(5,898,907,758)	(5,394,140,577)	(4,651,662,778)
	₱2,631,438,679	₱2,826,355,413	₱6,109,189,837	₱6,171,543,762	₱5,791,226,590

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

Cost of merchandise sold represents cost of merchandise inventory sold and the cost that are directly attributable to bringing the goods to its intended location. The cost of inventories recognized under cost of goods sold amounted to ₱2,631,438,679 and ₱2,826,355,413, for the six months ended June 30, 2014 and 2013, respectively, and ₱6,109,189,837, ₱6,171,543,762 and ₱5,791,226,590 for the years ended December 31, 2013, 2012 and 2011, respectively.

17. Selling and Distribution Expenses

	Six Months Ended June 30		Years Ended December 31		
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
Rent (see Notes 21 and 27)	**₱764,752,468**	₱657,990,125	₱1,418,371,779	₱1,126,350,766	₱961,784,552
Personnel costs (see Notes 19 and 22)	**449,585,587**	432,329,127	943,124,768	729,985,628	579,992,911

(Forward)

	Six Months Ended June 30		Years Ended December 31		
	2014	2013	2013	2012	2011
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Depreciation and amortization					
(see Notes 11, 12 and 20)	**₱392,066,824**	₱240,575,544	₱553,875,321	₱528,463,537	₱420,749,255
Utilities	**261,796,856**	211,572,237	435,557,082	353,575,011	289,834,578
Credit card charges	**117,835,792**	104,923,816	143,186,687	172,681,925	191,397,611
Taxes and licenses	**88,122,948**	76,744,233	134,221,490	115,672,645	78,690,846
Security services	**75,319,787**	64,872,663	137,423,007	100,936,360	97,421,336
Supplies and maintenance	**59,890,485**	76,470,264	234,295,289	167,188,847	170,164,255
Global marketing					
contribution fee	**40,694,062**	34,428,126	71,234,407	54,651,819	–
Advertising	**37,021,732**	61,606,858	134,895,271	101,668,541	69,514,185
Repairs and maintenance	**29,166,591**	19,996,819	45,984,020	41,738,227	38,032,849
Travel and transportation	**19,726,995**	18,383,440	35,494,763	31,330,737	30,767,810
Delivery and freight charges	**18,729,486**	19,832,261	39,595,133	50,727,533	39,457,095
Communication	**13,611,377**	10,248,099	38,554,785	30,464,108	15,524,735
Insurance	**12,534,037**	7,782,109	18,221,544	15,621,844	12,425,499
Entertainment, amusement					
and recreation (EAR)	**4,461,624**	3,357,987	5,936,966	4,481,464	5,337,544
Outside services	**3,919,797**	3,958,237	25,758,158	17,157,484	13,400,498
Professional fees	**2,252,926**	13,055,340	30,594,218	18,803,846	28,935,047
Telegraphic transfer	**1,665,725**	1,111,838	2,265,146	1,499,430	1,216,330
Others	**16,235,521**	17,370,736	135,265,367	83,286,203	66,906,624
	₱2,409,390,620	₱2,076,609,859	₱4,583,855,201	₱3,746,285,955	₱3,111,553,560

18. General and Administrative Expenses

	Six Months Ended June 30		Years Ended December 31		
	2014	2013	2013	2012	2011
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Personnel costs					
(see Notes 19 and 22)	**₱187,692,922**	₱176,179,863	₱362,322,982	₱327,990,247	₱277,560,123
Rent (see Notes 21 and 27)	**53,646,605**	33,405,802	65,846,124	66,085,763	59,478,600
Depreciation and amortization					
(see Notes 11, 12 and 20)	**41,355,000**	30,430,737	66,943,776	57,579,269	58,142,499
Taxes and licenses	**29,853,700**	22,651,213	30,250,242	26,954,909	14,987,673
Supplies and maintenance	**20,060,812**	12,099,081	30,340,899	28,902,123	24,814,796
Travel and transportation	**16,458,804**	12,109,159	24,802,366	33,351,002	31,446,953
Utilities	**14,875,481**	14,718,302	24,828,452	24,286,427	22,011,305
Advertising	**11,136,288**	18,070,260	53,500,578	17,643,496	23,327,070
Professional fees	**9,259,977**	7,218,245	14,719,591	18,459,205	7,810,767
Repairs and maintenance	**9,254,015**	7,881,126	16,084,053	28,454,447	27,090,797
Outside service	**7,351,354**	4,423,463	10,301,361	8,772,780	11,689,221
Security services	**6,662,053**	4,694,117	11,075,933	10,977,433	9,830,358
Insurance	**6,520,070**	4,487,026	10,561,476	10,642,997	8,352,553
Communication	**5,614,947**	4,896,538	17,148,386	13,986,894	11,078,630
Impairment loss	**5,320,000**	–	–	–	–
EAR	**3,557,844**	4,335,822	8,655,315	15,491,270	14,581,313
Others	**23,745,501**	19,758,902	43,688,640	33,405,321	45,760,092
	₱452,365,373	₱377,359,656	₱791,070,174	₱722,983,583	₱647,962,750

19. Personnel Costs

Personnel costs were charged to operations as follows:

	Six Months Ended June 30		Years Ended December 31		
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
Salaries, wages and bonuses	**₱621,858,429**	₱527,029,623	₱1,123,412,780	₱847,216,945	₱676,667,131
Retirement benefit expense (see Note 22)	**18,131,470**	17,085,473	36,786,875	29,246,503	26,062,010
Other employee benefits	**88,888,114**	104,813,846	232,167,580	249,560,888	227,434,941
	₱728,878,013	₱648,928,942	₱1,392,367,235	₱1,126,024,336	₱930,164,082

Personnel expenses were distributed as follows:

	Six Months Ended June 30		Years Ended December 31		
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
Cost of goods sold (see Note 16)	**₱91,599,504**	₱40,419,952	₱86,919,485	₱68,048,461	₱72,611,048
Selling and distribution (see Note 17)	**449,585,587**	432,329,127	943,124,768	729,985,628	579,992,911
General and administrative (see Note 18)	**187,692,922**	176,179,863	362,322,982	327,990,247	277,560,123
	₱728,878,013	₱648,928,942	₱1,392,367,235	₱1,126,024,336	₱930,164,082

20. Depreciation and Amortization Expense

	Six Months Ended June 30		Years Ended December 31		
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
Property and equipment (see Note 11)	**₱438,868,249**	₱276,709,196	₱631,667,635	₱590,936,555	₱481,325,225
Initial master fee (see Note 12)	**1,733,816**	272,635	1,667,010	1,667,010	1,667,010
Software cost (see Note 12)	**–**	92,551	341,194	9,047	65,639
	₱440,602,065	₱277,074,382	₱633,675,839	₱592,612,612	₱483,057,874

Depreciation and amortization were distributed as follows:

	Six Months Ended June 30		Years Ended December 31		
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
Cost of goods sold (see Note 16)	**₱7,180,241**	₱6,068,101	₱12,856,742	₱6,569,806	₱4,166,120
Selling and distribution (see Note 17)	**392,066,824**	240,575,544	553,875,321	528,463,537	420,749,255
General and administrative (see Note 18)	**41,355,000**	30,430,737	66,943,776	57,579,269	58,142,499
	₱440,602,065	₱277,074,382	₱633,675,839	₱592,612,612	₱483,057,874

21. 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, in the normal course of business, entered into the following transactions with related parties:

a. Lease of the Group's store outlet spaces from a related party (see Note 27). Related rent expense amounted to ₱68.5 million and ₱71.5 million, for the six months ended June 30, 2014 and 2013, respectively, and ₱120.5 million, ₱136.5 million and ₱123.3 million for the years ended December 31, 2013, 2012 and 2011, respectively;

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

c. Sales through the use of related parties' gift certificates. Total value of the related parties' gift certificates used amounted to ₱10.0 million, ₱5.2 million, ₱4.7 million and ₱4.7 million in June 30, 2014, December 31, 2013, 2012 and 2011, respectively;

d. Short-term noninterest-bearing cash advances to/from related parties; and

e. Compensation of the Company's key management personnel comprised of short-term employee benefits amounting to ₱18.1 million, ₱34.7 million, ₱33.5 million and ₱15.4 million in June 30, 2014, December 31, 2013, 2012 and 2011, respectively, and post-employment benefits amounting to ₱2.6 million, ₱3.9 million, ₱2.8 million and ₱32.6 million in June 30, 2014 and December 31, 2013, 2012 and 2011, respectively;

As of June 30, 2014 and December 31, 2013, 2012 and 2011, receivables from and payables to related parties are as follows (amounts in thousands):

		Transactions								
		Six months ended June 30		Years ended December 31				Balances as at December 31		
Related Party	Nature of Transactions	**2014 (Unaudited)**	2013 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)	**2014 (Unaudited)**	2013 (Audited)	2012 (Audited)	2011 (Audited)
Receivables from related parties										
Affiliates										
Rustan Commercial Corporation (RCC)	Lease and purchase of gift certificates	**(₱7,075)**	(₱39,785)	₱8,707	₱25,010	₱3,972	**₱35,592**	₱42,667	₱33,960	₱8,950
Philippine Family Mart CVS,Inc. (PFM)	Various expenses	**358**	4,316	5,172	–	–	**5,530**	5,172	–	–
Rustan Marketing Corporation (RMK)	Various expenses	**1,906**	(5,155)	2,531	–	–	**4,437**	2,531	–	–
Joint venture										
SCRI	Various expenses	**230**	(3,563)	1,805	–	–	**2,035**	1,805	–	–
Associate										
SPI	Various expenses	**220**	(5,155)	180	–	–	**400**	180	–	–
Others	Various expenses	**(6,015)**	(3,751)	1,965	1,385	(2,513)	**–**	6,015	4,050	2,665
		(₱10,376)	(₱53,093)	₱20,360	₱26,395	₱1,459	**₱47,994**	₱58,370	₱38,010	₱11,615
Payables to related parties										
Affiliates										
RMK	Various expenses	**₱384**	(₱4,286)	₱1,588	(₱2,472)	(₱817)	**₱3,121**	₱2,737	₱1,149	₱3,621
RCC	Various expenses	**72**	(246)	1,394	–	–	**1,466**	1,394	–	–
Others	Various expenses	**(137)**	(5,020)	(3,418)	2,172	(2,462)	**5**	142	3,560	1,388
		₱319	(₱9,552)	(₱436)	(₱300)	(₱3,279)	**₱4,592**	₱4,273	₱4,709	₱5,009

