SSIGROUP, Inc

NOTICE OF ANNUAL MEETING OF THE STOCKHOLDERS

Notice is hereby given that the annual meeting of the stockholders of **SSI GROUP, INC.** for the year 2021 will be held and conducted via virtual meeting on Tuesday, 29 June 2021 at 11:00 A.M. via https://www.ssigroup.com.ph/investor_relations/2021asm.

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 10 September 2020
4. Approval of Annual Report for the Year 2020
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 2021-2022
7. Appointment of External Auditors
8. Other Matters
9. Adjournment

The minutes of the 2020 Annual Meeting of Stockholders is available at the website of the Company, https://www.ssigroup.com.ph.

The Board of Directors has fixed the end of trading hours of the Philippine Stock Exchange on 24 May 2021 as the Record Date for the determination of stockholders entitled to notice of and vote at such meeting.

Given the current circumstances, and to ensure the safety and welfare of the Company's stockholders, the Company will dispense with the physical attendance of stockholders at the meeting and will allow attendance only by remote communication and voting *in absentia*, or by appointing the Chairman of the meeting as proxy.

Stockholders who intend to participate in the meeting should register on or before 22 June 2021 via https://www.ssigroup.com.ph/investor_relations/2021asm. All registrations shall be validated by the Corporate Secretary in coordination with the Stock and Transfer Agent. Successful registrants will receive an e-mail with instructions on how to access an online web address which will allow them to join the meeting and cast votes *in absentia* or by proxy in favor of the Chairman of the Meeting.

Stockholders who intend to appoint the Chairman of the Meeting as their proxy should submit duly accomplished proxy forms on or before 18 June 2021 at the Office of the Corporate Secretary at 6F Midland Buendia Bldg., 403 Sen. Gil Puyat Ave., Makati City and/or by email to corporatesecretary@rgoc.com.ph.

The procedures for participating in the meeting through remote communication and for casting their votes in absentia are set forth in the Information Statement.

18 May 2021, Makati City.

MA. ALICIA G. PICAZO-SAN JUAN
Corporate Secretary

PROXY

Stockholders who would like to be represented thereat by a proxy may choose to execute and send a proxy form to the Office of the Corporate Secretary (Atty. Ma. Alicia G. Picazo-San Juan) at 6F Midland Buendia Bldg., 403 Sen. Gil Puyat Ave., Makati City, on or before 18 June 2021. A sample proxy form is provided below. Stockholders may likewise email a copy of the accomplished proxy form to corporatesecretary@rgoc.com.ph.

The undersigned stockholder of **SSI GROUP, INC.** (the "Company") hereby appoints the Chairman of the meeting, as attorney-in-fact or proxy, with power of substitution, to represent and vote ______________ shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Stockholders' Meeting of the Company on 29 June 2021 at 11:00 A.M. and at any adjournment thereof for the purpose of acting on the following matters:

1. Approval of Minutes of the Annual Meeting held on 10 September 2020

   ❑ Yes ❑ No ❑ Abstain

2. Approval of Annual Report for the Year 2020

   ❑ Yes ❑ No ❑ Abstain

3. 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

   ❑ Yes ❑ No ❑ Abstain

4. Election of Directors for 2021-2022

	No. of Votes
Zenaida R. Tantoco	____________
Anthony T. Huang	____________
Maria Teresa R. Tantoco	____________
Maria Elena R. Tantoco	____________
Bienvenido V. Tantoco III	____________
Eduardo T. Lopez III	____________
Edgardo Luis Pedro T. Pineda	____________
Carlo L. Katigbak (Independent Director)	____________
Arthur R. Tan (Independent Director)	____________

5. Re-appointment of SyCip Gorres Velayo & Co. as external auditor

   ❑ Yes ❑ No ❑ Abstain

____

Printed Name and Signature of the Stockholder

____

Date

This proxy should be received by the Corporate Secretary on or before 18 June 2021, the deadline for submission of proxies.

This proxy when properly executed will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the Information Statement.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised.

Notarization of this proxy is not required.

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) 8890 8034**
8. Date, time and place of the meeting of security holders	:	**June 29, 2021** **11:00 A.M.** **Via remote communication** Stockholders are required to register at https://www.ssigroup.com.ph/investor_relations/2021asm
9. Approximate date on which the Information Statement is first to be sent or given to security holders	:	**June 1, 2021**
10. <u>In case of Proxy Solicitations:</u> 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 April 30, 2021)
Common Shares	**3,298,408,430**

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.

    Philippine Stock Exchange / Common shares

INFORMATION STATEMENT

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

A. GENERAL INFORMATION

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

a)	Date	:	June 29, 2021
	Time	:	11:00 A.M.
	Online web addresses / URLs	:	For participation by remote communication and for voting *in absentia*: https://www.ssigroup.com.ph/investor_relations/2021asm
	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:	:	June 1, 2021

The requirements and procedure for participating and voting are set forth in **Annex "A"** to the Information Statement.

Item 2. Dissenter's Right of Appraisal

In accordance with Section 80 of the Revised Corporation Code and Article 11(a)(vi) of the Company's Revised 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 Revised Corporation Code;

3. In case of merger or consolidation; and

4. In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

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. <u>CONTROL AND COMPENSATION INFORMATION</u>

Item 4. Voting Securities and Principal Holders Thereof

a. The Company has 3,298,408,430 outstanding common shares as of April 30, 2021. 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 24, 2021 are entitled to notice and to vote at the Company's annual stockholders' meeting.

c. Foreign equity ownership as of April 30, 2021 is 336,682,295 shares or 10.21% of the total issued and outstanding shares.

d. Manner of Voting and Election of Directors (Cumulative Voting) – A stockholder may vote *in absentia* 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 sent to the Office of the Corporate Secretary at 6F Midland Buendia Building, 403 Sen. Gil Puyat Ave., Makati City and/or by email to corporatesecretary@rgoc.com.ph no later than 18 August 2021. Validation of proxies shall be held on 21 June 2021. 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.

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

Each common share of the Company owned by a shareholder as of May 24, 2021 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.

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

i. Security ownership of record and beneficial owners (of more than 5%)

As of April 30, 2021, 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	**PCD Nominee Corporation (Filipino)**[1] 37th Floor Tower 1, The Enterprise Center, Ayala Avenue cor. Paseo de Roxas, Makati City (*stockholder*)	PCD participants acting for themselves or for their customers	Filipino	701,551,884	21.2694%
Common	**Wellborn Holdings, Inc.**[2] 4th Floor Midland Buendia Building, 403 Sen. Gil Puyat Avenue, Makati City (*stockholder*)	Wellborn Holdings, Inc.	Filipino	467,043,679	14.1597%
Common	**Marjorisca, Inc.**[3] 25B Tamarind Road, South Forbes Park (*stockholder*)	Marjorisca, Inc.	Filipino	434,440,400	13.1712%

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

[2] *Wellborn Holdings, Inc. is beneficially owned by Zenaida R. Tantoco, Anthony T. Huang, Michael T. Huang, and Catherine T. Huang as to 19.9%. 26.7%, 26.7%, and 26.7%, respectively. Anthony T. Huang has been authorized to represent Wellborn Holdings, Inc. and to vote the latter's shares at the Annual Stockholders' Meeting of the Company.*

Title of Class	Names and addresses of record owners and relationship with the Company	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	% to Total Outstanding Shares
Common	**Birdseyeview, Inc.**[4] 25B Tamarind Rd. South Forbes Park, Makati City (*stockholder*)	Birdseyeview, Inc.	Filipino	434,412,500	13.1704%
Common	**Educar Holdings Corp.**[5] 2nd Floor Urban Bldg., 405 Sen. Gil Puyat Avenue, Makati City (*stockholder*)	Educar Holdings Corp.	Filipino	415,753,800	12.6047%
Common	**Bordeaux Holdings, Inc.**[6] 19th Floor BDO Plaza, 8737 Paseo de Roxas, Makati City (*stockholder*)	Bordeaux Holdings, Inc.	Filipino	414,967,821	12.5809%
Common	**PCD Nominee Corporation** **(Non-Filipino)**[7] 37th Floor Tower 1, The Enterprise Center, Ayala Avenue cor. Paseo de Roxas, Makati City (*stockholder*)	PCD participants acting for themselves or for their customers	Filipino	336,682,295	10.2074%

---

[3] *Marjorisca, Inc. is beneficially owned by Maria Elena R. Tantoco, Christopher James Tantoco and Jose Miguel Tantoco as to 40%, 30% and 30%, respectively. Maria Elena R. Tantoo and/or Jose Miguel Tantoco have been authorized to represent Marjorisca, Inc. and to vote the latter's shares at the Annual Stockholders' Meeting of the Company.*

[4] *Birdseyeview, Inc. is wholly and beneficially owned by Maria Teresa R. Tantoco. Bienvenido V. Tantoco III has been authorized to represent Birdseyeview, Inc. and to vote the latter's shares at the Annual Stockholders' Meeting of the Company.*

[5] *Educar Holdings Corp. is beneficially owned by seven members of the Lopez family, Eduardo S. Lopez, Jr., Ma. Carmencita T. Lopez, Eduardo T. Lopez III, Ma. Margarita L. De Jesus, Ma. Carmencita L. Tiangco, Emmanuel T. Lopez and Enrique Antonio T. Lopez, each of whom holds an equal shareholding interest of 14.3%. Eduardo T. Lopez III has been authorized to represent Educar Holdings Corporation and to vote the latter's shares at the Annual Stockholders' Meeting of the Company.*

[6] *Bordeaux Holdings, Inc. is equally beneficially owned by Jaime T. Pineda and Emmanuel T. Pineda. Edgardo Luis Pedro T. Pineda has been authorized to represent Bordeaux Holdings, Inc. and to vote the latter's shares at the Annual Stockholders' Meeting of the Company.*

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

ii. Security ownership of directors and management as of April 30, 2021

Title of Class	Name of beneficial owner	Position	Amount and Nature of Beneficial Ownership (shares)	Citizenship	% to Total Outstanding Shares
Named Executive Officers					
Common	Zenaida R. Tantoco	Chairman and CEO	872,500 (direct)	Filipino	0.0265%
Common	Anthony T. Huang	Director and President	9,200,294 (direct)	Filipino	0.2789%
Common	Maria Teresa R. Tantoco	Director and Treasurer	471,280,931 (direct and indirect)	Filipino	14.2881%
Common	Elizabeth T. Quiambao	Executive Vice President	4,919,419 (direct)	Filipino	0.1491%
Common	Rossellina J. Escoto	Vice President - Finance	404,961 (direct)	Filipino	0.0123%
Other Executive Officers and Directors					
Common	Maria Elena R. Tantoco	Director	32,054,979 (direct)	Filipino	0.9718%
Common	Bienvenido V. Tantoco III	Director	200 (direct and indirect)	Filipino	0.0000%
Common	Eduardo T. Lopez III	Director	790,100 (direct)	Filipino	0.0240%
Common	Edgardo Luis Pedro T. Pineda	Director	100 (direct)	Filipino	0.0000%
Common	Carlo L. Katigbak	Independent Director	305,001 (direct)	Filipino	0.0092%
Common	Jose Teodoro K. Limcaoco	Independent Director	10,000 (direct)	Filipino	0.0003%
Common	Ma. Margarita A. Atienza	Vice President – Investor Relations & Corporate Planning and Compliance Officer	231,235 (direct)	Filipino	0.0070%
Common	Ma. Alicia G. Picazo-San Juan	Corporate Secretary	-	Filipino	-

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

iii. Voting trust holders of 5% or more

The Company knows of no persons holding more than 5% of a class of shares under a voting trust or similar agreement as of April 30, 2021.

iv. Changes in control

As of April 30, 2021, the Company is not aware of any change of control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

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	74	Filipino	Since 2007
Anthony T. Huang	49	Filipino	Since 2007
Maria Teresa R. Tantoco	56	Filipino	Since 2008
Maria Elena R. Tantoco	62	Filipino	Since 2008
Bienvenido V. Tantoco III	54	Filipino	Since 2007
Eduardo T. Lopez III	54	Filipino	Since 2008
Edgardo Luis Pedro T. Pineda	49	Filipino	Since 2014
Carlo L. Katigbak	51	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, 74, Director of the Company since 2007. She is the Chairman and Chief Executive Officer of the Company. Ms. Tantoco is also the Chairman and Chief Executive Officer of all of the Group's companies. She has over 40 years of experience in the retail business, and serves as the Chairman and Chief Executive Officer of Rustan Commercial Corporation and Rustan Marketing Corporation. In addition, she is a member of the board of directors of several Rustan's Group companies, including, among others, Rustan Commercial Corporation, Rustan Marketing Corporation and Rustan Coffee Corporation. Ms. Tantoco graduated cum laude from the Assumption College with a Bachelor of Science degree in Business Administration.

Anthony T. Huang, 49, Director of the Company since 2007. He is the President of the Company. Mr. Huang is also the President and a director of all of the Group's companies. He joined the Group in 1995 and has over 23 years of experience in the retail business. He also serves as the President of Rustan Marketing Corporation, Executive Vice President of Rustan Commercial Corporation, and the Chairman of the Board MUJI Philippines Corp. He is a member of the board of directors of Sta. Elena Properties, Inc. and Commonwealth Foods, Inc. Mr. Huang has been recognized as a Cavaliere of the Order of Merit of the Italian Republic and as a Chevalier de le Legion D' Honneur of France for his contributions to strengthening the economic ties between the Philippines and Italy and France, and for improving local accessibility to the products of these two countries. Mr. Huang graduated from the University of Asia and the Pacific with a Bachelor of Arts degree in Humanities.

Maria Teresa R. Tantoco, 56, Director of the Company since 2008. She is the Treasurer of the Company. Ms. Tantoco is also the Treasurer and a director of the Group's companies, including, among others, International Specialty Concepts Inc., Specialty Food Retailers, Inc., International Specialty Retailers, Inc., International Specialty Wear, Inc., Footwear Specialty Retailers, Inc., International Specialty Fashions, Inc. and Specialty Lifestyle Concepts, Inc. In addition, she serves as the Treasurer and a director of Rustan Marketing Corporation and RPG Distribution Services, Inc., and is a member of the board of directors of Rustan Commercial Corporation. Ms. Tantoco graduated from John Cabot International College with a Bachelor of Science degree in Business Administration.

Maria Elena R. Tantoco, 62, Director of the Company since 2008. Ms. Tantoco is also a member of the board of directors of several of the Group's companies, including, among others, Stores Specialists, Inc., Rustan Marketing Specialists, Inc., International Specialty Apparel, Inc., and Specialty Investments, Inc., She is a director of Rustan Commercial Corporation and serves as Vice President for Home Merchandising and Buying. In addition, she is a member of the board of directors of Rustan Coffee Corporation, Rustan Marketing Corporation and RPG Distribution Services, Inc. Ms. Tantoco graduated from the Assumption College with a Bachelor of Science degree in Entrepreneurship.

Bienvenido V. Tantoco III, 54, Director of the Company since 2007. Mr. Tantoco is also a director of the Group's companies, including Stores Specialists, Inc., Rustan Marketing Specialists, Inc., International Specialty Concepts, Inc. and Footwear Specialty Retailers, Inc. He served as the Vice President for Corporate Planning of Rustan Commercial Corporation prior to his appointment as its President. Mr. Tantoco graduated from Connecticut College with a Bachelor of Arts degree in Economics, and J.L Kellogg Graduate School of Management, Northwestern University with a Master of Management degree, majors in Marketing, Accounting, and Organizational Behavior.

Eduardo T. Lopez III, 53, Director of the Company since 2008. Mr. Lopez is also a director of the Group's companies. In addition, he serves as the General Manager and Vice President of Finance and Administration of Superstar Security Agency, Inc., the President of Nightside Security Agency, the General Manager of Topflight Inc., the Assistant to the President of Unilogix, Inc., and an owner of Secondo Time and Pieces. He is also a member of the board of directors of Rustan Marketing Corporation. Mr. Lopez attended Ateneo De Manila University and Santa Clara University and graduated with a Bachelor of Science degree in Economics, and Stanford University with a Master of Science degree in Management.

Edgardo Luis Pedro T. Pineda, 49, Director of the Company since 2014. Mr. Pineda is also a director of the Group's companies, including Stores Specialists, Inc., Rustan Marketing Specialists, Inc., International Specialty Concepts, Inc. and Footwear Specialty Retailers, Inc. In addition, he is a member of the board of directors of Rustan Commercial Corporation and Rustan Marketing Corporation. Mr. Pineda graduated from Fordham University with a Bachelor of Science degree in Business Administration, and Stanford University with a Master of Science degree in Business Management.

Carlo L. Katigbak, 51, Independent Director of the Company since 2014. Mr. Katigbak is the President and Chief Executive Officer of ABS-CBN Corporation, the Philippines' leading information and entertainment multimedia conglomerate. He has over 20 years of experience in business, spanning financial management, business operations, corporate planning and general management. Mr. Katigbak is also a member of the Board of Trustees of Knowledge Channel Foundation and a member of the Board of Advisers of ABS-CBN Lingkod Kapamilya Foundation. He holds a degree in Bachelor of Science in Management Engineering from the Ateneo de Manila University, and completed the Advanced Management Program at Harvard Business School in 2009.

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

Name	Age	Citizenship
Arthur R. Tan	61	Filipino

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

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 such[8]
Zenaida R. Tantoco	Chief Executive Officer	74	Filipino	Since September 2020
Anthony T. Huang	President	49	Filipino	Since September 2020
Ma. Teresa R. Tantoco	Treasurer	56	Filipino	Since September 2020
Elizabeth T. Quiambao	Executive Vice President	69	Filipino	Since September 2020
Rossellina J. Escoto	Vice President - Finance	68	Filipino	Since September 2020
Ma. Margarita A. Atienza	Vice President - Investor Relations & Corporate Planning and Compliance Officer	47	Filipino	Since September 2020
Ma. Alicia Picazo-San Juan	Corporate Secretary	50	Filipino	Since September 2020

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 "C"**.

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

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

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

Information required of directors and executive officers:

a. Directors and executive officers

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

1. ZENAIDA R. TANTOCO
2. ANTHONY T. HUANG
3. MA. TERESA R. TANTOCO
4. MA. ELENA R. TANTOCO
5. BIENVENIDO V. TANTOCO III
6. EDUARDO T. LOPEZ III
7. EDGARDO LUIS PEDRO T. PINEDA
8. CARLO L. KATIGBAK (Independent Director)
9. ARTHUR R. TAN (Independent Director)

Mr. Carlo L. Katigbak and Mr. Arthur R. Tan were duly nominated as independent directors by Ms. Raissa Azelia T. Barzaga, a registered stockholder of the Company who is not a director, officer, or substantial shareholder of the Company and who is not related to either of the nominees. The Nominations Committee of the Company is composed of Mr. Carlo L. Katigbak as Chairperson, and Ms. Zenaida R. Tantoco, Mr. Anthony T. Huang and Mr. Edgardo Luis Pedro T. Pineda as members.

The qualifications of all nominated directors including the nominated independent directors, have been pre-screened in accordance with the Revised Manual on Corporate Governance and the 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 the By-laws of the Company. No other nominations will be entertained after the preparation of the final list of candidates and no further nominations shall be entertained or allowed during the annual stockholders' meeting.

b. Significant employees

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

c. Family relationships

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

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

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

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

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

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

The only family members who hold senior management positions are Zenaida R. Tantoco, Maria 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 20 (Related Party Disclosures) of the Notes to Consolidated Financial Statements.

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

f. Resignation of directors

No director has resigned from, or declined to stand for re-election to the Board since the date of the 2020 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.

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

The following table identifies and summarizes the aggregate compensation of the Company's CEO and the four (4) most highly compensated executive officers, as well as the aggregate compensation paid to all other officers and Directors as a group, for the years ended December 31, 2018, 2019 and 2020 and projected for the year 2021.

	Year	**Total (In ₱ millions)**
CEO and the four (4) most highly compensated executive officers named in the previous page	2018	23.8
	2019	29.2
	2020	29.2
	2021 (estimated)	29.2
Aggregate compensation paid to all other officers and Directors as a group unnamed	2018	5.5
	2019	7.0
	2020	7.0
	2021 (estimated)	7.0

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 were issued to the eligible employees of the Corporation in 2018.

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 2021 based on their performance and qualifications.

   The reappointment of SGV & 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.

Year	**Audit fees** (*in ₱ millions*)
2020	5.2
2019	5.7
2018	5.2

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

The Company will comply with paragraph (3)(b)(ix) of the Revised Securities Regulation Code Rule 68, which provides for the requirement on the rotation of the external auditor.

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, 2020 and unaudited interim financial statements as of March 31, 2021, the 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 "B"**.

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 Annual Stockholders' Meeting:

- (a) Minutes of the annual meeting of stockholders held on 10 September 2020;
- (b) President's Report based on the Annual Report and 2020 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, which include the following:
  - (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 and distribute its votes in accordance with the Corporation Code of the Philippines.

The votes of the stockholders registered as present in the online meeting remotely or by proxy, or voting *in absentia*, shall be counted electronically, and the Chairperson will announce the result of the voting. Stockholders participating in the online meeting are given an electronic ballot which will allow them to vote on all items in the agenda presented for voting in the meeting. The ballots will be filled up electronically by stockholders and submitted electronically to the Corporate Secretary or her duly authorized representative/s. The valid votes will be counted by the Corporate Secretary. The Chairman will then announce the result after the counting.

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 AND CORPORATE PLANNING
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 17th day of May 2021.

SSI GROUP, INC.

By:

ANTHONY T. HUANG
President

Annex “A”

REQUIREMENTS AND PROCEDURE FOR PARTICIPATION BY REMOTE COMMUNICATION AND VOTING *IN ABSENTIA*

1. The platform for participation through remote communication and voting *in absentia* for the 2021 Annual Stockholders’ Virtual Meeting of SSI Group, Inc. (the “Meeting”) can be found online at https://www.ssigroup.com.ph/investor_relations/2021asm (the “Platform”).

2. Only stockholders as of record date, May 24, 2021, (the “Stockholders”) may use the Platform to participate in the Meeting through remote communication and to vote *in absentia* on the matters in the Agenda, provided the Stockholder has (1) complied with the registration requirement, and (2) such registration has passed the validation process.

3. Registration to participate in the Meeting is from **9:00am on June 1, 2021 until 6:00pm on June 22, 2021**, provided, that for shareholders who will appoint a proxy, a duly accomplished proxy must be submitted on or before **6:00 p.m. on June 18, 2021.** SSI will request for consent to process sensitive personal information pursuant to the Data Privacy Act.

4. **REGISTRATION REQUIREMENTS**:

   a. **Voting *In Absentia***

   To register for the Platform, log on to https://www.ssigroup.com.ph/investor_relations/2021asm. Stockholders should complete the online registration form and submit the same for validation. Stockholders will be asked to provide the information and documents listed below (the total size of the files should be no larger than 1MB).

   i. For Individual Stockholders:
      1. Full name
      2. Number of shares held and stock certificate number
      3. Address
      4. Valid and email address
      5. Valid and active contact number (landline or mobile)
      6. A scanned copy of the front and back portions of the Stockholder’s valid government-issued photo ID, preferably with residential address. Valid types of government-issued photo IDs include the following: Driver’s License, Passport, Unified Multi-Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID, and Senior Citizen ID
      7. For account holders with joint accounts, a scanned copy of an authorization letter signed by all Stockholders, identifying who among them is authorized to cast the vote for the account.

   ii. For Corporate / Organizational Stockholders:
      1. Company name
      2. Full name
      3. Number of shares held and stock certificate number
      4. Address
      5. Valid and active email address
      6. Valid and active contact number (landline or mobile)
      7. A scanned copy of a Secretary’s Certificate attesting to the authority of the representative to vote for and on behalf of the Stockholder
      8. A scanned copy of the front and back portions of the valid government-issued photo ID of the Stockholder’s representative. Valid types of government-issued photo IDs include the following: Driver’s License, Passport, Unified Multi-Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID, and Senior Citizen ID

iii. <u>For Stockholders under Broker Accounts:</u>

1. Full name
2. Number of shares held and stock certificate number
3. Address
4. Valid and active email address
5. Valid and active contact number (landline or mobile)
6. A scanned copy of the broker's certificate on the Stockholder's number of shareholdings
7. A scanned copy of the front and back portions of the Stockholder's valid government-issued photo ID, preferably with residential address. Valid types of government-issued photo IDs include the following: Driver's License, Passport, Unified Multi-Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID and Senior Citizen ID

b. **<u>Stockholder Registration via Proxy</u>**

To register for the Platform, log on to https://www.ssigroup.com.ph/investor_relations/2021asm. Stockholders should complete the online registration form and submit the same for validation. Stockholders will be asked to provide the information and documents listed below (the total size of the files should be no larger than 1MB).

