



SSIGROUP, Inc

SECURITIES AND EXCHANGE
COMMISSION

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MARKET REGULATION DEPT.
BY: *[Signature]* TIME: *12:04*

2 May 2016

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City, Metro Manila

Attention: **VICENTE GRACIANO P. FELIZMENIO, JR.**
Director, Markets and Securities Regulation Department

Re: **SSI Group, Inc. – Definitive Information Statement**

Gentlemen:

We write in connection with the Annual Stockholders' Meeting of SSI Group, Inc. (the "Company"), to be held on 15 June 2016.

In compliance with the Securities Regulation Code ("SRC") and its Implementing Rules and Regulations, as amended, the Company shall distribute definitive copies of the Information Statement (SEC Form 20-IS) to the stockholders of the Company on or about 25 May 2016.

In connection thereto, we would like to request that the Company be allowed to distribute such definitive copies of the SEC Form 20-IS to the stockholders of the Company in electric format (Compact Disc or CDs). The SEC Form 20-IS of the Company in electronic format shall contain the exact data and will be in the same form and format as the SEC Form 20-IS that will be submitted to the Securities and Exchange Commission prior to the distribution thereof.

We hope that the foregoing will merit your prompt and favorable consideration.

Thank you very much.

Very truly yours,

[Signature]
MA. MARGARITA A. ATIENZA
VICE PRESIDENT—INVESTOR
RELATIONS & COMPLIANCE
OFFICER

**NOTICE OF ANNUAL MEETING OF THE STOCKHOLDERS
OF
SSI GROUP, INC.**
Rigodon Ballroom, The Peninsula Manila
Ayala Avenue corner Makati Avenue, 1226 Makati City, Metro Manila

Please take notice that the 2016 annual meeting of the stockholders of SSI GROUP, INC. will be held on Wednesday, 15 June 2016 at 9:00 A.M. at the Rigodon Ballroom, The Peninsula Manila Ayala Avenue corner Makati Avenue, 1226 Makati City, Metro Manila.


The Agenda for the meeting shall be as follows:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of the Annual Meeting held on 15 June 2015
4. Approval of Annual Report for the Year 2015
5. General ratification of all acts of the Board of Directors and management from the date of the last annual meeting up to the date of this meeting
6. Election of Directors for 2016-2017
7. Appointment of External Auditors
8. Other Matters
9. Adjournment

The Board of Directors has fixed the end of trading hours of the Philippine Stock Exchange on 16 May 2016 as the Record Date for the determination of stockholders entitled to notice of and vote at such meeting and any adjournment thereof.

For your convenience in registering your attendance, please bring a government issued identification card such as a passport, driver's license or SSS identification card.

29 April 2016, Makati City.


GEMMA M. SANTOS
Corporate Secretary

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

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 Number : **006-710-876**
6. Address of Principal Office : **6th Floor Midland Buendia Building,
403 Sen. Gil Puyat Avenue, 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, 2016
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 25, 2016**
10. In case of Proxy Solicitations:
Name of Person Filing the Statement/Solicitor: : Not applicable
Address and Telephone No. : Not applicable

11. 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 March 31, 2016)
Common Shares	3,312,864,430

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

Yes No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein.

The Common Shares of SSI Group, Inc. are listed on the Philippine Stock Exchange.

INFORMATION STATEMENT

A. GENERAL INFORMATION

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

- a) Date : June 15, 2016
Time : 9:00 A.M.
Place : Rigodon Ballroom, The Peninsula Manila
Ayala Avenue corner Makati Avenue
1226 Makati City, Metro Manila
- Complete mailing address of the principal office of the Company : 6th Floor Midland Buendia Building, 403 Sen. Gil Puyat Avenue, Makati City
- b) Approximate date when the Information Statement is first to be sent out to stockholders of record: : May 25, 2016

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

Item 2. Dissenter's Right of Appraisal

In accordance with Section 81 of the Corporation Code and Article 6(A)(vi) of the Company's Manual on Corporate Governance, 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 thirty (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 ten (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 the Company, 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 the Company 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 the Company and the third by the two thus chosen.

- (e) The findings of a majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made. No payment shall be made to any dissenting stockholder unless the Company 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 March 31, 2016. 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 16, 2016 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 Section 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 the Company owned by a shareholder as of 16 May 2016 is entitled to one (1) vote (each, a "Voting Share") 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 Share/s may nominate directors and vote in person or by proxy. If he chooses to vote through proxy, the Company's By-Laws require the submission of a proxy form to the Corporate Secretary no later than 5:30 P.M. on 3 June 2016 at the Office of the Corporate Secretary at the 6th Floor Midland Buendia Building, 403 Sen. Gil Puyat Avenue, Makati City.

A forum for the validation of proxies, chaired by the Corporate Secretary or Assistant Corporate Secretary and attended by the Company's stock transfer agent, shall be convened on 6 June 2016 at 3:00 P.M. at the 6th Floor Midland Buendia 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 March 31, 2016

As of March 31, 2016, the Company knows no one who beneficially owns in excess of 5% of the Company's common stock except those 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	Wellborn Trading & Investments, Inc. ¹ 4th Floor Midland Buendia Building, 403 Sen. Gil Puyat Avenue, Makati City (stockholder)	Wellborn Trading & Investments, Inc. ¹	Filipino	467,043,679	14.0979%
Common	Marjorisca, Inc. ² 25B Tamarind Rd. South Forbes Park, Makati City (stockholder)	Marjorisca, Inc. ²	Filipino	434,440,400	13.1137%
Common	Birdseyeview, Inc. ³ 25B Tamarind Rd. South Forbes Park, Makati City (stockholder)	Birdseyeview, Inc. ³	Filipino	434,412,500	13.1129%

¹Wellborn Trading & Investments, Inc. is beneficially owned by Zenaida R. Tantoco, Anthony T. Huang, Michael T. Huang, and Catherine T. Huang as to 19.9%, 26.7%, 26.7%, and 26.7%, respectively.

²Marjorisca, Inc. is beneficially owned by Ma. Elena T. Valbuena, Christopher James Tantoco and Jose Miguel Tantoco as to 40%, 30% and 30%, respectively.

³Birdseyeview, Inc. is wholly and beneficially owned by Ma. Teresa R. Tantoco. Ma. Teresa R. Tantoco directly and indirectly owns 467,736,931 common shares of the Company equivalent to 14.12% 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	Educar Holdings, Corp. ⁴ 2nd Floor Urban Bldg., 405 Sen. Gil Puyat Avenue, Makati City (stockholder)	Educar Holdings, Corp. ⁴	Filipino	415,753,800	12.5497%
Common	PCD Nominee Corporation ⁵ 37th Floor Tower 1, The Enterprise Center, Ayala Avenue cor. Paseo de Roxas, Makati City (stockholder)	Bordeaux Holdings, Inc. ⁶ (client of PDTC participant)	Filipino	414,967,821	12.5260%

ii. Security ownership of directors and management as of March 31, 2016

Title of Class	Name of beneficial owner	Position	Amount and Nature of Beneficial Ownership (shares)	Citizenship	% to Total Outstanding Shares
Named Executive Officers					
Common	Zenaida R. Tantoco	Chairman and CEO	872,500 (direct)	Filipino	0.0263%
Common	Anthony T. Huang	President	5,265,100 (direct)	Filipino	0.1589%
Common	Elizabeth T. Quiambao	Executive Vice President	3,334,000 (direct)	Filipino	0.1006%
Common	Rossellina J. Escoto	Vice President - Finance	133,500 (direct)	Filipino	0.0040%
Common	Reuben J. Ravago	Vice President - IT	21,200 (direct)	Filipino	0.0006%
Other Executive Officers and Directors					
Common	Ma. Teresa R. Tantoco	Treasurer	467,736,931 (direct and indirect)	Filipino	14.1188%
Common	Ma. Elena T. Valbuena	Director	32,054,979 (direct)	Filipino	0.9676%
Common	Bienvenido V. Tantoco III	Director	856,200 (direct and indirect)	Filipino	0.0258%
Common	Edgardo Luis Pedro T. Pineda, Jr.	Director	100 (direct)	Filipino	0.0000%
Common	Eduardo T. Lopez III	Director	790,100 (direct)	Filipino	0.0238%
Common	Jose Teodoro K. Limcaoco	Independent Director	10,000 (direct)	Filipino	0.0003%
Common	Carlo L. Katigbak	Independent Director	305,001 (direct)	Filipino	0.0092%

⁴Educar 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%.

⁵PCD Nominee Corporation is the registered owner of shares beneficially owned by participants in the Philippine Central Depository, 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.

⁶Bordeaux Holdings, Inc. is wholly and beneficially owned by Ma. Lourdes T. Pineda.

Title of Class	Name of beneficial owner	Position	Amount and Nature of Beneficial Ownership (shares)	Citizenship	% to Total Outstanding Shares
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 March 31, 2016.

iv. Changes in control

Aside from the corporate restructuring detailed below, there has been no change in the control of the Company since it was formed on April 16, 2007. As of March 31, 2016, 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 Philippine Stock Exchange (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 (the "SEC") approved the increase in authorized capital stock of CCSI 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 CCSI, Stores Specialists, Inc. subscribed to 7,000,000 shares for a consideration of ₱700.0 million, of which ₱175.0 million was paid and ₱525.0 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 ₱525.0 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 ₱500.0 million following approval by the Philippine SEC for the increase in authorized capital stock of CCSI from ₱3.0 billion to ₱5.0 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 ₱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 approved on August 29, 2014. As of March 31, 2016, 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 was likewise filed 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 ₱5.2 billion gross of relevant expenses while the selling shareholders received an aggregate of ₱2.2 billion gross of relevant expenses for the secondary offer and the Overallotment Option. As of March 31, 2016, SSI Group, Inc. was 29.55% 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 Stockholders' Meeting:

Name	Age	Citizenship	Period during which individual has served as such
Zenaida R. Tantoco	69	Filipino	Since 2007
Anthony T. Huang	44	Filipino	Since 2007
Ma. Teresa R. Tantoco	51	Filipino	Since 2008
Ma. Elena T. Valbuena	57	Filipino	Since 2008
Bienvenido V. Tantoco III	49	Filipino	Since 2007
Eduardo T. Lopez III	48	Filipino	Since 2008
Edgardo Luis Pedro T. Pineda, Jr.	44	Filipino	Since 2014
Jose Teodoro K. Limcaoco	54	Filipino	Since 2015
Carlo L. Katigbak	46	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, 69, Director of the Company since 2007. She is the Chairman and Chief Executive Officer of the Company. Ms. Tantoco is also the Chairman and Chief Executive Officer of all of the Group's companies. She has over 40 years of experience in the retail business, and serves as the 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 graduated cum laude from the Assumption College with a Bachelor of Science degree in Business Administration.

Anthony T. Huang, 44, Director of the Company since 2007. He is the President of the Company. Mr. Huang is also the President and a director of all of the Group's companies. He joined the Group in 1995 and has over 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. 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, 51, Director of the Company since 2008. She is the Treasurer of the Company. Ms. Tantoco is also the Treasurer and a director of the Group's companies, including, among others, International Specialty 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, 57, Director of the Company since 2008. Ms. Valbuena 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 as 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, 49, Director of the Company since 2007. Mr. Tantoco is the President of Rustan Supercenters, Inc. He was also the Executive Vice President and General Manager of Rustan Supercenters, Inc. prior to his appointment as the President. In addition, he served as the Vice President for Corporate Planning and later with the Office of 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, 48, Director of the Company since 2008. 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, 44, Director of the Company since 2014. Mr. Pineda is also a director of the Group's 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.

Jose Teodoro K. Limcaoco, 54, Independent Director of the Company since 2015. Mr. Limcaoco is also the Chief Finance Officer and Finance Group Head of Ayala Corporation since April 2015. He is the Chairman of Ayala Healthcare Holdings, Inc., Ayala Hotels, Inc., Darong Agricultural and Development Corporation, Zapfam Inc., and Water Capital Works, Inc. He is the President of Liontide Holdings, Inc. and of Philwater Holdings Company, Inc. He is a Director of AC Energy Holdings, Inc., Ayala Aviation Corporation, Ayala Education, Inc., Asiacom Philippines, Inc., AG Counselors Corporation, Michigan Holdings, Inc., BPI Globe Banko, LICA Management Inc., and Just For Kids, Inc. He is a director of Ayala Automotive Holdings Corporation effective January 19, 2016. He joined Ayala Corporation as a Managing Director in 1998. Prior to his appointment as CFO in April 2015, he held various responsibilities including President of BPI Family Savings Bank, President of BPI Capital Corporation, Officer-in-Charge for Ayala Life Assurance, Inc. and Ayala Plans, Inc., Trustee and Treasurer of Ayala Foundation, Inc., President of myAyala.com, and CFO of Azalea Technology Investments, Inc. He has held prior positions with JP Morgan & Co. and with BZW Asia. He graduated from Stanford University with a BS Mathematical Sciences (Honors Program) in 1984 and from the Wharton School of the University of Pennsylvania with an MBA (Finance and Investment Management) in 1988.

Carlo L. Katigbak, 46, Independent Director of the Company since 2014. Mr. Katigbak was also appointed the President and Chief Executive Officer of ABS-CBN Corporation effective January 1, 2016. He is the President and CEO of SkyCable. He has 21 years of combined experience in financial management and businesses operations, corporate planning and general management. He began his career as a financial analyst with First Pacific Capital Corp. in 1992. He joined SkyCable in 1994 as Corporate Finance Manager and has held various positions in Corporate Planning, Provincial Operations and Finance. In 1998, he served as the first Managing Director of Pilipino Cable Corporation. He was then assigned to ABS-CBN Interactive as Managing Director in 1999 where he led the company pioneer various digital services such as mobile downloads, interactive TV, online advertising and online video-on-demand. He returned to SkyCable as Managing Director in 2005. Mr. Katigbak has a Bachelor of Science in Management Engineering from the Ateneo de Manila University. Mr. Katigbak also completed the Advanced Management Program at Harvard Business School in 2009.