Related Party	Nature of Transactions	Transactions: Six months ended June 30 2014 (Unaudited)	Transactions: Six months ended June 30 2013 (Unaudited)	Transactions: Years ended December 31 2013 (Audited)	Transactions: Years ended December 31 2012 (Audited)	Transactions: Years ended December 31 2011 (Audited)	Balances as at June 30 2014 (Unaudited)	Balances as at December 31 2013 (Audited)	Balances as at December 31 2012 (Audited)	Balances as at December 31 2011 (Audited)
Amounts owed by related parties										
Affiliates										
RMK	Advances	**₱1**	₱–	(₱83)	₱103	₱–	**₱21**	₱20	₱103	₱–
RCC	Advances	**787**	9,472	2	(10,925)	(25,716)	**796**	9	7	10,932
PFM	Advances	**4,383**	246	4	–	–	**4,386**	3	–	–
Joint venture										
SCRI	Advances	**(4,386)**	–	2,503	4,448	–	**2,565**	6,951	4,448	–
Associate										
SPI	Advances	**–**	–	–	1,485	–	**1,485**	1,485	1,485	–
Others	Advances	**(200)**	1,549	(124)	(889)	(23,075)	–	200	324	4,686
		₱585	₱11,267	₱2,302	(₱5,778)	(₱48,791)	**₱9,253**	₱8,668	₱6,367	₱15,618
Amounts owed to related parties										
Affiliate										
RMK	Advances	**(₱33)**	₱772	₱118	₱–	₱–	**₱85**	₱118	₱–	₱–
Associate										
SPI	Advances	**(35)**	–	35	–	–	–	35	–	–
Others	Advances	**72**	(219)	(291)	(174,666)	38,392	**74**	2	293	174,959
		₱4	₱553	(₱138)	(₱174,666)	₱38,392	**₱159**	₱155	₱293	₱174,959

Others include advances from stockholders which are noninterest-bearing and have no fixed repayment dates but are due and demandable.

RCC and RMK are controlled by certain key management personnel of the Group.

SCRI and SPI are joint venture and associate, respectively, of the Group.

The above related party balances as of June 30, 2014, December 31, 2013, 2012 and 2011 are unsecured, on demand and noninterest-bearing.

22. 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.

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

	Six Months Ended June 30		Years Ended December 31		
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
Current service cost	**₱11,733,461**	₱11,468,888	₱25,553,705	₱20,707,941	₱10,041,391
Net interest cost	**6,398,009**	5,616,585	11,233,170	8,538,562	5,767,605
Past service cost	**–**	–	–	–	10,253,014
Retirement benefit expense	**₱18,131,470**	₱17,085,473	₱36,786,875	₱29,246,503	₱26,062,010

As at June 30, 2014, December 31, 2013, 2012 and 2011, the amounts recognized in the consolidated balance sheets as retirement benefit obligation are as follows:

	June 30, 2014 (Unaudited)	December 31 2013 (Audited)	2012 (Audited)	2011 (Audited)
Present value of obligations	**₱283,623,511**	₱276,404,872	₱201,969,966	₱164,883,001
Fair value of plan assets	**(49,844,741)**	(50,959,141)	(48,236,739)	(41,414,795)
Retirement benefit obligation	**₱233,778,770**	₱225,445,731	₱153,733,227	₱123,468,206

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

	Six Months Ended June 30		Years Ended December 31		
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
Opening present value of obligation	**₱276,404,872**	₱201,969,966	₱201,969,966	₱164,883,001	₱89,832,664
Interest cost	**7,784,586**	7,259,428	14,518,854	11,360,118	9,843,141
Current service cost	**11,733,461**	11,468,887	25,553,705	20,707,941	10,041,391
Benefits paid	**(10,431,617)**	(1,537,373)	(14,758,054)	–	(2,793,575)
Benefits paid directly by the Group	**(1,867,791)**	–	(1,210,320)	–	–
Past service cost	**–**	–	–	–	5,987,591
Curtailment gain	**–**	–	–	–	4,656,474
Actuarial losses arising from:					
Deviations of experience from assumptions	**–**	(333,687)	25,029,110	5,018,906	40,113,542
Changes in financial assumptions	**–**	(12,034)	795,277	–	–
Changes in demographic assumptions	**–**	(421,011)	24,506,334	–	7,201,773
Closing present value of obligation	**₱283,623,511**	₱218,394,176	₱276,404,872	₱201,969,966	₱164,883,001

Changes in fair value of plan assets are as follows:

	Six Months Ended June 30		Years Ended December 31		
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
Opening fair value of plan assets	**₱50,959,141**	₱48,236,739	₱48,236,739	₱41,414,795	₱40,959,371
Contributions	**7,930,640**	–	13,000,000	4,782,741	6,500,000
Interest income	**1,386,577**	1,642,842	3,285,684	2,821,556	(4,075,536)
Benefits paid	**(10,431,617)**	(1,537,373)	(14,758,054)	–	(2,793,575)
Return on plan assets, excluding amounts included in interest income	–	–	1,194,772	(782,353)	824,535
Closing fair value of plan assets	**₱49,844,741**	₱48,342,208	₱50,959,141	₱48,236,739	₱41,414,795

Plan assets are invested mostly in time deposits.

The principal actuarial assumptions used as of June 30, 2014, December 31, 2013, 2012 and 2011 in determining retirement obligations for the Group's retirement plan are as follows:

	June 30,	December 31		
	2014 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
Discount rate	**5.7% - 6.3%**	5.7% - 6.3%	4% - 7.1%	4% - 7.10%
Salary increase rate	**3%**	3%	4%	4%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the pension obligations June 30, 2014, assuming all other assumptions were held constant:

		Effect on Present Value of Defined Benefit Obligation	
	Increase/(Decrease)	**June 30, 2014 (Unaudited)**	December 31, 2013 (Audited)
Discount rate	+1%	**(₱32,046,694)**	(₱31,231,058)
	-1%	**39,193,707**	38,196,169
Future salary increase rate	+1%	**₱39,883,064**	₱38,867,981
	-1%	**(33,220,093)**	(32,374,592)

The average duration of the defined benefit obligation at the end of the reporting date is 11 years. Shown below is the maturity analysis of the undiscounted benefit payments as of June 30, 2014 and December 31, 2013:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
1 year or less	**₱34,676,372**	₱61,816,770
More than 1 year to 5 years	**33,472,182**	30,143,899
More than 5 years	**78,058,969**	85,155,239

23. Income Taxes

A reconciliation of income tax expense applicable to income before income tax at the statutory income tax rate to provision for income tax at the Group's effective income tax rate for the six months ended June 30, 2014 and 2013 and for the years ended December 31, 2013, 2012 and 2012 is as follows:

	Six Months Ended June 30		Years Ended December 31		
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
Provision for income tax at statutory tax rate of 30%	**₱225,290,817**	₱130,954,369	₱270,448,745	₱196,928,630	₱109,775,761
Additions to (reductions from) income tax resulting from:					
Share in net earnings of an associate and joint ventures	**21,289,326**	635,844	794,111	(4,838,744)	(2,738,244)
Derecognized deferred income tax assets on NOLCO	**14,759,414**	6,320,224	7,388,754	–	–
Nondeductible expenses	**2,272,591**	104,203	317,940	187,761	(959,144)
Movement in unrecognized deferred tax assets	**1,586,159**	(971,117)	2,095,118	11,172	(2,264,312)
Interest income subjected to final tax	**(426,818)**	(718,053)	(1,123,600)	(3,911,124)	(3,475,152)
Nondeductible interest expense	**81,651**	78,903	172,598	922,004	1,376,510
Expiration of NOLCO	**–**	3,933,322	7,866,643	4,975,715	–
Others	**(168,973)**	1,414,570	(207,585)	12,773	23,248
	₱264,684,167	₱141,752,265	₱287,752,724	₱194,288,187	₱101,738,667

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

	June 30, 2014 (Unaudited)	December 31 2013 (Audited)	2012 (Audited)	2011 (Audited)
Deferred tax assets:				
NOLCO	**₱102,430,401**	₱94,631,623	₱45,482,050	₱38,904,144
Retirement benefit obligation	**45,382,208**	51,175,649	36,303,552	30,863,286
Accrued rent	**17,385,364**	17,723,917	9,722,164	7,835,648
Deferred revenue	**6,653,052**	6,752,325	4,578,773	3,686,447
Unrealized foreign exchange losses	**3,183,326**	3,334,419	2,570,424	598,806
MCIT	**1,529,129**	1,529,129	9,296,283	5,829,266
Unamortized past service cost	**130,048**	156,058	–	–
Others	**3,773,506**	1,698,973	1,503,981	319,230
	180,467,034	177,002,093	109,457,227	88,036,827

(Forward)

	June 30, 2014 (Unaudited)	December 31 2013 (Audited)	2012 (Audited)	2011 (Audited)
Deferred tax liabilities:				
Unrealized foreign exchange gains	**(₱1,783,353)**	(₱1,244,440)	(₱75,705)	(₱704,156)
Carrying value of capitalized rent expense	**(6,843,755)**	(6,081,378)	–	(44,954)
Mark-to-market gain		(793,429)	–	–
Reversal of capitalized cost (depreciation)	**(326,159)**	–	–	–
Nondeductible amortization of prepaid insurance fully claimed as deduction last year	**(12,164)**	–	–	–
Unamortized prepayments	**(6,999)**	(76,221)	–	–
	(8,972,430)	(8,195,468)	(75,705)	(749,110)
Deferred tax asset related to retirement benefit obligation recognized under other comprehensive income	**24,665,235**	16,458,070	9,816,416	8,076,038
Net deferred tax assets	**₱196,159,839**	₱185,264,695	₱119,197,938	₱95,363,755

As of June 30, 2014, 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
2010	2011 - 2013	₱36,830,698	₱11,774,941	₱25,055,757	₱–
2011	2012 - 2014	48,128,059	–	8,794,278	39,333,781
2012	2013 - 2015	63,666,322	–	–	63,666,322
2013	2014 - 2016	218,896,418	–	–	218,896,418
2014	2015 – 2017	37,348,072	–	–	37,348,072
		₱404,869,569	₱11,774,941	₱33,850,035	₱359,244,593

As of June 30, 2014, the MCIT that can be claimed as tax credits follows:

Year incurred	Year of availment	Amount	Expired	Applied	Balance
2012	2013 - 2015	₱9,296,283	₱–	₱8,603,673	₱692,610
2013	2014 - 2016	2,255,507	–	–	2,255,507
		₱11,551,790	₱–	₱8,603,673	₱2,948,117

The movements in NOLCO follow:

	Six Months Ended June 30 2014 (Unaudited)	2013 (Unaudited)	Years Ended December 31 2013 (Audited)	2012 (Audited)	2011 (Audited)
Balance at beginning of year	**₱330,690,799**	₱148,625,079	₱148,625,079	₱127,402,384	₱82,111,700
Additions	**37,348,072**	62,751,237	218,896,418	63,666,322	45,290,684
Application	**(8,794,278)**	–	(25,055,757)	(25,841,300)	–
Expiration	–	–	(11,774,941)	(16,602,327)	–
Balance at end of year	**₱359,244,593**	₱211,376,316	₱330,690,799	₱148,625,079	₱127,402,384