Information to be filled out will include:

1. Full name
2. Company name
3. Number of shares held and stock certificate number
4. Valid and active email address
5. Valid and active contact number
6. Scanned copy of a valid government-issued ID of the certificated Individual Stockholder or Corporate Secretary's Certificate showing authority of the person accomplishing the proxy for Corporate Stockholders.
7. Accomplished Proxy form. **Stock brokerage firms may upload their own form with voting instructions.**

Stockholders who cannot or opt not to use the Platform will be allowed to vote through a proxy with instructions to the Chairman of the Meeting. Please submit the proxy with voting instructions (together with documents required for stockholders submitting a proxy) to the Office of the Corporate Secretary by email to **corporatesecretary@rgoc.com.ph** **on or before 6:00 p.m. on June 29, 2021.** SSI reserves the right to request additional information, and original signed copies of the documents forming part of the registration requirements at a later time.

SSI will validate the registration requirements provided above. The registration of a Stockholder who provides incomplete or inconsistent information will be denied.

Stockholders are advised to register as early as possible.

5. Validation of Registration

a. Only Stockholders with submitted registration and validated registration may use the Platform to participate in the Meeting.
b. Registration shall be validated by the Office of the Corporate Secretary in coordination with the Stock Transfer Agent of the Corporation. After passing the validation process, the Stockholder will receive an email confirmation on their successful and validated registration and a link to participate in the Meeting through remote communication.
c. The registered Stockholder may then proceed to log into the voting website and cast their votes.

6. Voting

   All agenda items indicated in the Notice of the Meeting will be set out in the digital absentee ballot and the registered Stockholder may vote as follows:

   a. For all items, except for the Election of Directors, the registered Stockholder has the option to vote: For, Against, or Abstain. The vote is considered cast for all the registered Stockholder's shares.
   b. For the Election of Directors, a Stockholder entitled to vote: (i) may vote such number of shares owned by it for as many persons as there are Directors to be elected; or (ii) may cumulate said shares and give one candidate as many votes as the number of Directors to be elected multiplied by the number of their shares; or (iii) may distribute them on the same principle among as many candidates as may be seen fit.
   c. The Office of the Corporate Secretary and the Corporation's Stock Transfer Agent will tabulate all votes received and will validate the results.

7. Participation at the Virtual Meeting

   a. Stockholders may attend the Meeting on June 29, 2021 at 11:00 a.m. via the link sent to the email address indicated by the Stockholder on the registration form.
   b. For purposes of quorum, only the following Stockholders shall be counted as present:
      i. Stockholders who have registered and voted on the Platform for voting *in absentia* by June 22, 2021;
      ii. Stockholders who have sent their proxies via the Platform by June 18, 2021; and
      iii. Stockholders who have submitted their proxies together with documents required for stockholders submitting a proxy to the Office of the Corporate Secretary by email to corporatesecretary@rgoc.com.ph.
   c. Questions on the registration process, items in the Agenda, and Information Statement may be sent to corporatesecretary@rgoc.com.ph. Questions received on or before June 22, 2021 may be responded to during the Meeting. Any questions not answered during the Meeting shall be answered via email. Stockholders are advised to send in their questions as early as possible.

Annex "B"

MANAGEMENT REPORT

RESULTS OF OPERATIONS

For the years ended December 31, 2020, 2019 and 2018

Key Performance Indicators	**For the years ended December 31**		
PhP MM except where indicated	**2020**	**2019**	**2018**
Net Sales	12,222	22,366	20,230
Gross Profit – merchandise	4,968	10,080	9,312
Operating Income (Loss)	(304)	1,701	1,270
Net Income (Loss)	(904)	815	608
Gross Selling Space (sq.m.)	115,622	118,922	120,305
Decrease in Gross Selling Space (%)	2.8%	1.1%	7.1%

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

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

Key Financial and Operating Data	For the years ended December 31		
PhP MM except where indicated	**2020**	**2019**	**2018**
Key Financial Data			
Net Sales*	12,222	22,366	20,230
Luxury & Bridge	4,527	6,588	5,149
Casual	1,798	3,140	2,778
Fast Fashion	3,198	6,853	6,943
Footwear, Accessories & Luggage	902	2,405	2,498
Others	1,797	3,379	2,862
Gross Profit*	4,968	10,080	9,312
Gross Profit Margin (%)*	40.6%	45.1%	46.0%
Operating Income (Loss)	(304)	1,701	1,270
Operating Income Margin (%)	(2.5%)	7.6%	6.3%
Other Income (Charges)	(709)	(469)	(360)
Net Income (Loss)	(904)	815	608
Net Income Margin (%)	(7.4%)	3.6%	3.0%
Recurring Net Income (Loss)[9]	(646)	920	727
Recurring Net Income Margin (%)	(5.3%)	4.1%	3.6%
Total Debt[10]	7,028	4,477	5,419
Net Debt[11]	2,435	1,984	3,058
Key Operating Data			
Specialty Retailing			
Number of Brands	96	95	90
Number of Stores	570	593	596
Gross Selling Space (sq.m.)	115,622	118,922	120,305
Decrease in Gross Selling Space (%)	2.8%	1.1%	7.1%

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

2020 vs. 2019

Revenues

Net sales

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

During the third and fourth quarters of 2020, however, the Group’s sales started to recover with 3rd quarter sales of ₱2.3 billion and 4th quarter sales of ₱4.9 billion. Luxury and bridge, casual, home and food brands performed best during the 4th quarter of the year, with 4Q Luxury and bridge sales at 95% of sales during the same period last year and Casual sales at 71% of the same period last year. Sales performance in the 4th quarter highlights the resilience of the Group’s core customer base and

[9] Core Net Income is derived by excluding the effect of non-recurring write-offs due to store closures and write-offs of expiring net operating loss carry-overs (NOLCO) and other assets.
[10] Calculated as the sum of Short-term loans payable, Current portion of long-term debt and Long-term debt.
[11] Calculated as Total Debt minus Cash.

the continued demand for discretionary high end products, especially when COVID-19 cases are controlled.

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

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

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

The Group's brand portfolio as of the end of 2020 included 96 brands, as the Group added Balenciaga during the fourth quarter of 2020.

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

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

Rental income

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

Gross Profit

Gross profit for the year ended December 31, 2020 amounted to ₱5.0 billion, a decrease of 50.5% over the same period last year. The decrease is mainly due to lower sales level as a result of the temporary store closures during the first half of the year and due to lower gross profit margins in the

2nd, 3rd and 4th quarters, as the Group focused on driving sales and cash generation within a low foot traffic environment.

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

Operating Expenses

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

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

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

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

Other Income (Charges)

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

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

Provision for (Benefit from) Income Tax

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

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

Net Income

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

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

FINANCIAL CONDITION

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

Current Assets

Cash

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

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

Trade and Other Receivables

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

Merchandise Inventory

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

Prepayments and other Current Assets

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

Non-Current Assets

Investment in an Associate

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

Property and Equipment

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

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

Deferred Tax Assets

As of December 31, 2020, deferred tax assets amounted to ₱627.8 million as compared to ₱334.3 million at the end of 2019. These pertain to tax assets recognized for the Group's deductible temporary differences, carryforward benefits of unused minimum corporate income tax (MCIT) and NOLCO, to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of unused MCIT and NOLCO can be utilized.t

Other Noncurrent Assets

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

Current Liabilities

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

Trade and Other Payables

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

Short-term Loans Payable

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

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

Non- Current Liabilities

Long-term Debt

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

Retirement Benefit Obligation

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

Lease Liabilities

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

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

Equity

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

CASH FLOWS

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

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

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

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

2019 vs. 2018

Revenues

Net sales

SSI Group, Inc. ("SSI", the "Company", or the "Group") generated net sales of ₱22.4 billion for the year ended December 31, 2019, an increase of 10.6% over the same period last year. For the fourth quarter alone, sales increased by 16.2% to ₱7.6 billion driven by the strong performances of its luxury, bridge, casual, fast fashion, home and food brands. The Group also posted strong same-store sales growth (SSSG) during the fourth quarter at 8.1% with full year SSSG at 7.2%.

The Group's store network included 593 stores nationwide covering a total of approximately 118,922 square meters at the end of 2019. During the fourth quarter, the Group opened 15 stores covering 1,381 square meters, which include the opening of the second Shake Shack restaurant at SM Megamall and the opening of a number of stores in Powerplant Mall, City of Dreams and Solaire. The Group closed four (4) stores covering 717 square meters during the same period.

As of December 31, 2019, the Group's brand portfolio included 95 brands as the Group added Hogan, Pazzion and Laura Mercier during the fourth quarter of 2019.

The following table sets out the Group's number of stores and gross selling space for the years ended December 31, 2019, 2018, and 2017.

Store Network	**For the years ended December 31**		
	2019	**2018**	**2017**
Number of Stores	593	596	638
Luxury & Bridge	147	134	140
Casual	76	74	86
Fast Fashion	58	69	72
Footwear, Accessories & Luggage	158	168	189
Others	154	151	151
Gross Selling Space (sq.m.)	118,922	120,305	129,486
Luxury & Bridge	13,705	13,076	14,203
Casual	12,721	12,954	15,012
Fast Fashion	50,862	51,756	55,655
Footwear, Accessories & Luggage	21,529	22,319	24,236
Others	20,107	20,201	20,381

*Number of Stores for the period excludes stores located in Guam.
As of December 31, 2019, the Group operated 1 store in Guam which contributed de minimis sales to the Group's net sales for the period.

Rental income

The Group booked rental income of ₱76.1 million during the year. Rental income relates to the leasing out of certain store spaces at Central Square, the sub-lease of store spaces at NAIA Terminal 3 as well as income derived from parking spaces at Central Square.

Gross Profit

Total gross profit for the year ended December 31, 2019 amounted to ₱10.1 billion, an increase of 8.1% over the same period last year. Gross profit margin for merchandise sold in 2019 was 45.1% as compared to 46.0% over the same period last year.

Operating Expenses

For the year ended December 31, 2019, the Group incurred total operating expenses of ₱8.4 billion, an increase over ₱8.1 billion over the same period last year. As a percentage of sales, total operating expenses decreased by 230 basis points to 37.4% for year ended December 31, 2019. The Group continued to control the increases in total operating expenses reflecting the strategies implemented by the Group to rationalize costs and the Group's efforts to improve its day-to-day operating efficiencies.

Selling and distribution expenses amounted to ₱7.1 billion, a 4.0% increase over the same period last year. The increase was primarily due to increases in credit card charges, supplies and maintenance, taxes and licenses, and the impact of PFRS 16 adoption in rent and depreciation expense, which totaled ₱3.8 billion for the year. As a percentage of net sales, selling and distribution expenses improved to 31.6% in 2019 as compared to 33.6% in 2018.

General and administrative expenses were at ₱1.3 billion. This is a 4.1% increase as compared to 2018 which reflects increases in personnel costs, advertising, and the impact of PFRS 16 adoption in rent and depreciation amounting to a total net increase of ₱48.9 million. General and administrative expenses were stable at 5.8% of net sales in 2019.

As a result of the Group's adoption of PFRS 16, the Group recognized total depreciation and amortization expense related to its right-of-use assets under operating expenses of ₱1.2 billion.

As a result of the foregoing, operating income increased by 33.9% to ₱1.7 billion in 2019 as compared to ₱1.3 billion in 2018.

Other Income (Charges)

Other charges for the year 2019 totaled ₱469.2 million, an increase of 30.3% over the same period last year. The increase was significantly due to the interest expense on lease liability amounting to ₱222.5 million which the Group recognized as a result of the adoption of PFRS 16.

The Group's interest expense related to its loans increased by 4.5% to ₱327.3 million in 2019. The Group also recognized its share in the net earnings of Samsonite Philippines, Inc. (SPI) and of its joint ventures with MUJI Philippines Corp. (MPC) and LMS which totaled ₱106.3 million during the year.

Provision for Income Tax

Provision for income tax in 2019 amounted to ₱416.0 million. This translates to an effective tax rate of 33.8% which reflects the impact of the Group's nontaxable income (for tax purposes) such as its share in the net earnings of its joint ventures and associate as well as nondeductible expenses related to the Group's leases and retirement benefit obligation.

The Group wrote off expiring net loss carry-overs ("NOLCO") amounting to ₱62.1 million during the year.

Net Income

As a result of the foregoing, net income for the year ended December 31, 2019 amounted to ₱815.5 million, an increase of 34.0% as compared to the same period last year. Net income for the fourth quarter of 2019 amounted to ₱294.1 million, an increase of 22.4% over the same period last year.

Recurring net income, or net income excluding write-offs related to store closures and write-offs of expiring NOLCO, amounted to ₱919.9 million in 2019, a 26.5% increase as compared to the same period last year. Recurring net income for the fourth quarter of 2019 was ₱353.8 million, a 21.0% increase over the same period last year.

FINANCIAL CONDITION

As of December 31, 2019, the Group had consolidated assets of ₱22.1 billion, an increase of 20.9% as compared to December 31, 2018. The increase is mainly due to the Company's adoption of PFRS 16, *Leases*, which was reflected in Property and Equipment in 2019.

Current Assets

Cash

As of December 31, 2019, cash was at ₱2.5 billion, a 5.6% increase as compared to end 2018. The increase in cash was mainly due to an increase in the operating cash flows of the Group (excluding PFRS 16 impact) by 23.4% to ₱2.6 billion. The Group also made payments of its loans and the related interest expense, net of loan availments, capital expenditures, and dividends amounting to ₱1.3 billion, ₱961. million and ₱50.0 million, respectively.

Trade and Other Receivables

Trade and other receivables amounted to ₱785.7 million at the end of 2019 as compared to ₱678.0 million at end 2018. The increase is primarily attributable to an increase in trade receivables to ₱366.4 million, which consists of receivables from credit card companies. The Group also recognized a dividend receivable of ₱25.2 million from SPI.

Merchandise Inventory

Merchandise inventory as of December 31, 2019 amounted to ₱9.8 billion. This is an increase from ₱9.2 billion in 2018 as a result of higher sales levels during the year as compared to 2018.

Prepayments and other Current Assets

At the end of 2019, prepayments and other current assets were at ₱1.2 billion as compared to ₱1.1 billion in 2018. The increase is due to the increase in advances to suppliers to ₱383.8 million and supplies inventory to ₱476.2 million.

Non-Current Assets

Investment in an Associate

As of December 31, 2019, investment in an associate was at ₱86.8 million as compared ₱54.6 million at the end of 2018. The Group recognized its share in the net income of SPI amounting to ₱57.4 million and received dividends of ₱25.2 million during the year.

Interests in Joint Ventures

Interests in joint ventures amounted to ₱568.9 million, an increase of 9.4% as compared 2018. The increase was due to the Group's share in the net earnings of MPC and LMS during the year totaling ₱49.0 million.

Property and Equipment

As of December 31, 2019, property and equipment were at ₱5.6 billion as compared to ₱2.8 billion at end 2018. The increase was significantly due to the Group's adoption of the new accounting standard

for leases which requires the recognition of right-of-use (ROU) assets for finance leases. ROU assets, less the related accumulated depreciation, amounted to ₱2.8 billion at the end of 2019.
During the year, the Group made capital expenditures of ₱961.0 million for new store openings and renovations of existing store, and recognized additional depreciation expense (excluding PFRS 16 impact) of ₱867.5 million.

Deferred Tax Assets

Deferred tax assets as of December 31, 2019 amounted to ₱334.3 million as compared to ₱318.7 million at the end of 2018. These pertain to tax assets recognized for the Group's deductible temporary differences, carryforward benefits of unused minimum corporate income tax (MCIT) and NOLCO, to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of unused MCIT and NOLCO can be utilized.

Other Noncurrent Assets

As of December 31, 2019, other noncurrent assets amounted to ₱182.4 million as compared to ₱203.1 million. The decline was due to a decrease in miscellaneous deposits to ₱69.3 million, which include advance payments to contractors for the construction and renovation of stores, and a decrease in prepaid rent to nil.

Current Liabilities

As of December 31, 2019, the Group had consolidated current liabilities of ₱8.0 billion, as compared to ₱6.7 billion at the end of 2018. The increase is mainly due to the Company's adoption of PFRS 16, *Leases*, which was reflected in Lease Liabilities in 2019.

Trade and Other Payables

Trade and other payables at the end of 2019 were at ₱2.5 billion as compared to ₱1.5 billion at the end of 2018. The increase was due to increases in trade payables to ₱1.3 billion, reflecting the terms of merchandise deliveries during the year, and nontrade payables to ₱713.8 million, which includes payables to contractors and suppliers of services.

Short-term Loans Payable

Short-term loans payable as of December 31, 2019 amounted to ₱4.1 billion as compared to ₱4.6 billion as the Group reduced its debt levels during the year.

Non- Current Liabilities

Long-term Debt

As of December 31, 2019, the Group's total long-term debt amounted to ₱401.5 million as compared to ₱851.3 million as of end 2018. The decrease reflects the periodic repayments made by the Group on the ₱2.0 billion and ₱500.0 million term loan facilities.

Principal repayments due within the next 12 months are classified as current while those due beyond 12 months are classified as noncurrent. As of December 31, 2019, the current portion amounted to ₱284.0 million while noncurrent was at ₱117.6 million.

Retirement Benefit Obligation

Retirement benefit obligation amounted to ₱600.7 million from ₱335.5 million at the end of 2018. This represents the difference between the present value of the Group's retirement plan obligations and the fair value of the Group's plan assets. The increase in 2019 was significantly due to an increase in the discount rate used in calculating the actuarial valuations. A total of ₱13.2 million in retirement benefits were paid out during the year.

Lease Liabilities

As of December 31, 2019, total lease liabilities amounted to ₱2.8 billion as a result of the Groups adoption of PFRS 16, *Leases*, effective January 1, 2019. Under the new accounting standard, a lease liability is recognized at the commencement of lease measured at the present value of lease payments to be made over the lease term, discounted using the Company's incremental borrowing rate at the date of initial application. The lease liability is amortized over the life of the lease and is remeasured if there is any modification to the lease terms (e.g. change in lease period, rental rate, etc.)

Lease payments to be made over the next 12 months, less the related interest expense, are classified as current while those to be paid beyond the next 12 months are classified as noncurrent. As of December 31, 2019, the current portion of the Group's lease liabilities amounted to ₱980.1 million while noncurrent portion was at ₱1.9 billion.

Equity

Total equity amounted to ₱11.4 billion, an increase from ₱10.8 billion at the end of 2018. The increase was mainly due to the Group's consolidated net income recognized during the period amounting to ₱815.5 million. In addition, SSI paid dividends in 2019 amounting to ₱50.0 million and recognized other comprehensive losses of ₱148.6 million due to the remeasurement of the Group's retirement benefit obligation.

CASH FLOWS

In 2019, SSI generated operating cash flows of ₱3.8 billion, an increase of 79.0% from the previous year. The ₱3.8 billion of operating cash flows includes the impact of the Group's adoption of PFRS 16. Excluding the impact of the new lease standard, operating cash flows grew by 12.9% to ₱2.4 billion.

Cash flows used in investing activities during the year totaled ₱1.0 billion. This reflects capital expenditures in 2019 for new stores and renovations of existing stores totaling ₱961.0 million. Free cash flows for the year (calculated as operating cash flow, excluding PFRS 16 impact, less capital expenditures) was at ₱1.6 billion.

Net financing cash used in 2019 were at ₱2.6 billion as compared to ₱1.2 billion in 2018. This reflects payments of loans, including related interest, totaling ₱1.3 billion as well as the impact of PFRS 16 amounting to ₱1.3 billion.

RESULTS OF OPERATIONS

For the three months ended March 31, 2021 and 2020

Key Performance Indicators	**For the three months ended March 31**	
PhP MM except where indicated	**2021**	**2020**
Net Sales	3,517	4,283
Gross Profit – merchandise	1,332	1,975
Operating Income	18	155
Net Income (Loss)	(99)	110
Gross Selling Space (sq.m.)	113,234	118,447
Decrease in Gross Selling Space (%)	4.4%	1.1%

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

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

Key Financial and Operating Data	**For the three months ended March 31**	
PhP MM except where indicated	**2021**	**2020**
Key Financial Data		
Net Sales	3,517	4,283
Luxury & Bridge	1,494	1,282
Casual	525	570
Fast Fashion	816	1,439
Footwear, Accessories & Luggage	230	378
Others	451	614
Gross Profit*	1,332	1,975
Gross Profit Margin (%)*	37.9%	46.1%
Operating Income	18	155
Operating Income Margin (%)	0.5%	3.6%
Other Income (Charges)	(104)	(16)
Net Income (Loss)	(99)	110
Net Income Margin (%)	(2.8%)	2.6%
Recurring Net Income (Loss)[12]	(95)	120
Recurring Income Margin (%)	(2.7%)	2.8%
Total Debt[13]	7,028	4,489
Net Debt[14]	2,435	2,917
Key Operating Data		
Number of Stores	96	593
Gross Selling Space (sq.m.)	555	118,922
Decrease in Gross Selling Space (%)	113,234	1.1%

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

Revenues

Net sales

SSI Group, Inc. (the "Company" or the "Group") generated sales of ₱3.5 billion during the first quarter of 2021, or 82.1% of sales during the same period in 2020. This sales level was achieved despite continuing community quarantines and reduced foot traffic in malls.

Despite the decrease in the Group's total sales during the first quarter of 2021, luxury and bridge sales grew by 16.6% versus 1Q 2020. Casual, home and food brands also performed better than other categories with 1Q 2021 Casual sales at average of 92% of sales during the same period last year, and the Others category at 74% of sales during the same period last year. On average, the Group's total net sales are at 82% of 1Q 2020 sales and 71% of 1Q 2019 sales.

The Group believes that sales performance during the 1st quarter of the year is indicative of resilient demand from the Group's core customer base.

As of March 31, 2021, the Group's store network included 555 stores nationwide covering approximately 113,234 square meters. During the first quarter, the Group opened 4 stores covering 408 square meters and closed 19 stores covering 2,797 square meters.

---

[12] Recurring Net Income is derived by excluding the effect of non-recurring write-offs related to store closures and write-offs of expiring NOLCO from the Group's net income

[13] Calculated as the sum of Short-term loans payable, Current portion of long-term debt and Long-term debt

[14] Calculated as Total Debt minus Cash

The Group had 96 brands in its portfolio as of the period ended March 31, 2021 with no brands added or discontinued during the first quarter of 2021.

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

Store Network	March 31		December 31
	2021	2020	2020
Number of Stores*	555	593	570
Luxury & Bridge	141	148	147
Casual	79	76	75
Fast Fashion	55	58	57
Footwear, Accessories & Luggage	133	158	142
Others	147	153	149
Gross Selling Space (sq.m.)	113,234	118.447	115,622
Luxury & Bridge	13,114	13,852	13,592
Casual	12,264	12,721	11,856
Fast Fashion	48,821	50,862	50,545
Footwear, Accessories & Luggage	19,460	21,100	19,965
Others	19,574	19,913	19,664

Rental income

Rental income for the first quarter of 2021 amounted to ₱7.2 million, a 45.7% decrease as compared to the same period last year. Rental income relates to the leasing out of certain store spaces at Central Square as well as income derived from parking spaces at Central Square.

Gross Profit

Gross profit for the three months ended March 31, 2021 amounted to ₱1.3 billion, a 32.7% decrease as compared to the same period in 2020. Gross profit margin during the first quarter was at 37.9% as compared to 46.2% in 1Q 2020. The lower gross profit margin is in line with the Groups focus on driving sales within a low foot traffic environment.

Operating Expenses

Total operating expenses during the first quarter of 2021 amounted to ₱1.3 billion, a 27.9% decrease as compared to the same period last year. As a percentage of revenues, total operating expenses improved to 37.4% of revenues as compared to 42.6% during the same period last year. This reflects the Group's cost rationalization effects and focus on cost efficiencies given the current operating environment amidst the COVID-19 pandemic.

Selling and distribution expenses for the first three months of 2021 were at ₱980.4 million, a 35.4% decrease as compared to 1Q 2020. The decrease primarily reflects a decrease in rent and depreciation expenses which decreased to a total of ₱308.7 million, and decreases in personnel costs, credit card charges, security services, global marketing contribution, and travel and transportation which decreased by a total of ₱224.4 million. As a percentage of revenues, selling and distribution expenses were at 27.8% during the first quarter of 2021 as compared to 35.3% in 1Q 2020.

General and administrative expenses for the first three months of 2021 were at ₱338.1 million, an 8.7% increase over the same period last year. The increase pertains to an increase in rent and depreciation which increased to a total of ₱80.6 million, and increases in insurance and repairs and maintenance expenses to ₱15.5 million and ₱13.8 million, respectively. This increase was offset by a decrease in personnel costs to ₱156.9 million. As a percentage of revenues, general and administrative expenses were at 9.6% in 1Q 2021 versus 7.2% in 1Q 2020.

As a result of the foregoing, the Group generated an operating income of ₱17.5 million during the first quarter of 2021 as compared to ₱155.3 million during the same period last year. Excluding depreciation, operating income was at ₱241.3 million in 1Q 2021.

Other Income (Charges)

Other charges for the first three months of 2021 totaled ₱104.5 million, an increase over ₱16.0 million during the same period last year. The increase is primarily attributable to an increase in interest expense to ₱108.0 million during the period. The Group also recognized its share in the net losses of its associate and joint ventures totaling ₱7.1 million during the first quarter of 2021 as compared to ₱23.4 million income in 1Q 2020.