Officers

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

Name	Position	Age	Citizenship	Period during which individual has served as such⁷
Zenaida R. Tantoco	Chief Executive Officer	69	Filipino	Since June 2015
Anthony T. Huang	President	44	Filipino	Since June 2015
Elizabeth T. Quiambao	Executive Vice President	64	Filipino	Since June 2015
Rossellina J. Escoto	Vice President - Finance	62	Filipino	Since June 2015
Reuben J. Ravago	Vice President - IT	47	Filipino	Since June 2015
Ma. Margarita A. Atienza	Vice President - Investor Relations	42	Filipino	Since June 2015
Cheryl Anne M. Berioso	Head of Corporate Planning	37	Filipino	Since June 2015
Gemma M. Santos	Corporate Secretary	54	Filipino	Since June 2015
Ma. Alicia Picazo-San Juan	Assistant Corporate Secretary	45	Filipino	Since June 2015

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".

⁷The date when Executive Officers were appointed as officers of SSI Group, Inc.

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
Anthony T. Huang	M	M	M
Ma. Teresa R. Tantoco			
Ma. Elena T. Valbuena*			
Bienvenido V. Tantoco III*	M		
Eduardo T. Lopez III*			
Edgardo Luis Pedro T. Pineda, Jr.*		M	
Jose Teodoro K. Limcaoco**	C		
Carlo L. Katigbak**			M

*C-Chairman
M-Member*

**Non-executive Director
**Independent Director*

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 III
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, Ms. Gloria C. Naypes. Mr. Carlo L. Katigbak and Mr. Jose Teodoro K. Limcaoco, are being nominated as independent directors. Ms. Gloria C. Naypes 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 Manual on Corporate Governance 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 Glicería 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 Group, in the ordinary course of business, have engaged in transactions with each other as well as other affiliated companies, consisting principally of sales and purchases at market prices, advances made and obtained, as well as leases on an arms-length basis.

f. Resignation of directors

No director has resigned from, or declined to stand for re-election to the Board since the date of the 2015 annual stockholders' meeting 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 (4) most highly compensated executive officers for the last three (3) years and projected for the year 2016.

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 (4) 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, 2013, 2014 and 2015.

	Year	Total (In P millions)
CEO and the four (4) most highly compensated executive officers named in the previous page	2013	15.6
	2014	16.1
	2015	19.0
	2016 (estimated)	20.9
Aggregate compensation paid to all other officers and Directors as a group unnamed	2013	3.1
	2014	3.4
	2015	3.7
	2016 (estimated)	4.1

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 in 2016.

c. **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.

d. **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 & Co. ("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 2016 based on their performance and qualifications.

The reappointment 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 (3) fiscal years for professional services rendered by SGV & Co.

<i>(in P Millions)</i>	Audit and Audit-related Fees	Professional Fees related to the Initial Public Offering	Tax Fees	Other Fees	Total
	Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings				
2015	4.7	–	–	–	4.7
2014	4.6	11.0	–	–	14.6
2013	4.0	–	–	–	4.0

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

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.

Item 8. Compensation Plans

There is no action to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

There is no action to be taken with respect to the authorization or issuance of any securities.

Item 10. Modification or Exchange of Securities

There is no action to be taken with respect to the modification of any class of securities of the Company, or the issuance or authorization for issuance of one (1) class of securities of the Company in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

The audited financial statements as of December 31, 2015, 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 12. Mergers, Consolidation, Acquisitions and Similar Matters

There is no action to be taken with respect to mergers, consolidations, acquisitions, sales or other transfers of all or any substantial part of the assets of the Company, liquidation or dissolution of the Company, and similar matters.

Item 13. Acquisition or Disposition of Property

There is no action to be taken with respect to the acquisition or disposition of any significant Company property.

Item 14. Restatement of Accounts

There is no action to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

D. OTHER MATTERS

Item 15. 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 15 June 2015;
- (b) President's Report based on the Annual Report and 2015 Audited Consolidated Financial Statements of the Company; and
- (c) 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. Matters Not Required to be Submitted

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, By-laws or Other Documents

There is no action to be taken with respect to any amendment of the Company's charter, By-laws or other documents.

Item 18. Other Proposed Action

- a. Election of the members of the Board of Directors, including independent directors, for the ensuing calendar year
- b. Reappointment of external auditors

Item 19. 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. The Company 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 A. ATIENZA
VICE PRESIDENT—INVESTOR RELATIONS
6TH FLOOR, MIDLAND BUENDIA BUILDING
403 SEN. GIL PUYAT AVENUE, MAKATI CITY**

SIGNATURE PAGE

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 the 29th day of April 2016.

SSI GROUP, INC.

By:



ANTHONY T. HUANG
President

Annex "A"

MANAGEMENT REPORT

RESULTS OF OPERATIONS

For the years ended December 31, 2015, 2014 and 2013

Key Performance Indicators <i>PhP MM except where indicated</i>	For the years ended December 31		
	2015	2014	2013
Net Sales	17,421	15,213	12,788
Gross Profit	9,324	8,532	6,292
Net Income	811	998	614
Gross Selling Space (sq.m.)	147,145	133,640	98,126
Growth in Gross Selling Space (%)	10.1%	36.2%	18.8%

Key Financial and Operating Data <i>PhP MM except where indicated</i>	For the years ended December 31		
	2015	2014	2013
Key Financial Data			
Net Sales	17,421	15,213	12,788
Luxury & Bridge	3,556	3,334	2,907
Casual	2,695	2,443	2,306
Fast Fashion	6,232	5,433	4,213
Footwear, Accessories & Luggage	2,533	2,134	1,746
Others	2,405	1,869	1,616
Gross Profit	9,324	8,532	6,292
Gross Profit Margin (%)	53.5%	56.1%	49.2%
EBITDA ¹	3,266	2,921	1,551
EBITDA Margin (%)	18.7%	19.2%	12.1%
Other Income (Charges)	(475)	(385)	(16)
Net Income	811	998	614
Net Income Margin (%)	4.7%	6.6%	4.8%
Adjusted Net Income ²	1,039	1,143	634
Adjusted Net Income Margin (%)	6.0%	7.5%	5.0%
Total Debt ³	8,011	5,417	5,094
Net Debt ⁴	6,706	2,889	3,959
Key Operating Data			
Specialty Retailing			
Number of Brands	116	106	91
Number of Stores	792	723	597
Gross Selling Space (sq.m.)	147,145	133,640	98,126
Growth in Gross Selling Space (%)	10.1%	36.2%	18.8%
Convenience Stores			
Number of Stores	112	90	31
Gross Selling Space (sq.m.)	13,037	9,656	3,711
Growth in Gross Selling Space (%)	35%	160%	-

¹ EBITDA is calculated as operating income plus depreciation and amortization

² Adjusted Net Income is derived by excluding the effect of share in net losses of joint ventures in the Group's net income

³ Calculated as the sum of Short-term loans payable, Current portion of long-term debt and Long-term debt.

⁴ Calculated as Total Debt minus Cash and cash equivalents

2015 vs. 2014

Net Sales

For the year ended December 31, 2015, the Group generated net sales of ₱17.4 billion, an increase of 14.5%, as compared to the year ago period. The growth in net sales was driven by the expansion of the Group's store network and brand portfolio, as it continues to benefit from the availability of prime retail space in leading malls and from the breadth and relevance of its brand portfolio.

In the year ended December 31, 2015, the Group expanded its store network by a net of 69 stores and added 11 new brands. The additions in 2015 allowed the Group to increase its gross selling area by 10.1%, or 13,505 square meters, as compared to its gross selling area at the end of 2014. The Group's store network at the end of 2015 consisted of 792 specialty stores covering 147,145 square meters of retail space.

As of December 31, 2015 the Group's brand portfolio consisted of 116 brands. The Group acquired 11 international brands in 2015: Amazonas, Castell, Charming Charlie, Coach, Jelly Bunny, Joe Fresh, Kurt Geiger, Lipault, Make-up Factory, Max & Co and Radley.

The following table sets out the Group's number of stores and gross selling space for the years ended December 31, 2015, 2014 and 2013.

Store Network	For the years ended December 31		
	2015	2014	2013
Number of Stores	792	723	597
Luxury & Bridge	165	150	130
Casual	138	119	94
Fast Fashion	97	92	62
Footwear, Accessories & Luggage	234	219	187
Others	158	143	124
Gross Selling Space (sq.m.)	147,145	133,640	98,126
Luxury & Bridge	17,544	15,229	12,597
Casual	19,129	18,217	13,723
Fast Fashion	60,941	56,151	33,924
Footwear, Accessories & Luggage	26,209	23,556	19,792
Others	23,322	20,487	18,090

*Number of Stores for the period excludes stores located in Guam.

As of December 31, 2015 the Group operated 2 stores in Guam which contributed de minimis sales to the Group's net sales for the period

Gross Profit

For the year ended December 31, 2015, the Group's gross profit was ₱9.3 billion an increase of 9.3% as compared to the year ago period. Gross profit margin in 2015 was at 53.5% as compared to 56.1% in 2014. The decrease in gross profit margins reflects increased discounting and promotional activities during the year, as the Group faced a more competitive operating environment.

Operating Expenses

For the year ended December 31, 2015, the Group's operating expenses amounted to ₱7.6 billion, an increase of 13.6%, as compared to the year ago period. Operating expenses as a percentage of revenue were stable at 43.4% of revenues as compared to 43.7% in 2014. Operating expenses net of depreciation and amortization declined to 34.9% of revenue as compared to 37.0% in 2014.

Selling and distribution expenses increased 17.4% to ₱6.5 billion driven primarily by additional rental, personnel and depreciation expenses associated with the Group's expanded store network.

General and administrative expenses, on the other hand, declined 5.4% as compared to the previous year as a result of the moderate rate of increase for general and administrative personnel expense, which increased 8.7%, and reduced tax and license expenses in 2015, which were at ₱29.2 million as compared to ₱106.7 million in 2014. The reduction in tax and license expenses reflects the absence of various tax expenses associated with the Group's Initial Public Offering ("IPO") and pre-IPO restructuring in 2014.

Total depreciation and amortization expense in 2015 increased 43.9% in 2015 to ₱1.5 billion. The increase in depreciation and amortization expense reflects the continued expansion of the Group's store network.

As a result of the foregoing, operating income for the period was at ₱1.8 billion, as compared to ₱1.9 billion in 2014.

Other Income (Charges)

For the year ended December 31, 2015, the Group incurred other charges of ₱474.7 million as compared to other charges of ₱384.8 million in 2014. The increase in other charges is attributable primarily to an increase in interest expense to ₱315.3 million, from ₱281.6 million in 2014, as the Group continued to fund its store expansion program.

The Group's share in the net losses of the FamilyMart and Wellworth joint ventures increased to ₱228.3 million as compared to ₱144.9 million in 2014.

For the year ended December 31, 2015 the Group generated rent income of ₱42.4 million as compared to rent income of ₱9.0 million in 2014. This is related to the lease of store spaces in Central Square.

Provision for Income Tax

For the year ended December 31, 2015, provision for income tax was ₱485.1 million. The Group's effective tax rate was 37.4% as a result of non-deductible tax 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, 2015 net income was ₱810.7 million a decline of 18.8% as compared to 2014.

2015 net income excluding losses of the joint ventures was ₱1.0 billion, a decline of 9.1% as compared to 2014.

EBITDA

As a result of the foregoing, 2015 EBITDA was ₱3.3 billion, an increase of 11.8% as compared to 2014.

FINANCIAL CONDITION

As of December 31, 2015 the Group had consolidated assets of ₱20.6 billion, an increase of 14.2% as compared to December 31, 2014.

Current Assets

Cash and Cash Equivalents

As of December 31, 2015, cash and cash equivalents were at ₱1.3 billion as compared to ₱2.5 billion on December 31, 2014. The decline in cash balance reflects the deployment of the proceeds from the Group's IPO in 2014.

Merchandise Inventory

Merchandise inventory as of December 31, 2015 was at ₱9.7 billion from ₱8.0 billion at the end of 2014. Increases in inventory levels are driven by higher sales levels as well as by purchases for new stores.

Prepayments and other Current Assets

As of December 31, 2015, prepayments and other current assets were at ₱1.3 billion from ₱590.3 million at the end of 2014. The increase in prepayments and other current assets was due primarily to an increase in advances to suppliers to ₱436.0 million, representing advance payments for merchandise inventory, an increase in input VAT to ₱277.2 million, and an increase in supplies inventory to ₱263.3 million.

Non-Current Assets

Interests in Joint Ventures

As of December 31, 2015, interests in joint ventures were at ₱1.1 billion, from ₱479.5 million at the end of 2014. During the year the Group increased its investment in SIAL CVS Retailers, Inc. (SCRI) by ₱196.5 million and booked its share of SCRI losses of ₱80.0 million. The Group also increased its investment in SIAL Specialty Retailers, Inc. (SSRI) by ₱231.5 million and booked its shares of SSRI losses of ₱147.7 million. Also, on August 12, 2015, the Group acquired a 50% stake in Landmark Management Services, Ltd. (LMS), a company specializing in travel retail concepts with supply and management agreements for travel retail stores in the Philippines, for ₱375.3 million.

Property and Equipment

As of December 31, 2015, property and equipment was at ₱5.2 billion, as compared to ₱4.7 billion at the end of 2014. The increase in Property and Equipment was driven by additions to leasehold improvements related to new stores and renovations of ₱1.5 billion.

Security Deposits and Construction Bonds

As of December 31, 2015, security and construction bonds were at ₱1.0 billion, as compared to ₱807.0 million at the end of 2014. The increase was due primarily to deposits for new stores and security deposit escalation.