The movements in MCIT follow:

	Six Months Ended June 30		Years Ended December 31		
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
Balance at beginning of year	**₱2,948,117**	₱9,296,283	₱9,296,283	₱5,829,265	₱13,935,999
Additions	**–**	–	2,255,507	9,296,283	–
Application	**–**	–	(8,603,673)	(5,829,265)	(8,106,734)
Balance at end of year	**₱2,948,117**	₱9,296,283	₱2,948,117	₱9,296,283	₱5,829,265

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

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
NOLCO	**₱17,809,923**	₱15,252,056
MCIT	**1,418,988**	1,418,988
Retirement benefits	**255,291**	–
Accrued rent	**119,926**	119,926
Unrealized foreign exchange loss	**51,651**	76,947
Deferred revenue	**–**	4,844,416

24. Earnings Per Share (EPS)

The following tables reflect the net income and share data used in the basic/dilutive EPS computations:

	Six Months Ended June 30		Years Ended December 31		
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
Net income	**₱486,285,217**	₱294,762,291	₱613,743,093	₱462,140,497	₱264,180,536
Divided by weighted average number of common shares	**21,171,629**	20,734,129	20,734,129	19,421,629	19,421,629
	₱22.97	₱14.22	₱29.60	₱23.80	₱13.60

EPS is calculated using the consolidated net income divided by the weighted average number of shares, wherein the 19,171,629 additional shares issued in 2014 to effect and fund the group reorganization were recognized as if these shares were issued at the beginning of the earliest period presented (see Note 29).

There were no potential dilutive common shares for the six months ended June 30, 2014 and 2013 and for the years ended December 31, 2013, 2012 and 2011.

25. Risk Management Objectives and Policies

The principal financial instruments of the Group are cash and cash equivalents 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 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. The magnitudes of these risks that have arisen over the year are discussed below.

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 receivables since the Group expects to fully realize its receivables from its debtors. With respect to credit risk from other financial assets of the Group, which is mainly comprised of cash in banks, short-term investments, amounts owed by related parties, trade and other receivables and security deposits, the exposure of the Group to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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

The aging analyses of financial assets that are past due but not impaired are as follows:

June 30, 2014

			Past due but not impaired				
	Total	Neither past due nor impaired	<30 days	30 - 60 days	60 - 90 days	> 90 days	Impaired
Cash in banks	**₱920,610,848**	₱920,610,848	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables	**98,357,566**	98,357,566	–	–	–	–	–
Nontrade receivables	**72,006,909**	72,006,909	–	–	–	–	–
Receivables from related parties	**47,994,006**	47,994,006	–	–	–	–	–
Advances to officers and employees	**71,905,827**	69,096,630	–	1,532,040	451,616	825,541	–
Other receivables	**36,769,602**	32,049,383	–	4,720,219	–	–	–
Amounts owed by related parties	**9,253,336**	9,253,336	–	–	–	–	–
Current portion of security deposits (presented under "Prepayments and other current assets")	**21,073,499**	21,073,499	–	–	–	–	–
Security deposits and construction bonds	**669,530,821**	669,530,821	–	–	–	–	–
Total	₱1,947,502,414	₱1,939,972,998	**₱–**	**₱6,252,259**	**₱451,616**	**₱825,541**	**₱–**

December 31, 2013

	Total	Neither past due nor impaired	Past due but not impaired <30 days	30 - 60 days	60 - 90 days	> 90 days	Impaired
Cash in banks	₱1,106,320,065	₱1,106,320,065	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables	232,753,039	232,753,039	–	–	–	–	–
Nontrade receivables	42,026,741	42,026,741	–	–	–	–	–
Receivables from related parties	58,369,947	58,369,947	–	–	–	–	–
Advances to officers and employees	63,076,399	59,776,481	329,992	494,988	824,980	1,649,958	–
Other receivables	103,071,412	72,052,675	7,298,942	661,499	1,273,156	21,785,140	–
Amounts owed by related parties	8,668,359	8,668,359	–	–	–	–	–
Prepayments and other current assets							
Current portion of security deposits	78,148,750	78,148,750	–	–	–	–	–
Derivative assets	2,644,762	2,644,762	–	–	–	–	–
Security deposits and construction bonds	565,049,456	556,724,012	–	–	1,378,957	6,946,487	–
Total	₱2,260,128,930	₱2,217,484,831	₱7,628,934	₱1,156,487	₱3,477,093	₱30,381,585	₱–

December 31, 2012

	Total	Neither past due nor impaired	Past due but not impaired <30 days	30 - 60 days	60 - 90 days	> 90 days	Impaired
Cash in banks and short-term investments	₱1,219,189,211	₱1,219,189,211	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables	162,911,940	162,911,940	–	–	–	–	–
Nontrade receivables	52,473,445	52,473,445	–	–	–	–	–
Receivables from related parties	38,009,649	38,009,649	–	–	–	–	–
Advances to officers and employees	49,776,277	49,776,277	–	–	–	–	–
Other receivables	72,440,048	55,482,985	1,759,156	727,498	14,470,409	–	–
Amounts owed by related parties	6,367,251	6,367,251	–	–	–	–	–
Current portion of security deposits (presented under "Prepayments and other current assets")	52,499,584	52,499,584	–	–	–	–	–
Security deposits and construction bonds	444,943,900	444,943,900	–	–	–	–	–
Total	₱2,098,611,305	₱2,081,654,242	₱1,759,156	₱727,498	₱14,470,409	₱–	₱–

December 31, 2011

	Total	Neither past due nor impaired	Past due but not impaired <30 days	30 – 60 days	60 – 90 days	> 90 days	Impaired
Cash in banks and short-term investments	₱1,627,892,013	₱1,627,892,013	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables	123,083,287	121,256,351	1,807,646	1,046	1,945	16,299	–
Nontrade receivables	53,867,767	53,867,767	–	–	–	–	–
Receivables from related parties	11,615,288	11,615,288	–	–	–	–	–
Advances to officers and employees	26,508,993	26,508,993	–	–	–	–	–
Other receivables	58,495,592	43,188,709	117,660	603,673	5,408,191	9,177,359	–
Amounts owed by related parties	15,618,232	13,947,233	1,259,271	79,521	31,535	300,672	–
Current portion of security deposits (presented under "Prepayments and other current assets")	49,001,819	49,001,819	–	–	–	–	–
Security deposits	369,905,744	418,907,563	–	–	–	–	–
Total	₱2,335,988,735	₱2,366,185,736	₱3,184,577	₱684,240	₱5,441,671	₱9,494,330	₱–

The credit quality per class of financial assets that were neither past due nor impaired are as follows:

June 30, 2014

	Neither past due nor impaired				
	High grade	**Standard grade**	**Substandard grade**	**Past due or impaired**	**Total**
Cash in banks	₱920,610,848	₱–	₱–	₱–	**₱920,610,848**
Trade and other receivables:			–	–	
Trade receivables	98,357,566	–	–	–	**98,357,566**
Nontrade receivables	72,006,909	–	–	–	**72,006,909**
Receivables from related parties	47,994,006	–	–	–	**47,994,006**
Advances to officers and employees	69,096,631	2,809,196	–	–	**71,905,827**
Other receivables	30,956,329	5,813,273	–	–	**36,769,602**
Amounts owed by related parties	9,253,336	–	–	–	**9,253,336**
Current portion of security deposits (presented under "Prepayments and other current assets")	21,073,499	–	–	–	**21,073,499**
Security deposits and construction bonds	669,530,821	–	–	–	**669,530,821**
Total	**₱1,938,879,945**	**₱8,622,469**	**₱–**	**₱–**	**₱1,947,502,414**

December 31, 2013

	Neither past due nor impaired				
	High grade	Standard grade	Substandard grade	Past due or impaired	Total
Cash in banks	₱1,106,320,065	₱–	₱–	₱–	₱1,106,320,065
Trade and other receivables:					
Trade receivables	232,753,039	–	–	–	232,753,039
Nontrade receivables	42,026,741	–	–	–	42,026,741
Receivables from related parties	58,369,947	–	–	–	58,369,947
Advances to officers and employees	56,476,563	3,299,918	–	3,299,918	63,076,399
Other receivables	56,110,166	15,942,509	–	31,018,737	103,071,412
Amounts owed by related parties	6,803,592	1,864,767	–	–	8,668,359
Prepayments and other current assets:					
Current portion of security deposits	78,148,750	–	–	–	78,148,750
Derivative assets	2,644,762	–	–	–	2,644,762
Security deposits and construction bonds	556,724,012	–	–	8,325,444	565,049,456
Total	₱2,196,377,637	₱21,107,194	₱–	₱42,644,099	₱2,260,128,930

December 31, 2012

	Neither past due nor impaired				
	High grade	Standard grade	Substandard grade	Past due or impaired	Total
Cash in banks and short-term investments	₱1,219,189,211	₱–	₱–	₱–	₱1,219,189,211
Trade and other receivables:					
Trade receivables	162,911,940	–	–	–	162,911,940
Nontrade receivables	52,473,445	–	–	–	52,473,445
Receivables from related parties	38,009,649	–	–	–	38,009,649
Advances to officers and employees	49,776,277	–	–	–	49,776,277
Other receivables	55,482,985	–	–	16,957,063	72,440,048
Amounts owed by related parties	6,367,251	–	–	–	6,367,251
Current portion of security deposits presented under "Prepayments and other current assets"	52,499,584	–	–	–	52,499,584
Security deposits	444,943,900	–	–	–	444,943,900
Total	₱2,081,654,242	₱–	₱–	₱16,957,063	₱2,098,611,305

December 31, 2011

	Neither past due nor impaired				
	High grade	Standard grade	Substandard grade	Past due or impaired	Total
Cash in banks and short-term investments	₱1,627,892,013	₱–	₱–	₱–	₱1,627,892,013
Trade and other receivables:					
Trade receivables	123,083,287	–	–	–	123,083,287
Nontrade receivables	53,867,767	–	–	–	53,867,767
Receivables from related parties	11,615,288	–	–		11,615,288
Advances to officers and employees	26,508,993	–	–	–	26,508,993
Other receivables	49,806,949	1,894,198	–	6,794,445	58,495,592
Amounts owed by related parties	15,618,232	–	–	–	15,618,232
Current portion of security deposits presented under "Prepayments and other current assets"	49,001,819	–	–	–	49,001,819
Security deposits	369,905,632	–	–	–	369,905,632
Total	₱2,327,299,980	₱1,894,198	₱–	₱6,794,445	₱2,335,988,623

High - These pertain to receivables from counterparties with good favorable standing. The counterparties have remote likelihood of default and have consistently exhibited good paying habits.