Provision for Income Tax

Provision for income tax for the first three months of 2021 amounted to ₱12.5 million as compared to ₱29.4 million during the same period last year. This reflects the new regular and minimum corporate income tax rates under the CREATE law.

Net Income (Loss)

As a result of the foregoing, the Group generated a net loss of ₱99.4 million during the first quarter of 2021.

FINANCIAL CONDITION

As of March 31, 2021, the Group had consolidated assets of ₱21.8 billion as compared to ₱22.7 billion as of December 31, 2020.

Current Assets

As of March 31, 2021, the Group had consolidated current assets of ₱15.1 billion as compared to ₱15.8 billion as of December 31, 2020.

Cash

As of March 31, 2021, cash was at ₱4.6 billion as compared to ₱5.3 billion at the end of 2020. The decrease primarily reflects the Group's cash flows used in its operating activities of ₱376.6 million, capital expenditures of ₱63.9 million, and payment of its loan and lease liabilities, including interest of ₱289.8 million.

Trade and other receivables

As of March 31, 2021, trade and other receivables were at ₱1.2 billion as compared to ₱713.3 million at the end of 2020. The increase pertains to an increase in trade receivables to ₱552.6 million, as a result of an increase in sales of third party marketplaces, and an increase in nontrade receivables to ₱430.2 million.

Merchandise Inventories

As of March 31, 2021, merchandise inventories were at ₱8.7 billion as compared to ₱9.2 billion at the end of 2020. The decrease is in line with the Group's strategy to optimize working capital given the continuing community quarantines during the COVID-19 pandemic.

Non-Current Assets

Investment in an Associate

As of March 31, 2021, investment in an associate was at ₱74.5 million as compared to ₱78.3 million at the end of 2020. The Group's recognized its share in the net loss of SPI amounting to ₱3.8 million during the quarter.

Deferred Tax Assets

As of March 31, 2021, deferred tax assets were at ₱627.8 million as compared to ₱591.2 million at the end of 2020. These pertain to tax assets recognized for the Group's deductible temporary differences, carryforward benefits of unused minimum corporate income tax (MCIT) and NOLCO, to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of unused MCIT and NOLCO can be utilized.

Current Liabilities

As of March 31, 2021, the Group's total consolidated current liabilities amounted to ₱9.4 billion as compared to ₱10.1 billion at the end of 2020.

Trade and Other Payables

As of March 31, 2021, trade and other payables were at ₱1.5 billion as compared to ₱2.1 billion at the end of 2020. The decrease is primarily attributable to a decrease in trade payables to ₱873.1 million, in line with payments terms agreed with brand principals, decreases in nontrade payables and accrued expenses to a total of ₱544.7 million as a result of lower expenses (e.g. rent, utilities) incurred during the first quarter of the year, and a decrease in output VAT to ₱27.7 million.

Non- Current Liabilities

Long-term Debt

As of March 31, 2021, long-term debt was at ₱88.2 million as compared to ₱117.6 million at the end of 2020. The decrease is due to the Group's quarterly repayment on its ₱500.0 million long-term loan. Total long-term debt at the end of March 2021 is classified as current as the amount will be paid within the next 12 months.

Retirement Benefit Obligation

As of March 31, 2021, retirement benefit obligation was at ₱793.4 million as compared to ₱748.8 million at the end of 2020. This represents the difference between the present value of the Group's retirement plan obligations and the fair value of the Group's plan assets at the end of the period.

Equity

As of March 31, 2021, total equity was at ₱10.3 billion as compared to ₱10.4 billion at the end of 2020. The decrease reflects the net loss incurred by the Group during the first quarter of the year amounting to ₱99.5 million.

CASH FLOWS

For the quarter ended March 31, 2021, the Group's cash flows from operating activities amounted to negative ₱376.6 million, a 40.9% decrease as compared to negative ₱637.0 million in 1Q 2020. This reflects cash flows from operations before working capital changes of ₱289.1 million, an increase in trade and other receivables of ₱451.3 million, and decreases in merchandise inventories and trade and other payables of ₱462.8 million and ₱647.7 million, respectively. Given strong operating cash flow generation during the 4th quarter of 2020, total cash balance at the end of the period was ₱4.6 billion, as compared to ₱1.6 billion on March 31, 2020.

Cash flows used in investing activities during the first quarter of 2021 totaled ₱44.1 million. This reflects capital expenditures of ₱63.9 million which was offset by a decrease in other noncurrent assets of ₱30.9 million.

The Group's cash flows used in financing activities during the quarter ended March 31, 2021 amounted to ₱289.8 million as compared to ₱124.0 million during the same period last year. This pertains primarily to the Group's repayments of its loans, including the related interest, of ₱192.1 million and the payment of lease liabilities, including interest booked under PFRS 16, of ₱97.7 million.

Other Disclosures

(i) There are no known trends, events or uncertainties that will result in the Company's liquidity increasing or decreasing in a material way.

(ii) There were no events that will trigger direct or contingent financial obligations that are material to the Company, including and default or acceleration of an obligation.

(iii) Likewise, there were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

(iv) There are no material commitments for capital expenditures aside from those performed in the ordinary course of business.

(v) The continuing community quarantines imposed by the government in the country may continue to have a material impact on the Group's revenues in 2021.

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

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

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, 2020, SSI’s retail network consists of 570 stores located within approximately 83 major malls across the Philippines, including Metro Manila, Luzon, Visayas and Mindanao, with a total gross selling space of approximately 115,622 square meters.

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, Cartier and Salvatore Ferragamo for premium luxury apparel and accessories, Zara, Bershka, Stradivarius, Pull&Bear, and Old Navy for popular fast fashion, Lacoste and Gap for casual wear, TWG Tea, SaladStop!, and Shake Shack for high-quality food and beverage selections, Samsonite for stylish travel and luggage offerings, Payless ShoeSource for value-priced trendy footwear, and MUJI, Pottery Barn and West Elm for modern home furnishings and accessories. 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 first quarter of 2021 and for the years 2020 and 2019:

	High	Low
2021		
1st Quarter	1.57	1.19
2020		
1st Quarter	2.82	0.93
2nd Quarter	1.27	1.01
3rd Quarter	1.39	1.06
4th Quarter	1.82	1.08
2019		
1st Quarter	2.38	2.36
2nd Quarter	3.55	3.45
3rd Quarter	2.85	2.69
4th Quarter	2.78	2.71

The market capitalization of SSI Group, Inc's common shares as of December 31, 2020, based on the closing price of ₱1.49 per share, was approximately ₱4.9 billion.

The stock price of SSI Group, Inc.'s common shares as of May 17, 2021 is ₱1.16 per share translating to a market capitalization of approximately ₱3.8 billion.

HOLDERS

The number of registered shareholders as of April 30, 2021 was 48. Outstanding common shares as of April 30, 2021 were 3,298,408,430.

The following are the top 20 registered holders of SSI Group, Inc.'s common shares as of April 30, 2021:

No.	Name of Shareholder	Number of Common Shares Held	Percent to Total Outstanding Common Shares
1	PCD Nominee Corporation (Filipino)	701,551,884	21.2694%
2	Wellborn Holdings, Inc.	467,043,679	14.1597%
3	Marjorisca Incorporated	434,440,400	13.1712%
4	Birdseyeview, Inc.	434,412,500	13.1704%
5	PCD Nominee Corporation (Non-Filipino)	432,410,234	13.1097%
6	Educar Holdings Corporation	415,753,800	12.6047%
7	Bordeaux Holdings, Inc.	414,967,821	12.5809%
8	Valbuena, Maria Elena T.	31,603,479	0.9581%
9	Tantoco, Maria Teresa Rustia	31,601,431	0.9581%
10	Lopez, Maria Carmencita T.	30,244,090	0.9169%
11	Edgardo M. Pineda	600,000	0.0182%

No.	Name of Shareholder	Number of Common Shares Held	Percent to Total Outstanding Common Shares
12	Iyo, Sarah Bismark	265,000	0.0080%
13	Goldclass Inc.	75,000	0.0023%
14	Natalya Ann I. Lagdameo	66,000	0.0020%
15	Salvador E. Lagdameo	34,000	0.0010%
16	Go, Giselle Karen Y.	10,000	0.0003%
17	Tacub, Pacifico B.	7,000	0.0002%
18	Joselito C. Herrera	7,000	0.0002%
19	Stephen T. Teo &/Or Teresita R. Teo	6,000	0.0002%
20	Wee, Joseph	5,000	0.0002%

DIVIDENDS

In 2019, the Board of Directors of the Company approved the declaration of a cash dividend in the amount of ₱0.0151 per share from the unrestricted retained earnings of SSI as of December 31, 2018 to all stockholders of record as of July 10, 2019. These cash dividends were paid to the stockholders on August 5, 2019.

No dividends were declared by the Group in 2020.

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 Revised 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 Revised Manual on Corporate Governance (the "Manual") in compliance with Philippine SEC Memorandum Circular No. 19, series of 2016. 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. 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.

SSI Group, Inc. and Subsidiaries

Consolidated Financial Statements
As of December 31, 2020 and 2019
and for the Years Ended December 31, 2020,
2019 and 2018

and

Independent Auditor's Report

SGV
Building a better
working world

A member firm of Ernst & Young Global Limited

SSIGROUP, Inc

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **SSI Group, Inc. and its Subsidiaries** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has not realistic alternative but to do so.

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

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

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

Signature ______________________
ZENAIDA R. TANTOCO – Chairman of the Board

Signature ______________________
ZENAIDA R. TANTOCO – Chief Executive Officer

Signature ______________________
ANTHONY T. HUANG - President

Signature ______________________
MA. TERESA R. TANTOCO - Treasurer

6/F Midland Buendia Bldg., 403 Sen. Gil Puyat Ave., Makati City 1200 Philippines
INFO@SSIGROUP.COM.PH. TEL: +632.890.9402 FAX: +632.890.4441

SUBSCRIBED AND SWORN to before me this MAY 17 2021 at Makati City, affiants exhibiting to me their respective Passports, as follows:

Name	Passport No.	Date and Place of Issue
Zenaida R. Tantoco	P1938015A	15 Feb 2017 | DFA Manila
Anthony T. Huang	P3061336A	16 May 2017 | DFA Manila
Ma. Teresa R. Tantoco	EC8123289	24 Jun 2016 | DFA Manila

Doc. No.: 377
Page No.: 76
Book No.: 108
Series of 2021.

ATTY. GEORGE DAVID D. SITON
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-382- UNTIL DEC. 31, 2021
ROLL NO. 63402/ MCLE COMPLIANCE NO. VI-0021936/3-29-2019
IBP O.R No. 275859-LIFETIME MEMBER MAY. 8, 2017
PTR NO. 8533058- JAN 04, 2021- MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER ST, MAKATI CITY

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
SSI Group, Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of SSI Group, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Existence and Completeness of Merchandise Inventories

The Group's merchandise inventories amounted to ₱9.21 billion or 41% of its consolidated assets as of December 31, 2020. The Group operates 572 stores and has 14 warehouses as of December 31, 2020. We focused on the existence and completeness of merchandise inventories since these are material to the consolidated financial statements and are located in various sites across the country.

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

Audit Response

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

Valuation of Merchandise Inventories

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

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

Audit Response

We obtained an understanding of the Group's process in identifying out-of-season, damaged and soiled inventories as well as tested the relevant controls. We physically inspected sample inventories during the inventory count to check the out-of-season, damaged or soiled inventories are properly tagged as such. We obtained and reviewed management's calculation of the inventories' net realizable values including the revised selling price considering the reduced demand for the Group's inventories. We reviewed the list of damaged and soiled inventories as of December 31, 2020 and inquired from management about its sales plan specially for perishable inventories considering the reduced demand brought about by the coronavirus pandemic. We also reviewed through vouching the revised selling price of such inventories, including out-of-season inventories, subsequent to year-end and the cost to sell and compared this against the cost of inventories.

Recoverability of Deferred Taxes

The Group recognized deferred tax assets amounting to ₱1,219.52 million as of December 31, 2020, including deferred tax assets on net operating loss carry over of subsidiaries that are in a tax loss position in the current year amounting to ₱251.35 million. Management's assessment of the recoverability of such deferred tax assets involves significant judgment and estimation of future taxable income of the affected subsidiaries. Management uses judgment in assessing the future market conditions and performance of the affected subsidiaries. The related estimation uncertainty has increased as a result of the effect of coronavirus pandemic on the macroeconomic factors used in developing the assumptions. The details of deferred income tax assets are disclosed in Note 22 to the consolidated financial statements.

Audit Response

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

Impairment Testing of Long-lived Nonfinancial assets

The Group's operations are affected by the coronavirus pandemic and as a result, the Group incurred net loss in the current year. The Group has closed some of its stores during the year and has plans of reducing leased spaces for certain stores in 2021. Accordingly, management identified that 'property and equipment', 'franchise fees' and 'right-of-use assets' have indicators of impairment and henceforth performed impairment test to determine their recoverable amounts. The assessment of recoverable amount requires significant judgment and involves estimation and assumptions about future sales and costs, as well as external inputs such as discount rate and growth rate. In addition, because of the coronavirus pandemic, there is heightened level of uncertainty on the future economic outlook and market forecast. Hence, such assessment is a key audit matter in our audit.

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

Audit Response

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

SGV

Building a better working world

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is John T. Villa.

SYCIP GORRES VELAYO & CO.

John T. Villa
Partner
CPA Certificate No. 94065
SEC Accreditation No. 1729-A (Group A),
December 18, 2018, valid until December 17, 2021
Tax Identification No. 901-617-005
BIR Accreditation No. 08-001998-076-2020,
December 3, 2020, valid until December 2, 2023
PTR No. 8534381, January 4, 2021, Makati City

May 7, 2021

SSI GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash (Note 4)	**₱5,303,876,139**	₱2,492,459,933
Trade and other receivables (Note 5)	**713,281,488**	785,743,181
Merchandise inventories (Note 6)	**9,209,038,936**	9,818,880,088
Prepayments and other current assets (Note 7)	**557,392,818**	1,167,736,212
Total Current Assets	**15,783,589,381**	14,264,819,414
Noncurrent Assets		
Investment in an associate (Note 8)	**78,251,625**	86,776,792
Interests in joint ventures (Note 9)	**543,663,728**	568,859,842
Property and equipment (Note 10)	**4,537,710,085**	5,592,880,009
Deferred tax assets - net (Note 22)	**591,167,488**	334,276,084
Security deposits and construction bonds (Note 26)	**963,591,768**	1,035,414,362
Other noncurrent assets (Note 11)	**198,475,979**	182,435,276
Total Noncurrent Assets	**6,912,860,673**	7,800,642,365
TOTAL ASSETS	**₱22,696,450,054**	₱22,065,461,779
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	**₱2,148,691,455**	₱2,531,640,071
Short-term loans payable (Note 13)	**7,010,000,000**	4,075,000,000
Current portion of long-term debt (Note 13)	**117,593,738**	283,986,981
Current portion of lease liabilities (Note 26)	**738,752,642**	980,470,908
Deferred revenue	**30,928,791**	20,991,291
Income tax payable	**30,383,591**	162,001,413
Total Current Liabilities	**10,076,350,217**	8,054,090,664
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 13)	–	117,554,404
Retirement benefit obligation (Note 21)	**748,787,027**	600,692,107
Lease liabilities - net of current portion (Note 26)	**1,408,703,347**	1,851,991,876
Tenant deposits (Note 26)	**20,279,738**	19,864,451
Total Noncurrent Liabilities	**2,177,770,112**	2,590,102,838
Total Liabilities	**12,254,120,329**	10,644,193,502
Equity (Note 28)		
Capital stock	**3,312,864,430**	3,312,864,430
Additional paid-in capital	**2,519,309,713**	2,519,309,713
Treasury shares	**(30,893,010)**	(18,103,900)
Retained earnings		
Appropriated	–	1,100,000,000
Unappropriated	**4,860,701,097**	4,664,505,311
Cumulative translation adjustment	**(2,080,603)**	(2,169,584)
Other comprehensive loss	**(217,571,902)**	(155,137,693)
Total Equity	**10,442,329,725**	11,421,268,277
TOTAL LIABILITIES AND EQUITY	**₱22,696,450,054**	₱22,065,461,779

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2020	2019	2018
REVENUES			
Revenue from contracts with customers - net sales (Note 14)	**₱12,222,341,393**	₱22,365,831,939	₱20,230,229,985
Rental income (Note 26)	**61,993,815**	76,070,748	92,646,476
	12,284,335,208	22,441,902,687	20,322,876,461
COSTS OF GOODS SOLD AND SERVICES (Note 15)	**(7,287,406,758)**	(12,346,225,569)	(10,980,770,953)
GROSS PROFIT	**4,996,928,450**	10,095,677,118	9,342,105,508
OPERATING EXPENSES			
Selling and distribution (Note 16)	**4,184,957,968**	7,095,912,730	6,823,505,764
General and administrative (Note 17)	**1,115,966,288**	1,299,092,427	1,248,201,475
	5,300,924,256	8,395,005,157	8,071,707,239
OTHER INCOME (CHARGES)			
Interest income (Notes 4, 5 and 26)	**26,157,099**	20,469,580	13,169,002
Share in net earnings (losses) of an associate and joint venture (Notes 8 and 9)	**(13,148,422)**	106,392,946	77,767,801
Gain on remeasurement of right-of-use assets and lease liabilities (Notes 10 and 26)	**7,307,158**	–	–
Gain on sale of interest in joint venture (Note 9)	**3,730,966**	–	–
Foreign exchange losses - net	**(16,058,981)**	(16,786,745)	(23,523,139)
Loss on stores closures and disposals of property and equipment and other assets (Notes 7 and 10)	**(219,832,803)**	(60,403,364)	(116,801,723)
Interest expense (Notes 13 and 26)	**(535,902,141)**	(549,866,677)	(313,179,531)
Others - net	**38,330,308**	31,025,242	2,386,197
	(709,416,816)	(469,169,018)	(360,181,393)
INCOME (LOSS) BEFORE INCOME TAX	**(1,013,412,622)**	1,231,502,943	910,216,876
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 22)			
Current	**126,074,876**	392,469,642	327,502,013
Deferred	**(235,683,284)**	23,542,684	(25,719,597)
	(109,608,408)	416,012,326	301,782,416
NET INCOME (LOSS)	**(903,804,214)**	815,490,617	608,434,460
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment on foreign operations	**88,981**	(46,312)	580,368
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gain (loss) on retirement benefit, net of deferred tax (Note 21)	**(62,434,209)**	(148,583,252)	63,378,575
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(62,345,228)**	(148,629,564)	63,958,943
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱966,149,442)**	₱666,861,053	₱672,393,403
BASIC/DILUTED EARNINGS (LOSS) PER SHARE (Note 23)	**(₱0.27)**	₱0.25	₱0.18

See accompanying Notes to Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	Capital Stock (Note 28)	Additional Paid-in Capital (APIC)	Stock Grants (Note 28)	Treasury Shares (Note 28)	Retained Earnings (Note 28)		Cumulative Translation Adjustment	Other Comprehensive Income (Loss)	Total
					Appropriated	Unappropriated			
Balances at January 1, 2018	₱3,312,864,430	₱2,519,309,713	₱33,640,983	(₱457,280)	₱1,402,500,000	₱3,029,436,224	(₱2,703,640)	(₱69,933,016)	₱10,224,657,414
Net income	–	–	–	–	–	608,434,460	–	–	608,434,460
Other comprehensive income	–	–	–	–	–	–	–	63,378,575	63,378,575
Exchange differences on translation	–	–	–	–	–	–	580,368	–	580,368
Total comprehensive income for the year	–	–	–	–	–	608,434,460	580,368	63,378,575	672,393,403
Additional appropriation of retained earnings (Note 28)	–	–	–	–	1,100,000,000	(1,100,000,000)	–	–	–
Reversal of appropriation of retained earnings (Note 28)	–	–	–		(1,402,500,000)	1,402,500,000	–	–	–
Dividend payment	–	–	–	–	–	(43,045,424)	–	–	(43,045,424)
Treasury shares (Note 28)	–	–	–	(7,101,160)	–	–	–	–	(7,101,160)
Stock grants settlement (Note 28)	–	–	(33,640,983)	–	–	4,472,503	–	–	(29,168,480)
Balances at December 31, 2018	₱3,312,864,430	₱2,519,309,713	₱–	(₱7,558,440)	₱1,100,000,000	₱3,901,797,763	(₱2,123,272)	(₱6,554,441)	₱10,817,735,753

(Forward)

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

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

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

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱1,013,412,622)**	₱1,231,502,943	₱910,216,876
Adjustments to reconcile income before income tax to net cash flows:			
Depreciation and amortization (Notes 10, 11 and 19)	**1,128,196,981**	2,051,127,090	870,440,240
Interest expense (Notes 13 and 26)	**535,902,141**	549,866,677	313,179,531
Retirement expense (Notes 18 and 21)	**83,881,848**	65,911,077	61,119,902
Loss on stores closures and disposals of property and equipment and other assets (Notes 7 and 10)	**219,832,803**	60,403,364	116,801,723
Share in net loss (earnings) of an associate and joint venture (Notes 8 and 9)	**13,148,422**	(106,392,946)	(77,767,801)
Provision for inventory obsolescence (Note 6)	**19,694,157**	–	–
Provision (reversal) for ECL (Notes 5 and 20)	**44,607,228**	(9,402,379)	–
Unrealized foreign exchange losses – net	**4,249,976**	3,759,307	9,962,116
Loss on derecognition of franchise cost (Note 11)	**392,940**	7,056,917	–
Gain on sale on interest in joint venture (Note 9)	**(3,730,966)**	–	–
Gain on remeasurement of right-of-use assets and lease liabilities (Notes 10 and 26)	**(7,307,158)**	–	–
Interest income (Notes 4, 5 and 26)	**(26,157,099)**	(20,469,580)	(13,169,002)
Operating income before working capital changes	**999,298,651**	3,833,362,470	2,190,783,585
Decrease (increase) in:			
Trade and other receivables	**2,654,465**	(72,151,061)	112,339,661
Merchandise inventories	**590,146,995**	(573,690,134)	178,676,689
Prepayments and other current assets	**383,827,470**	(114,273,856)	283,214,524
Increase (decrease) in:			
Trade and other payables	**(379,736,705)**	1,054,946,814	(304,446,839)
Deferred revenue	**9,937,500**	(298,353)	(4,855,288)
Tenant deposits	**415,287**	(13,905,553)	(1,008,740)
Net cash generated from operations	**1,606,543,663**	4,113,990,327	2,454,703,592
Interest received	**11,568,066**	8,057,398	4,355,931
Contributions (Note 21)	**(6,334,414)**	(9,885,000)	(8,800,000)
Benefits paid (Note 21)	**(18,644,240)**	(3,124,640)	(5,279,466)
Income taxes paid, including creditable withholding tax	**(257,692,698)**	(333,127,845)	(335,917,519)
Net cash flows provided by operating activities	**1,335,440,377**	3,775,910,240	2,109,062,538
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property and equipment (Note 10)	**1,888,037**	–	–
Acquisitions of property and equipment (Notes 10 and 29)	**(436,726,993)**	(960,963,076)	(434,409,417)
Payment of franchise cost and software	**(3,243,725)**	(16,161,936)	–
Cash receipts from amounts owed by related parties	–	–	196,132,537
Cash receipts (payments) of:			
Security deposits and construction bonds	**86,411,627**	(4,723,481)	10,373,156
Other noncurrent assets	**(27,276,694)**	(19,422,410)	(114,409,690)
Dividends received from investment in an associate (Note 8)	**44,022,859**	–	76,000,000
Proceeds from sale of interests in joint ventures (Note 9)	**5,480,966**	–	–
Net cash flows used in investing activities	**(329,443,923)**	(1,001,270,903)	(266,313,414)

(Forward)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Short-term loans payable (Note 13)	**₱5,735,000,000**	₱5,162,500,000	₱7,975,000,000
Payments of:			
Short-term loans payable (Note 13)	**(2,800,000,000)**	(5,655,000,000)	(7,602,500,000)
Principal portion of lease liabilities (Note 26)	**(295,117,840)**	(1,088,308,169)	–
Long-term debt (Note 13)	**(284,306,666)**	(450,973,334)	(1,150,215,216)
Interest (Notes 26 and 29)	**(535,543,122)**	(548,618,081)	(310,837,042)
Dividends payment (Note 28)	–	(49,957,284)	(43,045,424)
Stock grant settlement	–	–	(29,168,480)
Purchase of treasury shares (Note 28)	**(12,789,110)**	(10,545,460)	(7,101,160)
Net cash flows provided by (used in) financing activities	**1,807,243,262**	(2,640,902,328)	(1,167,867,322)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(1,823,510)**	(1,738,000)	(3,902,582)
NET INCREASE IN CASH	**2,811,416,206**	131,999,009	670,979,220
CASH AT BEGINNING OF YEAR	**2,492,459,933**	2,360,460,924	1,689,481,704
CASH AT END OF YEAR (Note 4)	**₱5,303,876,139**	₱2,492,459,933	₱2,360,460,924

See accompanying Notes to Consolidated Financial Statements.