Current Liabilities

As of December 31, 2015, the Group had consolidated current liabilities of ₱8.1 billion, as compared to ₱7.4 billion at the end of 2014.

Trade and Other Payables

As of December 31, 2015, trade and other payables were at ₱2.4 billion as compared to ₱3.2 billion at the end of 2014. The decrease was due primarily to a decrease in trade payables, reflecting the terms of merchandise deliveries during the year.

Short-term Loans Payable

As of December 31, 2015, short-term loans payable were at ₱5.1 billion, as compared to ₱3.6 billion at the end of 2014. Additional short term loans were used to fund requirements of the Group's store expansion program.

Current Portion of Long-Term Debt

As of December 31, 2015, Current Portion of Long Term Debt was at ₱467.6 million, as compared to ₱328.5 million at the end of 2014. This reflects quarterly payments due within the next 12 months on the ₱2.0 billion syndicated term loan facility entered into by the Group on May 8, 2013 and on ₱1.0 billion term loan facility entered into on September 14, 2015 as well as a ₱400.0 million term loan facility entered into on October 15, 2015.

Non- Current Liabilities

Long-term Debt

As of December 31, 2015, long-term debt was at ₱2.4 billion from ₱1.5 billion at the end of 2014. Long-term debt for the period increased as the Group switched some of its short-term loans to term facilities through a ₱1.0 billion term loan entered into on September 14, 2015 and a ₱400.0 million term loan facility entered into on October 15, 2015.

Retirement Benefit Obligation

As of December 31, 2015, retirement benefit obligation was at ₱330.6 million from ₱306.2 million at the end of 2014. The retirement benefit obligation represents the difference between the present value of the Company's retirement plan obligations and the fair value of its plan assets. In 2015, a total of ₱8.1 million in retirement benefits were paid out.

Tenant Deposits

As of December 31, 2015, tenant deposits were at ₱21.3 million primarily representing deposits on spaces rented out at Central Square in Bonifacio High Street.

Equity

As of December 31, 2015, total equity was at ₱9.7 billion as compared to ₱8.9 billion at the end of 2014. The increase in total equity was due primarily to an increase in retained earnings, reflecting net income generated in 2015.

2014 vs. 2013

Net Sales

For the year ended December 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 December 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 square meters 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 square meters of retail space.

Given that the Group's new stores and brands typically require three years to ramp up their operations and gain market acceptance, the Group's gross selling space growth was higher than its total revenue growth.

As of December 31, 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.

Gross Profit

For the year ended December 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 December 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 and 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 and 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 December 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 December 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% year-on-year increase from 2013.

FINANCIAL CONDITION

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

Current Assets

Cash and Cash Equivalents

As of December 31, 2014, cash and cash equivalents were at ₱2.5 billion as compared to ₱1.1 billion on December 31, 2013 reflecting higher sales levels during the fourth quarter of 2014 as well as unutilized proceeds from the IPO on November 7, 2014.

Trade and Other Receivables

As of December 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 ₱183.0 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 by 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 as of December 31, 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 December 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 December 31, 2014 were at ₱479.5 million from ₱369.1 million at the end of 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 ₱212.0 million and booked its share of SSRI losses equivalent to ₱87.5 million.

As of December 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 December 31, 2014, Property and Equipment was at ₱4.7 billion, an 80.5% increase as compared to ₱2.6 billion as of December 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 to construction in progress during the period related to the completion of the Central Square building in Bonifacio Global City were at ₱417.0 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 December 31, 2014, Security Deposits and Construction Bonds were at ₱807.0 million, a 42.8% increase as compared to ₱565.0 million as of December 31, 2013. The increase was due primarily to security deposits for new stores.

Other Noncurrent Assets

Other Noncurrent Assets as of December 31, 2014 were at ₱96.5 million, a 60% decrease as compared to ₱249.6 million as of December 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 December 31, 2014, the Group had consolidated current liabilities of ₱7.4 billion, a decrease of 3.4% as compared to December 31, 2013.

Trade and Other Payables

As of December 31, 2014, Trade and Other Payables were at ₱3.2 billion, a 7.0% decrease as compared to ₱3.5 billion as of December 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 December 31, 2014 were at ₱3.6 billion, a decrease of 6% as compared to ₱3.8 billion as of December 31, 2013. The reduction in short term loans reflects debt repayments utilizing proceeds from the Group's IPO.

Retirement Benefit Obligation

As of December 31, 2014, Retirement Benefit Obligation increased 35.8% to ₱306.0 million from ₱225.0 million. Retirement Benefit Obligation represents the difference between the present value of the Company's retirement plan obligations and the fair value of its 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 December 31, 2014 from ₱108.3 million as of December 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 December 31, 2014, Long-Term Debt was at ₱1.5 billion from ₱1.2 billion as of December 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 December 31, 2014, Total Equity was at ₱8.9 billion, an increase of 221.0% as compared to ₱2.8 billion as of December 31, 2013. The increase in Total Equity was driven by an increase in Capital Stock to ₱3.3 billion from ₱200.0 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 ₱525.0 million of ₱700.0 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 the aforementioned SSI Group, Inc. shares.

Additional paid in capital as of December 31, 2014 was at ₱4.0 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 December 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.

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.

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, 2015, SSI's retail network consists of 792 stores located within approximately 76 major malls across the Philippines, including Metro Manila, Luzon, Visayas and Mindanao, with a total gross selling space of approximately 147,145 square meters. SSI expanded its retail format offerings with a joint venture in convenience stores under the "FamilyMart" franchise in 2013.

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, Stradivarius and Old Navy for popular fast fashion, Lacoste and GAP for casual wear, TWG and SaladStop! 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 2015:

	2015	
	High	Low
4th Quarter	6.00	3.37

Source: CapitalIQ

The market capitalization of SSI Group, Inc's common shares as of December 31, 2015, based on the closing price of ₱3.45 per share, was approximately ₱11.4 billion.

The stock price of SSI Group, Inc's common shares as of April 25, 2016 is ₱3.52 per share translating to a market capitalization of approximately ₱11.7 billion.

HOLDERS

The number of registered shareholders as of March 31, 2016 was 31. Outstanding common shares as of March 31, 2016 were 3,312,864,430.

The following are the top 20 registered holders of SSI Group, Inc.'s securities as of March 31, 2016:

No.	Name of Shareholder	Number of Shares Held	Percent to Total Outstanding Shares
1	PCD Nominee Corporation (Filipino)	1,260,566,766	38.0507%
2	Wellborn Trading & Investments, Inc.	466,043,679	14.0677%
3	Marjorisca Incorporated	434,440,400	13.1137%
4	Birdseyeview, Inc.	434,412,500	13.1129%
5	Educar Holdings Corporation	415,753,800	12.5497%
6	PCD Nominee Corporation (Non-Filipino)	301,126,334	9.0896%
7	Northpoint R&E Holdings, Inc.	475,000	0.0143%
8	Ong Jr., Eugene D.	15,000	0.0005%
9	Tacub, Pacifico B.	7,000	0.0002%
10	Wee, Joseph	5,000	0.0002%
11	Bianco, Ofelia R.	2,000	0.0001%
12	Quimpo, Celeste Virginia C. Ylagan And/Or Ma	2,000	0.0001%
13	Go, Frederick D.	1,500	0.0000%
14	Lucero, Celine Carmela Ferrer	1,000	0.0000%
15	Santiago, Rosanna Maria Y. Santiago ITF Raym	1,000	0.0000%
16	Lucero, Maria Carissa F.	1,000	0.0000%
17	Santiago, Rosanna Maria Y. Santiago ITF Enri	1,000	0.0000%
18	Celine Carmela Ferrer Lucero ITF Alyssa Ches	1,000	0.0000%
19	Herrera, Joselito C.	1,000	0.0000%
20	Ylagan, Celso Virgilio C. Ylagan IV and Mari	1,000	0.0000%

DIVIDENDS

No dividends were declared by the Company during the year while ₱100.0 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.



STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of SSI Group, Inc. and Subsidiaries are responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015, 2014, and 2013 in accordance with the prescribed financial reporting framework indicated therein.

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

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

Signature: [Handwritten Signature]
Zenaida R. Tantoco - Chairman of the Board

Signature: [Handwritten Signature]
Zenaida R. Tantoco - Chief Executive Officer

Signature: [Handwritten Signature]
Anthony T. Huang - President

Signature: [Handwritten Signature]
Ma. Teresa R. Tantoco - Treasurer

Signed this APR 13 2016 2016

MAKATI CITY

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Book No. 24
Series No. 2016

ATTY. VIRGILOR. BATALLA
NOTARY PUBLIC FOR MAKATI CITY

APPOINTMENT NO. M32
UNTIL DECEMBER 31, 2016
ROLL OF ATTY. NO. 40912

MCLE COMPLIANCE NO. 14-01-001 / 14-01-010
IBP O.R No. 705702-LIFETIME
PTR No. 532-85
EXECUTED IN
MAKATI CITY, CO.

SSI Group, Inc. and Subsidiaries

Consolidated Financial Statements
As of December 31, 2015 and 2014
and for the years ended December 31, 2015,
2014 and 2013

and

Independent Auditors' Report

The logo for SGV, consisting of the letters 'SGV' in a bold, sans-serif font. The letters are black and set against a white background. The 'S' and 'G' are connected, and the 'V' is separate. The logo is positioned in the bottom right corner of the page, above the tagline.

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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. and its Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2015 and 2014, 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, 2015, 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, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

John A. Villa

John T. Villa

Partner

CPA Certificate No. 94065

SEC Accreditation No. 0783-AR-2 (Group A),

May 1, 2015, valid until April 30, 2018

Tax Identification No. 901-617-005

BIR Accreditation No. 08-001998-76-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 5321708, January 4, 2016, Makati City

April 13, 2016



SSI GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	P1,304,962,341	P2,527,828,209
Trade and other receivables (Note 6)	594,632,831	584,872,648
Merchandise inventory (Note 7)	9,679,995,388	7,980,070,099
Amounts owed by related parties (Note 21)	31,172,792	6,941,758
Prepayments and other current assets (Note 8)	1,351,636,657	590,339,738
Total Current Assets	12,962,400,009	11,690,052,452
Noncurrent Assets		
Investment in an associate (Note 9)	54,913,723	49,117,530
Interests in joint ventures (Note 10)	1,054,465,557	479,455,513
Property and equipment (Note 11)	5,208,538,864	4,680,064,601
Deferred tax assets - net (Note 23)	247,626,299	254,727,150
Security deposits and construction bonds (Note 27)	1,003,310,781	806,968,668
Other noncurrent assets (Note 12)	96,509,536	99,591,385
Total Noncurrent Assets	7,665,364,760	6,369,924,847
TOTAL ASSETS	P20,627,764,769	P18,059,977,299
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 13)	P2,375,171,265	P3,248,120,916
Short-term loans payable (Note 14)	5,125,000,000	3,596,635,490
Current portion of long-term debt (Note 15)	467,607,681	328,514,924
Amounts owed to related parties (Note 21)	504,095	24,220
Deferred revenue	21,103,013	24,100,045
Income tax payable	151,380,797	192,460,335
Total Current Liabilities	8,140,766,851	7,389,855,930
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 15)	2,418,300,395	1,491,839,072
Retirement benefit obligation (Note 22)	330,562,832	306,185,820
Deferred tax liabilities - net (Note 23)	—	236,484
Tenant deposits (Note 27)	21,267,898	—
Total Noncurrent Liabilities	2,770,131,125	1,798,261,376
Total Liabilities	10,910,897,976	9,188,117,306
Equity (Note 29)		
Capital stock	3,312,864,430	3,312,864,430
Additional paid-in capital	2,519,309,713	2,519,309,713
Stock grant	33,640,983	4,205,123
Retained earnings		
Appropriated	925,000,000	510,000,000
Unappropriated	3,012,834,660	2,617,168,339
Cumulative translation adjustment	(2,457,254)	4,516,079
Other comprehensive loss	(84,325,739)	(96,203,691)
Total Equity	9,716,866,793	8,871,859,993
TOTAL LIABILITIES AND EQUITY	P20,627,764,769	P18,059,977,299

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2015	2014	2013
NET SALES	₱17,420,769,116	₱15,213,323,956	₱12,787,581,909
COSTS OF GOODS SOLD (Note 16)	8,096,569,004	6,680,845,452	6,495,583,688
GROSS PROFIT	9,324,200,112	8,532,478,504	6,291,998,221
OPERATING EXPENSES			
Selling and distribution (Note 17)	6,493,059,856	5,530,234,060	4,583,855,201
General and administrative (Note 18)	1,060,671,797	1,120,760,076	791,070,174
	7,553,731,653	6,650,994,136	5,374,925,375
OTHER INCOME (CHARGES)			
Rent income (Note 27)	42,480,546	8,954,701	—
Share in net earnings of an associate (Note 9)	29,796,193	24,179,835	17,628,250
Interest accretion on security deposits (Note 27)	6,516,760	8,510,623	6,165,280
Interest income (Note 5)	3,379,270	4,473,664	3,887,650
Interest expense (Notes 14 and 15)	(315,250,994)	(281,585,421)	(92,226,440)
Share in net losses of joint ventures (Note 10)	(228,286,410)	(144,869,202)	(20,275,285)
Foreign exchange gains (losses) - net	(15,268,860)	6,167,211	21,117,594
Others - net	1,891,220	(10,646,903)	48,125,922
	(474,742,275)	(384,815,492)	(15,577,029)
INCOME BEFORE INCOME TAX	1,295,726,184	1,496,668,876	901,495,817
PROVISION FOR (BENEFIT FROM)			
INCOME TAX (Note 23)			
Current	483,286,043	551,119,917	347,374,886
Deferred	1,773,820	(52,733,938)	(59,622,162)
	485,059,863	498,385,979	287,752,724
NET INCOME	810,666,321	998,282,897	613,743,093
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustment on foreign operations, net of deferred tax	(6,973,333)	9,758,244	1,833,736
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement gain (loss) on retirement benefit, net of deferred tax	11,877,952	(38,903,557)	(34,395,164)
TOTAL COMPREHENSIVE INCOME	₱815,570,940	₱969,137,584	₱581,181,665
BASIC/DILUTED EARNINGS PER SHARE			
(Note 24)	₱0.24	₱0.42	₱0.30

See accompanying Notes to Consolidated Financial Statements.