Standard - These pertain to financial assets with counterparties who settle their obligation with tolerable delays.

Substandard - These accounts show probability of being impaired based on historical experience.

Foreign currency risk
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, trade and other payables and short term loans payable as of June 30, 2014, December 31, 2013, 2012 and 2011. 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:

June 30, 2014

	USD[1]	EUR[2]	HKD[3]	**Total Peso Equivalent**
Financial assets				
Cash in banks and cash equivalents	$2,285,723	€82,187	$8,147	**₱104,729,654**
Financial liabilities				
Trade and other payables	–	(1,119,014)	–	**(66,876,865)**
Short term loans payable	–	(2,923,933)	–	**(174,746,205)**
Net financial assets (liabilities)	**$2,285,723**	**(€3,960,760)**	**$8,147**	**(₱136,893,416)**

[1] $1 = ₱43.6500
[2] €1 = ₱59.7641
[3] $1 = ₱5.6479

December 31, 2013

	USD[1]	EUR[2]	HKD[3]	Total Peso Equivalent
Financial assets				
Cash in banks and cash equivalents	$5,425,252	€23,044	$9,063	₱242,307,413
Financial liabilities				
Trade and other payables	–	(2,860,730)	–	(173,978,442)
Short term loans payable	(7,920,000)	(1,763,563)	–	(458,861,424)
Net financial assets (liabilities)	($2,494,748)	(€4,601,249)	$9,063	(₱390,532,453)

[1] $1 = ₱44.3950
[2] €1 = ₱60.8161
[3] $1 = ₱5.7271

December 31, 2012

	USD[1]	EUR[2]	HKD[3]	Total Peso Equivalent
Financial assets				
Cash in banks and cash equivalents	$3,222,507	€431,616	$31,505	₱155,987,363
Financial liabilities				
Trade and other payables	(25,664)	–	–	(1,053,507)
Net financial assets	$3,196,843	€431,616	$31,505	₱154,933,856

[1] $1 = ₱41.0500
[2] €1 = ₱54.5300
[3] $1 = ₱5.3144

December 31, 2011

	USD[1]	EUR[2]	HKD[3]	Total Peso Equivalent
Financial assets				
Cash in banks and cash equivalents	$3,194,745	€431,616	$31,505	₱164,771,124
Financial liabilities				
Trade and other payables	($25,664)	–	–	(1,125,110)
Net financial assets	$3,169,081	€431,616	$31,505	₱163,646,014

[1] $1 = ₱43.8400
[2] €1 = ₱56.8482
[3] $1 = ₱5.6153

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.

		Appreciation/ Depreciation of Foreign Currency	Effect on Income Before Tax
US Dollar	**2014**	**+5%**	**₱4,988,590**
		-5%	**(4,988,590)**

(Forward)

		Appreciation/ Depreciation of Foreign Currency	Effect on Income Before Tax
	2013	+5%	(₱5,537,717)
		-5%	5,537,717
	2012	+5%	₱6,561,520
		-5%	(6,561,520)
	2011	+5%	(₱6,946,626)
		-5%	6,946,626
Euro	**2014**	**+5%**	**(₱11,835,563)**
		-5%	**11,835,563**
	2013	+5%	(₱13,991,501)
		-5%	13,991,501
	2012	+5%	₱1,176,801
		-5%	(1,176,801)
	2011	+5%	₱1,226,830
		-5%	(1,226,830)
HK Dollar	**2014**	**+5%**	**₱2,301**
		-5%	**(2,301)**
	2013	+5%	₱2,595
		-5%	(2,595)
	2012	+5%	₱8,372
		-5%	(8,372)
	2011	+5%	₱8,846
		-5%	(8,846)

There is no other impact on the Group's equity other than those already affecting the consolidated statements of comprehensive income.

Liquidity risk
Liquidity risk arises from the possibility that the Company 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 table below summarizes the maturity analysis of the Group's financial liabilities based on contractual undiscounted payments:

June 30, 2014

	Carrying Value	Contractual undiscounted payments			
		On demand	**Within 1 year**	**>1 to 5 years**	**> 5 years**
Financial Liabilities					
Trade payables and other payables*	₱3,589,789,215	₱2,625,434,959	₱964,354,256	₱–	₱–
Amounts owed to related parties	159,206	159,206	–	–	–
Short-term loans payable**	4,383,677,802	104,681,597	4,278,996,205	–	–
Long-term debt**	2,012,571,759	12,571,759	333,333,333	1,000,000,000	666,666,667
Derivative liability	5,020,973	–	5,020,973	–	–
Total Undiscounted Financial Liabilities	**9,991,218,955**	**2,742,847,521**	**5,581,704,767**	**1,000,000,000**	**666,666,667**
Financial Assets					
Cash and cash equivalents	964,705,882	964,705,882	–	–	–
Trade and other receivables					
Trade receivables	98,357,566	–	98,357,566	–	–
Nontrade receivables	72,006,909	72,006,909	–	–	–
Receivables from related parties	47,994,006	47,994,006		–	–
Advances to officers and employees	71,905,827	69,096,630	2,809,197	–	–
Other receivables	36,769,602	8,903,703	27,865,899	–	–
Amounts owed by related parties	9,253,336	9,253,336	–	–	–
Current portion of security deposits (presented under "Prepayments and other current assets")	21,073,499	–	21,073,499	–	–
Security deposits	690,605,763	–	–	681,675,430	8,930,333
Total Undiscounted Financial Assets	**2,012,672,390**	**1,171,960,466**	**150,106,161**	**681,675,430**	**8,930,333**
Net Undiscounted Financial Liabilities	**₱7,978,546,565**	**₱1,570,887,055**	**₱5,431,598,606**	**₱318,324,570**	**₱657,736,334**

* *Excluding statutory liabilities*
** *Including interest payable*

December 31, 2013

	Carrying Value	Contractual undiscounted payments			
		On demand	Within 1 year	>1 to 5 years	> 5 years
Financial Liabilities					
Trade payables and other payables*	₱3,480,621,479	₱2,423,216,091	₱1,057,405,388	₱–	₱–
Amounts owed to related parties	155,236	155,236	–	–	–
Short-term loans payable**	3,813,395,169	290,897,816	3,522,497,353	–	–
Long-term debt**	1,290,943,153	8,112,633	108,333,333	1,083,333,333	108,333,333
Total Undiscounted Financial Liabilities	8,585,115,037	2,722,381,776	4,688,236,074	1,083,333,333	108,333,333
Financial Assets					
Cash and cash equivalents	1,134,749,837	1,134,749,837	–	–	–
Trade and other receivables					
Trade receivables	232,753,039	232,753,039	–	–	–
Nontrade receivables	42,026,741	42,026,741	–	–	–
Receivables from related parties	58,369,947	58,369,947	–	–	–
Advances to officers and employees	63,076,399	63,076,399	–	–	–
Other receivables	103,071,412	100,088,776	2,982,636	–	–

(Forward)

	Carrying Value	Contractual undiscounted payments On demand	Within 1 year	>1 to 5 years	> 5 years
Amounts owed by related parties	₱8,668,359	₱8,668,359	₱–	₱–	₱–
Prepayments and other current assets					
Current portion of security deposits	78,148,750	–	78,148,750	–	–
Derivative assets	2,644,762	2,644,762			
Security deposits	565,049,456	18,489,237	17,964,074	528,596,145	–
Total Undiscounted Financial Assets	2,288,558,702	1,660,867,097	99,095,460	528,596,145	–
Net Undiscounted Financial Liabilities	₱6,296,556,335	₱1,061,514,679	₱ 4,589,140,614	₱554,737,188	₱108,333,333

* *Excluding statutory liabilities*
** *Including interest payable*

December 31, 2012

	Carrying Value	Contractual undiscounted payments On demand	Within 1 year	>1 to 5 years	> 5 years
Financial Liabilities					
Trade payables and other payables*	₱6,552,212,430	₱4,647,685,163	₱1,904,527,267	₱–	₱–
Amounts owed to related parties	293,218	293,218	–	–	–
Short-term loans payable	672,500,000	672,500,000	–	–	–
Total Undiscounted Financial Liabilities	7,225,005,648	5,320,478,381	1,904,527,267	–	–
Financial Assets					
Cash and cash equivalents	1,256,167,415	1,256,167,415	–	–	–
Trade and other receivables					
Trade receivables	162,911,940	–	162,911,940	–	–
Nontrade receivables	52,473,445	–	52,473,445		
Receivables from related parties	38,009,649	38,009,649	–	–	–
Advances to officers and employees	49,776,277	9,670,866	40,105,411	–	–
Other receivables	72,440,048	72,440,048	–	–	–
Amounts owed by related parties	6,367,251	6,367,251	–	–	–
Current portion of security deposits	52,499,584	–	52,499,584		
Security deposits	444,943,900	–	–	444,943,900	–
Total Undiscounted Financial Assets	2,135,589,509	1,382,655,229	307,990,380	444,943,900	–
Net Undiscounted Financial Liabilities (Assets)	₱5,089,416,139	₱3,937,823,152	₱1,596,536,887	(₱444,943,900)	₱–

* *Excluding statutory liabilities*

December 31, 2011

	Carrying Value	Contractual undiscounted payments On demand	Within 1 year	>1 to 5 years	> 5 years
Financial Liabilities					
Trade payables and other payables*	₱6,118,552,674	₱5,483,703,630	₱634,849,044	₱–	₱–
Amounts owed to related parties	174,958,831	174,958,831	–	–	–
Short-term loans payable	520,000,000	520,000,000	–	–	–
Total	6,813,511,505	6,178,662,461	634,849,044	–	–
Financial Assets					
Cash and cash equivalents	1,627,892,013	1,627,892,013	–	–	–

(Forward)

	Carrying Value	Contractual undiscounted payments: On demand	Within 1 year	>1 to 5 years	> 5 years
Trade and other receivables					
Trade receivables	₱123,083,287	₱–	₱123,083,287	₱–	₱–
Nontrade receivables	53,867,767	–	53,867,767	–	–
Advances to officers and employees	26,508,993	–	26,508,993	–	–
Receivables from related parties	11,615,288	11,615,288	–	–	–
Other receivables	58,495,592	58,495,592	–	–	–
Amounts owed by related parties	15,618,232	–	15,618,232	–	–
Security deposits	418,907,563	–	–	418,907,563	–
Total Undiscounted Financial Assets	2,335,988,735	1,698,002,893	219,078,279	418,907,563	–
Net Undiscounted Financial Liabilities (Assets)	₱4,477,522,770	₱4,480,659,568	₱415,770,765	(₱418,907,563)	₱–

** Excluding statutory liabilities*

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 month ended June 30, 2014 and years ended December 31, 2013, 2012 and 2011. Capital includes equity as shown in the consolidated balance sheet.