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

1. Corporate Information

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

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

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

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, 2019 and 2018 were reviewed and recommended for approval by the Audit Committee to the Board of Directors (BOD) on May 7, 2021. The same consolidated financial statements were approved and authorized for issuance by the BOD on May 7, 2021.

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

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 presentation and functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. All values are rounded to the nearest peso except when otherwise indicated.

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

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

	Percentage ownership					
	2020		2019		2018	
	Direct	**Indirect**	Direct	Indirect	Direct	Indirect
Stores Specialists, Inc. (SSI)	**100**	**–**	100	–	100	–
Rustan Marketing Specialists, Inc. (RMSI)	**–**	**100**	–	100	–	100
International Specialty Concepts, Inc. (ISCI)	**–**	**100**	–	100	–	100
Rustan Specialty Concepts, Inc. (RSCI)	**–**	**100**	–	100	–	100
Specialty Office Concepts, Inc. (SOCI)	**–**	**100**	–	100	–	100
Specialty Investments, Inc. (SII)	**–**	**100**	–	100	–	100

(Forward)

	Percentage ownership					
	2020		2019		2018	
	Direct	**Indirect**	Direct	Indirect	Direct	Indirect
Luxury Concepts, Inc. (LCI)[1]	**–**	**–**	–	100	–	100
International Specialty Fashions, Inc. (ISFI)	**–**	**100**	–	100	–	100
Footwear Specialty Retailers, Inc. (FSRI)	**–**	**100**	–	100	–	100
Global Specialty Retailers, Inc. (GSRI)	**–**	**100**	–	100	–	100
Specialty Food Retailers, Inc. (SFRI)	**–**	**100**	–	100	–	100
International Specialty Retailers, Inc. (ISRI)	**–**	**100**	–	100	–	100
International Specialty Wears, Inc. (ISWI)	**–**	**100**	–	100	–	100
Fastravel Specialists Holdings, Inc. (FSHI)	**–**	**100**	–	100	–	100
International Specialty Apparels, Inc. (ISAI)	**–**	**100**	–	100	–	100
Specialty Lifestyles Concepts, Inc. (SLCI), formerly Casual Clothing Retailers, Inc. (CCRI)[1]	**–**	**100**	–	100	–	100
SKL International, Ltd. (SKL)[2]	**–**	**100**	–	100	–	100

[1]Effective August 1, 2018, LCI (absorbed entity) was merged with SLCI (surviving entity).
[2]On 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 FSHI, SII and SKL, are in the retail business and hold exclusive distributorship of certain brands.

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

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

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

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

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

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 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.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Group adopted the new accounting pronouncements starting January 1, 2020. The following new and amended standards have no significant impact to the consolidated financial statements of the Group, unless otherwise indicated.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Group.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments*, *Interest Rate Benchmark Reform*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
- Conceptual Framework for Financial Reporting issued on March 29, 2018
- Amendment to PFRS 16, *COVID-19 related Rent Concessions*
  On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification.

  The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. The Group received rent concessions amounting to ₱735.45 million which are accounted for as a negative variable rent.

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

Effective beginning on or after January 1, 2021
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*
- Annual Improvements to PFRSs 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

Deferred effectivity:

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Summary of Significant Accounting Policies

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

Revenue Recognition

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

Revenue from contract with customers

Revenue from contract with customers pertains to sale of goods is recognized at a point in time when control of the goods passes to the customer, at the point the customer purchases the goods at the store. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Other Income

Interest income

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

Share in Net Earnings of an Associate

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

Rental income

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

Costs of Goods Sold

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

Operating Expenses

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

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

"Day 1" Difference

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

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

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.
Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Offsetting of Financial Instruments

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

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

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

Financial liabilities

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

Cash and Cash Equivalents

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

Merchandise Inventories

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

Investment in an Associate and Interests in Joint Ventures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 exercise and extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) there is a substantial change to the asset.

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

Operating leases - Group as a lessor

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

Operating leases - Group as a lessee

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

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

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

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

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

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

Intangible Assets

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

The useful life of intangible assets is assessed as finite.

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

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

Software Costs

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

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

Impairment of Nonfinancial Assets

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

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

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

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

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

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

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

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

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

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

Taxes

Current tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

Determination of lease term of contracts with renewal and termination options - Group as a lessee
The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

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

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

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

The Group has determined that these arrangements are joint arrangements as they have the following characteristics:
- the parties are bound by a contractual arrangement; and
- the contractual arrangement gives the parties joint control of the arrangement.

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

Operating Lease Commitments - the Group as a Lessor
Management has determined that the Group retains all significant risks and rewards of ROU assets and thus, accounts for the contracts as operating leases. The ownership of the ROU assets is not transferred to the lessee by the end of the lease term. Rental income amounted to ₱61.99 million, ₱76.07 million and ₱92.65 million in 2020, 2019 and 2018 respectively.

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

Leases - Estimating the incremental borrowing rates
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the. The Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates. The Company's lease liabilities amounted to ₱2,147.46 million and ₱2,832.46 million as of December 31, 2020 and 2019, respectively (see Note 26).

Provision for expected credit losses (ECL) of trade and other receivables and amounts owed by related parties
The Group maintains an allowance for impairment loss at a level considered adequate to provide for potential uncollectible receivables. The Group uses simplified approach to calculate ECLs on trade and other receivables and general approach on other financial assets. The Group performs a regular review of the age and status of these accounts, designed to identify accounts for impairment. The Group calibrated the matrix to adjust the historical credit loss experience with forward-looking information. For instance and considering the uncertainty brought about by the coronavirus pandemic, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. As of December 31, 2020 and 2019, allowance for doubtful accounts for trade and other receivables, and amounts owed by related parties amounted to ₱52.93 million and ₱8.33 million, respectively. Trade and other receivables net of ECL amounted to ₱713.28 million and ₱785.74 million, respectively (see Notes 5 and 20).

Assessing NRV of merchandise inventories
The Group sells goods that are subject to changing consumer demands and fashion trends. Thus, assessing the net realizable value of the Group's inventories requires significant management judgment. Such judgment includes management's expectations for future sales considering the impact brought about by the coronavirus pandemic and inventory liquidation plans. The Group maintains allowance for merchandise inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV of inventories are assessed regularly based on the prevailing selling prices of inventories less the estimated cost necessary to sell. In addition, the Company considered those inventories that are out-of-season, damaged and soiled in assessing the NRV of inventories. Increase in the NRV will increase the carrying amount of inventories but only to the extent of their original acquisition costs. Allowance for inventory losses amounted to ₱19.69 million and nil as of December 31, 2020 and 2019, respectively. Merchandise inventories amounted to ₱9,209.04 million and ₱9,818.88 million as of December 31, 2020 and 2019, respectively (see Note 6).

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

There was no change in the estimated useful lives of the Group's property, plant and equipment in 2019 and 2020. As of December 31, 2020 and 2019, the aggregate depreciable net book values of property and equipment (including ROU), franchise fee and software costs presented under "Other noncurrent assets" amounted to ₱4,624.24 million and ₱5,690.64 million, respectively (see Notes 10 and 11).

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

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

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

In 2020, management identified that ‘property and equipment’, ‘franchise fees’ and ‘right-of-use assets’ with aggregate carrying amount of ₱4,621.22 million have indicators of impairment given the temporary closure of the stores during the quarantine period as well as the ongoing economic uncertainty due to the pandemic which led to changes in the projected financial performance and cash flows of the Group’s right-of-use assets and property and equipment. As result, management performed an impairment test as at December 31, 2020 for its nonfinancial assets. The Group utilized a discounted cash flow model and used certain assumptions (including discount rate, performance growth rates, and a terminal value) to determine the value in use. The model used a) projected cash flows that incorporated the impact of the pandemic in 2020, b) a pre-tax discount rate of 9.95%-10.89%%, and c) average sales growth rate of 5%-12%% for a 5-year period. The Group benchmarked these assumptions against historical observations in internal businesses with similar performance drivers, as well as industry outlook. Based on the impairment testing performed, the Group did not identify impairment of such properties as of December 31, 2020.

For other nonfinancial assets, no indication of impairment was noted as of December 31, 2020 and 2019.

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

	2020	2019
Property and equipment (Note 10)	**₱4,537,710,085**	₱5,592,880,009
Interests in joint ventures (Note 9)	**543,663,728**	568,859,842
Investment in an associate (Note 8)	**78,251,625**	86,776,792
Franchise fee (Note 11)	**83,512,361**	94,484,273
Software costs (Note 11)	**3,014,491**	3,278,569

Estimating retirement benefits
The cost of defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates, and future pension increases. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty. These assumptions are discussed in Note 21 to the consolidated financial statements. As of December 31, 2020 and 2019, the Group’s retirement benefit obligation amounted to ₱748.79 million and ₱600.69 million, respectively (see Note 21). The Group recognized retirement expense amounting to ₱83.88 million, ₱65.91 million and ₱61.12 million in 2020, 2019 and 2018, respectively (see Note 21).

Recoverability of deferred tax assets
Management's assessment of the deferred tax assets to be recognized involves significant judgments and is based on assumptions regarding the future results of the subsidiaries. The related estimation uncertainty has increased as a result of the effect of coronavirus pandemic on the macroeconomic factors used in developing the assumptions. Management judgments and estimation is required to determine the amount of deferred tax assets that can be recognized based on the forecasted level of future taxable profits and the related tax strategies. As of December 31, 2020 and 2019, amounts of deferred tax assets recognized in the books are disclosed in Note 22. Management has determined that there is sufficient future taxable profit against which these recognized deferred tax assets will be realized. The Group also has temporary differences for which deferred tax assets were not recognized (see Note 22).

4. Cash

	2020	2019
Cash on hand	**₱38,550,938**	₱61,720,680
Cash in banks	**4,300,618,637**	2,372,029,222
Short-term investments	**964,706,564**	58,710,031
	₱5,303,876,139	₱2,492,459,933

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of between 60 to 90 days depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates. Interest earned from cash in banks and short-term investments for the years ended December 31, 2020, 2019 and 2018 amounted to ₱11.17 million, ₱4.54 million, and ₱4.36 million, respectively.

5. Trade and Other Receivables

	2020	2019
Trade receivables	**₱254,892,223**	₱366,360,017
Nontrade receivables	**287,147,180**	215,673,361
Receivables from related parties (Note 20)	**139,352,584**	111,794,889
Advances to officers and employees	**81,336,458**	67,961,679
Dividend receivable (Note 8)	**–**	25,200,000
Others	**3,487,087**	7,080,051
	766,215,532	794,069,997
Less allowance for ECL on nontrade receivables	**(9,763,045)**	(8,326,816)
Allowance for ECL on related parties (Note 20)	**(43,170,999)**	–
	₱713,281,488	₱785,743,181

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

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

Nontrade receivables, advances to officers and employees and receivables from related parties are usually settled within one year. SSI's advances to officers and employees are subject to 12% annual interest and are payable within 3-6 months through salary deduction. Interest income earned related to employee loans under "Advances to officers and employees" amounted to ₱0.15 million and ₱0.90 million in 2020 and 2019, respectively.

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

	2020	2019
Balance at beginning of year	**₱8,326,816**	₱17,729,195
Provision	**44,607,228**	422,066
Write off	–	(9,824,445)
Balance at end of year	**₱52,934,044**	₱8,326,816

"Others" generally includes lease receivables amounting to nil and ₱7.01 million in 2020 and 2019 (see Note 26).

6. Merchandise Inventories

	2020	2019
At cost:		
On hand	**₱8,660,001,514**	₱9,040,507,891
In transit	**568,731,579**	778,372,197
Inventory - at cost	**9,228,733,093**	9,818,880,088
Less allowance for inventory obsolescence	**(19,694,157)**	–
	₱9,209,038,936	₱9,818,880,088

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.

In 2020, the Group recognized provision for inventory obsolescence amounting to ₱19.69 million.

The cost of inventories recognized as expense and presented in "Costs of goods sold" amounted to ₱7,254.79 million, ₱12,285.71 million and ₱10,918.35 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 15).

7. Prepayments and Other Current Assets

	2020	2019
Supplies	**₱292,531,047**	₱476,229,580
Input VAT	**73,092,445**	106,951,795
Security deposits (Note 26)	**56,034,171**	24,144,925
Advances to suppliers	**43,929,057**	383,811,622
Prepaid advertising	**18,784,137**	9,386,640
Creditable withholding tax	**23,107,860**	46,721,136
Deferred input VAT - current	**15,472,635**	8,778,465
Prepaid insurance	**7,194,294**	23,844,210
Prepaid guarantee	**4,326,819**	5,090,418
Current portion of prepaid rent	**4,876,020**	35,563,482
Others	**18,044,333**	47,213,939
	₱557,392,818	₱1,167,736,212

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

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

Input VAT will be applied against output VAT.

8. Investment in an Associate

	2020	2019
Acquisition cost	**₱24,640,000**	₱24,640,000
Accumulated equity in net earnings:		
Balances at beginning of year	**62,136,792**	29,954,522
Share in net earnings	**10,297,692**	57,382,270
Dividends (Note 5)	**(18,822,859)**	(25,200,000)
Balances at end of year	**53,611,625**	62,136,792
	₱78,251,625	₱86,776,792

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, 2020 and 2019, 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, 2020 and 2019:

	2020	2019
Statements of Financial Position:		
Current assets	**₱164,631,786**	₱258,223,912
Noncurrent assets	**15,669,124**	22,263,131
Total assets	**180,300,910**	280,487,043
Current liabilities	**29,881,990**	109,964,786
Noncurrent liabilities	**2,504,524**	1,294,944
Total liabilities	**32,386,514**	111,259,730
Equity	**147,914,396**	169,227,313
Share in equity of an associate	**₱59,165,758**	₱67,690,925
Goodwill	**19,085,867**	19,085,867
Carrying amount	**₱78,251,625**	₱86,776,792
Statements of Comprehensive Income:		
Revenue	**212,091,395**	611,782,316
Cost and expenses	**186,347,165**	468,326,640
Net income	**25,744,230**	143,455,676

9. **Interests in Joint Ventures**

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

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

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

December 31, 2020

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

December 31, 2019

	LMS	MPC	SSRI	SCRI	Total
Cost:					
Balances at beginning and end of year	₱375,296,454	₱89,250,000	₱407,344,383	₱420,350,000	₱1,292,240,837
Accumulated equity in net earnings (losses) and impairment loss:					
Balances at beginning of year	32,527,710	22,775,002	(407,344,383)	(420,350,000)	(772,391,671)
Share in net earnings	12,268,370	36,742,306	–	–	49,010,676
Balances at end of year	44,796,080	59,517,308	(407,344,383)	(420,350,000)	(723,380,995)
	₱420,092,534	₱148,767,308	₱–	₱–	₱568,859,842

Investment in LMS

On August 12, 2015, SKL, a wholly owned subsidiary of SSI, executed agreements to effect the acquisition of a 50% equity stake in LMS from its two existing shareholders Regent and Prime. Regent and Prime will continue to own 50% ownership in LMS following the entry of SKL. LMS is a company specializing in travel retail concepts and has existing supply and management agreements with travel retail stores in the Philippines. The acquisition cost includes the consideration for goodwill amounting to ₱121.75 million and intangible asset amounting to ₱29.90 million. The intangible asset pertains to the concession agreement with Duty Free and is being amortized over 10.7 years. Amortization expense, which is included in the share in net earnings of LMS, amounted to ₱2.56 million in 2020 and 2019, respectively.

Key financial information of LMS is as follows:

	2020	2019
Statements of Financial Position:		
Current assets	**₱433,882,235**	₱551,659,094
Noncurrent assets	**76,147,980**	79,635,869
Current liabilities	**(17,221,903)**	(70,097,399)
Equity	**492,808,312**	561,197,564
Group's share in equity - 50%	**246,404,156**	280,598,782
Goodwill	**121,750,000**	121,750,000
Intangible asset	**17,743,752**	17,743,752
Group's carrying amount of the investment	**₱385,897,908**	₱420,092,534
Statements of Comprehensive Income:		
Revenues	**₱220,039,966**	₱926,463,471
Cost and expenses	**282,354,427**	897,484,869
Net income/(net loss)	**(62,314,461)**	28,978,602

Investment in MPC

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

	2020	2019
Statement of Financial Position:		
Current assets	**₱317,104,550**	₱318,738,191
Noncurrent assets	**203,073,160**	149,851,976
Current liabilities	**(102,245,625)**	(110,200,164)
Noncurrent liabilities	**(108,414,937)**	(66,689,399)
Equity	**309,517,148**	291,700,604
Group's share in equity - 50% (2019: 51%)	**157,765,821**	148,767,308
Goodwill	**–**	–
Group's carrying amount of the investment	**₱157,765,821**	₱148,767,308

	2020	2019
Statement of Comprehensive Income:		
Revenues	**₱279,715,409**	₱489,266,868
Cost and expenses	**122,774,860**	417,223,131
Net income	**17,816,542**	72,043,737

10. **Property and Equipment**

The composition and movements of this account are as follows:

December 31, 2020

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

December 31, 2019

	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Right-of-Use Asset - Store and Equipment (Note 26)	Right-of-Use Asset - Warehouse (Note 26)	Right-of-Use Asset - Office and parking (Note 26)	Right-of-Use Asset - Land (Note 26)	Construction in Progress	Total
Cost:										
Balances at beginning of year	₱7,256,246,129	₱2,211,690,435	₱898,080,680	₱279,203,655	₱–	₱–	₱–	₱–	₱68,097,610	₱10,713,318,509
Effect of adoption of PFRS 16 (Note 2)	–	–	–	–	2,764,472,159	217,379,186	132,294,745	226,002,017	–	3,340,148,107
Additions	520,665,564	320,817,625	549,290	28,572,032	437,641,121	2,795,634	24,020,093	–	90,358,565	1,425,419,924
Disposals and retirement	(589,402,062)	(26,799,896)	–	(3,042,300)	–	–	–	–	–	(619,244,258)
Remeasurement (Note 26)	–	–	–	–	122,285,361	(463,827)	–	–	–	121,821,534
Reclassifications	68,125,046	8,670,104	(5,640,718)	–	–	–	–	–	(71,154,432)	–
Balances at end of year	7,255,634,677	2,514,378,268	892,989,252	304,733,387	3,324,398,641	219,710,993	156,314,838	226,002,017	87,301,743	14,981,463,816
Accumulated Depreciation and Amortization:										
Balances at beginning of year	5,704,592,695	1,822,463,913	249,056,739	131,199,814	–	–	–	–	–	7,907,313,161
Depreciation and amortization (Note 19)	597,569,611	199,964,018	44,734,442	25,250,343	1,014,619,490	83,155,014	59,751,821	15,066,801	–	2,040,111,540
Disposals and retirement	(528,942,366)	(27,214,542)	–	(2,683,986)	–	–	–	–	–	(558,840,894)
Reclassifications	–	3,278,112	(3,278,112)	–	–	–	–	–	–	–
Balances at end of year	5,773,219,940	1,998,491,501	290,513,069	153,766,171	1,014,619,490	83,155,014	59,751,821	15,066,801	–	9,388,583,807
Net book values	₱1,482,414,737	₱515,886,767	₱602,476,183	₱150,967,216	₱2,309,779,151	₱136,555,979	₱96,563,017	₱210,935,216	₱87,301,743	₱5,592,880,009

Additions to leasehold improvements and construction in progress in 2020 and 2019 pertain to improvements and construction of newly opened and renovated stores during the year.

Disposals and retirement for the years ended December 31, 2020 and 2019 mainly pertain to leasehold improvements and store furniture and fixtures derecognized on closed or renovated stores. Loss on store closures arising from the disposal or retirement of property and equipment amounted to ₱39.61 million, ₱60.40 million and ₱116.80 million in 2020, 2019 and 2018, respectively. In 2020, total proceeds from the disposal of property and equipment amounted to ₱1.89 million.

In 2020, the Group has various lease modification in its contracts including changes in lease term and lease payments during the year. The effect of the lease modification resulted to remeasurement in right-of-use asset and lease liability amounting to ₱107.16 million and ₱114.47 million, respectively. The group recognize a gain on remeasurement amounting to ₱7.31 million. (see Note 26).

No property and equipment were pledged or treated as security to the outstanding liabilities as of December 31, 2020 and 2019.

The Group has contractual obligations relating to property and equipment approximating ₱52.31 million and ₱166.42 million as of December 31, 2020 and 2019, respectively.

11. Other Noncurrent Assets

	2020	2019
Franchise fee (net of accumulated amortization of ₱37.68 million and ₱26.76 million as of December 31, 2020 and 2019, respectively)	**₱83,512,361**	₱94,484,273
Advances to contractors	**58,588,899**	69,287,541
Deferred input VAT - net of current portion (Note 7)	**47,511,143**	15,381,911
Software costs (net of accumulated amortization of ₱8.47 million and ₱6.09 million as of December 31, 2020 and 2019, respectively)	**3,014,491**	3,278,569
Others	**5,849,085**	2,982
	₱198,475,979	₱182,435,276

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

Franchise fees pertain to initial fees paid by the Group to the principals to operate newly acquired brands. In 2020, 2019 and 2018, the Group recognized amortization expenses on franchise cost amounting to ₱11.71 million, ₱9.08 million and ₱9.93 million, respectively (see Note 19). Loss on derecognition of franchise fee amounted to ₱0.04 million and ₱7.06 million in 2020 and 2019, respectively, is presented as "Others - net" in the consolidated statements of comprehensive income. Amortization expense of software costs amounted to ₱2.38 million, ₱1.93 million and ₱1.29 million in 2020, 2019 and 2018, respectively (see Note 19).

12. Trade and Other Payables

	2020	2019
Trade payables	**₱1,087,954,185**	₱1,312,044,432
Nontrade payables	**509,008,365**	713,833,266
Accrued expenses	**206,910,477**	274,736,642
Output VAT	**191,815,839**	100,067,225
Retention payable	**46,264,484**	56,514,419
Tenant deposit (Note 26)	**31,003,853**	39,956,757
Payables to related parties (Note 20)	**4,161,624**	1,354,050
Others	**71,572,628**	33,133,280
	₱2,148,691,455	₱2,531,640,071

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

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

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

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

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

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

Short-term Loans Payable

	2020	2019
Bank of Philippine Islands (BPI)	**₱2,710,000,000**	₱2,325,000,000
Bank of Commerce (BOC)	**700,000,000**	600,000,000
Metropolitan Bank & Trust Co. (MBTC)	**400,000,000**	500,000,000
Banco de Oro (BDO)	**960,000,000**	350,000,000
China Banking Corporation (CBC)	**300,000,000**	300,000,000
Rizal Commercial Banking Corporation	**1,440,000,000**	–
Security Bank Corporation	**500,000,000**	–
	₱7,010,000,000	₱4,075,000,000

The Group's outstanding unsecured short-term peso-denominated loans from local commercial banks bear interest at rates ranging from 4.38% to 6.25% and 3.00% to 6.88% in 2020 and 2019, respectively.

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

	2020	2019
Balance at beginning of the year	**₱4,075,000,000**	₱4,567,500,000
Availments	**5,735,000,000**	5,162,500,000
Payments	**(2,800,000,000)**	(5,655,000,000)
Balance at end of the year	**₱7,010,000,000**	₱4,075,000,000

Interest expense related to short-term loans for the years ended December 31, 2020, 2019 and 2018 amounted to ₱334.99 million, ₱266.78 million and ₱167.73 million, respectively.

Long-term debt

Syndicated Term Loan

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

Under the syndicated loan agreement, the Company has to maintain the following financial ratios:
- debt to equity ratio not exceeding 2.00
- debt service coverage ratio of at least 1.20

Midterm Loans

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

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

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

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

As of December 30, 2020, the Group is compliant with the loan covenants relating to midterm loans. As of December 30, 2019, the Group is compliant with the loan covenants relating to midterm and syndicated term loans. There are no loan modifications or deferral in 2020 and 2019.

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

	2020	2019
BPI	**₱117,593,738**	₱279,280,156
SBC	–	44,304,426
CBC	–	30,563,391
MBTC	–	30,563,391
RCBC	–	16,830,021
Total	**117,593,738**	401,541,385
Less current portion	**117,593,738**	283,986,981
Noncurrent portion	**₱–**	₱117,554,404

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

	2020	2019
Principal:		
Balance at beginning of year	**₱401,976,666**	₱852,950,000
Payments	**(284,306,666)**	(450,973,334)
Balance at end of year	**117,670,000**	401,976,666
Deferred financing costs:		
Balance at beginning of year	**435,281**	1,683,877
Amortizations	**(359,019)**	(1,248,596)
Balance at end of year	**76,262**	435,281
Carrying values	**117,593,738**	401,541,385
Less current portion, net of deferred financing costs	**117,593,738**	283,986,981
Noncurrent portion	**₱–**	₱117,554,404

Interest expense relating to long-term debt for the years ended December 31, 2020, 2019 and 2018 amounted to ₱27.34 million, ₱60.54 million and ₱145.45 million, respectively.