SSI GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	Capital Stock (Note 29)	Additional Paid-in Capital (APIC)	Stock Grants (Note 29)	Equity		Retained Earnings (Note 29)		Cumulative Translation Adjustment	Other Comprehensive Loss	Total
				Reserve (Note 4)	Unappropriated	Appropriated	Unappropriated			
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 loss	-	-	-	-	-	-	-	(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 appropriation of retained earnings	-	-	-	-	(110,000,000)	110,000,000	-	-	-	
Conversion of deposits for future subscription to capital stock (Note 29)	175,000,000	(175,000,000)	-	-	-	-	-	-	-	
Movement in equity reserve (Note 4)	-	-	-	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	
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 loss	-	-	-	-	-	-	-	(38,903,557)	(38,903,557)	
Exchange differences on translation	-	-	-	-	-	-	9,758,244	-	9,758,244	
Total comprehensive income for the year	-	-	-	-	-	998,282,897	9,758,244	(38,903,557)	969,137,584	
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 (Note 29)	-	-	4,205,123	-	-	-	-	-	4,205,123	
Movement in equity reserve (Note 4)	-	-	-	(2,037,582,221)	-	-	-	-	(2,037,582,221)	
Closed-out of equity reserve to APIC (Note 4)	-	(1,537,147,726)	-	1,537,147,726	-	-	-	-	-	
Other comprehensive income on retirement obligation closed directly to retained earnings	-	-	-	-	-	269,213	-	-	269,213	
Balances at December 31, 2014	₱3,312,864,430	₱2,519,309,713	₱4,205,123	₱-	₱510,000,000	₱2,617,168,339	₱4,516,079	₱(96,203,691)	₱8,871,859,993	

(Forward)



	Capital Stock (Note 29)	Additional Paid-in Capital	Stock Grants (Note 29)	Equity Reserve (Note 4)	Retained Earnings (Note 29)		Cumulative Translation Adjustment	Other Comprehensive Income (Loss)	Total
					Appropriated	Unappropriated			
Balances at January 1, 2015	₱3,312,864,430	₱2,519,309,713	₱4,205,123	₱-	₱510,000,000	₱2,617,168,339	₱4,516,079	₱8,871,859,993	
Net income	-	-	-	-	-	810,666,321	-	810,666,321	
Other comprehensive income	-	-	-	-	-	-	-	11,877,952	
Exchange differences on translation	-	-	-	-	-	-	(6,973,333)	(6,973,333)	
Total comprehensive income for the year	-	-	-	-	-	810,666,321	(6,973,333)	11,877,952	
Additional appropriation of retained earnings	-	-	-	-	415,000,000	(415,000,000)	-	-	
Stock grants (Note 29)	-	-	29,435,860	-	-	-	-	29,435,860	
Balances at December 31, 2015	₱3,312,864,430	₱2,519,309,713	₱33,640,983	₱-	₱925,000,000	₱3,012,834,660	(₱2,457,254)	₱9,716,866,793	

See accompanying Notes to Consolidated Financial Statements.



SSI GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,295,726,184	₱1,496,668,876	₱901,495,817
Adjustments for:			
Depreciation and amortization (Notes 11, 12 and 20)	1,498,501,295	1,039,304,397	633,675,839
Interest expense (Notes 14 and 15)	315,250,994	281,585,421	92,226,440
Share in net losses of joint ventures (Note 10)	228,286,410	144,869,202	20,275,285
Stock grants (Note 29)	29,435,860	4,205,123	-
Loss on disposal of property and equipment (Note 11)	17,605,873	18,930,374	610,718
Share in net earnings of an associate (Note 9)	(29,796,193)	(24,179,835)	(17,628,250)
Interest accretion on refundable deposits (Note 27)	(6,516,760)	(8,510,623)	(6,165,280)
Unrealized foreign exchange losses (gains)	(7,571,974)	15,693,554	6,770,052
Interest income (Note 5)	(3,379,270)	(4,473,664)	(3,887,650)
Impairment loss on security deposits (Note 27)	-	4,870,502	-
Mark-to-market gain	-	-	(2,644,762)
Operating income before working capital changes	3,337,542,419	2,968,963,327	1,624,728,209
Decrease (increase) in:			
Trade and other receivables	(9,760,183)	(85,575,110)	(123,475,179)
Merchandise inventory	(1,699,925,289)	(2,081,162,341)	(504,767,181)
Amounts owed by related parties	(24,231,034)	1,726,601	(2,512,108)
Prepayments and other current assets	(766,053,020)	(248,504,967)	(102,383,832)
Increase (decrease) in:			
Trade and other payables	(872,949,651)	(249,514,809)	(3,108,769,403)
Deferred revenue	(2,997,032)	1,592,266	7,245,203
Amounts owed to related parties	479,875	(131,016)	(130,982)
Retirement benefit obligation	41,345,515	25,163,579	22,576,557
Tenant deposits	21,267,898	-	-
Net cash generated from (used in) operations	24,719,498	332,557,530	(2,187,488,716)
Interest received	3,379,270	4,473,664	3,887,650
Income taxes paid	(524,365,581)	(568,928,833)	(262,750,226)
Net cash flows used in operating activities	(496,266,813)	(231,897,639)	(2,446,351,292)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment (Note 11)	(2,041,870,197)	(3,143,865,049)	(1,950,468,614)
Additional interests in joint ventures (Note 10)	(803,296,454)	(255,250,000)	(252,500,000)
Dividends received from investment in an associate (Note 9)	24,000,000	18,000,000	16,000,000
Decrease (increase) in:			
Security deposits and construction bonds	(185,069,258)	(248,464,117)	(113,940,276)
Other noncurrent assets	370,615	148,293,258	34,474,522
Net cash flows used in investing activities	(3,005,865,294)	(3,481,285,908)	(2,266,434,368)

(Forward)



	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Short-term loans payable (Note 14)	₱7,695,500,000	₱4,984,845,625	₱4,202,965,834
Long-term debt (Note 15)	1,398,887,415	704,190,142	1,282,830,520
Payments of:			
Short-term loans payable (Note 14)	(6,167,135,490)	(5,198,875,010)	(1,072,500,000)
Long-term debt (Note 15)	(333,333,333)	(166,666,666)	-
Interest	(315,250,994)	(281,585,421)	(81,704,414)
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	2,278,667,598	5,107,606,854	4,588,591,940
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	598,641	(1,344,935)	2,776,142
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,222,865,868)	1,393,078,372	(121,417,578)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,527,828,209	1,134,749,837	1,256,167,415
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	₱1,304,962,341	₱2,527,828,209	₱1,134,749,837

See accompanying Notes to Consolidated Financial Statements.



SSI GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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 ₱200.00 million divided into 2,000,000 shares with par value of ₱100.00 per share, to ₱3.00 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 ₱700.00 million, of which ₱175.00 million was paid and ₱525.00 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 ₱2.20 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 ₱525.00 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 ₱1.20 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.

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 ₱5.00 billion divided into 5,000,000,000 shares with a par value of ₱1.00 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, 2015 and 2014, and for each of the three years in the period ended December 31, 2015, were reviewed and recommended for approval by the Audit Committee to the Board of Directors (BOD) on April 13, 2016. The same consolidated financial statements were approved and authorized by the BOD on the April 13, 2016.

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 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 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					
	2015		2014		2013	
	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	–	100	–	–
SKL International, Ltd. (SKL) ⁸	–	100	–	–	–	–

¹GSRI was registered with the SEC on August 9, 2011 and started commercial operations on February 17, 2012.

²SFRI (formerly Specialtea Blends, Inc.) was registered with the SEC on June 25, 2012 and started commercial operations on November 8, 2012.

³ISRI was registered with the SEC on November 29, 2012 and started commercial operations on March 16, 2013.

⁴ISWI was registered with the SEC on November 29, 2012 and started commercial operations on March 17, 2013.

⁵FSHI was registered with the SEC on February 21, 2013 and immediately started commercial operations.

⁶ISAI was registered with the SEC on October 8, 2013 and started commercial operations on October 18, 2014.

⁷CCRI was registered with the SEC on January 10, 2014 and immediately started commercial operations.

⁸On July 16, 2015, SSI caused the incorporation of SKL, a wholly owned subsidiary, under the territory of the British Virgin Islands (BVI).

All subsidiaries, except for FSHI, SII and SKL, 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, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.



Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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 amended standards 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 financial statements of the Group.

Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*

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.

Improvements to PFRS

The *Annual Improvements to PFRS* contains non-urgent but necessary amendments to the following standards:

2010-2012 Cycle

- **PFRS 2, *Share-based Payment - Definition of Vesting Condition***
- **PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination***
- **PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets***
- **PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization***
- **PAS 24, *Related Party Disclosures - Key Management Personnel***

2011-2013 Cycle

- **PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements***
- **PFRS 13, *Fair Value Measurement - Portfolio Exception***
- **PAS 40, *Investment Property***

New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2015

The Group will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards to have a significant impact on the Group's financial statements.

Effective in 2016:

Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*

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.

Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*

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.

Amendments to PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements

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.

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.

Amendments to PFRS 11, Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations

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.

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 balance sheet 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.

Improvements to PFRS

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.

- **PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal***
- **PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts***
- **PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements***
- **PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate***
- **PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'***

Effective in 2018:

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 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting. The Group is currently assessing the impact of adopting this standard.

Deferred Effectivity:

- **Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate***

In addition, the International Accounting Standards Board has issued the following new standards that have not yet been adopted locally by the SEC and Financial Reporting Standards Committee (FRSC). The Group is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

International Financial Reporting Standards (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, 2018 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.



IFRS 16, Leases

IFRS 16 was issued in January 2016 which will replace PAS 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance lease in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use transition reliefs. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

Summary of Significant Accounting Policies

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. Sales returns and sales discounts are deducted from the sales to arrive at the net sales shown in the consolidated statements of comprehensive income.

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 balances sheet and recognized as revenue when the points are redeemed.



Interest income

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

Cash and Cash Equivalents

Cash in the consolidated balance sheets 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 Instruments

Financial instruments are recognized in the consolidated balance sheets when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial assets at FVPL, the initial measurement of financial assets includes transaction costs.

The Group's financial assets are of the nature of loans and receivables while the Group's financial liabilities are of the nature of other financial liabilities.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS investments or designated as of FVPL. This accounting policy relates to the Group's "Cash and cash equivalents", "Trade and other receivables", "Amounts owed by related parties" and "Security deposits and construction bonds".

Loans and receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are measured at amortized cost using the EIR method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is included as part of other income in the consolidated statements of comprehensive income. The losses arising from impairment of loans and receivables are recognized in the consolidated statement of comprehensive income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectibility of accounts (see accounting policy on *Impairment of Financial Assets Carried at Amortized Cost*).



Loans and receivables are classified as current when they are expected to be realized within 12 months from the reporting date or within the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent.

Other Financial Liabilities

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial measurement, other financial liabilities are measured at amortized cost using the EIR method.

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy applies primarily to the Group's "Trade and other payables", "Short-term and Long-term debt", "Tenant deposits" and "Amounts owed to related parties".

Other financial liabilities are presented as current when these are expected to be settled within 12 months from the reporting date or the Group does not have any unconditional right to defer settlement within 12 months from reporting date. Otherwise, these are classified as noncurrent.

Offsetting of Financial Instruments

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

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.

“Day 1” Difference

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

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.

Derecognition of Financial Assets and Liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the 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		
	2015	2014	2013
Joint Ventures:			
SIAL CSV Retailers, Inc. (SCRI)	50%	50%	50%
SIAL Specialty Retailers, Inc. (SSRI)	50%	50%	50%
Landmark Management Services, Ltd. (LMS)	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.

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.

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.

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)
Building	10-20
Transportation equipment	3-15
Store, office, warehouse furniture and fixtures	3-5
Leasehold improvements	2-5

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.

Intangible Assets

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

The useful life of intangible assets is assessed as finite.

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

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

Software Costs

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



Software costs, included in "Other noncurrent assets" account are amortized on a straight-line basis over the estimated useful economic life of 5 years and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the related software is ready for use. The amortization period and the amortization method for the software costs are reviewed at each reporting date. Changes in the estimated useful life is accounted for by changing the amortization period 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.

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.

Share-based Payment Transactions

Officers and management of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable goods or services received at the grant date.



Equity-settled transactions

The cost of equity-settled transactions with employees for awards granted is measured by reference to the fair value at the date on which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each balance date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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).



Operating Leases - Group as a 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.

Operating Lease - Group as a Lessor

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

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.



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.

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 the Philippine peso. The functional and presentation currency of GSRI is the United States Dollar (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, *Operating Segments*.

Operating Lease Commitments - Group as 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, SSRI and LMS as Interests in Joint Ventures

SII, together with another company, established SCRI and SSRI through joint venture agreements. In 2015, SKL was incorporated and subsequently acquired 50% stake in LMS through a joint venture agreement. 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, SSRI and LMS 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, SSRI and LMS 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 of 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, 2015 and 2014, 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 ₱625.81 million and ₱591.81 million as of December 31, 2015 and 2014, respectively (see Notes 6 and 21).

Assessing NRV 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, 2015 and 2014, the Group has no allowance for inventory losses. Merchandise inventory amounted to ₱9,680.00 million and ₱7,980.07 million as of December 31, 2015 and 2014, respectively (see Note 7).