As disclosed in Note 15, 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 Company includes within debt all interest-bearing short-term and long-term liabilities. These externally imposed capital requirements have been complied with as of June 30, 2014.

26. 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:

	June 30, 2014 (Unaudited)		December 31, 2013 (Audited)		December 31, 2012 (Audited)		December 31, 2011 (Audited)	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets								
Loans and receivables								
Cash and cash equivalents	**₱964,705,882**	**₱964,705,882**	₱1,134,749,837	₱1,134,749,837	₱1,256,167,415	₱1,256,167,415	₱1,865,553,120	₱1,865,553,120
Trade and other receivables	**327,033,910**	**327,033,910**	495,609,538	495,609,538	372,134,359	372,134,359	247,055,627	247,055,627
Amounts owed by related parties	**9,253,336**	**9,253,336**	12,356,359	12,356,359	9,844,251	9,844,251	42,134,232	42,134,232
Current portion of security deposits	**21,073,499**	**21,073,499**	78,148,750	78,148,750	52,499,584	52,499,584	–	–
Security deposits and construction bonds	**669,530,821**	**585,812,143**	565,049,456	556,920,007	444,943,900	443,009,587	418,907,563	414,875,597
Financial asset at FVPL								
Derivative asset	–	–	2,644,762	2,644,762	–	–	–	–
Total	**₱1,991,597,448**	**₱1,907,878,770**	₱2,288,558,702	₱2,280,429,253	₱2,135,589,509	₱2,133,655,196	₱2,573,650,542	₱2,569,618,576
Financial Liabilities								
Other financial liabilities								
Trade and other payables*	**₱3,607,042,572**	**₱3,607,042,572**	₱3,480,621,479	₱3,480,621,479	₱5,309,211,785	₱5,309,211,785	₱6,129,435,675	₱6,129,435,675
Amounts owed to related parties	**159,206**	**159,206**	162,236	162,236	293,218	293,218	175,069,293	175,069,293
Short-term loans payable	**4,378,996,205**	**4,378,996,205**	3,810,985,777	3,919,319,110	672,500,000	672,500,000	520,000,000	520,000,000
Long-term debt	**1,982,787,349**	**1,955,290,639**	1,282,830,520	1,435,976,445	–	–	–	–
Derivative liability	**5,020,973**	**5,020,973**	–	–	–	–	–	–
Total	**₱9,974,006,305**	**₱9,946,509,595**	₱8,574,600,012	₱8,836,079,270	₱5,982,005,003	₱5,982,005,003	₱6,824,504,968	₱6,824,504,968

** Excluding statutory liabilities*

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, trade and other payables and short-term loans
The carrying values of cash and cash equivalents, trade and other receivables, amounts owed by/to related parties, trade and other payables and short-term loans approximate their fair values due to the short-term maturity of these financial instruments.

Derivative asset/liability
Fair value is based on quotes provided by counterparty banks.

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 1.31% to 5.12%, 4.28% to 7.79%, 5.40% to 7.80% and 1.70% to 9.36% were used in calculating the fair value of the Group's refundable deposits as of June 30, 2014, December 31, 2013, 2012 and 2011, 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 0.28% to 3.38% were used in calculating the fair value of the Group's long-term debt as of June 30, 2014.

Fair Value Hierarchy
The Group uses the following hierarchy in determining and disclosing the fair value of financial instruments by valuation technique:

- 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.

Below is the list of financial assets carried at and/or disclosed at fair value that are classified using a fair value hierarchy:

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Carried at fair value				
Derivative liability*	₱–	₱5,020,973	₱–	**₱5,020,973**
Disclosed at fair value				
Security deposits and construction bonds	–	585,812,143	–	**585,812,143**
Long-term debt	–	1,955,290,639	–	**1,955,290,639**
Total	₱–	₱2,546,123,755	₱–	**₱2,546,123,755**

	2013			
	Level 1	Level 2	Level 3	Total
Carried at fair value				
Derivative asset*	₱–	₱2,644,762	₱–	₱2,644,762
Disclosed at fair value				
Security deposits and construction bonds	–	556,920,007	–	556,920,007
Long-term debt	–	(1,435,976,445)	–	(1,435,976,445)
Total	₱–	(₱876,411,676)	₱–	(₱876,411,676)

**Presented as part of "Prepayments and other current assets"*

	2012			
	Level 1	Level 2	Level 3	Total
Disclosed at fair value				
Security deposits and construction bonds	₱–	₱443,009,587	₱–	₱443,009,587

As at June 30, 2014, December 31, 2013, 2012 and 2011, the Group does not have financial instruments with fair values determined using inputs that are classified under Level 1 and 3.

For the six months ended June 30, 2014 and years ended December 31, 2013, 2012 and 2011, 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.

27. Contracts and Commitments

Leases

The Group leases its office space and certain store outlets used in its operations for lease terms ranging from two to three 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. Rentals charged to operations amounted to ₱831,758,172 and ₱704,371,600, for the six months ended June 30, 2014 and 2013, respectively, and ₱1,510,253,944, ₱1,213,823,922 and ₱1,036,722,604 for the years ended December 31, 2013, 2012 and 2011, respectively (see Notes 16, 17 and 18).

Future minimum rentals payable under these leases are as follows as of June 30, 2014, December 31, 2013, 2012 and 2011 (amounts in thousands):

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)	December 31, 2012 (Audited)	December 31, 2011 (Audited)
Within one year	**₱643,388**	₱746,145	₱669,152	₱245,254
After one year but not more than five years	**1,232,263**	787,303	698,102	189,229
	₱1,875,651	₱1,533,448	₱1,367,254	₱434,483

The Group has paid security deposits for the store outlets and office spaces with carrying amounts of ₱690.6 million, ₱643.2 million, ₱497.4 million and ₱418.9 million as of June 30, 2014, December 31, 2013, 2012 and 2011, 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 1.70% to 9.36%. Interest income recognized from these security deposits amounted to ₱2.9 million and ₱3.8 million, for the six months ended June 30, 2014 and 2013, respectively, and ₱6.2 million, ₱2.5 million and ₱2.6 million for the years ended December 31, 2013, 2012 and 2011, respectively.

28. 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 six months ended June 30, 2014 and 2013 and for the years ended December 31, 2013, 2012 and 2011:

	Six Months Ended June 30		Years Ended December 31		
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
Net Sales					
Luxury and Bridge	**₱1,438**	₱1,332	₱2,907	₱2,656	₱2,406
Casual	**1,046**	983	2,306	2,082	1,855
Fast Fashion	**2,431**	1,962	4,213	4,000	3,794
Footwear, Accessories and Luggage	**952**	847	1,746	1,534	1,113
Other	**804**	720	1,616	1,338	1,015
	₱6,671	₱5,844	₱12,788	₱11,610	₱10,183

The Group's customers are located in the Philippines and Guam, with bulk of the revenues being contributed by local customers. Following shows the revenue contribution by geographical areas.

	Six Months Ended June 30		Years Ended December 31		
	2014 (Unaudited)	2013 (Unaudited)	2013 (Audited)	2012 (Audited)	2011 (Audited)
Philippines	**₱6,598**	₱5,766	₱12,643	₱11,463	₱10,183
Guam	**73**	78	145	147	–
	₱6,671	₱5,844	₱12,788	₱11,610	₱10,183

29. Equity

a. Common Shares

The Company's authorized and issued capital stock as of June 30, 2014 and December 31, 2013, 2012 and 2011 follows:

	Number of Shares			
	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)	December 31, 2012 (Audited)	December 31, 2011 (Audited)
Authorized capital stock, ₱100 par value	**30,000,000**	2,000,000	250,000	250,000
Issued capital stock	**21,171,629**	2,000,000	250,000	250,000

	Capital Stock			
	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)	December 31, 2012 (Audited)	December 31, 2011 (Audited)
Issued capital stock:				
Balance at beginning of year	**₱200,000,000**	₱25,000,000	₱25,000,000	₱25,000,000
Issued during the period	**1,917,162,900**	175,000,000	–	–
Balance at end of year	**₱2,117,162,900**	₱200,000,000	₱25,000,000	₱25,000,000

On December 15, 2011, the BOD approved the conversion of amounts owed to SSI amounting to ₱75,000,000 into deposit for future stock subscription.

At the special meeting held on June 20, 2012, the BOD and stockholders approved the increase of authorized capital stock of the Company to ₱200,000,000 divided into 2,000,000 common shares at its par value of ₱100 per share. The increase in the authorized capital stock of ₱175,000,000 was fully subscribed and paid by SSI by way of absolute assignment and conversion of advances in the total amount of ₱175,000,000, which includes the ₱75,000,000 balance as at December 31, 2011, in favor of the Company.

The SEC approved the Company's application for the increase in authorized capital stock on March 21, 2013.

At the special meeting held on March 5, 2014, the BOD and stockholders approved the increase of authorized capital stock of the Company to ₱3,000,000,000 divided into 30,000,000 common shares at its par value of ₱100 per share. Of the increase in the authorized capital stock of ₱2,800,000,000, the amount of ₱700,000,000 representing 7,000,000 shares of stock, has been fully subscribed and the amount of ₱175,000,000 representing 1,750,000 shares of stock has been fully paid by way of cash to and in favor of the Company.

The SEC approved the Company's application for the increase in authorized capital stock on April 3, 2014.

On April 9, 2014, all the outstanding shares of stock of the Company were acquired by the principal stockholders of SSI in order to implement the restructuring of the Group (see Note 1).

Also, on April 10, 2014, the aforementioned principal stockholders of SSI furthermore subscribed to new shares out of the authorized but unissued capital of the Company amounting to ₱1,217,162,900 representing 12,171,629 shares of stock. All subscriptions were subsequently fully paid on April 15, 2014.

On June 18, 2014, the BOD and stockholders approved the increase of authorized capital stock of the Company to ₱5,000,000,000 divided into 5,000,000,000 common shares at its par value of ₱1 per share. Of the increase in the authorized capital stock of ₱2,000,000,000, the amount of ₱500,000,000 representing 500,000,000 shares of stock has been fully subscribed and paid by way of cash to and in favor of the Company.

b. Appropriation of Retained Earnings
On November 2011, the retained earnings of SSI and RMSI amounting to an aggregate of ₱270.0 million were appropriated for future expansion purposes.

On various dates in 2011, the BOD of SSI, ISCI, LCI and the Company approved the additional appropriation of an aggregate amount of ₱200.0 million for future expansion purposes.

On December 20, 2012, the BOD of SSI, RMSI, ISCI and LCI approved additional appropriation in the aggregate amount of ₱430.0 million from the unappropriated retained earnings as of December 31, 2012 to fund for future expansion in store outlets and operations.