Loan Covenants

The loan covenants covering the Group's outstanding debts include, among others, maintenance of certain levels of current, debt-to-equity and debt-service coverage ratios. As of December 31, 2020 and 2019, the Group is compliant with the loan covenants of all their respective outstanding debts.

14. Revenue from Contracts with Customers

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

	2020	2019	2018
Sale of major goods			
General merchandise	**₱11,698,303,268**	₱21,603,337,034	₱19,738,060,712
Food retail	**524,038,125**	762,494,905	492,169,273
	₱12,222,341,393	₱22,365,831,939	₱20,230,229,985

15. Costs of Goods Sold and Services

	2020	2019	2018
Cost of merchandise sold (Note 6)	**₱7,254,794,746**	₱12,285,711,760	₱10,918,350,969
Provision for inventory obsolescence (Note 6)	**19,694,157**	–	–
Depreciation and amortization (Notes 10, 11 and 19)	**3,961,881**	24,695,040	19,290,450
Utilities	**2,336,510**	19,546,123	26,747,632
Rent (Notes 20 and 26)	**3,269,944**	8,162,347	8,213,951
Outside services	**1,667,563**	6,037,755	5,336,219
Others	**1,681,957**	2,072,544	2,831,732
	₱7,287,406,758	₱12,346,225,569	₱10,980,770,953

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

Cost of merchandise sold:

	2020	2019	2018
Merchandise inventories, beginning	**₱9,818,880,088**	₱9,245,189,954	₱9,423,866,643
Net purchases	**6,644,953,594**	12,859,401,894	10,739,674,280
Cost of merchandise available for sale	**16,463,833,682**	22,104,591,848	20,163,540,923
Less merchandise inventories, ending	**(9,209,038,936)**	(9,818,880,088)	(9,245,189,954)
	₱7,254,794,746	₱12,285,711,760	₱10,918,350,969

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

16. **Selling and Distribution Expenses**

	2020	2019	2018
Depreciation and amortization (Notes 10, 11 and 19)	**₱965,276,975**	₱1,853,175,971	₱727,626,693
Personnel costs (Note 18)	**884,954,542**	1,261,301,143	1,244,264,135
Rent (Notes 20 and 26)	**429,610,664**	911,310,376	2,045,359,230
Utilities	**397,523,865**	572,659,165	558,050,672
Taxes and licenses	**250,804,464**	249,218,421	225,277,300
Credit card charges	**230,190,209**	421,013,009	382,506,247
Advertising	**171,487,435**	318,230,794	299,801,486
Supplies and maintenance	**166,140,624**	318,545,514	283,579,234
Royalty fees	**146,698,453**	328,819,969	272,635,697
Security services	**102,479,927**	171,448,295	170,206,321
Delivery and freight charges	**97,220,575**	86,481,333	88,856,065
Global marketing contribution fee	**80,928,307**	177,482,331	156,467,033
Insurance	**46,418,384**	54,516,546	40,368,257
Communication	**35,489,669**	33,524,819	27,539,929
Repairs and maintenance	**33,838,786**	80,699,728	80,613,381
Travel and transportation	**23,594,808**	99,545,809	75,403,717
Outside services	**17,859,676**	19,425,321	18,768,516
Professional fees	**10,400,652**	11,805,595	13,412,941
Entertainment, amusement and recreation (EAR)	**1,933,788**	8,570,949	5,212,189
Telegraphic transfer	**1,061,368**	2,220,885	2,259,431
Others	**91,044,797**	115,916,757	105,297,290
	₱4,184,957,968	₱7,095,912,730	₱6,823,505,764

17. **General and Administrative Expenses**

	2020	2019	2018
Personnel costs (Note 18)	**₱628,985,277**	₱680,250,646	₱605,872,495
Depreciation and amortization (Notes 10, 11 and 19)	**158,958,125**	173,256,079	123,523,097
Insurance	**48,350,789**	16,554,237	18,103,874
Taxes and licenses	**47,758,686**	41,161,949	53,319,854
Utilities	**44,430,993**	59,860,085	47,614,560
Supplies and maintenance	**34,625,497**	39,687,576	39,665,078
Professional fees	**29,551,921**	11,363,046	14,365,864
Rent (Note 26)	**19,464,541**	46,867,155	141,067,431
Security services	**19,460,422**	28,129,865	35,994,188
Communication	**18,342,660**	19,833,027	19,462,949
Repairs and maintenance	**14,289,617**	38,585,901	35,507,031
Advertising	**9,406,323**	42,213,685	23,233,611
Travel and transportation	**7,070,019**	48,161,737	44,408,060
EAR	**3,177,931**	6,244,417	7,252,873
Others	**32,093,487**	46,923,022	38,810,510
	₱1,115,966,288	₱1,299,092,427	₱1,248,201,475

18. Personnel Costs

Personnel costs charged to operations are as follows:

	2020	2019	2018
Salaries, wages and bonuses	**₱1,290,090,476**	₱1,673,291,681	₱1,663,785,557
Retirement benefit expense (Note 21)	**83,881,848**	65,911,077	61,119,902
Other employee benefits	**139,967,495**	202,349,031	125,231,171
	₱1,513,939,819	₱1,941,551,789	₱1,850,136,630

Personnel costs were distributed as follows:

	2020	2019	2018
Selling and distribution (Note 16)	**₱884,954,542**	₱1,261,301,143	₱1,244,264,135
General and administrative (Note 17)	**628,985,277**	680,250,646	605,872,495
	₱1,513,939,819	₱1,941,551,789	₱1,850,136,630

19. Depreciation and Amortization Expense

	2020	2019	2018
Property and equipment net of lease concession amounting to ₱735.45 million in 2020 (Notes 10 and 26)	**₱1,114,110,205**	₱2,040,111,540	₱859,215,982
Franchise fee (Note 11)	**11,707,957**	9,084,310	9,931,083
Software cost (Note 11)	**2,378,819**	1,931,240	1,293,175
	₱1,128,196,981	₱2,051,127,090	₱870,440,240

Depreciation and amortization were distributed as follows:

	2020	2019	2018
Cost of goods sold (Note 15)	**₱3,961,881**	₱24,695,040	₱19,290,450
Selling and distribution (Note 16)	**965,276,975**	1,853,175,971	727,626,693
General and administrative (Note 17)	**158,958,125**	173,256,079	123,523,097
	₱1,128,196,981	₱2,051,127,090	₱870,440,240

20. Related Party Disclosures

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

The Group, transacts with the following related parties:

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

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

c. PFM is a subsidiary of SCRI.

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

a. Lease of the Group's store outlet spaces from RCC (see Notes 15, 16 and 26). Related rent expense amounted to ₱61.12 million, ₱110.56 million and ₱81.19 million for the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2020, the related right-of-use of assets and lease liabilities amounted to ₱23.76 million and ₱24.81 million, respectively. During the year, the Group recognizes depreciation and interest expense amounting to ₱7.42 million and ₱1.46 million, respectively. For the short-term leases to RCC, the Group recognizes rent expense totaling ₱55.47million and ₱102.99 million as of December 31, 2020, and 2019, respectively.

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

c. Sales through the use of related parties' gift certificates from RCC. Total value of the related parties' gift certificates used amounted to ₱17.84 million, ₱27.34 million, ₱30.75 million, in 2020, 2019 and 2018, respectively;

d. Service fee charged by SSI to MPC as allocation on the service cost in SSI's centralized processes (i.e., Accounting, Human Resource, Information Technology, etc.) amounted to ₱13.00 million and ₱20.06 million in 2020 and 2019, respectively. The service fee is presented under "Others – net" in the statement of comprehensive income. In addition, SSI sold inventories and property and equipment totaling nil and ₱9.14 million, respectively, in 2020 and 2019, respectively.

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

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

	2020	2019	2018
Short-term employee benefits	**₱37**	₱43	₱39
Post-employment benefits	**5**	6	5
	₱42	₱49	₱44

As of December 31, 2020 and 2019, transactions with related parties are as follows:

			Outstanding balances	
Related Parties	Year	Transactions for the year	Receivables from related parties (Note 5)	Payable to related parties (Note 12)
Under common control				
RCC	**2020**	**₱25,216,740**	**₱59,437,175**	**₱709,594**
	2019	₱15,317,660	₱34,220,435	₱709,594
RMK	**2020**	**(20,280,237)**	**18,719,189**	**259,110**
	2019	11,087,521	39,384,773	644,456

(Forward)

Related Parties	Year	Transactions for the year	Outstanding balances: Receivables from related parties (Note 5)	Outstanding balances: Payable to related parties (Note 12)
Others	**2020**	**(₱2,223,066)**	**₱862,228**	**₱3,078,913**
	2019	₱–	₱6,380	₱–
Joint ventures				
PFM	**2020**	–	–	–
	2019	7,838	18,481,052	–
SCRI	**2020**	**(90,515)**	**23,492**	**114,007**
	2019	–	–	–
MPC	**2020**	**(2,613,497)**	**14,671,750**	–
	2019	6,247,633	17,285,247	–
Associate				
SPI	**2020**	**50,479**	**2,467,751**	–
	2019	223,034	2,417,002	–
	2020		**₱96,181,585**	**₱4,161,624**
	2019		₱111,794,889	₱1,354,050

The related party balances as of December 31, 2020 and 2019 are due and demandable, non-interest bearing and unsecured. The allowance for expected credit losses on amounts owed by related parties amounted to ₱43.17 million and nil as of December 31, 2020 and 2019, respectively, all receivables from related parties are not impaired. All related party balances are settled in cash.

21. Retirement Benefit Plan

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

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

	2020	2019	2018
Current service cost	**₱53,706,370**	₱39,079,037	₱38,723,348
Net interest cost	**30,559,309**	26,996,098	22,396,554
Curtailment gain	**(383,831)**	(164,058)	–
Retirement benefit expense	**₱83,881,848**	₱65,911,077	₱61,119,902

As of December 31, 2020 and 2019, the amounts recognized in the consolidated balance sheets as retirement benefit obligation are as follows:

	2020	2019
Present value of obligations	**₱807,978,006**	₱655,475,443
Fair value of plan assets	**(59,190,979)**	(54,783,336)
Retirement benefit obligation	**₱748,787,027**	₱600,692,107

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

	2020	2019
Opening present value of obligation	**₱655,475,443**	₱387,822,573
Recognized in profit or loss:		
Current service cost	**53,706,370**	39,079,037
Interest cost	**33,397,357**	30,973,376
Curtailment gain	**(383,831)**	(164,058)
Profit or loss	**86,719,896**	69,888,355
Benefits paid	**(6,416,829)**	(10,115,737)
Benefits paid directly by the Group	**(18,363,589)**	(3,056,183)
Net transfer out	**(280,651)**	(68,457)
Recognized in other comprehensive income:		
Actuarial losses arising from:		
Changes in financial assumptions	**89,666,139**	150,541,246
Changes in demographic assumptions	**489,957**	40,321,689
Deviations of experience from assumptions	**687,640**	20,141,957
Other comprehensive loss	**90,843,736**	211,004,892
Closing present value of obligation	**₱807,978,006**	₱655,475,443

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

Changes in fair value of plan assets are as follows:

	2020	2019
Opening fair value of plan assets	**₱54,783,336**	₱52,293,691
Contributions	**6,334,414**	9,885,000
Interest income	**2,838,048**	3,977,278
Benefits paid	**(6,416,829)**	(10,115,737)
Return on plan assets, excluding amounts included in interest income	**1,652,010**	(1,256,896)
Closing fair value of plan assets	**₱59,190,979**	₱54,783,336

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

	2020	2019
Cash and cash equivalents	**₱2,012,347**	₱1,924,731
Government securities	**400,734**	3,699,186
Fixed income	**603,139**	599,761
Mutual funds	**57,443,588**	48,491,158
Other assets	**61,627**	70,138
Trade and other payables	**(1,330,456)**	(1,638)
	₱59,190,979	₱54,783,336

The principal actuarial assumptions used as of December 31, 2020 and 2019 in determining retirement benefit obligations for the Group's retirement plan are as follows:

	2020	2019
Discount rate	**3.5%-4.20%**	5.1% -5.5%
Salary increase rate	**0%-3%**	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, 2020 and 2019, assuming all other assumptions were held constant:

		Increase (Decrease) in Present Value of Defined Benefit Obligation	
	Increase/(Decrease)	**2020**	2019
Discount rate	+1%	**(₱122,413,506)**	(₱239,907,451)
	-1%	**154,372,372**	301,997,748
Future salary increase rate	+1%	**154,430,315**	310,399,427
	-1%	**(117,482,510)**	(245,574,318)

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

The average duration of the defined benefit obligation at the end of the reporting date is from 12.9 to 22.5 years and 15.0 to 22.9 years in 2020 and 2019, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2020 and 2019:

	2020	2019
1 year or less	**₱100,094,444**	₱22,141,033
More than 1 year to 5 years	**125,404,777**	61,522,085
More than 5 years	**3,807,392,550**	3,513,989,511

22. **Income Taxes**

a. Reconciliation of income tax expense applicable to income before income tax at the statutory income tax rate to the provision for income tax for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Provision for (benefit from) income tax at statutory tax rate of 30%	**(₱304,023,786)**	₱369,450,883	₱273,065,063
Additions to (reductions from) income tax resulting from:			
Movement in unrecognized deferred tax assets	**196,620,982**	43,149,479	25,247,262
Share in net losses (earnings) of an associate and joint ventures	**3,944,527**	(31,917,884)	(23,330,340)
Nondeductible expenses	**1,961,952**	12,338,051	27,035,272
Interest income subjected to final tax	**(1,671,511)**	(1,366,727)	(908,357)
Others	**(6,440,572)**	24,358,524	673,516
	(₱109,608,408)	₱416,012,326	₱301,782,416

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

	2020	2019
Deferred tax assets:		
Lease liabilities	**₱644,236,796**	₱849,738,835
Retirement benefit obligation	**132,918,505**	113,119,915
NOLCO	**251,351,864**	99,706,546
MCIT	**67,233,838**	14,738,330
Deferred revenue	**6,580,873**	6,919,971
Customer deposits	**4,598,450**	3,225,283
Unrealized foreign exchange losses	**951,195**	6,186,759
Allowance for impairment	**12,725,356**	2,666,703
Others	**5,674,242**	6,715,823
	1,126,271,119	1,103,018,165
Deferred tax liabilities:		
Right-of-use assets	**(622,745,750)**	(826,026,572)
Unrealized foreign exchange gains	**(3,966,274)**	(5,058,967)
Others	**(1,636,711)**	(4,144,129)
	(628,348,735)	(835,229,668)
Deferred tax asset related to retirement benefit obligation recognized under other comprehensive loss	**93,245,104**	66,487,587
Net deferred tax assets	**₱591,167,488**	₱334,276,084

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

	2020	2019
NOLCO	**₱798,400,510**	₱258,779,627
MCIT	**82,627,505**	50,772,184
Others	**11,598,426**	2,000,440

d. As of December 31, 2020, 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
2017	2018 - 2020	₱185,837,511	(₱145,206,036)	(₱40,631,475)	₱–
2018	2019 - 2021	180,842,607	–	–	180,842,607
2019	2020-2022	224,580,244	–	–	224,580,244
2020	2021-2025	1,230,817,206	–	–	1,230,817,206
		₱1,822,077,568	(₱145,206,036)	(₱40,631,475)	₱1,636,240,057

e. As of December 31, 2020, the MCIT that can be claimed as tax credits follows:

Year incurred	Year of availment	Amount	Expired	Applied	Balance
2017	2018 - 2020	₱5,659,008	(₱5,659,008)	₱–	₱–
2018	2019 - 2021	20,857,528	–	(11,656,052)	9,201,476
2019	2020-2022	38,993,978	–	(19,770,385)	19,223,593
2020	2021-2023	121,436,274	–	–	121,436,274
		₱186,946,788	(₱5,659,008)	(₱31,426,437)	₱149,861,343

23. Basic/Diluted Earnings (Loss) Per Share

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

	2020	2019	2018
Net income (loss)	**(₱903,804,214)**	₱815,490,617	₱608,434,460
Divided by weighted average number of common shares	**3,299,379,507**	3,308,319,263	3,310,962,656
	(₱0.27)	₱0.25	₱0.18

There were no potentially dilutive common shares for the years ended December 31, 2020, 2019 and 2018.

24. Risk Management Objectives and Policies

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

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

	2020	2019
Cash	**₱5,303,876,139**	₱2,492,459,933
Trade and other receivables		
Trade receivables	**254,892,223**	366,360,017
Nontrade receivables	**287,147,180**	215,673,361
Receivables from related parties	**139,352,584**	111,794,889
Dividend receivable	–	25,200,000
Others	**3,487,088**	7,080,051
Security deposits and construction bonds	**1,019,625,939**	1,059,559,287
	₱7,008,381,153	₱4,278,127,538

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

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

a. Cash, nontrade receivables (except those related to principals), amounts owed by related parties and security deposits and construction bonds. The Group uses general approach in assessing impairment of these financial assets. The credit risk of these financial asset is presumed to increase when the contractual payments are more than 30 days past due. As of December 31, 2020 and 2019, there has been no increase in credit risk of these financial assets since initial recognition except for amounts owed by related parties amounting to ₱43.17 million and nil which are classified as credit impaired.

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

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

   As of December 31, 2020 and 2019, nontrade receivables from principals amounting to ₱9.76 million and ₱8.33 million, respectively, are classified as credit impaired.

Foreign currency risk
Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group takes an exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financials and cash flows. This arises from foreign currency denominated cash in banks and trade and other payables as of December 31, 2020 and 2019. Management closely monitors the fluctuations in exchange rates so as to anticipate the impact of foreign currency risks. The Group's foreign currency-denominated financial assets and liabilities (translated in Philippine Peso) are as follows:

December 31, 2020

	USD[1]	**EUR[2]**	**HKD[3]**	**Total Peso Equivalent**
Financial assets				
Cash in banks	**$4,801,283**	**€1,401,072**	**$8,894**	**₱312,918,392**
Financial liabilities				
Trade and other payables	**6,635,325**	**1,727,313**	**-85,127**	**-420,637,392**
Net Financial Assets (Liabilities)	**($1,834,042)**	**(€326,241)**	**($76,233)**	**(₱107,719,000)**

[1]$1 = 48.04
[2]€1 = 58.69
[3]HK$1 = 6.19

December 31, 2019

	USD[1]	EUR[2]	HKD[3]	Total Peso Equivalent
Financial assets				
Cash in banks	$917,533	€178,718	$40,606	₱56,725,203
Financial liabilities				
Trade and other payables	(3,625,372)	(4,736,929)	–	(445,410,111)
Net Financial Assets (Liabilities)	($2,707,839)	(€4,558,211)	$40,606	(₱388,684,908)

[1]$1 = 49.93
[2]€1 = 59.61
[3]HK$1 = 6.39

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.

	2020		2019	
	Appreciation/ Depreciation of Foreign Currency	**Effect on Loss Before Tax**	Appreciation/ Depreciation of Foreign Currency	Effect on Income Before Tax
US Dollar	**+5%**	**(₱5,019,768)**	+5%	(₱8,746,430)
	-5%	**5,019,768**	-5%	8,746,430
Euro	**+5%**	**(6,174,542)**	+5%	(14,443,560)
	-5%	**6,174,542**	-5%	14,443,560
HK Dollar	**+5%**	**(23,607)**	+5%	12,973
	-5%	**23,607**	-5%	(12,973)

There is no other impact on the Group's equity other than those already affecting the profit or loss.

Liquidity risk
Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial institutions. The objective of the Group is to maintain a balance between continuity of funding and flexibility. The Group seeks to manage its liquid funds through cash planning on a monthly basis. The Group uses historical figures and experiences and forecasts of its collections and disbursements.

Also, the Group only places funds in money market instruments which exceed the Group's requirements. Placements are strictly made based on cash planning assumptions and cover only a short period of time.

The tables below summarize the maturity analysis of the Group's financial liabilities based on contractual undiscounted payments:

December 31, 2020

		Contractual undiscounted payments			
	Total	**On demand**	**Within 1 year**	**>1 to 5 years**	**> 5 years**
Financial Liabilities					
Trade payables and other payables*	**₱1,956,875,617**	**₱–**	**₱1,323,134,656**	**₱633,740,961**	**₱–**
Lease liabilities	**2,604,363,508**	**–**	**794,619,081**	**1,809,744,427**	**–**
Short-term loans payable**	**7,059,537,332**	**–**	**7,059,537,332**	**–**	**–**
Long-term debt**	**120,651,430**	**–**	**120,651,430**	**–**	**–**
Tenant deposits	**51,283,591**	**–**	**31,003,853**	**20,279,738**	**–**
Total Undiscounted Financial Liabilities	**₱11,792,711,478**	**₱–**	**₱9,328,946,352**	**₱2,463,765,126**	**₱–**

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

December 31, 2019

		Contractual undiscounted payments			
	Total	On demand	Within 1 year	>1 to 5 years	> 5 years
Financial Liabilities					
Trade payables and other payables*	₱2,431,572,846	₱–	₱1,770,459,793	₱661,113,053	₱–
Lease liabilities	3,254,853,940	–	1,087,707,215	2,167,146,725	–
Short-term loans payable**	4,118,718,107	–	4,118,718,107	–	–
Long-term debt**	416,381,431	–	295,730,001	120,651,430	–
Tenant deposits	59,821,208	–	39,956,757	19,864,451	–
Total Undiscounted Financial Liabilities	₱10,281,347,532	₱–	₱7,312,571,873	₱2,968,775,659	₱–

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

The Company's financial assets amounting to ₱7,008.38 million and ₱4,278.13 million can be used to meet the Group's liquidity needs as of December 31, 2020 and 2019, respectively.

Capital Management
The primary objective of the Group is to maintain a strong credit rating and healthy capital ratios to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it based on changes in economic and business conditions. To maintain or adjust the capital structure, the Group may consider paying dividends to stockholders, returning capital to stockholders, or issuing new shares of stocks. No major changes were made on the objectives, policies, or processes during the years ended December 31, 2020 and 2019. Capital includes equity as shown in the consolidated balance sheet.

As disclosed in Note 13, the Group is required by their creditors to maintain a debt-to-equity ratio and debt-service coverage ratio. The Group, thus, monitors capital on the basis of debt-to-equity ratio which is calculated as total liabilities divided by total equity. The Group includes within debt all interest-bearing short-term and long-term liabilities. These externally imposed capital requirements have been complied with as of December 31, 2020.

25. Fair Value of Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments:

	2020		2019	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets				
Loans and receivables				
Security deposits and construction bonds	**₱1,019,625,939**	**₱1,036,529,420**	₱1,059,559,287	₱1,050,086,063
Financial Liabilities				
Other financial liabilities				
Long-term debt*	**117,593,738**	**120,134,685**	401,541,385	975,414,968

Includes interest to maturity.

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

Cash, 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 2.04% to 8.87% and 3.03% to 8.31% were used in calculating the fair value of the Group's refundable deposits as of December 31, 2020 and 2019, 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 1.23% to 1.57% and 5.23% to 7.03% were used in calculating the fair value of the Group's long-term debt as of December 31, 2020 and 2019, respectively.

Fair Value Hierarchy
The fair value of the Group's security deposits and construction bonds and long-term debt are classified as Level 3. As at December 31, 2020 and 2019, the Group does not have financial instruments with fair values determined using inputs that are classified under Levels 1 and 2. For the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

26. **Contracts and Commitments**

Group as a Lessee
The Group has various leases of its warehouse and office space and certain store outlets used in its operations for lease terms ranging from three to ten years. Rental payments on certain outlets are based on a fixed basic monthly rate plus a certain percentage of gross sales, while other store outlets and office spaces are based on fixed monthly rates. The Group also has certain leases of stores, office and warehouse space with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The following are the amounts recognized in the consolidated statement of comprehensive income for the year ended December 31, 2020:

	2020	2019
Depreciation expense of right-of-use assets included in property and equipment - gross of lease concession	**₱1,072,905,136**	₱1,172,593,126
Variable lease payments (Notes 16 and 17)	**435,025,758**	952,411,454
Interest expense on lease liabilities	**173,576,791**	222,544,637

(Forward)

	2020	2019
Rent expense relating to short-term leases (Notes 16 and 17)	**₱17,319,392**	₱13,928,424
Gain on remeasurement	**(7,307,158)**	–
Rental income	**(61,993,815)**	(76,070,748)
Lease concession	**(735,453,471)**	–
Total amount recognized in the consolidated statement of comprehensive income	**₱894,072,633**	₱2,285,406,893

The rollforward analysis of right-of-use assets follows:

	2020	2019
Balances at beginning of the year	**₱2,753,833,363**	₱3,340,148,107
Additions	**506,321,822**	464,456,848
Depreciation expense	**(1,072,905,136)**	(1,172,593,126)
Remeasurement/termination	**(107,161,455)**	121,821,534
Balances at end of the year	**₱2,080,088,594**	₱2,753,833,363

The rollforward analysis of lease liabilities follows:

	2020	2019
Balances at beginning of the year	**₱2,832,462,784**	₱3,343,221,838
Additions	**460,033,129**	455,974,025
Interest expense	**173,576,791**	222,544,637
Remeasurement/termination	**(114,468,613)**	121,575,090
Lease concession	**(735,453,471)**	–
Payments	**(468,694,631)**	(1,310,852,806)
Balances at end of the year	**2,147,455,989**	2,832,462,784
Less: current portion	**738,752,642**	980,470,908
Balances at end of the year	**₱1,408,703,347**	₱1,851,991,876

The Group classifies payment of interest related to accretion of lease liability as financing activities in the statements of cash flows. Total lease payments can be referred to statement of cash flows in 2020 as follows:

	2020	2019
Payment of principal portion of lease liabilities	**₱295,117,840**	₱1,088,308,169
Payment of interest	**173,576,791**	222,544,637

Shown below is the maturity analysis of the undiscounted lease payments (in millions):

	2020	2019
Within one year	**₱795**	₱1,088
After one year but not more than five years	**1,485**	1,680
Later than five years	**325**	617

The Group has paid security deposits and construction bonds for the store outlets and office spaces with carrying amounts of ₱1,019.63 million and ₱1,059.56 million (including current portion in "Prepayments and other current assets") as of December 31, 2020 and 2019, 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 3.56% to 6.89% and from 3.56% to 6.89% in 2020 and 2019, respectively. Interest income recognized from these security deposits amounted to ₱14.59 million, ₱12.41 million and ₱8.81 million for the years ended December 31, 2020, 2019 and 2018, respectively.