Estimating Useful Lives of Property and Equipment, Franchise 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, 2015 and 2014, the aggregate net book values of property and equipment, franchise fee and software costs presented under "Other noncurrent assets" amounted to ₱5,261.37 million and ₱4,695.61 million, respectively (see Notes 11 and 12).

The Group recognized depreciation and amortization expense amounting to ₱1,495.79 million, ₱1,039.30 million and ₱633.68 million for the years ended December 31, 2015, 2014 and 2013, respectively (see Note 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, 2015 and 2014, 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 as of December 31, are as follows:

	2015	2014
Property and equipment (see Note 11)	₱5,208,538,864	₱4,680,064,601
Interests in joint ventures (see Note 10)	1,054,465,557	479,455,513
Investment in an associate (see Note 9)	54,913,723	49,117,530



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, 2015 and 2014, the Group's retirement benefit obligation amounted to ₱330.56 million and ₱306.19 million, respectively (see Note 22). The Group recognized retirement expense amounting to ₱47.90 million, ₱36.14 million and ₱36.79 million in 2015, 2014 and 2013, respectively (see Notes 19 and 22).

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. Temporary differences for which deferred tax assets are not recognized are disclosed in Note 23 to the consolidated financial statements. As of December 31, 2015 and 2014, deferred tax assets recognized amounted to ₱261.70 million and ₱267.91 million, 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 statements 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)
<u>Equity reserve</u>	<u>(₱1,537,147,726)</u>

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 and 2013:

Legal capital as at January 1, 2013		
SSI		(₱94,985,185)
SIG		200,000,000
		<u>(₱294,985,185)</u>
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 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)
Closed-out of equity reserve to APIC	-	1,537,147,726
Balance at December 31, 2014		₱-

The restructuring in 2014 resulted to equity reserve that was closed to “Additional paid-in capital” account, amounting to ₱1,537.15 million.

5. Cash and Cash Equivalents

	2015	2014
Cash on hand	₱102,192,410	₱76,104,404
Cash in banks	1,202,769,931	1,650,479,361
Short-term investments	-	801,244,444
	₱1,304,962,341	₱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 years ended December 31, 2015, 2014 and 2013 amounted to ₱3.38 million, ₱4.47 million and ₱3.89 million, respectively.

6. Trade and Other Receivables

	2015	2014
Trade receivables	₱220,936,098	₱244,248,603
Nontrade receivables	151,706,373	182,755,203
Advances to officers and employees	112,893,788	97,062,879
Receivables from related parties (see Note 21)	104,823,661	54,798,851
Others	4,272,911	6,007,112
	₱594,632,831	₱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 receivables from related parties are usually settled within one year. “Others” generally include receivables from contractors for professional services.



7. Merchandise Inventory

	2015	2014
At cost		
On hand	₱9,167,904,410	₱7,437,886,515
In transit	512,090,978	542,183,584
	₱9,679,995,388	₱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.

The cost of inventories recognized as expense and presented in "Costs of goods sold" amounted to ₱7,475.41 million, ₱6,119.52 million and ₱6,109.19 million for the years ended December 31, 2015, 2014 and 2013, respectively (see Note 16).

8. Prepayments and Other Current Assets

	2015	2014
Advances to suppliers	₱436,010,318	₱18,821,475
Input VAT	277,171,328	211,196,273
Supplies inventory	321,134,504	103,590,564
Current portion of prepaid rent (see Notes 12 and 27)	43,413,949	61,502,482
Deferred input VAT	63,419,431	39,770,839
Prepaid tax	23,183,441	33,360,716
Prepaid advertising	65,815,593	18,780,843
Prepaid insurance	15,476,014	11,288,664
Prepaid guarantee	11,637,084	2,790,533
Current portion of security deposits (see Note 27)	5,428,931	10,185,026
Creditable withholding tax	5,575,049	5,841,444
Others	83,371,015	73,210,879
	₱1,351,636,657	₱590,339,738

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

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 payments for non-merchandise purchases arising from transactions made by the Group with its foreign suppliers.



9. Investment in an Associate

	2015	2014
Acquisition cost	P24,640,000	P24,640,000
Accumulated equity in net earnings:		
Balances at beginning of year	24,477,530	18,297,695
Share in net earnings	29,796,193	24,179,835
Dividends received	(24,000,000)	(18,000,000)
Balances at end of year	30,273,723	24,477,530
	P54,913,723	P49,117,530

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 December 31, 2015 and 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.

The following table sets out the financial information of SPI as of and for the years ended December 31, 2015 and 2014:

	2015	2014
Assets	P182,355,838	P271,462,826
Liabilities	45,680,950	149,252,084
Equity	136,674,888	122,210,742
Revenues	425,972,705	323,225,584
Net income	74,490,483	60,449,588

10. Interests in Joint Ventures

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

Joint venture	Joint venture partner	Project description	Income sharing arrangement
SCRI ¹	Varejo Corporation	Open and operate convenience stores directly owned and/or franchised in the Philippines	50:50
SSRI ²	Varejo Corporation	Investment in and operation of mid-market department stores	50:50
LMS ³	Regent Asia Group, Ltd. (Regent) and Prime (Duty Free Distributors) Ltd. (Prime)	Investment in and operation of travel retail stores in the Philippines	50:50

¹ SCRI has started commercial operations in April 2013.

² SSRI has started commercial operations in March 2014.

³ LMS has existing operations prior to the acquisition in 2015.



On August 12, 2015, SKL, a wholly owned subsidiary of SSI, executed agreements to effect the acquisition of a 50% equity stake in LMS from its two existing shareholders Regent and Prime. Regent and Prime will continue to own 50% ownership in LMS following the entry of SKL. LMS is a company specializing in travel retail concepts and has existing supply and management agreements with travel retail stores in the Philippines.

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

	2015	2014
SCRI	P262,721,435	P146,194,230
SSRI	417,063,488	333,261,283
LMS	374,680,634	-
	P1,054,465,557	P479,455,513

SCRI (50% take up through SII)

	2015	2014
Cost:		
Balances at beginning of year	P223,850,000	P180,600,000
Additional investment	196,500,000	43,250,000
Balances at end of year	420,350,000	223,850,000
Accumulated equity in net earnings:		
Balances at beginning of year	(77,655,770)	(20,275,285)
Share in net loss	(79,972,795)	(57,380,485)
Balances at end of year	(157,628,565)	(77,655,770)
	P262,721,435	P146,194,230

Key financial information of SCRI are as follows:

	2015 (Unaudited)	2014
Assets	P566,592,336	P329,963,214
Liabilities	46,294,701	42,250
Equity	520,297,635	329,920,964
Revenues	167,155,021	110,592,057
Net loss	(159,945,590)	(114,760,970)

SSRI (50% take up through SII)

	2015	2014
Cost:		
Balances at beginning of year	P420,750,000	P208,750,000
Additional investment	231,500,000	212,000,000
Balances at end of year	652,250,000	420,750,000
Accumulated equity in net earnings:		
Balances at beginning of year	(87,488,717)	-
Share in net loss	(147,697,795)	(87,488,717)
Balances at end of year	(235,186,512)	(87,488,717)
	P417,063,488	P333,261,283



Key financial information of SSRI are as follows:

	2015	2014
Assets	₱1,028,807,177	₱738,666,726
Liabilities	193,869,970	528,230,628
Equity	834,937,207	210,436,098
Revenues	309,117,739	166,996,668
Net loss	(295,395,590)	(174,977,434)

LMS (50% take up through SKL)

	2015
Acquisition cost	₱375,296,454
Accumulated equity in net earnings:	
Balances at beginning of period	—
Share in net loss	(615,820)
Balances at end of period	(615,820)
	₱374,680,634

Key financial information of LMS is as follows:

	2015
Assets	₱539,847,573
Liabilities	108,685,588
Equity	431,161,985
Revenues (August 13 to December 31, 2015)	263,150,411
Net income (August 13 to December 31, 2015)	1,018,108

The acquisition cost includes the consideration for goodwill amounting to ₱121.75 million and intangible asset amounting to ₱29.90 million. The intangible asset pertains to the concession agreement with Duty Free and is being amortized over 10.7 years. Amortization expense, which is included in the share in net loss of LMS, amounted to ₱1.12 million in 2015.

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

11. Property and Equipment

The composition and movements of this account are as follows:

December 31, 2015	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	1,478,595,321	355,537,411	115,175,072	13,168,070	79,394,323	2,041,870,197
Disposals	(109,791,710)	(24,742,952)	—	(345,535)	—	(134,880,197)
Reclassifications	42,840,327	—	—	—	(42,840,327)	—
Balances at end of year	7,751,959,370	2,202,872,779	852,141,513	256,436,738	138,527,183	11,201,937,583
Accumulated depreciation:						
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)	1,173,670,224	259,867,486	40,539,038	21,713,313	—	1,495,790,061
Disposals	(93,166,802)	(23,761,987)	—	(345,535)	—	(117,274,324)
Balances at end of year	4,458,906,590	1,368,102,459	103,524,715	62,864,955	—	5,993,398,719
Net book values	₱3,293,052,780	₱834,770,320	₱748,616,798	₱193,571,783	₱138,527,183	₱5,208,538,864



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

Additions to leasehold improvements in 2015 and 2014 pertain to improvements and construction of newly opened and renovated stores during the year. Construction in progress in 2014 mainly pertains to the construction of the Group's Central Square building in Taguig City which was completed in June 2014. Borrowing costs capitalized as cost of building amounted to nil, ₱9.30 million and ₱10.80 million in 2015, 2014 and 2013, respectively.

Disposals for the years ended December 31, 2015 and 2014 mainly pertain to leasehold improvements and store furniture and fixtures derecognized on closed or renovated stores during the year.

Fully depreciated property and equipment still in use amounted to ₱1.60 billion and ₱1.29 billion as of December 31, 2015 and 2014, respectively.

No property and equipment were pledged nor treated as security to the outstanding liabilities as of December 31, 2015 and 2014.

12. Other Noncurrent Assets

	2015	2014
Franchise fee (net of accumulated amortization of ₱4.98 million and ₱3.17 million, as of December 31, 2015 and 2014, respectively)	₱51,060,289	₱14,146,743
Miscellaneous deposits	30,776,868	70,053,842
Prepaid rent - net of current portion (see Note 27)	6,571,715	6,011,528
Software costs (net of accumulated amortization of ₱1.09 million and ₱0.2 million, as of December 31, 2015 and 2014, respectively)	1,775,246	1,397,495
Others	6,325,418	7,981,777
	₱96,509,536	₱99,591,385

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

Amortization expense of software costs amounted to ₱904,141, nil, and ₱341,194 for the years ended December 31, 2015 and 2014, 2013, respectively (see Note 20).



13. Trade and Other Payables

	2015	2014
Trade payables	₱994,450,553	₱1,599,830,624
Nontrade payables	825,981,870	948,693,341
Accrued expenses	294,270,621	430,413,494
Retention payable	152,750,762	107,308,393
Output VAT	32,524,573	37,809,812
Payables to related parties (see Note 21)	1,590,289	7,240,136
Others	73,602,597	116,825,116
	₱2,375,171,265	₱3,248,120,916

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

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

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

Other payables mainly pertain to payables to non-trade suppliers and payable to advertising agencies.

Nontrade payables, accrued expenses and other payables are generally paid within 12 months from balance sheet date.

14. Short-term Loans Payable

	2015	2014
Banks:		
Bank of Philippine Islands (BPI)	₱1,600,000,000	₱1,000,000,000
China Banking Corporation (CBC)	1,000,000,000	400,000,000
Security Bank Corporation (SBC)	990,000,000	416,750,000
Banco de Oro (BDO)	700,000,000	370,000,000
Rizal Commercial Banking Corporation (RCBC)	435,000,000	755,000,000
Hongkong and Shanghai Banking Corporation Limited (HSBC)	400,000,000	654,885,490
	₱5,125,000,000	₱3,596,635,490

The Group's outstanding short-term peso-denominated loans from local commercial banks bear interest at rates ranging from 2.75% to 3.13% and 3.00% to 4.75% in 2015 and 2014, respectively.

Interest expense related to short-term loans recognized in the consolidated statements of comprehensive income for the years ended December 31, 2015, 2014 and 2013 amounted to ₱230.54 million, ₱173.87 million and ₱72.57 million, respectively.



15. Long-term Debt

On May 8, 2013, the SSI entered into a credit facility for the ₱2.00 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. Principal repayments are due quarterly starting August 20, 2014. The syndicated term loan will mature on February 20, 2020.

On September 14, 2015, SSI entered into a long-term loan agreement with BPI amounting to ₱1.00 billion. Principal repayments are due quarterly starting September 14, 2016. The loan carries a fixed interest rate of 3.85%. The loan will mature on September 15, 2018. Also on October 15, 2015, SSI entered into another long-term loan agreement with BPI amounting to ₱400.00 million that carries a fixed interest rate of 3.85%. Principal repayments are due quarterly starting October 15, 2016 until October 15, 2018. The purpose of these loans is to solely refinance its existing short term loans.

Prior to maturity, the Group may prepay, in whole or in part, the loan starting at the end of the grace period or on any interest payment date falling thereafter. The accrued interest on the principal amount of the loan being prepaid plus the higher of the principal amount of the loan being redeemed or the amount calculated as the present value of the remaining principal repayment amounts and the interest payments of the loan to be prepaid, discounted at the comparable benchmark tenor as provided in the loan agreement.

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

- Debt to equity ratio shall not at any time exceed 2.00; and
- Debt service coverage ratio shall not exceed 1.50.