On November 11, 2013 the BOD of ISCI approved additional appropriation amounting to ₱200.0 million from the unappropriated retained earnings as of December 31, 2013 for additional working capital and future expansion in store outlets. On the same date, the BOD of RMSI and the Company approved the reversal of the appropriated retained earnings of an aggregate amount of ₱110.0 million into unappropriated retained earnings.

Subsequently, on December 13, 2013, the BOD of SSI approved additional appropriation amounting to ₱300.0 million from the unappropriated retained earnings as of December 31, 2013 to fund future expansion in store outlets and operations.

The said expansions are expected to be completed within two years from the balance sheet date.

c. Dividend declaration
In 2013, the Company has no declaration of dividend. In 2012, the BOD approved the declaration of cash dividends amounting to ₱46.4 million out of the unappropriated retained earnings of the Company to all shareholders of record as of December 31, 2011.

30. Seasonality of operations

The Group experiences seasonal fluctuations in its operations. The Group's sales typically peak during the fourth quarter of the year due to the increased sales attributable to the Christmas and New Year Holidays. The second quarter of the year is also a peak season as it coincides with summer break and back to school shopping, among others.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Casual Clothing Specialists, Inc. and Subsidiaries
4th Floor Midland Buendia Bldg.
403 Sen. Gil Puyat Ave.
Makati City

We have audited the accompanying Consolidated Financial Statements of Casual Clothing Specialists, Inc. and Subsidiaries (the Group) as at and for the year ended December 31, 2013 in accordance with Philippine Standards on Auditing and have issued our report thereon dated August 11, 2014. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules A-K listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with the Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic consolidated 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 information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ladislao Z. Avila, Jr.

Ladislao Z. Avila, Jr.
Partner
CPA Certificate No. 69099
SEC Accreditation No. 0111-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 109-247-891
BIR Accreditation No. 08-001998-43-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225149, January 2, 2014, Makati City

August 11, 2014

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

SCHEDULE A

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION IN THE PARENT COMPANY FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

Unappropriated Retained Earnings, January 1, 2013	₱50,886,951
Adjustments in previous year's reconciliation:	
Less: Non-actual/unrealized income net of tax	
Benefit from deferred tax asset	(1,985,334)
Unappropriated Retained Earnings, as adjusted, January 1, 2013	48,901,617
Net income during the period closed to retained earnings	39,861,707
Add: Non-actual losses	–
Less: Non-actual/unrealized income net of tax	
Benefit from deferred tax asset	(2,415,077)
Income Actual/Realized	37,446,630
Less: Appropriations of Retained Earnings during the period	
Transfer from appropriated to unappropriated retained earnings	10,000,000
Dividends declaration during the period	(100,000,000)
Unappropriated Retained Earnings available for dividend declaration, December 30, 2013	(₱3,651,753)

SCHEDULE B

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES
LIST OF EFFECTIVE STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendment to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendment to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendment to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments*		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*		✓	
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for Construction of Real Estate			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

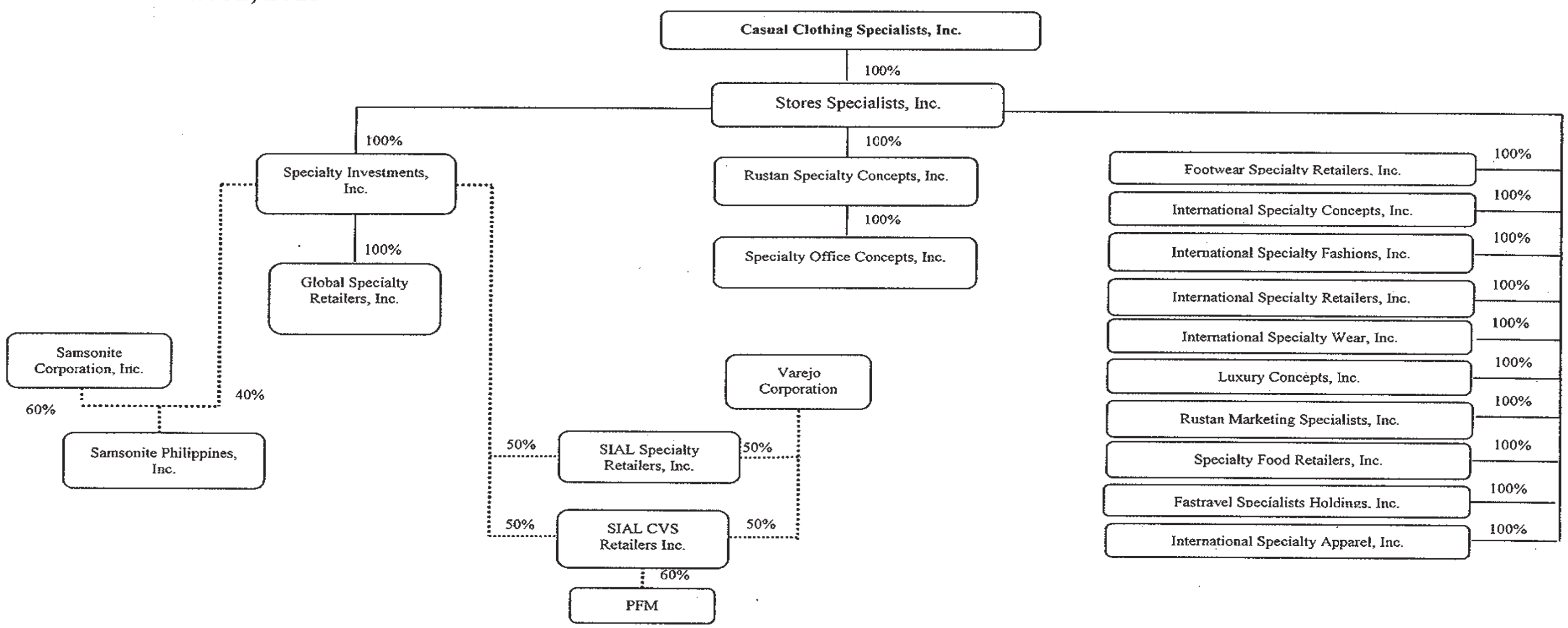
* *These standards, interpretations and amendments to existing standards became effective subsequent to December 31, 2013. The Company did not early adopt these standards, interpretations and amendments.*

SCHEDULE C

ASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES

IAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT OMPANY AND CO-SUBSIDIARIES

S AT DECEMBER 31, 2013



SCHEDULE D

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotations at end of reporting period	Income received or accrued
Cash on hand and in banks:				
Cash on hand	₱–	₱28,429,772	₱28,429,772	₱–
Cash in banks		1,106,320,065	1,106,320,065	3,887,650
Trade and other receivables:				
Trade receivables	–	232,753,039	232,753,039	–
Nontrade receivables	–	42,026,741	42,026,741	–
Receivables from related parties	–	58,369,947	58,369,947	–
Advances to officers and employees	–	63,076,399	63,076,399	–
Other receivables		103,071,412	103,071,412	–
Amounts owed by related parties	–	8,668,359	8,668,359	–
Current portion of security:				
Deposits (presented under "Prepayments and other current assets")	–	78,148,750	78,148,750	–
Derivative assets		2,644,762	2,644,762	
Security deposits and construction bonds	–	565,049,456	556,920,007	–
	₱–	₱2,288,558,702	₱2,280,429,253	₱3,887,650

SCHEDULE E

CASUAL CLOTHING SPECIALISTS, 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, 2013

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	Not Current	Balance at end of period
RCC	₱33,960	₱38,842	(₱30,135)	₱42,667	₱–	₱42,667
PFM	–	5,172	–	5,172	–	5,172
RMK	–	8,198	(5,667)	2,531	–	2,531
SCRI	–	1,827	(22)	1,805	–	1,805
SPI	–	180	–	180	–	180
Advances to officers and employees	49,776	58,941	(45,641)	63,076	–	63,076
Others	4,050	1,965	–	6,015	–	6,015
	₱87,786	₱115,125	(₱81,465)	₱121,446	₱–	₱121,446

Amounts owed by Related Parties *(in thousands)*

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at end of period
RMK	₱103	₱213	(₱296)	₱20	₱–	₱20
RCC	7	2	–	9	–	9
PFM	–	3	–	3	–	3
SCRI	4,448	2503	–	6,951	–	6,951
SPI	1,485		–	1,485	–	1,485
Others	324		(124)	200		200
	₱6,367	₱2,721	(₱420)	₱8,668	₱–	₱8,668

CASUAL CLOTHING SPECIALISTS, 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, 2013

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	Not current	Balance at end of period
SSI	₱215,977,111	₱19,871,278	(₱204,069,844)	₱–	₱31,778,545	₱–	₱31,778,545
RMSI	31,831,000	–	(31,421,028)	–	409,972	–	409,972
ISCI	–	9,371,146	(5,166,122)	–	4,205,024	–	4,205,024
RSCI	57,020,072	3,700,441	–	–	60,720,513	–	60,720,513
SOCI	5,661,000	146,315,717	(2,122,094)	–	149,854,623	–	149,854,623
SII	–	286,405	–	–	286,405	–	286,405
LCI	–	29,606,211	(13,795,330)	–	15,810,881	–	15,810,881
ISFI	–	1,663,936	–	–	1,663,936	–	1,663,936
FSRI	–	60,734,224	–	–	60,734,224	–	60,734,224
GSRI	–	14,598,462	–	–	14,598,462	–	14,598,462
SFRI	–	297,351,956	–	–	297,351,956	–	297,351,956
ISRI	–	108,435	–	–	108,435	–	108,435
ISWI	–	73,210	–	–	73,210	–	73,210
CCSI	–	4,301,136	–	–	4,301,136	–	4,301,136
FSHI	–	47,039,795	–	–	47,039,795	–	47,039,795
ISAI	–	–	–	–	–	–	–
CCRI	–	–	–	–	–	–	–
	₱310,489,183	₱635,022,352	(₱256,574,418)	₱–	₱688,937,117	₱–	₱688,937,117

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	Not current	Balance at end of period
SSI	₱279,986,731	₱76,880,942	(₱253,376,204)	₱–	₱103,491,469	₱–	₱103,491,469
RMSI	–	181,654	–	–	181,654	–	181,654
ISCI	217,490,000	6,849,043	(215,383,069)	–	8,955,974	–	8,955,974
RSCI	–	28,254	–	–	28,254	–	28,254
SOCI	–	13,361	–	–	13,361	–	13,361
SII	59,748,559		(59,748,559)	–	–	–	–
LCI	–	1,033,263	–	–	1,033,263	–	1,033,263
ISFI	617,299	347,740,403	–	–	348,357,702	–	348,357,702
FSRI	–	137,057,318	–	–	137,057,318	–	137,057,318
GSRI	6,600,471	135,600,515	–	–	142,200,986	–	142,200,986
SFRI	6,850	28,096,170	(27,529,031)	–	573,989	–	573,989
ISRI	–	111,795,988	–	–	111,795,988	–	111,795,988
ISWI	–	167,361,728	–	–	167,361,728	–	167,361,728
CCSI	65,351,327	–	(65,347,083)	–	4,244	–	4,244
FSHI	–	–	–	–	–	–	–
ISAI	–	356,891	–	–	356,891	–	356,891
CCRI	–	–	–	–	–	–	–
	₱629,801,237	₱1,012,995,530	(₱621,383,946)	₱–	₱1,021,412,821	₱–	₱1,021,412,821