In 2020, the Group had various lease modification in its contracts including changes in lease term, pre-termination of lease and changes in lease payments during the year. The effect of the lease modifications resulted to remeasurement in right-of-use asset and lease liability amounting to ₱107.16 and ₱114.47 million, respectively. In 2019, the effect of the lease modifications resulted to remeasurement in right-of-use asset and lease liability amounting to ₱121.82 and ₱121.58 million, respectively.

Group as a Lessor
In 2014, the Group leased out portions of the store spaces and parking space in Central Square for a lease term ranging from one to three years. Rental income on these spaces is based on a fixed basic monthly rate plus a certain percentage of gross sales. Deposits received from tenants amounted to ₱51.28 million and ₱59.82 million (including current portion in "Trade and other payables" as of December 31, 2020 and 2019, respectively. The Group subleased its leased space in NAIA Terminal 3 for a lease term of one year to five years. Rental income on these spaces is based on a fixed basic monthly rate plus a certain percentage of gross sales. Rental income for the lease of these store spaces amounted to ₱61.99 million, ₱76.07 million and ₱92.65 million in 2020, 2019 and 2018, respectively.

27. **Segment Reporting**

The Group has determined that it is operating as one operating segment. Based on management's assessment, no part or component of the business of the Group meets the qualifications of an operating segment as defined by PFRS 8. The Company's store operations is its only income generating activity and such is the measure used by the chief operating decision maker in allocating resources. The Company derives its primary income from the sales of merchandise to external customers and is the only basis for segment reporting purposes. Sales are reported on an entity-wide basis. These information are measured using the same accounting policies and estimates as the Group's consolidated financial statements. The table below sets out revenue from external customers by category for the years ended December 31, 2020, 2019 and 2018 (amounts in millions):

	2020	2019	2018
Net Sales			
Fast fashion	**₱3,198**	₱6,853	₱6,943
Luxury and bridge	**4,527**	6,588	5,149
Casual	**1,798**	3,140	2,778
Footwear, accessories and luggage	**902**	2,405	2,498
Personal care, home and others	**1,797**	3,380	2,862
	₱12,222	₱22,366	₱20,230

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

	2020	2019	2018
Philippines	**₱12,197**	₱22,303	₱20,165
Guam	**25**	63	65
	₱12,222	₱22,366	₱20,230

28. **Equity**

a. Common Shares

The Company's authorized and issued capital stock as of December 31, 2020, 2019 and 2018 are as follows:

Authorized capital stock, ₱1 par value	5,000,000,000
Issued capital stock	3,312,864,430

Movements of outstanding shares are as follows:

	2020		2019	
	Shares	**Amount**	Shares	Amount
Balances at beginning of year	**3,305,293,430**	**₱3,294,760,530**	3,309,586,430	₱3,305,305,990
Treasury shares	**(6,885,000)**	**(12,789,110)**	(4,293,000)	(10,545,460)
Balances at end of year	**3,298,408,430**	**₱3,281,971,420**	3,305,293,430	₱3,294,760,530

Below is a summary of the Company's track record of registration of securities.

	Number of shares registered	Issue/ offer price	Date of approval
Authorized capital stock, ₱1 par value	695,701,530	₱7.50	November 7, 2014

As of December 31, 2020 and 2019, the Company has 48 and 47 stockholders, respectively.

b. Treasury Shares

On May 10, 2017, the Board of Directors approved the repurchase of its shares from the open market. The amount that has been allocated for the buy-back program is ₱200.00 million. Outstanding balance of treasury shares as of December 31, 2020 and 2019 amounted to ₱30.89 million and ₱18.10 million, respectively. This is equivalent to 14,456,000 shares and 7,571,000 shares as of December 31, 2020 and 2019, respectively.

Details of treasury shares as of December 31, 2020 and 2019 are as follows:

	2020		2019	
	Shares	**Amount**	Shares	Amount
Balances at the beginning of year	**7,571,000**	**₱18,103,900**	3,278,000	₱7,558,440
Treasury shares	**6,885,000**	**12,789,110**	4,293,000	10,545,460
Balances at end of year	**14,456,000**	**₱30,893,010**	7,571,000	₱18,103,900

c. Stock Grants

In September 2018, the Company settled the 2014 stock grant by paying the executive officers ₱29.17 million. As of December 31, 2020 and 2019, outstanding balance of stock grants presented in the consolidated balance sheets is nil.

d. Appropriation of Retained Earnings

On December 10, 2018, the BOD approved the reversal of prior years' appropriations amounting to ₱1,402.50 million. On the same date, the BOD approved the appropriation of retained earning amounting to ₱1,110.00 million.

Details of the appropriated retained earnings as of December are as allows:

	2020	2019
SSI	₱–	₱800,000,000
ISCI	–	300,000,000
	₱–	₱1,100,000,000

On December 9, 2020, the BOD approved the reversal of the previously appropriated retained earnings amounting to ₱1,100.00 million since the construction of new store in Subic and expansion and renovation of Trinoma and Greenbelt store outlets were delayed. The amount of appropriations above will be used by the Group to fund future expansion and renovations in store outlets and operations.

e. On June 14, 2018, Group's BOD approved the cash declaration of ₱0.013 per share out of its unrestricted retained earnings for stockholders of records as of July 6, 2018 in proportion to their respective shares. On August 1, 2018, cash dividend paid amounted to ₱43.05 million. On June 26, 2019, Group's BOD approved the cash declaration of ₱0.0151 per share out of its unrestricted retained earnings for stockholders of records as of December 31, 2018 in proportion to their respective shares as of July 10, 2019. On August 5, 2019, cash dividend paid amounted to ₱49.96 million.

29. Notes to Consolidated Statements of Cash Flows

In 2020, right-of-use asset of the Group increased by ₱506.32 million and ₱107.16 million as additions and remeasurement, respectively (see Note 10). In 2019, right-of-use asset of the Group increased by ₱464.46 million and ₱121.81 million as additions and remeasurement, respectively (see Note 10). These are noncash investing activities.

The following tables show the changes in cash flows and non-cash changes in the liabilities arising from financing activities in 2020 and 2019:

December 31, 2020

	Short-term loans payable	Long-term debt	Lease liabilities (Note 26)	Interest payable	Treasury shares	Total
Balances at beginning of year	₱4,075,000,000	₱401,541,385	₱2,832,462,784	₱–	(₱18,103,900)	₱7,290,900,269
Cash movements:						
Availment	5,735,000,000	–	–	–	–	5,735,000,000
Settlement	(2,800,000,000)	(284,306,666)	(468,694,631)	(361,966,331)	(12,789,110)	(3,927,756,738)
Noncash movements:						
Additions and remeasurement	–	–	345,564,516	–	–	345,564,516
Accretion of interest	–	–	173,576,791	362,325,350	–	535,902,141
Lease concessions	–	–	(735,453,471)	–	–	(735,453,471)
Amortization of debt issue cost	–	359,019	–	(359,019)	–	–
Balances at end of year	₱7,010,000,000	₱117,593,738	₱2,147,455,989	₱–	(₱30,893,010)	₱9,244,156,717

December 31, 2019

	Short-term loans payable	Long-term debt	Lease liabilities (Note 26)	Interest payable	Treasury shares	Dividends Payable	Total
Balances at beginning of year	₱4,567,500,000	₱851,266,123	₱–	₱–	(₱7,558,440)	₱–	₱5,411,207,683
Cash movements:							
Availment	5,162,500,000	–	–	–			5,162,500,000
Settlement	(5,655,000,000)	(450,973,334)	(1,310,852,806)	(326,073,444)	(10,545,460)	(49,957,284)	(7,803,402,328)
Noncash movements:							
Effect of adoption of PFRS 16	–	–	3,343,221,838	–	–	–	3,343,221,838
Additions and remeasurements	–	–	577,549,115	–	–	–	577,549,115
Accretion of interest	–	–	222,544,637	327,322,040	–	–	549,866,677
Amortization of debt issue cost	–	1,248,596	–	(1,248,596)	–	–	–
Dividends declared	–	–	–	–	–	49,957,284	49,957,284
Balances at end of year	₱4,075,000,000	₱401,541,385	₱2,832,462,784	–	(₱18,103,900)	₱–	₱7,290,900,269

30. Subsequent Events

The COVID-19 pandemic which broke out in early 2020 resulted in nationwide community quarantine from March 15, 2020 that extends until audit report date and negatively impacted the Philippine economy. The Group received a lease concession amounting ₱735.45 million to as a response to the laws and regulations issued by government mandating the granting of certain lease concession during the coronavirus pandemic (see Note 26 regarding lease concession).

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

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

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

Based on the provisions of Revenue Regulations (RR) No. 50-2021 dated April 5, 2021 issued by the BIR, the prorated CIT rate of the Company for CY2020 is 25%, hence the effective tax rate in CY2020 is 27.5%. This will result to a lower provision for current income tax for the year ended December 31, 2020 amounting to ₱24.32 million. The reduced amounts have been reflected in the Company's 2020 annual income tax return. This will also result to a lower deferred tax assets and liabilities as of December 31, 2020 and provision for deferred tax for the year then ended by approximately ₱152.31 million and ₱136.77 million, respectively. These reductions will be recognized in the 2021 financial statements.

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SSI Group, Inc. and its subsidiaries (the Group) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, included in this Form 17-A and have issued our report thereon dated May 7, 2021. 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 Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

John T. Villa
Partner
CPA Certificate No. 94065
SEC Accreditation No. 1729-A (Group A),
December 18, 2018, valid until December 17, 2021
Tax Identification No. 901-617-005
BIR Accreditation No. 08-001998-076-2020,
December 3, 2020, valid until December 2, 2023
PTR No. 8534381, January 4, 2021, Makati City

May 7, 2021

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of SSI Group, Inc. and its subsidiaries (the Group) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020 and have issued our report thereon dated May 7, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

John T. Villa
Partner
CPA Certificate No. 94065
SEC Accreditation No. 1729-A (Group A),
December 18, 2018, valid until December 17, 2021
Tax Identification No. 901-617-005
BIR Accreditation No. 08-001998-076-2020,
December 3, 2020, valid until December 2, 2023
PTR No. 8534381, January 4, 2021, Makati City

May 7, 2021

SSI GROUP, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020

EXHIBIT I

SSI GROUP, INC.

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

DECEMBER 31, 2020

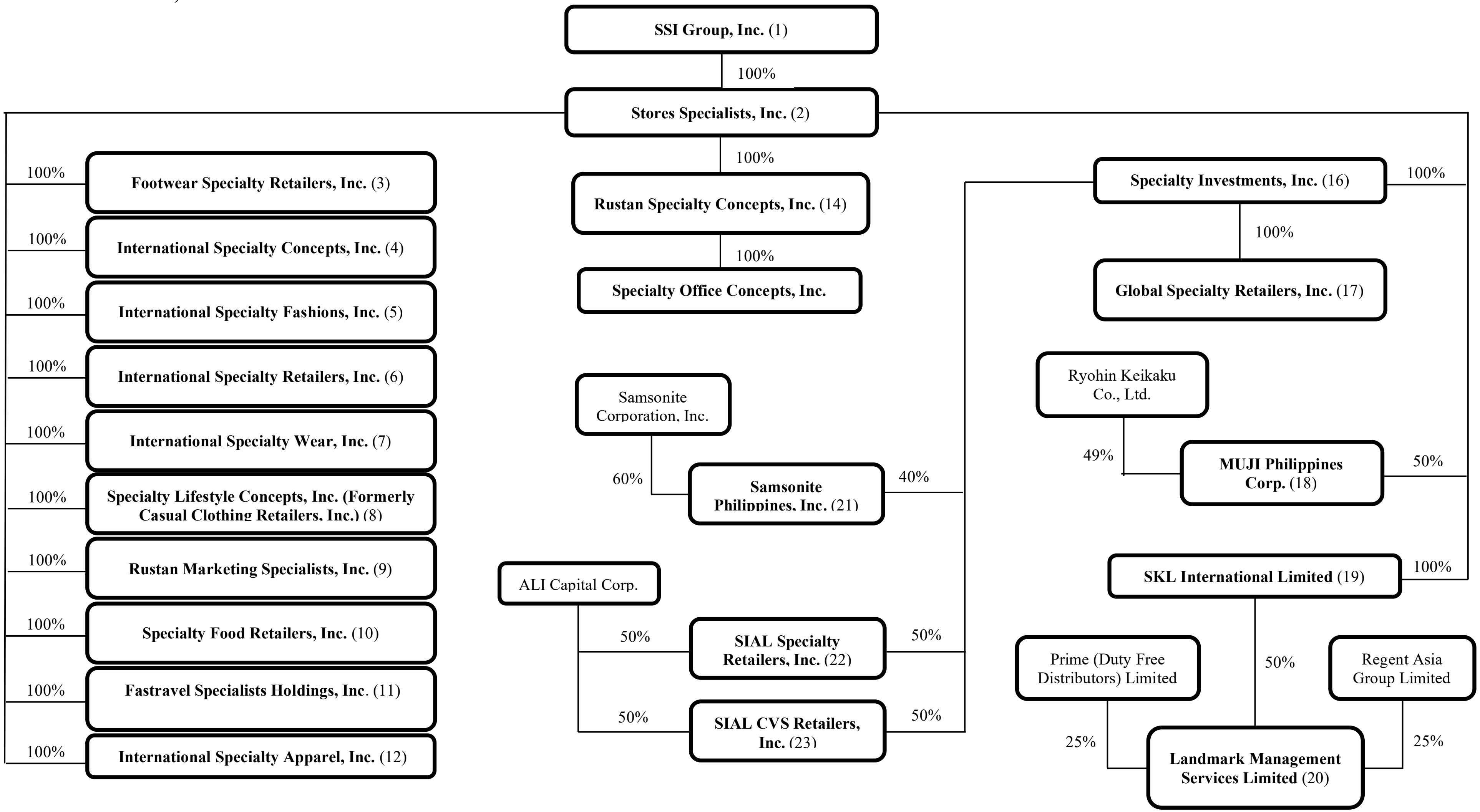

Exhibit II

SSI GROUP, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2020

Unappropriated retained earnings, beginning		₱996,266,094
Cumulative prior year adjustments:		
Interest income from accretion of the discount on security deposits		(5,181,311)
Unappropriated retained earnings, beginning		991,084,783
Net income during the period closed to retained earnings	9,501,275	
Interest income from accretion of the discount on security deposits	(523,125)	
Benefit from deferred tax	(255,112)	
Interest expense from accretion of lease liabilities	376,365	
Interest income on lease receivable	(246,111)	8,853,292
Retained earnings available for dividend declaration		₱999,938,075

SSI GROUP, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020

	Name of Issuing entity and association of each issue	Amount shown in the balance sheet	Valued based on market quotations at end of reporting period	Income received or accrued
Cash and cash equivalents	Various	₱5,303,876,139	₱5,303,876,139	₱11,568,066
Trade and other receivables				
Trade receivables	N/A	254,892,223	254,892,223	–
Nontrade receivables	N/A	287,147,180	287,147,180	–
Receivables from related parties	N/A	96,181,585	96,181,585	–
Dividend receivable	N/A			–
Other receivables	N/A	3,487,087	3,487,087	
Security deposits and construction bonds	N/A	1,019,625,939	1,019,625,939	–
		₱6,965,210,153	₱6,965,210,153	₱11,568,066

SSI GROUP, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020

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	₱34,220	₱36,096	(₱10,880)	₱59,437	₱–	₱59,437
PFM*	18,481	–	–	18,481	–	18,481
RMK*	39,385	5,133	(25,797)	43,411	–	43,411
SPI	2,417	51	(1,485)	2,468	–	2,468
MPC	17,285	15,384	(17,998)	14,671	–	14,671
Others	7	885	(7)	885	–	885
Advances to officers and employees	67,962	80,264	(66,888)	81,336	–	81,336
	₱179,757	₱137,813	(₱141,536)	₱220,689	₱–	₱220,689

**With allowance for impairment loss amounting to ₱18.5 million and ₱24.7 million for PFM and RMK, respectively.*

Amounts owed by Related Parties *(in thousands)*

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Non-Current	Balance at the end of the period
SCRI*	₱23,625	₱–	₱–	₱23,625	–	₱23,625

**With allowance for impairment loss amounting to the full balance of the receivable.*

SSI GROUP, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020

Receivables from related parties which are eliminated during the consolidation (under Trade and other receivables)

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Noncurrent	Balance at end of period
SGI	₱1,543	₱–	₱–	₱–	₱1,543	₱–	₱1,543
SSI	1,759,429	6,052,825	(12,845)	–	7,799,409	–	7,799,409
RMSI	288,269,127	3,805,447	(202,915,152)	–	89,159,422	–	89,159,422
ISCI	18,441,971	21,967,842		–	40,409,813	–	40,409,813
RSCI	15,515,965	3,192,804	(23,825)	–	18,684,944	–	18,684,944
SOCI	12,856	135,309,324	(12,856)	–	135,309,324	–	135,309,324
SII	–	–	–	–	–	–	–
ISFI	–	–	–	–	–	–	–
FSRI	9,416,417	120,708,577	(100,000,530)	–	30,124,464	–	30,124,464
GSRI	198,286	129,008		–	327,294	–	327,294
SFRI	284,975,892	222,522,991	(15,138,709)	–	492,360,174	–	492,360,174
ISRI	912,329	521,146		–	1,433,475	–	1,433,475
ISWI	710,928	559,736		–	1,270,664	–	1,270,664
ISAI	891,112	780,793		–	1,671,905	–	1,671,905
FSHI	30,610,749	9,659,056		–	40,269,805	–	40,269,805
SLCI	12,677,303	92,370,483	(68,675,037)		36,372,749		36,372,749
	₱664,393,907	₱617,580,032	(₱386,778,954)	₱–	₱895,194,985	₱–	₱895,194,985

**Net of allowance for ECL amounting to ₱91,928,368*

Amounts owed by related parties which are eliminated during the consolidation

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Noncurrent	Balance at end of period
SGI	₱161,799,221	₱34,334	(₱1,837)	₱–	₱161,831,718	₱–	₱161,831,718
SSI	339,096,306	101,768,626	(92,124,595)	–	348,740,337	–	348,740,337
RMSI	105,270,578	9,703,131	(17,468,295)	–	97,505,414	–	97,505,414
ISCI	27,741,863	18,876,983	(8,325,017)	–	38,293,829	–	38,293,829
RSCI	22,274,889	1,298,644		–	23,573,533	–	23,573,533
ISFI	80,210,150	1,130,644	(11,339,299)	–	70,001,495	–	70,001,495
FSRI	5,264,057	6,699,094	(123,190)	–	11,839,961	–	11,839,961
GSRI	91,984,252	13,240,110	(91,661,921)	–	13,562,441	–	13,562,441
SFRI	18,261,463	5,146,775	(2,531,959)	–	20,876,279	–	20,876,279
ISRI	41,699,156	89,892,403	(9,049,100)	–	122,542,459	–	122,542,459
ISWI	93,145,932	4,437,405	(314,398)	–	97,268,939	–	97,268,939
ISAI	74,822,090	29,188,975	(5,266,411)	–	98,744,654	–	98,744,654
SLCI	17,849,863	11,928,483	(12,623,658)	–	17,154,688	–	17,154,688
	₱1,079,419,820	₱293,345,607	(₱250,829,680)	₱–	₱1,121,935,747	₱–	₱1,121,935,747

SSI GROUP, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS

AS AT DECEMBER 31, 2020

Intangible Assets - Other Assets						
Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Not Applicable						
The Group does not have intangible assets in its consolidated statements of financial position.						

SSI GROUP, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
AS AT DECEMBER 31, 2020

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	₱117,670,000	₱117,670,000	₱–
Less: Transaction costs	(76,262)	(76,262)	–
	₱117,593,738	₱117,593,738	₱–
			Twenty-four (24) consecutive equal quarterly principal installments commencing on August 20, 2014 and will mature on February 20, 2020. The loan carries an interest of a fixed base rate plus an interest spread of 150 basis points per annum or a 5.50% per annum floor rate.

SCHEDULE F

SSI GROUP, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

AS AT DECEMBER 31, 2020

Indebtedness to related parties (Long-term loans from related companies)		
Name of related party	Balance at beginning of period	Balance at end of period
	Not Applicable	

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

SCHEDULE G

SSI GROUP, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
AS AT DECEMBER 31, 2020

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee

Not Applicable

The Group does not have any guarantees of securities of other issuing entities by the issuer for which the consolidated financial statement is filed.

SCHEDULE H

SSI GROUP, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK

AS AT DECEMBER 31, 2020

Capital Stock

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees	Others
Common shares	5,000,000,000	3,298,408,430	–	–	520,069,720	–

SSI GROUP, INC.
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratios	Formula	December 31, 2020	December 31, 2019
(i) Current Ratio	Current Assets/Current Liabilities	1.57	1.77
(ii) Debt/Equity Ratio	Bank Debts/ Total Equity	0.68	0.39
(iii) Net Debt/Equity Ratio	Bank Debts-Cash & Equivalents/Total Equity	0.17	0.17
(iii) Asset to Equity Ratio	Total Assets/Total Equity	2.17	1.93
(iv) Interest Cover Ratio	EBITDA/Interest Expense	2.37	6.97
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	40.54%	44.99%
Net Profit Margin	Net Income/Revenues	-7.39%	3.63%
EBITDA Margin	EBITDA/Revenues	11.34%	17.08%
Return on Assets	Net Income/Total Assets	-3.98%	3.70%
Return on Equity	Net Income/Total Equity	-8.66%	7.14%

*EBITDA = Earnings before interest, taxes and depreciation and amortization

SSI Group, Inc.

Parent Company Financial Statements
December 31, 2020 and 2019

and

Independent Auditor's Report

SGV
Building a better
working world

A member firm of Ernst & Young Global Limited

Gmail

Michaela Torres <mntorres@rgoc.com.ph>

Your BIR AFS eSubmission uploads were received

1 message

eafs@bir.gov.ph <eafs@bir.gov.ph> Thu, May 13, 2021 at 8:52 PM
To: SGI.JUNIOR.ACCOUNTANT@rgoc.com.ph
Cc: JCNAYPES@rgoc.com.ph

Hi SSI GROUP, INC.,

Valid files

- EAFS006710876AFSTY122020.pdf
- EAFS006710876TCRTY122020-02.pdf
- EAFS006710876RPTTY122020.pdf
- EAFS006710876OTHTY122020.pdf
- EAFS006710876TCRTY122020-01.pdf
- EAFS006710876ITRTY122020.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-8G5ABLDD02ZQXVQZYMVZSNRXQ0DKFFB9D**
Submission Date/Time: **May 13, 2021 08:52 PM**
Company TIN: **006-710-876**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

SSIGROUP, Inc

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **SSI Group, Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has not realistic alternative but to do so.

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

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

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

Signature ______________________
ZENAIDA R. TANTOCO – Chairman of the Board

Signature ______________________
ZENAIDA R. TANTOCO – Chief Executive Officer

Signature ______________________
ANTHONY T. HUANG - President

Signature ______________________
MA. TERESA R. TANTOCO - Treasurer

SUBSCRIBED AND SWORN to before me this MAY 1 7 2021 at Makati City, affiants exhibiting to me their respective Passports, as follows:

Name	Passport No.	Date and Place of Issue
Zenaida R. Tantoco	P1938015A	15 Feb 2017 | DFA Manila
Anthony T. Huang	P3061336A	16 May 2017 | DFA Manila
Ma. Teresa R. Tantoco	EC8123289	24 Jun 2016 | DFA Manila

Doc. No.: 370
Page No.: 75
Book No.: 158
Series of 2021.