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

	2015	2014
BPI	₱1,790,626,729	₱484,214,163
SBC	396,927,572	484,214,163
CBC	273,820,337	334,034,958
MBTC	273,820,337	334,034,958
RCBC	150,713,101	183,855,754
Total	2,885,908,076	1,820,353,996
Less: current portion	467,607,681	328,514,924
Noncurrent portion	₱2,418,300,395	₱1,491,839,072

A rollforward analysis of unamortized transaction costs in 2015 and 2014 follows:

	2015	2014
Balances at beginning of period	₱12,979,337	₱17,169,480
Transaction costs recognized during the period	7,000,000	3,500,000
Amortization	(5,887,414)	(7,690,143)
Balances at end of period	₱14,091,923	₱12,979,337



Interest expense relating to long-term debt recognized in the consolidated statements of comprehensive income for the years ended December 31, 2015, 2014 and 2013 amounted to ₱84.71 million, ₱107.71 million and ₱19.65 million, 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, 2015 and 2014, the Group is in compliance with the loan covenants of all their respective outstanding debts.

16. Costs of Goods Sold

	2015	2014	2013
Cost of merchandise sold	₱7,473,601,159	₱6,119,520,507	₱6,109,189,837
Personnel costs (see Notes 19 and 22)	214,129,486	180,237,387	86,919,485
Advertising	145,020,513	162,641,469	149,465,083
Royalty fees	77,173,640	83,460,981	47,728,817
Travel and transportation	56,360,309	45,556,239	31,880,439
Rent (see Notes 21 and 27)	38,837,004	33,588,866	26,036,041
Depreciation and amortization (see Notes 11, 12 and 20)	25,018,865	19,889,501	12,856,742
Utilities	16,344,131	11,105,076	8,374,478
Security and safety	14,755,820	10,192,718	2,502,001
Repairs and maintenance	11,555,703	7,183,052	4,411,945
Insurance	3,298,680	1,843,788	1,104,727
Supplies and maintenance	1,160,259	1,463,570	976,024
Taxes and licenses	401,227	404,564	144,913
Others	18,912,208	3,757,734	13,993,156
	₱8,096,569,004	₱6,680,845,452	₱6,495,583,688

Cost of merchandise sold:

	2015	2014	2013
Merchandise inventory, beginning	₱7,980,070,099	₱5,898,907,758	₱5,394,140,577
Net purchases	9,173,526,448	8,200,682,848	6,613,957,018
Cost of merchandise available for sale	17,153,596,547	14,099,590,606	12,008,097,595
Less merchandise inventory, ending	(9,679,995,388)	(7,980,070,099)	(5,898,907,758)
	₱7,473,601,159	₱6,119,520,507	₱6,109,189,837

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

	2015	2014	2013
Rent (see Notes 21 and 27)	₱1,960,838,136	₱1,705,386,223	₱1,418,371,779
Depreciation and amortization (see Notes 11, 12 and 20)	1,359,783,041	917,892,527	553,875,321
Personnel costs (see Notes 19 and 22)	1,109,838,508	1,019,935,414	943,124,768
Utilities	630,893,893	554,521,919	435,557,082
Credit card charges	302,028,033	270,505,097	143,186,687
Supplies and maintenance	209,932,975	250,089,287	234,295,289
Taxes and licenses	180,489,705	162,454,489	134,221,490
Security services	166,692,701	170,587,881	137,423,007
Advertising	122,797,197	100,531,934	134,895,271
Global marketing contribution fee	121,495,238	93,987,925	71,234,407
Repairs and maintenance	84,109,980	69,897,861	45,984,020
Travel and transportation	46,073,361	53,590,474	35,494,763
Insurance	44,196,189	27,006,452	18,221,544
Communication	35,101,560	28,954,612	38,554,785
Delivery and freight charges	31,916,547	41,313,876	39,595,133
Professional fees	28,162,911	6,533,482	30,594,218
Outside services	12,045,930	8,559,742	25,758,158
Entertainment, amusement and recreation (EAR)	9,611,020	11,501,434	5,936,966
Telegraphic transfer	2,736,193	3,073,835	2,265,146
Others	34,316,738	33,909,596	135,265,367
	₱6,493,059,856	₱5,530,234,060	₱4,583,855,201

18. General and Administrative Expenses

	2015	2014	2013
Personnel costs (see Notes 19 and 22)	₱462,822,713	₱425,607,374	₱362,322,982
Rent (see Note 27)	122,974,608	106,907,950	65,846,124
Depreciation and amortization (see Notes 11, 12 and 20)	113,699,389	101,522,369	66,943,776
Advertising	54,445,317	86,054,909	53,500,578
Supplies and maintenance	49,577,494	41,212,235	30,340,899
Utilities	39,157,883	39,101,467	24,828,452
Security services	31,802,773	23,660,394	11,075,933
Repairs and maintenance	31,377,152	22,031,820	16,084,053
Taxes and licenses	29,188,913	106,709,144	30,250,242
Travel and transportation	24,259,108	34,863,630	24,802,366
Communication	21,358,928	12,344,058	17,148,386
Insurance	15,978,008	14,390,334	10,561,476
Professional fees	14,142,612	36,561,512	14,719,591
EAR	8,727,771	9,516,353	8,655,315
Others	41,159,128	60,276,527	53,990,001
	₱1,060,671,797	₱1,120,760,076	₱791,070,174



19. Personnel Costs

Personnel costs charged to operations are as follows:

	2015	2014	2013
Salaries, wages and bonuses	₱1,570,737,881	₱1,453,193,177	₱1,123,412,780
Retirement benefit expense (see Note 22)	47,899,539	36,143,485	36,786,875
Other employee benefits	168,153,287	136,443,513	232,167,580
	₱1,786,790,707	₱1,625,780,175	₱1,392,367,235

Personnel expenses were distributed as follows:

	2015	2014	2013
Cost of goods sold (see Note 16)	₱214,129,486	₱180,237,387	₱86,919,485
Selling and distribution (see Note 17)	1,109,838,508	1,019,935,414	943,124,768
General and administrative (see Note 18)	462,822,713	425,607,374	362,322,982
	₱1,786,790,707	₱1,625,780,175	₱1,392,367,235

20. Depreciation and Amortization Expense

	2015	2014	2013
Property and equipment (see Note 11)	₱1,495,790,061	₱1,037,570,581	₱631,667,635
Franchise fee (see Note 12)	1,807,093	1,733,816	1,667,010
Software cost (see Note 12)	904,141	–	341,194
	₱1,498,501,295	₱1,039,304,397	₱633,675,839

Depreciation and amortization were distributed as follows:

	2015	2014	2013
Cost of goods sold (see Note 16)	₱25,018,865	₱19,889,501	₱12,856,742
Selling and distribution (see Note 17)	1,359,783,041	917,892,527	553,875,321
General and administrative (see Note 18)	113,699,389	101,522,369	66,942,776
	₱1,498,501,295	₱1,039,304,397	₱633,674,839

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, transacts with the following related parties:

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



- b. SCRI and SPI are joint venture and associate, respectively, of the Group.
- c. Philippine Family Mart CVS, Inc. (PFM) is a subsidiary of SSRI.

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

- a. Lease of the Group's store outlet spaces from RCC (see Notes 16, 17 and 27). Related rent expense amounted to ₱102.90 million, ₱131.30 million and ₱125.50 million for the years ended December 31, 2015, 2014 and 2013, 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 from RCC. Total value of the related parties' gift certificates used amounted to ₱13.50 million, ₱10.30 million and ₱5.20 million in 2015, 2014 and 2013, respectively;
- d. Short-term noninterest-bearing cash advances to/from RCC, RMK, PFM, SCRI and SPI; and
- e. Others include advances from stockholders which are noninterest-bearing and have no fixed repayment dates but are due and demandable any time.
- f. Compensation of the Company's key management personnel are as follows (in millions):

	2015	2014	2013
Short-term employee benefits	₱37	₱36	₱35
Post-employment benefits	5	5	4
	₱42	₱41	₱39



As of December 31, 2015 and 2014 transactions with related parties are as follows:

Related Parties	Year	Outstanding balances			
		Transactions for the period	Receivables from related parties (see Note 6)	Payable to related parties (see Note 13)	Amounts owed by related parties to related parties
<i>Affiliates</i>					
RCC	2015	₱39,057,728	₱81,234,863	₱-	₱-
	2014	₱39,679,219	₱41,625,999	₱3,493,757	₱1,050,116
RMK	2015	4,154,707	5,859,980	1,590,289	1,045
	2014	10,809,463	2,794,036	3,746,379	20,436
<i>Joint ventures</i>					
PFM	2015	1,495,754	7,868,002	-	4,393,186
	2014	10,808,962	6,422,911	-	4,386,552
SCRJ	2015	30,865,780	9,631,976	-	23,125,000
	2014	3,400,878	3,450,939	-	-
<i>Associate</i>					
SPI	2015	271,018	228,840	-	1,488,155
	2014	504,967	504,966	-	1,484,654
	2015	₱75,844,987	₱104,823,661	₱1,590,289	₱31,172,792
	2014	₱65,203,489	₱54,798,851	₱7,240,136	₱6,941,758
					₱504,095
					₱24,220

The related party balances as of December 31, 2015 and 2014 are due and demandable, non-interest bearing, unsecured and with no impairment.



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:

	2015	2014	2013
Current service cost	₱33,541,229	₱23,369,802	₱25,553,705
Net interest cost	14,358,310	12,773,683	11,233,170
Retirement benefit expense	₱47,899,539	₱36,143,485	₱36,786,875

As at December 31, 2015 and 2014, the amounts recognized in the consolidated balance sheets as retirement benefit obligation are as follows:

	2015	2014
Present value of obligations	₱379,381,032	₱355,111,516
Fair value of plan assets	(48,818,200)	(48,925,696)
Retirement benefit obligation	₱330,562,832	₱306,185,820

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

	2015	2014
Opening present value of obligation	₱355,111,516	₱276,404,872
Interest cost	16,657,818	15,546,837
Current service cost	33,541,229	23,369,802
Benefits paid	(6,040,728)	(11,219,820)
Benefits paid directly by the Group	(2,054,022)	(2,599,131)
Actuarial losses (gains) arising from:		
Deviations of experience from assumptions	(1,216,263)	21,228,709
Changes in financial assumptions	(20,140,556)	42,892,983
Changes in demographic assumptions	3,522,038	(10,512,736)
Closing present value of obligation	₱379,381,032	₱355,111,516

Changes in fair value of plan assets are as follows:

	2015	2014
Opening fair value of plan assets	₱48,925,696	₱50,959,141
Contributions	4,500,000	7,930,640
Interest income	2,299,508	2,773,154
Benefits paid	(6,040,728)	(11,219,820)
Return on plan assets, excluding amounts included in interest income	(866,276)	(1,517,419)
Closing fair value of plan assets	₱48,818,200	₱48,925,696



Plan assets are invested mostly in time deposits. The Group expects to contribute ₱4.00 million to the retirement plan in 2016.

The principal actuarial assumptions used as of December 31, 2015 and 2014 in determining retirement obligations for the Group's retirement plan are as follows:

	2015	2014
Discount rate	4.6% - 5.1%	4.5% - 4.7%
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, 2015 and 2014, assuming all other assumptions were held constant:

	Increase/(Decrease)	Effect on Present Value of Defined Benefit Obligation	
		2015	2014
Discount rate	+1%	(₱45,162,544)	(₱39,338,394)
	-1%	56,830,487	61,490,607
Future salary increase rate	+1%	57,409,327	61,898,369
	-1%	(46,371,971)	(40,417,188)

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, 2015 and 2014:

	2015	2014
1 year or less	₱51,110,786	₱46,436,426
More than 1 year to 5 years	50,325,172	43,716,426
More than 5 years	2,027,596,226	2,288,142,885

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 rates for the years ended December 31, 2015, 2014 and 2013 is as follows:

	2015	2014	2013
Provision for income tax at statutory tax rate of 30%	₱388,717,855	₱449,000,663	₱270,448,745
Additions to (reductions from) income tax resulting from:			
Share in net earnings of an associate and joint ventures	59,547,065	36,206,810	794,111
Expiration of NOLCO	18,953,055	11,209,013	7,866,643
Movement in unrecognized deferred tax assets	8,954,498	3,174,924	2,095,118

(Forward)



	2015	2014	2013
Derecognized deferred tax assets			
on NOLCO	₱2,201,139	₱-	₱7,388,754
Nondeductible expenses	488,569	1,126,663	317,940
Nondeductible interest expense	322,370	502,682	172,598
Interest income subjected to			
final tax	(873,032)	(1,290,236)	(1,123,600)
Others	6,748,344	(1,544,540)	(207,585)
	₱485,059,863	₱498,385,979	₱287,752,724

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

	2015	2014
Deferred tax assets:		
NOLCO	₱120,586,086	₱132,965,657
Retirement benefit obligation	62,341,754	50,440,824
Accrued rent	17,945,561	22,112,945
MCIT	14,062,857	9,699,110
Deferred revenue	6,330,904	7,230,006
Unrealized foreign exchange losses	1,307,510	2,161,724
Unamortized past service cost	130,048	130,048
Others	2,851,257	1,937,365
	225,555,977	226,677,679
Deferred tax liabilities:		
Carrying value of capitalized rent expense	(11,530,373)	(10,794,678)
Unamortized prepayments	(18,833)	(1,247,127)
Unrealized foreign exchange gains	(2,514,963)	(1,138,877)
Others	(5,111)	-
	(14,069,280)	(13,180,682)
	211,486,697	213,496,997
Deferred tax asset related to retirement benefit obligation recognized under other comprehensive loss	36,139,602	41,230,153
Net deferred tax assets	₱247,626,299	₱254,727,150

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

	2015	2014
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, 2015, 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
2012	2013 - 2015	₱63,396,324	₱63,176,850	₱219,474	₱-
2013	2014 - 2016	218,896,419	-	588,020	218,308,399
2014	2015 - 2017	385,892,521	-	63,462,066	322,430,455
2015	2016 - 2018	109,684,430	-	-	109,684,430
		₱777,869,694	₱63,176,850	₱64,269,560	₱650,423,284

As of December 31, 2015, the MCIT that can be claimed as tax credits follows:

Year incurred	Year of availment	Amount	Expired	Applied	Balance
2012	2013 - 2015	₱692,610	₱692,610	₱-	₱-
2013	2014 - 2016	2,255,507	-	-	2,255,507
2014	2015 - 2017	9,665,724	-	-	9,665,724
2015	2016 - 2018	7,464,522	-	-	7,464,522
		₱20,078,363	₱692,610	₱-	₱19,385,753

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:

	2015	2014
NOLCO	₱248,469,665	₱226,013,303
MCIT	4,630,286	2,914,731
Retirement benefits	2,291,647	615,897
Unrealized foreign exchange loss	-	2,303

A portion of unrecognized NOLCO amounting to ₱94.54 million 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:

	2015	2014	2013
Net income	₱810,666,321	₱998,282,897	₱613,743,093
Divided by weighted average number of common shares	3,312,864,430	2,399,779,822	2,073,412,900
	₱0.24	₱0.42	₱0.30

There were no potential dilutive common shares for the years ended December 31, 2015, 2014 and 2013.