Payables to related parties which are eliminated during the consolidation (under Trade and other payables)

Name and designation of creditor	Balance at beginning of period	Additions	Amount paid	Amount written off	Current	Not current	Balance at end of period
SSI	₱45,492,559	₱124,089,208	(₱46,693,038)	₱–	₱122,888,729	₱–	₱122,888,729
RMSI	29,909,433	29,530,383	(27,529,031)	–	31,910,785	–	31,910,785
ISCI	10,226,936	7,916,282	(18,105,932)	–	37,286	–	37,286
RSCI	–	146,315,717	(495,301)	–	145,820,416	–	145,820,416
SOCI	48,935,522	–	(48,911,020)	–	24,502	–	24,502
SII	–	–	–	–	–	–	–
LCI	14,120,373	5,000,000	(14,120,373)	–	5,000,000	–	5,000,000
ISFI	1,037,364	–	(830,377)	–	206,987	–	206,987
FSRI	–	137,283	–	–	137,283	–	137,283
GSRI	12,697,522	–	(12,697,522)	–	–	–	–
SFRI	28,103,020	–	(28,096,170)	–	6,850	–	6,850
ISRI	–	63,988	–	–	63,988	–	63,988
ISWI	–	108,261	–	–	108,261	–	108,261
CCSI	6,980,322	–	(4,345,711)	–	2,634,611	–	2,634,611
FSHI	–	–	–	–	–	–	–
ISAI	–	–	–	–	–	–	–
CCRI	–	–	–	–	–	–	–
	₱197,503,051	₱313,161,122	(₱201,824,475)	₱–	₱308,839,698	₱–	₱308,839,698

Amounts owed to related parties which are eliminated during the consolidation

Name and designation of creditor	Balance at beginning of period	Additions	Amount paid	Amount written off	Current	Not current	Balance at end of period
SSI	₱10,498,578	₱561,887,886	(₱187,663,632)	₱–	₱384,722,832	₱–	₱384,722,832
RMSI	–	296,160,999	–	–	296,160,999	–	296,160,999
ISCI	3,878,000	701,261,117	(81,051,979)	–	624,087,138	–	624,087,138
RSCI	136,877,870	–	(136,815,717)	–	62,153	–	62,153
SOCI	–	41,753	–	–	41,753	–	41,753
SII	–	86,175,333	–	–	86,175,333	–	86,175,333
LCI	–	–	–	–	–	–	–
ISFI	175,367,009	–	(175,215,292)	–	151,717	–	151,717
FSRI	135,295,906	–	(135,223,837)	–	72,069	–	72,069
GSRI	149,260,510	–	(149,260,510)	–	–	–	–
SFRI	6,471,182	–	(6,471,182)	–	–	–	–
ISRI	3,225,242	–	(3,220,207)	–	5,035	–	5,035
ISWI	1,026,824	11,517,056	–	–	12,543,880	–	12,543,880
CCSI	120,886,248	–	(120,678,078)	–	208,170	–	208,170
FSHI	–	–	–	–	–	–	–
ISAI	–	–	–	–	–	–	–
CCRI	–	–	–	–	–	–	–
	₱742,787,369	₱1,657,044,144	(₱995,600,434)	₱–	₱1,404,231,079	–	₱1,404,231,079

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS

AS AT DECEMBER 31, 2013

Intangible Assets - Other Assets

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance

Not Applicable

The Group does not have intangible assets in its consolidated balance sheet.

SCHEDULE H

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
AS AT DECEMBER 31, 2013

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
Syndicated term loan	₱2,000,000,000	₱108,333,333	₱1,891,666,667
Less: Transaction costs	(14,926,935)	–	(14,926,935)
	₱1,985,073,065	₱108,333,333	₱1,876,739,732
			Twenty-four (24) consecutive equal quarterly principal installments commencing on August 20, 2014 and will mature on February 20, 2020. The loan carries an interest of a fixed base rate plus an interest spread of 150 basis points per annum or a 5.50% per annum floor rate.

SCHEDULE I

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

AS AT DECEMBER 31, 2013

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 balance sheet and the indebtedness to related parties does not exceed 5% of the total current liabilities.

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS

AS AT DECEMBER 31, 2013

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 K

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK

AS AT DECEMBER 31, 2013

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	Directors, officers and employees	Others
Common shares	2,000,000	2,000,000	–	1,568,388	431,612	–

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Casual Clothing Specialists, Inc. and Subsidiaries
4th Floor Midland Buendia Bldg.
403 Sen. Gil Puyat Ave.
Makati City

We have reviewed the Interim Financial Statements of Casual Clothing Specialists, Inc. and Subsidiaries (the Group) as at June 30, 2014 and for the six months ended June 30, 2014 and 2013 in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, and have issued our report thereon dated August 11, 2014. Our review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Interim Financial Statements. The schedules A to K listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with the Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the review procedures applied in the review of the basic consolidated financial statements and, based on our review, nothing has come to our attention that causes us to believe that the information required to be set forth therein are not presented fairly, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ladislao Z. Avila, Jr.
Partner
CPA Certificate No. 69099
SEC Accreditation No. 0111-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 109-247-891
BIR Accreditation No. 08-001998-43-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225149, January 2, 2014, Makati City

August 11, 2014

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2014

SCHEDULE A

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION IN THE PARENT COMPANY FINANCIAL STATEMENTS
AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2014

Unappropriated Retained Earnings, January 1, 2014	₱748,658
Adjustments in previous year's reconciliation:	
Less: Non-actual/unrealized income net of tax	
Benefit from deferred tax asset	(4,400,411)
Unappropriated Retained Earnings, as adjusted, January 1, 2014	(3,651,753)
Net income during the period closed to retained earnings	29,601,732
Add: Non-actual losses	–
Less: Non-actual/unrealized income net of tax	–
Income Actual/Realized	29,601,732
Less: Appropriations of Retained Earnings during the period	–
Dividends declaration during the period	–
Unappropriated Retained Earnings available for dividend declaration, June 30, 2014	₱25,949,979

SCHEDULE B

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES
LIST OF EFFECTIVE STANDARDS AND INTERPRETATIONS
JUNE 30, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendment to PFRS 1: Government Loans			✓
	Amendment to PFRS 1: Meaning of 'Effective PFRSs'*			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendment to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition*			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination*			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements*			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2014		Adopted	Not Adopted	Not Applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendment to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segment's Assets to the Entity's Assets*		✓	
PFRS 9	Financial Instruments*		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*		✓	
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables*		✓	
	Amendment to PFRS 13: Portfolio Exception*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2014		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation*			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS19: Defined Benefit Plans - Employee Contributions*			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Disclosures - Key Management Personnel*		✓	
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2014		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization*			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40 and PFRS 3: Classifying property as investment property or owner-occupied property.*			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓

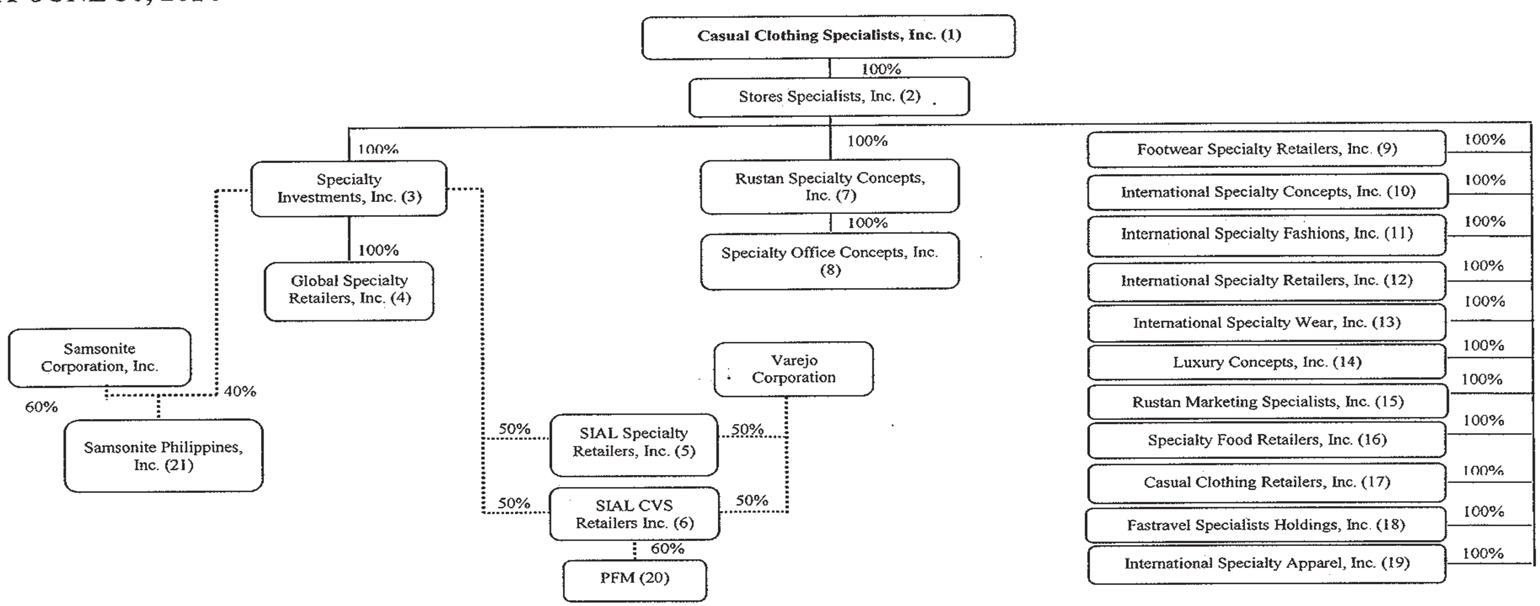
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2014		Adopted	Not Adopted	Not Applicable
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for Construction of Real Estate*			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2014		Adopted	Not Adopted	Not Applicable
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

* *These standards, interpretations and amendments to existing standards became effective subsequent to June 30, 2014. The Company did not early adopt these standards, interpretations and amendments.*

SCHEDULE C

ASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES
AP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT OMPANY AND CO-SUBSIDIARIES
AT JUNE 30, 2014