ATTY. GEORGE DAVID D. SITON
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-382- UNTIL DEC. 31, 2021
ROLL NO. 68402/ MCLE COMPLIANCE NO. VI-0021936/3-29-2019
IBP O.R No.2275859-LIFETIME MEMBER MAY. 8, 2017
PTR No.8533058- JAN 04, 2021- MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER ST. MAKATI CITY

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of SSI Group, Inc. (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2020 and 2019, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control.

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

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15 2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 20 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic parent company financial statements. Such information is the responsibility of the management of SSI Group, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is John T. Villa.

SYCIP GORRES VELAYO & CO.

John T. Villa

John T. Villa
Partner
CPA Certificate No. 94065
SEC Accreditation No. 1729-A (Group A),
December 18, 2018, valid until December 17, 2021
Tax Identification No. 901-617-005
BIR Accreditation No. 08-001998-076-2020,
December 3, 2020, valid until December 2, 2023
PTR No. 8534381, January 4, 2021, Makati City

May 7, 2021

SSI GROUP, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash (Note 4)	**₱87,815,013**	₱47,289,950
Receivables (Note 5)	**7,396,087**	11,124,804
Lease receivable (Note 16)	–	7,007,483
Amounts owed by related parties (Note 14)	**476,402,804**	464,172,853
Prepayments and other current assets (Note 6)	**13,365,855**	16,858,423
Security deposits and construction bonds (Note 16)	–	37,115,931
Total Current Assets	**584,979,759**	583,569,444
Noncurrent Assets		
Investment in a subsidiary (Note 7)	**7,999,929,453**	7,999,929,453
Property and equipment (Note 8)	**872,317**	48,503,316
Deferred tax assets - net (Note 12)	**2,567,498**	1,941,486
Total Noncurrent Assets	**8,003,369,268**	8,050,374,255
TOTAL ASSETS	**₱8,588,349,027**	₱8,633,943,699
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 9)	**₱24,079,909**	₱31,237,968
Amounts owed to related parties (Note 14)	**213,581,233**	211,617,923
Lease liability (Note 16)	–	38,479,588
Total Current Liabilities	**237,661,142**	281,335,479
Noncurrent Liability		
Retirement benefit obligation (Note 15)	**8,520,568**	6,287,638
Total Liabilities	**246,181,710**	287,623,117
Equity (Note 13)		
Capital stock - ₱1 par value		
Authorized - 5,000,000,000 shares		
Issued - 3,312,864,430 shares	**3,312,864,430**	3,312,864,430
Additional paid-in capital	**4,056,457,439**	4,056,457,439
Treasury shares (Note 13)	**(30,893,010)**	(18,103,900)
Retained earnings	**1,005,767,369**	996,266,094
Other comprehensive loss	**(2,028,911)**	(1,163,481)
Total Equity	**8,342,167,317**	8,346,320,582
TOTAL LIABILITIES AND EQUITY	**₱8,588,349,027**	₱8,633,943,699

See accompanying Notes to Parent Company Financial Statements.

SSI GROUP, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2020	2019
REVENUES		
Revenue with contract with customers - service fees (Note 14)	**₱109,142,276**	₱199,572,834
Rental income (Note 16)	**17,319,935**	42,549,170
	126,462,211	242,122,004
OPERATING EXPENSES (Note 10)	**(111,586,406)**	(204,652,970)
OTHER INCOME (EXPENSE)		
Interest income (Notes 4 and 16)	**840,706**	3,884,025
Interest expense from accretion of lease liabilities (Note 16)	**(376,365)**	(6,959,520)
Loss on disposal (Note 8)	**(156,361)**	–
Other income	–	131
	307,980	(3,075,364)
INCOME BEFORE INCOME TAX	**15,183,785**	34,393,670
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 12)		
Current	**5,937,624**	14,295,000
Deferred	**(255,114)**	(2,477,420)
	5,682,510	11,817,580
NET INCOME	**9,501,275**	22,576,090
OTHER COMPREHENSIVE LOSS		
Item that will not be reclassified subsequently to profit or loss in subsequent periods:		
Remeasurement loss on retirement benefit, net of deferred tax (Note 15)	**(865,430)**	(1,163,481)
TOTAL COMPREHENSIVE INCOME	**₱8,635,845**	₱21,412,609
BASIC/DILUTED EARNINGS PER SHARE (Note 17)	**₱0.003**	₱0.01

See accompanying Notes to Parent Company Financial Statements.

SSI GROUP, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Capital Stock	Additional Paid-in Capital	Treasury Shares	Retained Earnings	Other Comprehensive Income	Total
Balances at January 1, 2019	₱3,312,864,430	₱4,056,457,439	(₱7,558,440)	₱1,023,647,288	₱–	₱8,385,410,717
Total comprehensive income for the year	–	–	–	22,576,090	(1,163,481)	21,412,609
Dividends payment (Note 13)	–	–	–	(49,957,284)	–	(49,957,284)
Treasury shares (Note 13)	–	–	(10,545,460)	–	–	(10,545,460)
Balances at December 31, 2019	**₱3,312,864,430**	**₱4,056,457,439**	**(₱18,103,900)**	**₱996,266,094**	**(₱1,163,481)**	**₱8,346,320,582**
Balances at January 1, 2020	₱3,312,864,430	₱4,056,457,439	(₱18,103,900)	₱996,266,094	(₱1,163,481)	₱8,346,320,582
Total comprehensive income for the year	–	–	–	9,501,275	(865,430)	8,635,845
Treasury shares (Note 13)	–	–	(12,789,110)	–	–	(12,789,110)
Balances at December 31, 2020	**₱3,312,864,430**	**₱4,056,457,439**	**(₱30,893,010)**	**₱1,005,767,369**	**(₱2,028,911)**	**₱8,342,167,317**

See accompanying Notes to Parent Company Financial Statements.

SSI GROUP, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱15,183,785**	₱34,393,670
Adjustments for:		
Depreciation and amortization (Note 8 and 16)	**32,813,494**	112,182,855
Provision for expected credit loss	**973,846**	–
Retirement expense (Note 15)	**996,601**	4,625,523
Interest expense (Note 16)	**376,365**	6,959,520
Loss on disposal of property and equipment (Note 8)	**156,361**	–
Unrealized foreign exchange loss	**37,761**	33,432
Interest income (Notes 4 and 16)	**(840,706)**	(3,884,025)
Operating income before working capital changes	**49,697,507**	154,310,975
Decrease (increase) in:		
Receivables	**2,754,871**	121,510,546
Lease receivables	**7,007,483**	19,146,819
Amounts owed by related parties	**(12,229,951)**	(55,617,008)
Prepayments and other current assets	**3,492,568**	11,129,714
Increase (decrease) in:		
Accounts payable and accrued expenses	**(7,158,059)**	1,081,612
Amounts owed to related parties	**1,963,310**	(121,991,853)
Net cash generated by operations	**45,527,729**	129,570,805
Interest received (Note 4 and 16)	**317,582**	2,675,760
Income taxes paid, including creditable withholding tax	**(5,937,624)**	(14,295,000)
Net cash flows from operating activities	**39,907,687**	117,951,565
CASH FLOWS FROM INVESTING ACTIVITIES		
Collection of (additions to) security deposits (Note 16)	**37,639,056**	(1,616,258)
Additions to property and equipment (Note 8)	**(66,518)**	(292,330)
Net cash flows from investing activities	**37,572,538**	(1,908,588)
CASH FLOWS FROM FINANCING ACTIVITIES (Note 16)		
Payments of lease liability (Note 16):		
Principal	**(23,751,926)**	(109,608,341)
Interest	**(376,365)**	(6,959,520)
Purchase of treasury shares (Note 13)	**(12,789,110)**	(10,545,460)
Dividends paid (Note 13)	**–**	(49,957,284)
Cash flows used in financing activities	**(36,917,401)**	(177,070,605)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(37,761)**	(33,432)
NET INCREASE (DECREASE) IN CASH	**40,525,063**	(61,061,060)
CASH AT BEGINNING OF YEAR	**47,289,950**	108,351,010
CASH AT END OF YEAR (Note 4)	**₱87,815,013**	₱47,289,950

See accompanying Notes to Parent Company Financial Statements.

1. Corporate Information

SSI Group, Inc. was registered with the Philippine Securities and Exchange Commission (SEC) on April 16, 2007 to engage in the retail business. On June 18, 2014, the Parent Company amended its primary purpose as a retail company to that of the business of a holding company. The Parent Company's shares are listed and traded as "SSI" on the Philippine Stock Exchange (PSE) in 2014.

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

The parent company financial statements as at and for the years ended December 31, 2020 and 2019 were approved and authorized for issuance by the BOD on May 7, 2021

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

Basis of Preparation

The parent company financial statements have been prepared on a historical cost basis and are presented in Philippine peso (₱), which is the Parent Company's presentation and functional currency. All values are rounded to the nearest ₱ except when otherwise indicated.

Statement of Compliance

The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The Parent Company also prepares and issues consolidated financial statements presented in compliance with PFRSs which can be obtained in the Parent Company's registered address.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

- **Amendments to PFRS 3, *Business Combinations, Definition of a Business***
- **Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments*, *Interest Rate Benchmark Reform***
- **Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material***
- **Conceptual Framework for Financial Reporting issued on March 29, 2018**
- **Amendment to PFRS 16, COVID-19 related Rent Concessions**

  On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. The Parent Company received rent concessions amounting to ₱14.73 million which are accounted for as a negative variable rent.

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*
- Annual Improvements to PFRSs 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

Deferred effectivity:
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Summary of Significant Accounting Policies
The significant accounting policies that have been used by the Parent Company in the preparation of the financial statements are discussed below.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

Financial assets

a) *Initial recognition and measurement*

The Parent Company classifies financial assets, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them.

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

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

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

b) *Subsequent measurement of financial assets*

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

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

Financial assets at amortized cost (debt instruments)

The Parent Company measures financial assets at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in the Parent Company profit or loss when the asset is derecognized, modified or impaired. This accounting policy relates to the Parent Company's "Cash", "Receivables", "Amounts owed by related parties", "Lease receivables" and "Security deposits and construction bonds".

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

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

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

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

The Parent Company applies a simplified approach in calculating ECLs for "Receivables". Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Parent Company's "Cash" are graded to be low credit risk investment based on the depository bank's credit ratings as published by Bloomberg Terminal.

Financial Liabilities

a) *Initial recognition and measurement*
Financial liabilities are classified, at initial recognition, as financials liabilities at fair value through profit or loss, loan and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value.

b) *Subsequent measurement*
After initial measurement, financial liabilities are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the Parent Company's "Accounts payable and accrued expenses", "Amounts owed to related parties" and "Lease liabilities".

c) *Derecognition*
   A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired.

Derecognition of Financial Instruments

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

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

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Cash
Cash in the statement of financial position consists of cash on hand and in banks.

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

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

Category	Number of Years
Store, office, warehouse furniture and fixture	5
Leasehold improvements	5

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

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

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

Unless the Parent Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use asset is depreciated on a straight-line basis over the shorter of their estimated useful life of five (5) years and lease term of five (5) years. Right-of-use asset is subject to impairment for nonfinancial assets.

Investment in a Subsidiary
Investment in a subsidiary is accounted for at cost, less any impairment in value. Cost is determined as the fair value of consideration that the Parent Company has paid for its interest in the subsidiaries.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company controls an investee if, and only if, the Parent Company has all the following:

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

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

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

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The Parent Company recognizes income from the investment only to the extent that the Parent Company receives distributions or establishes a right to receive distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction in the cost of the investment.

Impairment of Nonfinancial Assets
The Parent Company assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired. If any such indication exists, or when annual impairment testing for a nonfinancial asset is required, the Parent Company makes an estimate of the nonfinancial asset's recoverable amount. A nonfinancial asset's estimated recoverable amount is the higher of a nonfinancial 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 nonfinancial asset does not generate cash inflows that are largely independent of those from other nonfinancial assets or groups of nonfinancial assets. Where the carrying amount of a nonfinancial asset exceeds its recoverable amount, the nonfinancial asset is considered impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the nonfinancial asset.

For nonfinancial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the nonfinancial asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the nonfinancial asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the nonfinancial asset in prior years. Such reversal is recognized in the parent company profit or loss.

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

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account.

Retained Earnings
Retained earnings includes profit or loss attributable to the Parent Company's equity holders and reduced by dividends on capital stock. Retained earnings may also include effect of changes in accounting policies as may be required by the standards' transitional provisions.

Treasury stock
Treasury stock is the Parent Company's own shares that are reacquired and are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments.

Other Comprehensive Income
OCI includes items of income and expense that are not recognized in the profit or loss for the year in accordance with PFRSs.

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

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

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

Revenue and Income Recognition
Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those services. The Parent Company has assessed its revenue arrangements against specific criteria in order to determine if it is acting as a principal or as an agent. The Parent Company has concluded that it is acting as a principal in all of its revenue arrangements.

Service fee
Management fees for services rendered are recognized when earned.

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

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

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

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

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

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

Leases

Company as a lessee

The Parent Company applies a single recognition and measurement approach for all leases, except for short-term leases and lease of low-value assets. The Parent Company recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

- *Lease liabilities.* At the commencement date of the lease, the Parent Company recognizes lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

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

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

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

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

Company as a lessor

Operating Lease
Leases where the Parent Company does not transfer substantially all the risk and benefits of the ownership of the asset are classified as operating leases. Otherwise, they are classified as finance leases. Rental income from operating leases is recognized as income on a straight-line basis over the lease term.

Finance lease
The Parent Company assess if the lease will be classified as a finance lease. The Parent Company checks whether the lease term is for the major part of the economic life of the asset even if the title is not transferred; or at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the lease asset.

- *Lease receivables.* At the commencement date of the lease, the Parent Company recognizes assets held under a finance lease and present them as a receivable at an amount equal to the net investment in the lease. The net investment in the lease is the gross investment in the lease discounted using the interest rate implicit in the lease. In the case of a sublease, if the interest rate implicit in the sublease cannot be readily determined, an intermediate lessor may use the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease. The gross investment in the lease is the sum of the lease payments receivable by the Parent Company under the finance lease. Subsequently, the carrying amount of the lease receivables is increased to reflect the accretion of interest and reduced for the lease collections made.

  The Company classifies receipt of interest related to lease receivable - finance lease as operating activities in the statements of cash flows.

Short-term leases
The Parent Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'). These pertain to lease of stores. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

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

Deferred income tax
Deferred tax is provided using the balance sheet liability method on temporary differences at each reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

Deferred tax relating to items recognized directly in equity is recognized in other comprehensive income and not in profit or loss.

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

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

The net amount of VAT recoverable from, or payable, to the taxation authority is included as part of "Prepayments and other current assets", or "Accounts payables and accrued expenses", in the parent company statements of financial position.

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

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

3. **Significant Accounting Judgments, Estimates and Assumptions**

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

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

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

Determining Impairment Indicators of Nonfinancial Assets
The Parent Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The Parent Company determined that there were no indicators which could trigger an impairment review in 2020 and 2019, hence, no impairment loss was recognized in both years.

The net book values of property and equipment (including right-of-use assets) amounted to ₱0.87 million and ₱48.50 million as of December 31, 2020 and 2019, respectively (see Note 8). Investment in a subsidiary amounted to ₱8.00 billion as of December 31, 2020 and 2019 (see Note 7).

Operating Lease Commitments - the Company as a Lessor
Management has determined that the Parent Company retains all significant risks and rewards of ROU assets and thus, accounts for the contracts as operating leases. The ownership of the ROU assets is not transferred to the lessee by the end of the lease term. Rental income amounted to ₱6.44 million and ₱42.55 million in 2020 and 2019, respectively.

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

Estimating useful lives of property and equipment
The Parent Company estimates the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Parent Company reviews annually the estimated useful lives of property and equipment 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 would increase depreciation and amortization expense and decrease noncurrent assets.

There was no change in the estimated useful lives of the Parent Company's property and equipment in 2020 and 2019. As of December 31, 2020 and 2019, the carrying amount of property and equipment amounted to ₱0.87 million and ₱48.50 million, respectively. The Parent Company recognized depreciation expense amounting to ₱47.54 million and ₱112.18 million in 2020 and 2019, respectively (see Note 8).

Realizability of deferred tax assets
The Parent Company reviews the carrying amounts of deferred tax assets at each balance sheet date and reduces the amounts to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Deferred tax assets amounted to ₱2.57 million and ₱13.60 as of December 31, 2020 and 2019, respectively (see Note 12).

4. Cash

	2020	2019
Cash on hand	**₱18,196**	₱16,010
Cash with banks	**87,796,817**	47,273,940
	₱87,815,013	₱47,289,950

Cash in banks earn interest at the respective bank deposit rates. Interest income earned amounted to ₱0.07 million and ₱0.07 million in 2020 and 2019, respectively.

5. Receivables

	2020	2019
Advances to officers and employees	**₱906,359**	₱1,197,300
Other receivables	**7,463,574**	9,927,504
	8,369,933	11,124,804
Less: Allowance for ECL on other receivables	**973,846**	–
	₱7,396,087	₱11,124,804

Other receivables pertain to receivables from various operating leases of the Company and are generally due within one year (see Note 16). The Company recognized an allowance for ECL on other receivables amounted to ₱0.97 million in 2020 which is presented in the "Others" of operating expenses.

6. Prepayments and Other Current Assets

	2020	2019
Prepaid tax	**₱13,223,232**	₱16,399,026
Prepaid insurance	**142,623**	459,397
	₱13,365,855	₱16,858,423

Prepaid tax pertains to overpayments of income tax and creditable withholding tax that are amounts withheld from income subject to expanded withholding taxes.

7. Investment in a Subsidiary

The Parent Company's sole subsidiary as of December 31, 2020 and 2019 pertains to:

	Nature of Business	Country of Incorporation	Percentage of Ownership
SSI	Retail distribution	Philippines	100

The investment in a subsidiary is accounted for under the cost method. No movement in the cost of investment for the years ended December 31, 2020 and 2019.

8. Property and Equipment

December 31, 2020

	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	ROU - Commercial Space (Note 16)	Total
Cost:				
Balances at beginning of year	**₱80,769,822**	**₱4,289,062**	**₱127,093,470**	**₱212,152,354**
Additions	**–**	**66,518**	**–**	**66,518**
Disposal	**(80,769,822)**	**–**	**–**	**(80,769,822)**
Balances at end of year	**–**	**4,355,580**	**127,093,470**	**131,449,050**
Accumulated depreciation and amortization:				
Balances at beginning of year	**65,748,086**	**2,652,155**	**95,248,797**	**163,649,038**
Depreciation and amortization (Note 10 and 16)	**14,865,375**	**831,108**	**31,844,673**	**47,541,156**
Disposal	**(80,613,461)**	–	**–**	**(80,613,461)**
Balances at end of year	–	**3,483,263**	**127,093,470**	**130,576,733**
Net book values	**₱–**	**₱872,317**	**₱–**	**₱872,317**

December 31, 2019

	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	ROU – Commercial Space (Note 16)	Total
Cost:				
Balances at beginning of year	₱80,769,822	₱3,996,732	₱127,093,470	₱211,860,024
Additions	–	292,330	–	292,330
Balances at end of year	80,769,822	4,289,062	127,093,470	212,152,354
Accumulated depreciation and amortization:				
Balances at beginning of year	49,594,122	1,872,061	–	51,466,183
Depreciation and amortization (Note 10)	16,153,964	780,094	95,248,797	112,182,855
Balances at end of year	65,748,086	2,652,155	95,248,797	163,649,038
Net book values	₱15,021,736	₱1,636,907	₱31,844,673	₱48,503,316

No property and equipment are pledged nor treated as security to the outstanding liabilities as of December 31, 2020 and 2019.

The Company has no fully depreciated property, plant and equipment that are still being used as of December 31, 2020 and 2019. The Company has no purchase commitments as of December 31, 2020 and 2019.

9. Accounts Payable and Accrued Expenses

	2020	2019
Nontrade account payable	**₱3,318,587**	₱8,255,302
Tenant deposits	**15,675,685**	16,938,885
VAT payable	**4,639,937**	5,609,318
Accrued expenses	**322,600**	379,630
Other payables	**123,100**	54,833
	₱24,079,909	₱31,237,968

Accounts payable are non-interest bearing and are normally settled on a 90-day term.

10. **Operating Expenses**

	2020	2019
Depreciation and amortization - net of lease concession amounting to ₱14.73 million in 2020 (Notes 8 and 16)	**₱32,813,494**	₱112,182,855
Personnel expenses (Note 11)	**57,656,243**	56,053,003
Rent (Note 16)	**4,141,621**	8,685,532
Taxes and licenses	**5,177,515**	7,217,735
Utilities and communications	**3,199,948**	6,613,033
Professional fees	**3,277,815**	3,266,556
Advertising and promotions	**738,021**	2,022,053
Repairs and maintenance	**1,395,111**	1,852,440
Others	**3,186,638**	6,759,763
	₱111,586,406	₱204,652,970

Others include delivery charges, security, advertising, promotions, repairs, maintenance, supplies, insurance, transportation, janitorial expenses, among others.

11. **Personnel Expenses**

	2020	2019
Salaries and wages	**₱53,071,145**	₱49,748,494
Employee benefits	**4,585,098**	6,304,509
	₱57,656,243	₱56,053,003

12. **Income Taxes**

a. The provision for current income tax represents regular corporate income tax in 2020 and 2019.

b. The reconciliation of the income tax expense computed at the statutory income tax rate to provision for income tax follows:

	2020	2019
At statutory income tax rate of 30%	**₱4,555,136**	₱10,318,101
Additions to (reductions in) income tax resulting from:		
Interest income subjected to final tax	**(21,441)**	(18,539)
Nondeductible expenses	**856,661**	1,518,018
Movement in unrecognized DTA	**292,154**	–
	₱5,682,510	₱11,817,580

c. The components of the net deferred tax assets (liabilities) are as follows:

	2020	2019
Deferred tax asset		
Retirement benefit obligation	**₱1,686,637**	₱1,387,656
Unrealized foreign exchange losses	**11,328**	10,029
Lease liability	–	11,543,876
Discount on security deposit	–	156,937
	1,697,965	13,098,498
Deferred tax liabilities		
Lease receivable	–	(2,102,245)
Right of use assets	–	(9,553,402)
	1,697,965	1,442,851
Deferred tax asset related to retirement benefit obligation recognized under other comprehensive income	**869,533**	498,635
Net deferred tax assets	**₱2,567,498**	₱1,941,486

The Parent Company has unrecognized deferred tax asset on the allowance for ECL on other receivables amounted to ₱0.97 million and nil as of December 31, 2020 and 2019, respectively.

13. **Equity**

Capital Stock
Authorized capital stock as of December 31, 2020 and 2019 amounted to ₱5,000,000,000 composed of 5,000,000,000 shares ₱1 par value. The Company's issued shares as of December 31, 2020 and 2019 amounted to ₱3,312,864,430 composed of 3,312,864,430 shares ₱1 par value.

There are no movements in capital stock during the year.

Treasury Shares
Outstanding balance of treasury shares as of December 31, 2020 and 2019 amounted to ₱30.89 million and ₱18.10 million, respectively. This is equivalent to 14,456,000 shares and 7,571,000 shares as of December 31, 2020 and 2019, respectively.

Details of treasury shares as of December 31, 2020 and 2019 are as follows:

	2020		2019	
	Shares	**Amount**	Shares	Amount
Balances at the beginning of year	**7,571,000**	**₱18,103,900**	3,278,000	₱7,558,440
Treasury shares	**6,885,000**	**12,789,110**	4,293,000	10,545,460
Balances at end of year	**14,456,000**	**₱30,893,010**	7,571,000	₱18,103,900

Dividends
On June 26, 2019, the Parent Company declared cash dividends amounting to ₱49.96 million to shareholders of record as of July 10, 2019. Dividends were subsequently paid on August 5, 2019. Dividends per share amounted to ₱0.015.

14. **Related Party Disclosures**

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

In the ordinary course of business, the Parent Company has the following transactions with related parties:

a. In 2020 and 2019, the Parent Company charged "Service fees" to subsidiaries as allocation of the service cost in the Group's centralized processes. Consequently, the Parent Company recognized all corporate-related expenses in centralized processes such as personnel costs, rent and utilities and all other common expenses as services are rendered. Service fees are billed to the subsidiaries proportionately on a monthly basis.

   Service fees recognized for the years ended December 31, 2020 and 2019 amounted to ₱109.14 million and ₱199.57 million, respectively.

b. Reimbursements to SSI and other subsidiaries for payments of various expenses on the Parent Company's behalf.

c. Included in "Others" are transactions charged for service fees with ISAI, ISWI, ISRI, ISFI, GSRI, FSHI, SII, and SFRI.

d. The outstanding balances of transactions with related parties are non-interest bearing, unsecured and are not impaired. These are settled in cash.

e. Compensation of the Parent Company's key management pertains to short-term employee benefits amounting to ₱33.72 million and ₱33.56 million in 2020 and 2019, respectively.