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, tenants' deposits and security deposits and construction bonds which arise directly from its operations.

The main risks arising from the financial instruments of the Group are credit risk, foreign currency risk and liquidity risk. The Group's management reviews and approves policies for managing each of these risks and they are summarized below. The Group also monitors the market price risk arising from all financial instruments. 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 and construction bonds, 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, 2015

	Total	Neither past due nor impaired	Past due but not impaired				Impaired
			<30 days	30 - 60 days	60 - 90 days	> 90 days	
Cash in banks and cash equivalents	₱1,202,769,931	₱1,202,769,931	₱-	₱-	₱-	₱-	₱-
Trade and other receivables							
Trade receivables	220,936,098	71,110,356	138,739,956	4,722,207	2,053,069	4,310,510	-
Nontrade receivables	151,706,373	29,746,601	63,139,878	2,799,782	9,016,204	47,003,908	-
Receivables from related parties	104,823,661	4,656,357	21,578,233	414,805	1,106,232	77,068,034	-
Advances to officers and employees	112,893,788	111,460,516	107,030	156,715	783,288	386,239	-
Other receivables	4,272,911	4,272,911	-	-	-	-	-
Amounts owed by related parties	31,172,792	25,302,086	-	1,215,843	885,584	3,769,279	-
Current portion of security deposits ¹	5,428,931	5,428,931	-	-	-	-	-
Security deposits and construction bonds	1,003,310,781	359,780,317	-	-	-	643,530,464	-
Total	₱2,837,315,266	₱1,814,528,006	₱223,565,097	₱9,309,352	₱13,844,377	₱776,068,434	₱-

¹ Presented under "Prepayments and other current assets"



December 31, 2014

	Total	Neither past due nor impaired	Past due but not impaired				Impaired
			<30 days	30 - 60 days	60 - 90 days	> 90 days	
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 ¹	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	₱-

¹ Presented under "Prepayments and other current assets"

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

December 31, 2015

	Neither past due nor impaired			Total
	High grade	Standard grade	Substandard grade	
Cash in banks and cash equivalents	₱1,202,769,931	₱-	₱-	₱1,202,769,931
Trade and other receivables:				
Trade receivables	220,936,098	-	-	220,936,098
Nontrade receivables	151,706,373	-	-	151,706,373
Receivables from related parties	104,823,661	-	-	104,823,661
Advances to officers and employees	112,893,788	-	-	112,893,788
Other receivables	4,272,911	-	-	4,272,911
Amounts owed by related parties	31,172,792	-	-	31,172,792
Current portion of security deposits ¹	5,428,931	-	-	5,428,931
Security deposits and construction bonds	1,003,310,781	-	-	1,003,310,781
Total	₱2,837,315,266	₱-	₱-	₱2,837,315,266

¹ Presented under "Prepayments and other current assets"

December 31, 2014

	Neither past due nor impaired			Total
	High grade	Standard grade	Substandard grade	
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 ¹	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

¹ Presented under "Prepayments and other current assets"

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, 2015 and 2014. 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, 2015

	USD ¹	EUR ²	HKD ³	Total Peso Equivalent
<i>Financial assets</i>				
Cash in banks and cash equivalents	\$2,570,046	€48,010	\$36,776	₱123,654,368
<i>Financial liabilities</i>				
Trade and other payables	(420,402)	(6,623,084)	—	(362,469,484)
Net financial assets (liabilities)	\$2,149,644	(€6,575,074)	\$36,776	(₱238,815,116)

¹\$1 = ₱47.06

²€1 = ₱51.74

³HK\$1 = ₱6.09

December 31, 2014

	USD ¹	EUR ²	HKD ³	Total Peso Equivalent
<i>Financial assets</i>				
Cash in banks and cash equivalents	\$956,706	€43,340	\$13,648	₱45,217,368
<i>Financial liabilities</i>				
Trade and other payables	(116,360)	(177,259)	—	(14,835,484)
Net financial assets (liabilities)	\$840,346	(€133,919)	\$13,648	₱30,381,884

¹\$1 = ₱44.72

²€1 = ₱54.34

³HK\$1 = ₱5.75

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.

	2015		2014	
	Appreciation/ Depreciation of Foreign Currency	Effect on Income Before Tax	Appreciation/ Depreciation of Foreign Currency	Effect on Income Before Tax
US Dollar	+5%	₱5,058,112	+5%	₱1,879,014
	-5%	(5,058,112)	-5%	(1,879,014)
Euro	+5%	(17,010,076)	+5%	(363,858)
	-5%	17,010,076	-5%	363,858
HK Dollar	+5%	11,198	+5%	3,924
	-5%	(11,198)	-5%	(3,924)



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, 2015

	Total	Contractual undiscounted payments			
		On demand	Within 1 year	>1 to 5 years	> 5 years
<i>Financial Liabilities</i>					
Trade payables and other payables*	₱2,323,545,625	₱1,980,239,049	₱343,306,576	₱-	₱-
Amounts owed to related parties	504,085	165,555	338,530	-	-
Short-term loans payable**	5,132,400,833	7,400,833	5,125,000,000	-	-
Long-term debt**	3,230,673,228	12,223,799	590,626,565	2,627,822,864	-
Tenant deposits	21,267,898	-	-	21,267,898	-
Total Undiscounted Financial Liabilities	₱10,708,391,669	₱2,000,029,236	₱6,059,271,671	₱2,649,090,762	₱-

* Excluding statutory liabilities

** Including interest payable

December 31, 2014

	Total	Contractual undiscounted payments			
		On demand	Within 1 year	>1 to 5 years	> 5 years
<i>Financial Liabilities</i>					
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	₱-

* Excluding statutory liabilities

** Including interest payable

The Company's financial assets amounting to ₱2,939.51 million and ₱3,944.39 million can be used to meet the Group's liquidity needs.

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:

	2015		2014	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets				
<i>Loans and receivables</i>				
Security deposits and construction bonds	₱1,008,739,712	₱959,973,152	₱817,153,694	₱785,727,709
Financial Liabilities				
<i>Other financial liabilities</i>				
Long-term debt	₱2,885,908,076	₱3,021,591,397	₱1,820,353,996	₱1,878,917,252

The following method and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, trade and other receivables, amounts owed by/to related parties, current portion of security deposits (presented under prepayments and other current assets), tenants' deposits, trade and other payables and short-term loans

The carrying values of these financial instruments approximate their fair values due to the short-term maturity, ranging from one to twelve months.

Security deposits and construction bonds

The fair values of security deposits are based on the discounted value of future cash flows using the applicable market interest rates. Discount rates ranging from 2.38% to 3.98% and 2.10% to 4.89% were used in calculating the fair value of the Group's refundable deposits as of December 31, 2015 and 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 3.67% to 4.29% were used in calculating the fair value of the Group's long-term debt as of December 31, 2015.

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.

The Group's security deposits and construction bonds and long-term debt are classified as Level 3.

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

27. Contracts and Commitments

Group as Lessee

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 are as follows (see Notes 16, 17, and 18; in millions):

	2015	2014	2013
Fixed rent	₱1,875	₱1,479	₱1,409
Contingent rent	248	367	101
	₱2,123	₱1,846	₱1,510

Contingent rent of some stores is based on percentage ranging from 3% to 6% of total merchandise sales in 2015, 2014 and 2013.

Future minimum rentals payable under these leases are as follows as of December 31, 2015 and 2014 (in millions):

	2015	2014
Within one year	₱956	₱780
After one year but not more than five years	1,535	879
Later than five years	305	330

The Group has paid security deposits and construction bonds for the store outlets and office spaces with carrying amounts of ₱1,008.74 million and ₱817.15 million (including current portion in "Prepayments and other current assets") as of December 31, 2015 and 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 ₱6.52 million, ₱8.51 million and ₱6.17 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Group as lessor

In 2014, the Group leased out portions of the store spaces and parking space in Central Square for a lease term ranging from one to three years. Rental income on these spaces is based on a fixed



basic monthly rate plus a certain percentage of gross sales. Deposits received from tenants amounted to ₱21.27 million pertaining to deposits on the leased space.

In 2015, the Group subleased its leased space in NAIA Terminal 3 for a lease term of one year or less. Rental income on these spaces is based on a fixed basic monthly rate plus a certain percentage of gross sales.

Future minimum rental receivables under these leases are as follows as of December 31 follow (in millions):

	2015	2014
Within one year	₱25	₱13
After one year but not more than five years	18	4

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, 2015, 2014 and 2013 (amounts in millions):

	2015	2014	2013
Net Sales			
Luxury and Bridge	₱3,556	₱3,334	₱2,907
Casual	2,695	2,443	2,306
Fast Fashion	6,232	5,433	4,213
Footwear, Accessories and Luggage	2,533	2,134	1,746
Other	2,405	1,869	1,616
	₱17,421	₱15,213	₱12,788

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).

	2015	2014	2013
Philippines	₱17,308	₱15,067	₱12,643
Guam	113	146	145
	₱17,421	₱15,213	₱12,788



29. Equity

a. Common Shares

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

	Number of Shares	
	2015	2014
Authorized capital stock, ₱1 par value	5,000,000,000	5,000,000,000

	Number of Shares	
	2015	2014
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

	Capital Stock	
	2015	2014
Issued capital stock:		
Balance at beginning of year	₱3,312,864,430	₱200,000,000
Issued during the year	-	3,112,864,430
Balance at end of year	₱3,312,864,430	₱3,312,864,430

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 2015, the BOD approved the reversal of the 2014 appropriations and the appropriation of the following balances from unappropriated retained earnings.

	2015	2014
RMSI	₱480,000,000	₱300,000,000
ISCI	200,000,000	100,000,000
LCI	220,000,000	100,000,000
RSCI	25,000,000	10,000,000
	₱925,000,000	₱510,000,000

The amount of appropriations above will be used by the group to fund future expansion and renovations in store outlets and operations. The said expansions are expected to be completed within two years from the balance sheet date.

c. Stock Grants

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, total number of shares to be issued through this stock grant is 3,889,131 shares. The total amount of the stock grant shall be given in 2 separate tranches: (i) the first tranche shall be given six months from award date and (ii) the second tranche shall be given one year from award date. The total number of vested shares to be issued through the grant as of December 31 is as follows:

	2015	2014
Balances at beginning of year	1,944,565	-
Vested grants	1,944,566	1,944,565
Balances at end of year	3,889,131	1,944,565

The fair value of the grant is based on the market price of the Company's shares on the grant date. Market price of the shares on this date is at ₱8.65 per share. Stock grants expense recorded as part of "Others - net" in the statements of comprehensive income amounted to ₱29.44 million and ₱4.21 million in 2015 and 2014, respectively.

Outstanding balance of stock grants presented in the balance sheets amounted to ₱33.64 million and ₱4.21 million as of December 31, 2015 and 2014, respectively.



**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
SSI Group, Inc.
6/F Midland Buendia Building
403 Senator Gil Puyat Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SSI Group, Inc. and its Subsidiaries as at December 31, 2015 and 2014, and for each of the three years in the period ended December 31, 2015, included in this Form 17-A and have issued our report thereon dated April 13, 2016. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended (2011), and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

John T. Villa

John T. Villa

Partner

CPA Certificate No. 94065

SEC Accreditation No. 0783-AR-2 (Group A),

May 1, 2015, valid until April 30, 2018

Tax Identification No. 901-617-005

BIR Accreditation No. 08-001998-76-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 5321708, January 4, 2016, Makati City

April 13, 2016



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

**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES**

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule	Contents
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II	Schedule of All Effective Standards and Interpretations Under Philippine Financial Reporting Standards
III	Reconciliation of Retained Earnings Available for Dividend Declaration
IV	Financial Soundness Indicators
<i>Supplementary Schedules</i>	
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties and Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-Term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Capital Stock