SCHEDULE D

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2014

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotations at end of reporting period	Income received or accrued
Cash on hand and in banks:				
Cash on hand	₱–	₱44,095,034	₱44,095,034	₱–
Cash in banks		920,610,848	920,610,848	1,501,799
Trade and other receivables:				
Trade receivables	–	98,357,566	98,357,566	–
Nontrade receivables	–	72,006,909	72,006,909	–
Receivables from related parties	–	47,994,006	47,994,006	–
Advances to officers and employees	–	71,905,827	71,905,827	–
Other receivables		36,769,602	36,769,602	–
Amounts owed by related parties	–	9,253,336	9,253,336	–
Current portion of security deposits (presented under "Prepayments and other current assets")	–	21,073,499	21,073,499	–
Security deposits and construction bonds	–	669,530,821	585,812,143	–
	₱–	₱1,991,597,448	₱1,907,878,770	₱1,501,799

CASUAL CLOTHING SPECIALISTS, 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 SIX MONTHS ENDED JUNE 30, 2014

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	Not Current	Balance at end of period
RCC	₱42,667	₱15,907	(₱22,982)	₱35,592	₱–	₱35,592
PFM	5,172	358	–	5,530	–	5,530
RMK	2,531	2,828	(922)	4,437	–	4,437
SCRI	1,805	683	(453)	2,035	–	2,035
SPI	180	220	–	400	–	400
Advances to officers and employees	63,076	54,301	(45,471)	71,906	–	71,906
Others	6,015	–	(6,015)	–	–	–
	₱121,446	₱74,297	(₱75,843)	₱119,900	₱–	₱119,900

Amounts owed by Related Parties ***(in thousands)***

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at end of period
RMK	₱20	₱1	₱–	₱21	₱–	₱21
RCC	9	787	–	796	–	796
PFM	3	4,383	–	4,386	–	4,386
SCRI	6,951	–	(4,386)	2,565	–	2,565
SPI	1,485	–	–	1,485	–	1,485
Others	200	–	(200)	–		–
	₱8,668	₱5,171	(₱4,586)	₱9,253	₱–	₱9,253

CASUAL CLOTHING SPECIALISTS, 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 SIX MONTHS ENDED JUNE 30, 2014

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	Not current	Balance at end of period
SSI	₱31,778,545	₱143,437,511	(₱151,544,632)	₱–	₱23,671,424	₱–	₱23,671,424
RMSI	409,972	894,862	–	–	1,304,834	–	1,304,834
ISCI	4,205,024	2,766,999	(5,526,122)	–	1,445,901	–	1,445,901
RSCI	60,720,513	476,065	(53,807,669)	–	7,388,909	–	7,388,909
SOCI	149,854,623	6,826,805	(18,854,159)	–	137,827,269	–	137,827,269
SII	286,405	7,128,370	–	–	7,414,775	–	7,414,775
LCI	15,810,881	9,625,865	(15,991,041)	–	9,445,705	–	9,445,705
ISFI	1,663,936	424,103	–	–	2,088,039	–	2,088,039
FSRI	60,734,224	–	(767,189)	–	59,967,035	–	59,967,035
GSRI	14,598,462	37,789	–	–	14,636,251	–	14,636,251
SFRI	297,351,956	107,988,621	–	–	405,340,577	–	405,340,577
ISRI	108,435	–	(43,239)	–	65,196	–	65,196
ISWI	73,210	10,568	–	–	83,778	–	83,778
CCSI	4,301,136	11,860,853	–	–	16,161,989	–	16,161,989
FSHI	47,039,795	–	(47,039,795)	–	–	–	–
ISAI	–	–	–	–	–	–	–
CCRI	–	15,378,799	(824,943)	–	14,553,856	–	14,553,856
	₱688,937,117	₱306,857,210	(₱294,398,789)	₱–	₱701,395,538	₱–	₱701,395,538

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	Not current	Balance at end of period
SSI	₱103,491,469	₱40,724,221	₱–	₱–	₱144,215,690	₱–	₱144,215,690
RMSI	181,654	–	(175,089)	–	6,565	–	6,565
ISCI	8,955,974	31,738,748	(491,570)	–	40,203,152	–	40,203,152
RSCI	28,254	12,860	(9,458)	–	31,656	–	31,656
SOCI	13,361	9,701	(18,277)	–	4,785	–	4,785
SII	–	–	–	–	–	–	–
LCI	1,033,263	–	(1,033,263)	–	–	–	–
ISFI	348,357,702	32,651,492	–	–	381,009,194	–	381,009,194
FSRI	137,057,318	–	(420,353)		136,636,965		136,636,965
GSRI	142,200,986	6,088	–	–	142,207,074	–	142,207,074
SFRI	573,989	–	–	–	573,989	–	573,989
ISRI	111,795,988	11,613,169	–	–	123,409,157	–	123,409,157
ISWI	167,361,728	17,038,777	–	–	184,400,505	–	184,400,505
CCSI	4,244	408,001,193	–	–	408,005,437	–	408,005,437
FSHI	–	–	–	–	–	–	–
ISAI	356,891	10,224,094	–	–	10,580,985	–	10,580,985
CCRI	–	359,088,047	(63,392,706)	–	295,695,341	–	295,695,341
	₱1,021,412,821	₱911,108,390	(₱65,540,716)	₱–	₱1,866,980,495	₱–	₱1,866,980,495

Payables to related parties which are eliminated during the consolidation (under Trade and other payables)

Name and designation of creditor	Balance at beginning of period	Additions	Amount paid	Amount written off	Current	Not current	Balance at end of period
SSI	₱122,888,729	₱94,150,016	(₱147,603,937)	₱–	₱69,434,808	₱–	₱69,434,808
RMSI	31,910,785	57,934,212	(11,161,385)	–	78,683,612	–	78,683,612
ISCI	37,286	31,338	(58,585)	–	10,039	–	10,039
RSCI	145,820,416	22,140,286	(15,000,000)	–	152,960,702	–	152,960,702
SOCI	24,502	2,482,851	–	–	2,507,353	–	2,507,353
SII	–	–	–	–	–	–	–
LCI	5,000,000	–	(5,000,000)	–	–	–	–
ISFI	206,987	–	(206,987)	–	–	–	–
FSRI	137,283	1,439,347	–	–	1,576,630	–	1,576,630
GSRI	–	–	–	–	–	–	–
SFRI	6,850	–	(6,850)	–	–	–	–
ISRI	63,988	–	(60,208)	–	3,780	–	3,780
ISWI	108,261	–	(108,261)	–	–	–	–
CCSI	2,634,611	18,691,329	–	–	21,325,940	–	21,325,940
FSHI	–	1,296,836	–	–	1,296,836	–	1,296,836
ISAI	–	–	–	–	–	–	–
CCRI	–	–	–	–	–	–	–
	₱308,839,698	₱198,166,215	(₱179,206,213)	₱–	₱327,799,700	₱–	₱327,799,700

Amounts owed to related parties which are eliminated during the consolidation

Name and designation of creditor	Balance at beginning of period	Additions	Amount paid	Amount written off	Current	Not current	Balance at end of period
SSI	₱384,722,832	₱44,712,191	(₱67,580,183)	₱–	₱361,854,840	₱–	₱361,854,840
RMSI	296,160,999	40,167,252	–	–	336,328,251	–	336,328,251
ISCI	624,087,138	163,817,031	(90,433,793)	–	697,470,376	–	697,470,376
RSCI	62,153	–	(52,252)	–	9,901	–	9,901
SOCI	41,753	3,702	(41,753)	–	3,702	–	3,702
SII	86,175,333	508,768	–	–	86,684,101	–	86,684,101
LCI	–	–	–	–	–	–	–
ISFI	151,717	11,495,869	–	–	11,647,586	–	11,647,586
FSRI	72,069	14,360	–	–	86,429	–	86,429
GSRI	–	20,000,000	–	–	20,000,000	–	20,000,000
SFRI	–	–	–	–	–	–	–
ISRI	5,035	14,052,905	–	–	14,057,940	–	14,057,940
ISWI	12,543,880	16,052,094	–	–	28,595,974	–	28,595,974
CCSI	208,170	295,619,158	–	–	295,827,328	–	295,827,328
FSHI	–	–	–	–	–	–	–
ISAI	–	–	–	–	–	–	–
CCRI	–	393,473,655	(5,463,750)	–	388,009,905	–	388,009,905
	₱1,404,231,079	₱999,916,985	(₱163,571,731)	₱–	₱2,240,576,333	–	₱2,240,576,333

SCHEDULE G

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS
AS AT JUNE 30, 2014

Intangible Assets - Other Assets

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Not Applicable						
The Group does not have intangible assets in its consolidated balance sheet.						

SCHEDULE H

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
AS AT JUNE 30, 2014

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
Syndicated term loan	₱2,000,000,000	₱333,333,333	₱1,666,666,667
Less: Transaction costs	(17,212,652)	–	(17,212,652)
	₱1,982,787,348	₱333,333,333	₱1,649,454,015
			Twenty-four (24) consecutive equal quarterly principal installments commencing on August 20, 2014 and will mature on February 20, 2020. The loan carries an interest of a fixed base rate plus an interest spread of 150 basis points per annum or a 5.50% per annum floor rate.

SCHEDULE I

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

AS AT JUNE 30, 2014

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 balance sheet and the indebtedness to related parties does not exceed 5% of the total current liabilities.

SCHEDULE J

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
AS AT JUNE 30, 2014

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 K

CASUAL CLOTHING SPECIALISTS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
AS AT JUNE 30, 2014

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	Directors, officers and employees	Others
Common shares	30,000,000	21,171,629	–	17,594,339	3,577,290	–

casual clothing specialists, inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Casual Clothing Specialists, Inc. and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements as at June 30, 2014 and for the six months ended June 30, 2014 and 2013 (the "Interim Financial Statements") and as at and for the years ended December 31, 2013, 2012 and 2011 (the "Annual Financial Statements"), in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submit the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the Annual Financial Statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination. A review of the unaudited Interim Financial Statements was also performed to express a conclusion thereon and that the review was conducted in accordance with Philippine Standard for Review Engagements (PSRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* and consisted of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures.

Zenaida R. Tantoco
Chairman and Chief Executive Officer

SEP 10 2014

SUBCRIBED AND SWORN TO BEFORE ME THIS ___ MAKATI CITY ... TO ME HIS/HER ... ISSUED ON ___ AT ___

Anthony T. Huang
President

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-35
UNTIL DECEMBER 31, 2014
ROLL OF ATTORNEY 48348
MCLE COMPLIANCE NO. IV-0016333/4-10-2013
IBP NO. 705762 – LIFETIME MEMBER
PTR. NO. 422-5506 JAN 2, 2014
EXECUTIVE BLDG. CENTER
MAKATI AVE., COR., JUPITER

Rossellinna J. Escoto
Vice President - Finance

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