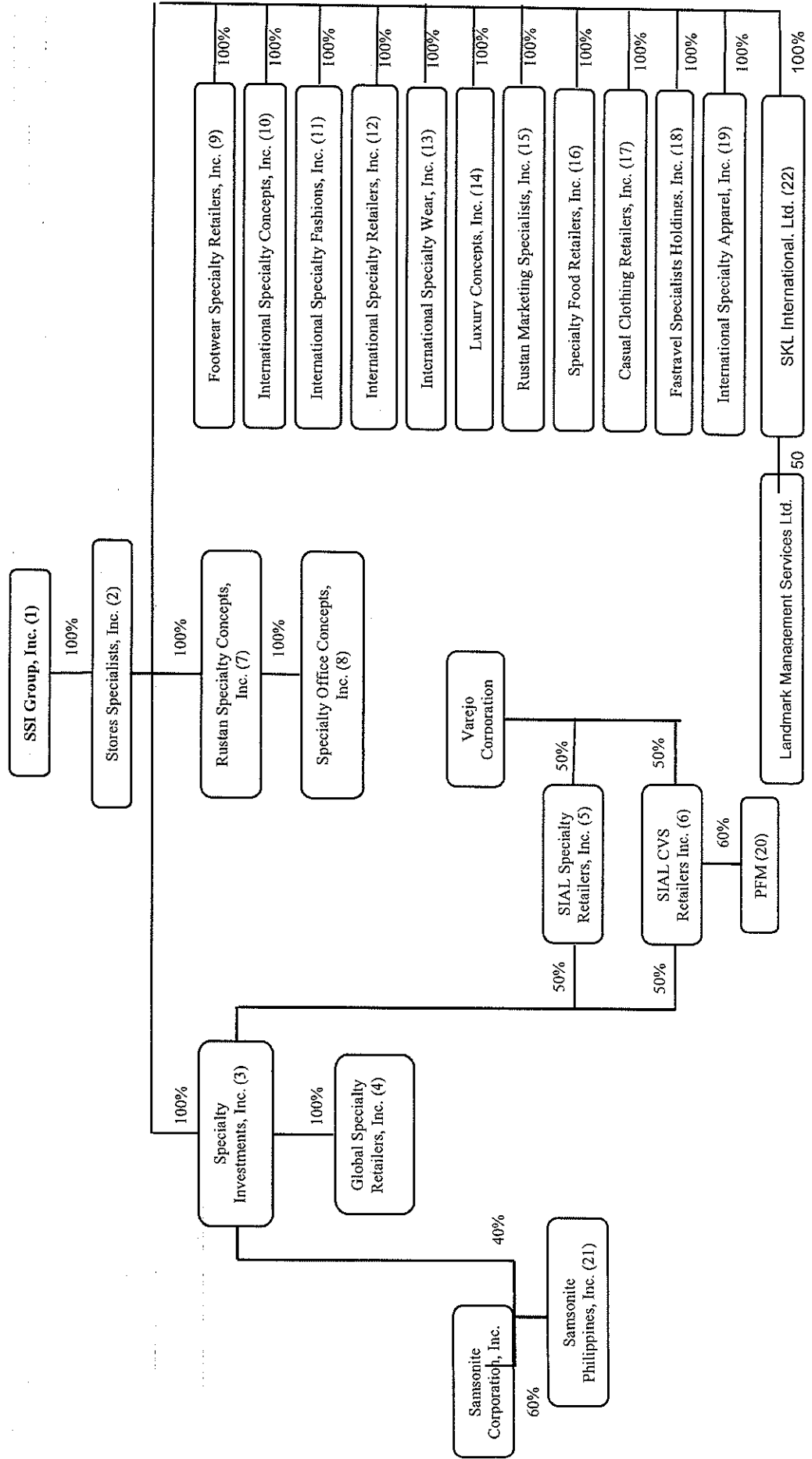


EXHIBIT I

SSI GROUP, INC.

(Formerly Casual Clothing Specialists, Inc.)

**MAP SHOWING RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND ITS SUBSIDIARIES
DECEMBER 31, 2015**



SSI GROUP, INC.

(Formerly Casual Clothing Specialists, Inc.)

SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS
AND INTERPRETATIONS

DECEMBER 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		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			✓
	Amendments 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	✓		
	Amendments 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			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
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	✓		
	Amendments 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: Classification and Measurement of Financial Assets	✓		
	Financial Instruments: Classification and Measurement of Financial Liabilities	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓*	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables			✓
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
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			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1 (Revised): Disclosure Initiative		✓*	
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	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 14	Segment Reporting			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of 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	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Revised)	Amendments to PAS 27 (Amended): Investment Entities			✓
	Amendments to PAS 27 (Revised): Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
PAS 27	Separate Financial Statements	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
(Amended)	Amendments to PAS 27 (Amended): Investment Entities			✓
	Amendments to PAS 27 (Amended): Equity Method in Separate Financial Statements			✓
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28 (Amended): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PAS 28 (Amended): Investment Entities: Applying the Consolidation Exception			✓
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	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial 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			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		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			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PAS 39: Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendments to PAS 41: Bearer Plants			✓
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	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>	✓		
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
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	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

* The Company did not early adopt these standards, interpretations and amendments



SSI GROUP, INC.

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION**

DECEMBER 31, 2015

Unappropriated Retained Earnings, beginning		₱840,979,508
Less: Non-actual/unrealized income net of tax		
Benefit from deferred tax		—
Unappropriated Retained Earnings, as adjusted, beginning		<u>840,979,508</u>
Net income during the period closed to Retained Earnings	49,794,843	
Less: Other realized gains related to accretion of income from security deposits		—
Benefit from deferred tax recognized during the year		<u>—</u>
Net income actually earned during the period		49,794,843
Retained earnings available for dividend declaration		<u>₱890,774,351</u>



SSI GROUP, INC.

(Formerly Casual Clothing Specialists, Inc.)

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratios	Formula	December 31, 2015	December 31, 2014
(i) Current Ratio	Current Assets/Current Liabilities	1.59	1.58
(ii) Debt/Equity Ratio	Bank Debts/ Total Equity	0.82	0.61
(iii) Net Debt/Equity Ratio	Bank Debts-Cash & Equivalents/Total Equity	0.69	0.33
(iii) Asset to Equity Ratio	Total Assets/Total Equity	2.12	2.04
(iv) Interest Cover Ratio	EBITDA/Interest Expense	10.37	10.54
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	53.52%	56.09%
Net Profit Margin	Net Income/Revenues	4.65%	6.56%
EBITDA Margin	EBITDA/Revenues	18.76%	19.52%
Return on Assets	Net Income/Total Assets	3.93%	5.53%
Return on Equity	Net Income/Total Equity	8.34%	11.25%

*EBITDA = Operating income before working capital changes



SCHEDULE A

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

**SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2015**

	Name of Issuing entity and association of each issue	Amount shown in the balance sheet	Valued based on market quotations at end of reporting period	Income received or accrued
Cash and cash equivalents	N/A	₱1,304,962,341	₱1,304,962,341	₱3,379,270
Trade and other receivables				
Trade receivables	N/A	220,936,098	220,936,098	-
Nontrade receivables	N/A	151,706,373	151,706,373	-
Receivables from related parties	N/A	104,823,661	104,823,661	-
Advances to officers and employees	N/A	112,893,788	112,893,788	-
Other receivables	N/A	4,272,911	4,272,911	-
Amounts owed by related parties	N/A	31,172,792	31,172,792	-
Current portion of security Deposits (presented under "Prepayments and other current assets")	N/A	5,428,931	5,428,931	-
Security deposits and construction bonds	N/A	1,003,310,781	1,003,310,781	-
		₱2,939,507,676	₱2,939,507,676	₱3,379,270



**SSI GROUP, INC. (Formerly 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, 2015**

**Amounts Receivable from Officers, Employees and Related Parties under Trade and other
receivables (in thousands)**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Non- Current	Balance at the end of the period
RCC	41,626	₱48,863	(₱9,254)	₱81,235	₱-	₱81,235
PFM	6,423	1,445	-	7,868	-	7,868
RMK	2,794	4,012	(946)	5,860	-	5,860
SCRI	3,451	36,204	(30,023)	9,632	-	9,632
SPI	505	248	(524)	229	-	229
Advances to officers and employees	97,063	169,891	(154,060)	112,894	-	112,894
	₱151,862	₱260,663	(₱194,807)	₱217,718	₱-	₱217,718

Amounts owed by Related Parties (in thousands)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Non- Current	Balance at the end of the period
RMK	₱20	₱-	(₱19)	₱1	₱-	₱1
RCC	1,050	1,578	(463)	2,165	-	2,165
PFM	4,387	7	-	4,394	-	4,394
SCRI	-	23,125	-	23,125	-	23,125
SPI	1,485	4	-	1,489	-	1,489
	₱6,942	₱24,714	(₱482)	₱31,174	₱-	₱31,174



SCHEDULE C

**SSI GROUP, INC. (Formerly 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, 2015**

**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	Balance at end of period		
					Current	Noncurrent	
SGI	₱45,830	₱185,541,706	(₱597,389)	₱-	₱184,990,147	₱-	₱184,990,147
SSI	17,538,069	10,821,242	(9,053,935)	-	19,305,376	-	19,305,376
RMSI	2,803,692	153,908,820	(1,411,611)	-	155,300,901	-	155,300,901
ISCI	286,241,912	3,426,254	(174,404,681)	-	115,263,485	-	115,263,485
RSCI	26,743,379	3,587,001	(16,086,586)	-	14,243,794	-	14,243,794
SOCI	143,464,869	500,000	(5,593,991)	-	138,370,878	-	138,370,878
SHI	6,630,046	758,046	(2,500,000)	-	4,888,092	-	4,888,092
LCI	6,586,690	19,026,526	(18,179,984)	-	7,433,232	-	7,433,232
ISFI	-	924	-	-	924	-	924
FSRI	18,686,900	4,839,945	(963,631)	-	22,563,214	-	22,563,214
GSRI	14,681,570	108,939	-	-	14,790,509	-	14,790,509
SFRI	504,140,853	129,226,903	(3,719,816)	-	629,647,940	-	629,647,940
ISRI	200,207	329,368	(195,520)	-	334,055	-	334,055
ISWI	204,799	461,137	(200,112)	-	465,824	-	465,824
ISAI	206,911	465,823	(194,859)	-	477,875	-	477,875
FSCI	987	-	(987)	-	-	-	-
CCRI	57,359,615	86,174,313	(18,272,353)	-	125,261,575	-	125,261,575
	₱1,085,536,329	₱599,176,947	(₱251,375,455)	₱-	₱1,433,337,821	₱-	₱1,433,337,821

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	Balance at end of period		
					Current	Noncurrent	
CCSI	₱548,311,246	₱318,690,793	(₱758,063,841)	₱-	₱108,938,198	₱-	₱108,938,198
SSI	1,485,935	411,172,641	(230,079,146)	-	182,579,430	-	182,579,430
RMSI	10,961	28,063,979	(6,381)	-	28,068,559	-	28,068,559
ISCI	130,425,307	217,164,018	(15,658,880)	-	331,930,445	-	331,930,445
RSCI	1,014,543	6,111,344	(4,715)	-	7,121,172	-	7,121,172
SOCI	4,785	-	(4,785)	-	-	-	-
ISFI	381,479,906	74,586,771	(394,041,594)	-	62,025,083	-	62,025,083
FSRI	25,200,320	26,116,066	(33,683,311)	-	17,633,075	-	17,633,075
GSRI	142,366,561	5,267,373	(4,409,802)	-	143,224,132	-	143,224,132
SFRI	576,489	3,818,960	-	-	4,395,449	-	4,395,449
ISRI	106,521,807	99,857,462	(162,761,525)	-	43,617,744	-	43,617,744
ISWI	147,297,453	120,457,404	(240,605,117)	-	27,149,740	-	27,149,740
ISAI	26,292,327	91,323,457	(30,163,502)	-	87,452,282	-	87,452,282
LCI	-	7,447,636	(5,167,766)	-	2,279,870	-	2,279,870
CCRI	601,170,233	854,605,145	(1,455,589,489)	-	185,889	-	185,889
	₱2,112,157,873	₱2,264,683,049	(₱3,330,239,854)	₱-	₱1,046,601,068	₱-	₱1,046,601,068



SCHEDULE D

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

**SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER
ASSETS**

AS AT DECEMBER 31, 2015

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
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Not Applicable

The Group does not have intangible assets in its consolidated statements of financial position.



SCHEDULE E

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

**SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
AS AT DECEMBER 31, 2015**

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
Long-term loan	₱2,900,000,000	₱473,333,333	₱2,426,666,667
Less: Transaction costs	(14,091,924)	(5,725,652)	(8,366,272)
	₱2,885,908,076	₱ 467,607,681	₱2,418,300,395
			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.



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

**SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED
PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
AS AT DECEMBER 31, 2015**

Indebtedness to related parties (Long-term loans from related companies)

Name of related party	Balance at beginning of period	Balance at end of period
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Not Applicable

The Group does not have long-term loans from related companies in its consolidated statements of financial position and the indebtedness to related parties does not exceed 5% of the total current liabilities.



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

**SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF
OTHER ISSUERS
AS AT DECEMBER 31, 2015**

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
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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.



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

**SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
AS AT DECEMBER 31, 2015**

Capital Stock						
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees	Others
Common shares	5,000,000,000	3,312,864,430	-	-	586,162,622	-



Annex "B"

EXECUTIVE OFFICERS

Elizabeth T. Quaimbao, 64, 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, 62, 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, 47, 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 degree in Computer Science and a Master of Science degree in Electrical Engineering (Computers and Communication).

Ma. Margarita A. Atienza, 42, is the Vice President of Investor Relations and Compliance Officer 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.

Cheryl Anne M. Berioso, 37, 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.

Gemma M. Santos, 54, is the Corporate Secretary for the Company. Atty. Santos is a practicing lawyer and a Senior Partner of Picazo Buyco Tan Fider & Santos Law Offices and Corporate Secretary of various Philippine companies, including publicly-listed companies such as Roxas Holdings, Inc., Max's Group, Inc., and Vista Land & Lifescapes, Inc. Atty. Santos graduated cum laude with the degree of Bachelor of Arts, Major in History from the University of the Philippines in 1981, and with the degree of Bachelor of Laws also from the University of the Philippines in 1985.

Ma. Alicia Picazo-San Juan, 45, is the Assistant Corporate Secretary for the Company. Atty. Picazo-San Juan is a practicing lawyer and a Partner of Picazo Buyco Tan Fider & Santos Law Offices and Corporate Secretary of various Philippine companies, including ATR KimEng Asset Management, Inc. and several mutual fund companies. Atty. Picazo-San Juan graduated magna cum laude with the degree of Bachelor of Science in Management, Major in Legal Management, from the Ateneo de Manila University in 1992, and graduated cum laude with the degree of Bachelor of Laws from the University of the Philippines in 1996.