   The following balances resulted from transactions entered into with related parties (in thousands):

			Outstanding balances	
Related Parties	Year	Transactions for the year	Amounts owed by related parties	Amounts owed to related parties
Subsidiary:				
SSI	**2020**	**(₱6,717)**	**₱273,725**	**₱37,056**
	2019	(₱86,630)	₱278,498	₱35,112
Indirect subsidiaries:				
SLCI	**2020**	**(726)**	**17,109**	**156,016**
	2019	(416)	17,804	155,984
ISCI	**2020**	**9,981**	**27,287**	**1**
	2019	9,650	17,304	–
FSRI	**2020**	**6,581**	**11,725**	**1**
	2019	(574)	5,144	1
RMSI	**2020**	**(5,576)**	**97,484**	**20,499**
	2019	10,658	103,060	20,499

(Forward)

Related Parties	Year	Transactions for the year	Outstanding balances: Amounts owed by related parties	Amounts owed to related parties
RSCI	**2020**	**₱1,299**	**₱23,550**	**₱–**
	2019	3,172	22,251	1
Others	**2020**	**5,424**	**25,523**	**8**
	2019	(2,371)	20,111	22
	2020		**₱476,403**	**₱213,581**
	2019		₱464,172	₱211,618

15. **Retirement Benefit Plan**

The Parent Company has an unfunded, noncontributory defined benefit retirement plan which covers all of its regular employees. The benefits are based on years of service and compensation on the last year of employment. The benefits are based on a certain percentage of the final monthly basic salary for every year of credited service of the employees. The defined retirement benefit obligation is determined using the projected unit credit method.

Retirement expense as of December 31, 2020 and 2019 is as follows:

	2020	2019
Current service cost	**₱688,507**	₱4,331,863
Interest cost	**308,094**	293,660
Retirement expense	**₱996,601**	₱4,625,523

The movement in present value of the defined benefit obligation as of December 31, 2020 and 2019 is as follows:

	2020	2019
Balance at beginning of year	**₱6,287,638**	₱–
Current service cost	**688,507**	4,331,863
Interest cost	**308,094**	293,660
Remeasurement gains arising from:		
Changes in financial assumptions	**934,829**	1,588,162
Deviations of experience from assumptions	**301,500**	73,953
Balance at end of year	**₱8,520,568**	₱6,287,638

The principal actuarial assumptions used to determine the Parent Company's retirement benefit obligation as of December 31, 2020 and 2019 are as follows:

	2020	2019
Discount rate	**3.50%**	4,90%
Salary increase rate		
Year 1	**0%**	3.00%
Year 2 and onwards	**3.00%**	3.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the pension obligations, assuming all other assumptions were held constant as of December 31, 2020 and 2019:

	Increase (Decrease)	Effect on Present Value of Define Benefit Obligation 2020	2019
Discount rate	+1%	**(₱915,016)**	(₱680,936)
	-1%	**1,065,264**	788,977
Future salary increase rate	+1%	**1,062,498**	796,336
	-1%	**(853,044)**	(698,898)

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2020 and 2019:

	2020	2019
1 year or less	**₱82,986**	₱55,129
More than 1 year to 5 years	**496,625**	409,502
More than 5 years	**144,414,997**	144,121,734

The average duration of the defined benefit obligation as of December 31, 2020 and 2019 is 15.3 years and 15.4 years, respectively.

16. Lease Agreement

Parent Company as a lessee

On May 1, 2015, the Parent Company entered into a lease agreement with Manila International Airport Authority (MIAA) for the lease of commercial space in the Ninoy Aquino International Airport (NAIA) Terminal 3. The lease is for a period of five years and is renewable by mutual agreement. The inception of the lease is on the same date of lease agreement. As of December 31, 2020, the Parent Company has not renewed the lease agreement.

Variable rent expense related to this contract amounted to ₱2.80 million and ₱8.69 million which is based on 5% to 30% of total merchandise sales in 2020 and 2019, respectively (see Note 10).

The following table shows the movements in the ROU assets and lease liabilities for the years ended December 31, 2020 and 2019:

	2020		2019	
	ROU assets	**Lease liabilities**	ROU assets	Lease liabilities
Balances at beginning of the year	**₱31,844,673**	**₱38,479,588**	₱127,093,470	₱148,087,929
Interest expense	**–**	**376,365**	–	6,959,520
Depreciation (Note 8)	**(31,844,673)**	**–**	(95,248,797)	–
Disposals	**–**	**–**	–	–
Payments	**–**	**(24,128,291)**	–	(116,567,861)
Lease concession (Note 2)	**–**	**(14,727,662)**	–	–
Balances at end of the year	**–**	**–**	31,844,673	38,479,588
Less current portion	**–**	**–**	–	38,479,588
Balance at December 31 noncurrent	**₱–**	**₱–**	₱31,844,673	₱–

Total lease payments can be referred to statement of cash flows in 2020 and 2019 as follows:

	2020	2019
Payment of interest - financing	**₱376,365**	₱6,959,520
Payment of principal portion of lease liabilities - financing	**23,751,926**	109,608,341
	₱24,128,291	₱116,567,861

The following are the amounts recognized in statement of comprehensive income:

	2020	2019
Depreciation expense of right-of-use assets included in property and equipment - gross of lease concessions (Note 8)	**₱31,844,673**	₱95,248,797
Lease concessions	**(14,727,662)**	–
Variable lease payments	**2,804,303**	8,685,532
Short-term lease payment	**1,337,318**	255,313
Interest expense on lease liabilities	**376,365**	6,959,520
Interest income on lease receivable	**(246,111)**	(2,613,963)
Income relating to short term leases	**(6,440,250)**	(42,549,170)
Total amount recognized in statement of comprehensive income	**₱14,948,636**	₱65,986,029

Shown below is the maturity analysis of the undiscounted lease payments:

	2020	2019
Not later than one year	**₱–**	₱38,855,954
After one year but not more than five years	**–**	–
	₱–	₱38,855,954

The Parent Company paid security deposits and construction bonds for the store outlets and office spaces with carrying amounts of nil and ₱37.12 million as of December 31, 2020 and 2019, respectively, which are refundable upon complete turnover of the leased area.

As of December 31, 2020, the Parent Company collected the security deposits and construction bond amounting to ₱37.64 million. This is presented in the statement of cash flow under investing activities

Interest income from accretion of the discount on security deposits amounted to ₱0.52 million and ₱1.21 million for the years ended December 31, 2020 and 2019, respectively.

Parent Company as a lessor
The Parent Company subleased its leased commercial space in NAIA Terminal 3 for a lease term of one (1) to five (5) years. Rental income on these spaces is based on a fixed basic monthly rate plus a certain percentage of gross sales.

The Parent Company reassessed the classification of the ongoing subleases that were classified as operating leases under PAS 17 and determined that the subleases qualify as finance lease under the new standard. The assessment was made on the basis of the remaining contractual terms and conditions of the head lease and sublease. The Parent Company accounted for the subleases as new finance leases entered into at the date of initial application. As a result, the Parent Company recognized lease receivables amounting to ₱26.15 million on January 1, 2019.

Rental income from operating leases in 2020 and 2019 amounted to ₱17.32 million and ₱42.55 million, respectively.

Other receivables under "Receivables" amounted to ₱7.46 million and ₱9.93 million in 2020 and 2019 respectively (see Note 5).

The following table shows the movements in the lease receivables for the years ended December 31, 2020 and 2019:

	2020	2019
Balances at beginning of the year	**₱7,007,483**	₱26,154,302
Interest income	**246,111**	2,613,963
Collection of lease receivables	**(7,253,594)**	(21,760,782)
Lease receivable - current as of year end	**₱–**	₱7,007,483

Total lease received can be referred to statement of cash flows in 2020 and 2019 as follows:

Receipt of interest - operating	**₱246,111**	₱2,613,963
Receipt of principal portion of lease receivable - operating	**7,007,483**	19,146,819
	₱7,253,594	₱21,760,782

Future minimum rental receivables of the Parent Company under the sub-leasing agreements is as follows:

	2020	2019
Not later than one year	**₱–**	₱7,253,594
After one year but not more than five years	**–**	–
	₱–	₱7,253,594

Financing activities
The rollforward relating to cash flows from financing activities relates solely to lease liabilities which is already discussed above.

17. **Basic/Diluted Earnings Per Share**

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

	2020	2019
Total comprehensive income	**₱8,635,845**	₱21,412,609
Divided by weighted average number of common shares	**3,299,379,507**	3,308,461,263
	₱0.003	₱0.01

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

18. **Financial Risk Management Objective and Policies**

The principal financial instruments of the Parent Company consist of cash in banks and amounts owed to related parties. The main purpose of these financial instruments is to raise funds for the Parent Company. The Parent Company has other financial assets and liabilities such as receivables, lease receivables, amounts owed by related parties, security deposits, construction bonds and accounts payable lease liabilities and accrued expenses which arise directly from its operations.

The main risks arising from the financial instruments of the Parent Company are credit risk and liquidity risk. The Parent Company's management reviews and approves policies for managing each of these risks and they are summarized below.

Credit risk
Credit risk is the risk of financial loss to the Parent Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Parent Company's credit risk exposure arises principally from the possibility that the counterparties may fail to fulfill their agreed obligations. To manage such risk, the Parent Company monitors its financial assets on an ongoing basis. The objective is to reduce the risk of loss through default of counterparties.

The table below shows the maximum exposure of the Parent Company to credit risk:

	2020	2019
Cash in bank	**₱87,796,817**	₱47,273,940
Receivables*	**7,463,574**	9,927,504
Lease receivables	**–**	7,007,483
Amounts owed by related parties	**476,402,804**	464,172,853
Security deposits and construction bonds	**–**	37,115,931
	₱571,663,195	₱565,497,711

**Excluding advances to officers and employees amounting to ₱0.91 million and ₱1.20 million for 2020 and 2019, respectively.*

Liquidity risk
Liquidity risk arises from the possibility that the Parent Company may encounter difficulties in raising funds to meet commitments from financial institutions.

The objective of the Parent Company is to maintain a balance between continuity of funding and flexibility through the use of credit lines available from local banks. The policy of the Parent Company is to first exhaust lines available from related parties before local bank lines are availed of.

The tables below summarize the maturity analysis of the Parent Company's financial assets and liabilities based on undiscounted contractual payments as at December 31:

December 31, 2020

	Contractual undiscounted payments			
	On demand	**One year**	**More than 1 year**	**Total**
Financial assets:				
Cash	**₱87,815,013**	**₱–**	**₱–**	**₱87,815,013**
Receivables*	**–**	**7,463,574**	**–**	**7,463,574**
Amounts owed by related parties	**476,402,804**	**–**	**–**	**476,402,804**
Total undiscounted financial assets	**564,217,817**	**7,463,574**	**–**	**571,681,391**
Financial liabilities:				
Accounts payable and accrued expenses**	**(19,594,892)**	**–**	**–**	**(19,594,892)**
Amounts owed to related parties	**(213,581,233)**	**–**	**–**	**(213,581,233)**

(Forward)

	Contractual undiscounted payments			
	On demand	One year	More than 1 year	Total
Total undiscounted financial liabilities	**₱(233,176,125)**	**₱–**	**₱–**	**₱(233,176,125)**
Total net undiscounted financial assets	**₱331,041,692**	**₱7,463,574**	**₱–**	**₱338,505,266**

**Excluding advances to officers and employees amounting to ₱0.91 million*
*** Excluding statutory liabilities amounting to ₱4.49 million*

December 31, 2019

	Contractual undiscounted payments			
	On demand	One year	More than 1 year	Total
Financial assets:				
Cash	₱47,289,950	₱–	₱–	₱47,289,950
Receivables*	–	9,927,504	–	9,927,504
Lease receivables	–	7,007,483	–	7,007,483
Amounts owed by related parties	464,172,853	–	–	464,172,853
Security deposits and construction bonds	–	–	37,115,931	37,115,931
Total undiscounted financial assets	511,462,803	16,934,987	37,115,931	565,513,721
Financial liabilities:				
Accounts payable and accrued expenses**	(23,832,127)	–	–	(23,832,127)
Lease liability	–	(38,479,588)	–	(38,479,588)
Amounts owed to related parties	(211,617,923)	–	–	(211,617,923)
Total undiscounted financial liabilities	(235,450,050)	(38,479,588)	–	(273,929,638)
Total net undiscounted financial assets (liabilities)	₱276,012,753	(₱21,544,601)	₱37,115,931	₱291,584,083

**Excluding advances to officers and employees amounting to ₱1.20 million*
*** Excluding statutory liabilities amounting to ₱5.61 million*

Capital Management

The basic objective is to maintain a strong credit rating and healthy capital ratios to support its business and maximize shareholder value. Capital includes equity.

The Parent Company manages its capital structure and makes adjustments to it based on changes in economic and business conditions. To maintain or adjust the capital structure, the Parent Company may consider paying dividends to stockholders, returning capital to stockholders, or issuing new shares of stocks. No changes were made in the objectives, policies or processes during the years ended December 31, 2020 and 2019.

The Parent Company is not subject to externally imposed capital requirements.

Fair Value Measurement

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

Cash, Receivables, security deposits and construction bonds, accounts payable and accrued expenses, and amounts owed by/to related parties

The carrying amounts of cash, receivables, security deposits and construction bonds ,accounts payable and accrued expenses and amounts owed by/to related parties approximate their fair values due to the relatively short-term maturity of these financial instruments.

Fair Value Hierarchy
In 2020 and 2019, the Parent Company's security deposits and construction bonds are classified under Level 3. As of December 31, 2020 and 2019, the Parent Company does not have financial instruments with fair values determined using inputs that are classified under Level 1 and 2.

For the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

19. Subsequent Events

COVID-19
The COVID-19 pandemic which broke out in early 2020 resulted in nationwide community quarantine from March 15, 2020 that extends until audit report date and negatively impacted the Philippine economy. The Parent Company received a lease concession amounting ₱14.73 million to as a response to the laws and regulations issued by government mandating the granting of certain lease concession during the coronavirus pandemic (see Note 16 regarding lease concession) .

The Parent Company believes that there is no material uncertainty on going concern nor material impact on the Company's financial position and liquidity for the year ended December 31, 2020.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:
- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.00 million and with total assets not exceeding ₱100.00 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

  Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Company for CY2020 is 27.5%. This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, a reduction of ₱0.50 million and nil, respectively. The reduced amounts will be reflected in the Company's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.

- This will result in lower deferred tax assets and liabilities as of December 31, 2020 and provision for deferred tax for the year then ended by ₱0.02 million and ₱0.02 million, respectively. These reductions will be recognized in the 2021 financial statements.

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

December 31, 2020 for financial reporting purposes.

20. Supplementary Information Required Under Revenue Regulations 15-2010

The Parent Company reported and/or paid the following types of taxes in 2020:

VAT

a. Net Sales/Receipts and Output VAT declared in the Company's VAT returns for 2020

   The Parent Company is a VAT-registered company with total output VAT for the year amounting to ₱14,741,183 which is based on the total amount of sale of services amounting to ₱122,843,196.

   Sale of services pertain to service fees which are based on actual collections hence may not be the same as the amounts recorded in the parent company statements of comprehensive income.

b. Input VAT declared in the Parent Company's VAT returns for 2020:

Balance at January 1	₱–
Current year's domestic purchases/payments for importations of goods for resale	4,392,978
	4,392,978
Claims against output VAT	(4,392,978)
Balance at December 31	₱–

Taxes and Licenses
Taxes and licenses pertain to license and permit fees amounting to ₱5,893,604 for the year ended December 31, 2020.

Withholding Taxes

Withholding taxes on compensation and benefits	₱12,374,021
Expanded withholding taxes	1,390,621

Tax Assessment and Cases
The Company has no pending tax assessments and tax cases as at December 31, 2020.

SSI Group, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of March 31, 2021 ***(With Comparative Audited Figures as of December 31, 2020)***
and For the Three-Month Periods Ended March 31, 2021 and 2020

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

As of March 31, 2021
(With Comparative Audited Figures as of December 31, 2020)

	March 31 2021 (Unaudited)	December 31 2020 (Audited)
ASSETS		
Current Assets		
Cash (Note 3)	**₱4,593,359,807**	₱5,303,876,139
Trade and other receivables (Note 4)	**1,164,626,395**	713,281,488
Merchandise inventories (Note 5)	**8,746,221,817**	9,209,038,936
Prepayments and other current assets (Note 6)	**583,869,078**	557,392,818
Total Current Assets	**15,088,077,097**	15,783,589,381
Noncurrent Assets		
Investment in an associate (Note 7)	**74,473,355**	78,251,625
Interests in joint ventures (Note 8)	**540,319,918**	543,663,728
Property and equipment (Note 9)	**4,373,440,833**	4,537,710,085
Deferred tax assets - net	**627,801,504**	591,167,488
Security deposits and construction bonds (Note 23)	**975,407,621**	963,591,768
Other noncurrent assets (Note 10)	**167,579,510**	198,475,979
Total Noncurrent Assets	**6,759,022,742**	6,912,860,673
TOTAL ASSETS	**₱21,847,099,839**	₱22,696,450,054
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	**₱1,501,025,804**	₱2,148,691,455
Short-term loans payable (Note 12)	**6,940,000,000**	7,010,000,000
Current portion of long-term debt (Note 13)	**88,183,737**	117,593,738
Current portion of lease liabilities (Note 23)	**736,899,789**	738,752,642
Deferred revenue	**20,936,277**	30,928,791
Income tax payable	**74,972,585**	30,383,591
Total Current Liabilities	**9,362,018,192**	10,076,350,217
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 13)	**–**	–
Retirement benefit obligation	**793,439,677**	748,787,027
Lease liabilities - net of current portion (Note 23)	**1,328,183,463**	1,408,703,347
Tenant deposits (Note 23)	**20,555,794**	20,279,738
Total Noncurrent Liabilities	**2,142,178,934**	2,177,770,112
Total Liabilities	**11,504,197,126**	12,254,120,329
Equity		
Capital stock	**3,312,864,430**	3,312,864,430
Additional paid-in capital	**2,519,309,713**	2,519,309,713
Treasury shares	**(30,893,010)**	(30,893,010)
Retained earnings		
Appropriated	**–**	–
Unappropriated	**4,761,204,888**	4,860,701,097
Cumulative translation adjustment	**(2,011,406)**	(2,080,603)
Other comprehensive loss	**(217,571,902)**	(217,571,902)
Total Equity	**10,342,902,713**	10,442,329,725
TOTAL LIABILITIES AND EQUITY	**₱21,847,099,839**	₱22,696,450,054

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Three-Month Periods Ended March 31	
	2021 (Unaudited)	2020 (Unaudited)
REVENUES		
Revenue from contract with customers - net sales	**₱3,516,644,634**	₱4,282,894,697
Rental income (Note 23)	**7,227,460**	13,312,327
	3,523,872,094	4,296,207,024
COST OF GOODS SOLD AND SERVICES (Note 14)	**2,187,808,554**	2,311,609,303
GROSS PROFIT	**1,336,063,540**	1,984,597,721
OPERATING EXPENSES		
Selling and distribution (Note 15)	**980,432,616**	1,518,183,879
General and administrative (Note 16)	**338,109,342**	311,143,183
	1,318,541,958	1,829,327,062
OTHER INCOME (CHARGES)		
Interest expense (Notes 12 and 13)	**(108,024,223)**	(60,342,065)
Loss on disposal of property and equipment (Note 9)	**(6,125,507)**	(15,049,070)
Share in net earnings of an associate (Note 7)	**(3,778,270)**	18,351,171
Share in net losses of joint ventures (Note 8)	**(3,343,811)**	5,075,197
Interest income (Note 3)	**6,201,813**	857,248
Foreign exchange gains - net	**(65,408)**	(6,815,958)
Interest accretion on security deposits (Note 23)	**751,237**	836,068
Others – net	**9,887,675**	41,117,421
	(104,496,494)	(15,969,988)
INCOME BEFORE INCOME TAX	**(86,974,912)**	139,300,671
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**44,131,146**	76,993,733
Deferred	**(31,609,849)**	(47,587,587)
	12,521,297	29,406,146
NET INCOME	**(99,496,209)**	109,894,525
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Cumulative translation adjustment on foreign operations, net of deferred tax	**69,197**	–
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Re-measurement gain (loss) on retirement benefit, net of deferred tax	**–**	(1,610,386)
TOTAL COMPREHENSIVE INCOME	**(₱99,427,012)**	₱108,284,139
BASIC/DILUTED EARNINGS PER SHARE (Note 20)	**(₱0.03)**	₱0.03

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2021 AND 2020

				Retained Earnings		Cumulative	Other	
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Appropriated	Unappropriated	Cumulative Translation Adjustment	Other Comprehensive Income	Total
Balances at January 1, 2020	₱3,312,864,430	₱2,519,309,713	(₱18,103,900)	₱1,100,000,000	₱4,664,521,751	(₱2,169,584)	(₱155,137,693)	₱11,421,284,717
Net income	–	–	–	–	109,894,525	–	–	109,894,525
Other comprehensive income	–	–	–	–	–	–	(1,610,386)	(1,610,386)
Total comprehensive income for the period	–	–	–	–	109,894,525	–	(1,610,386)	108,284,139
Treasury shares	–	–	(12,789,110)	–	–	–	–	(12,789,110)
Balances at March 31, 2020	**₱3,312,864,430**	**₱2,519,309,713**	**(₱30,893,010)**	**₱1,100,000,000**	**₱4,774,416,276**	**(₱2,169,584)**	**(₱156,748,079)**	**₱11,516,779,746**
Balances at January 1, 2021	₱3,312,864,430	₱2,519,309,713	(₱30,893,010)	₱–	₱4,860,701,097	(₱2,080,603)	(₱217,571,902)	₱10,442,329,725
Net income	–	–	–	–	(99,496,209)	–	–	(99,496,209)
Other comprehensive income	–	–	–	–	–	69,197	–	69,197
Total comprehensive income for the period	–	–	–	–	(99,496,209)	69,197	–	(99,427,012)
Balances at March 31, 2021	**₱3,312,864,430**	**₱2,519,309,713**	**(₱30,893,010)**	**₱–**	**₱4,761,204,888**	**(₱2,011,406)**	**(₱217,571,902)**	**₱10,342,902,713**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

	For the Three-Month Periods Ended March 31	
	2021 (Unaudited)	2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**(₱86,974,912)**	₱139,300,671
Adjustments for:		
Depreciation and amortization (Notes 9, 10 and 18)	**222,075,099**	270,376,053
Interest expense (Note 12 and 13)	**108,024,223**	60,342,065
Loss on disposal of property and equipment (Note 9)	**6,125,507**	15,049,070
Share in net earnings of an associate (Note 7)	**3,343,811**	(18,351,171)
Share in net losses (income) of joint ventures (Note 8)	**3,778,270**	(5,075,197)
Unrealized foreign exchange losses	**(4,954,969)**	6,617,563
Interest income (Note 3)	**(6,201,813)**	(857,248)
Interest accretion on security deposits (Note 23)	**(751,237)**	(836,068)
Movement in retirement benefit obligation	**44,652,649**	10,463,756
Operating income before working capital changes	**289,116,628**	477,029,494
Decrease (increase) in:		
Trade and other receivables	**(451,344,907)**	36,116,890
Merchandise inventory	**462,817,119**	(630,720,394)
Prepayments and other current assets	**(26,018,412)**	(83,505,777)
Amounts owed by related parties		–
Increase (decrease) in:		
Trade and other payables	**(647,665,651)**	(440,324,484)
Tenant deposits	**276,056**	17,112,284
Deferred revenue	**(9,992,514)**	–
Net cash used in operations	**(382,811,681)**	(624,291,986)
Interest received	**6,201,813**	857,248
Income taxes paid	**–**	(13,929,948)
Net cash flows used in operating activities	**(376,609,868)**	(637,364,686)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 9)	**(63,931,356)**	(156,006,317)
Decrease (increase) in:		
Security deposits and construction bonds	**(11,064,616)**	8,509,620
Other noncurrent assets	**30,896,469**	(11,339,050)
Net cash flows used in investing activities	**(44,099,503)**	(158,835,747)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of short-term loans payable	**–**	125,000,000
Payments of:		
Short-term loans payable	**(70,000,000)**	–
Long-term debt	**(29,410,001)**	(112,743,333)
Lease liability	**(82,372,737)**	(63,151,050)
Interest	**(108,024,223)**	(60,342,065)
Purchase of treasury shares	**–**	(12,789,110)
Net cash flows from (used in) financing activities	**(289,806,961)**	(124,025,558)
NET INCREASE (DECREASE) IN CASH	**(710,516,332)**	(920,225,991)
CASH AT BEGINNING OF PERIOD	**5,303,876,139**	2,492,459,933
CASH AT END OF PERIOD (Note 3)	**₱4,593,359,807**	₱1,572,233,942

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANC0IAL STATEMENTS

1. **Corporate Information**

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

On 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 interim condensed consolidated financial statements were reviewed and recommended for approval by the Audit Committee to the Board of Directors (BOD) on May 11, 2021. The same interim condensed consolidated financial statements were approved and authorized by the BOD on the same date.

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

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

Basis of Preparation
The unaudited interim condensed consolidated financial statements as of March 31, 2021 and for the three-month periods ended March 31, 2021 and 2021 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. The unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at December 31, 2020.

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

	Percentage ownership			
	March 31, 2021		December 31, 2020	
	Direct	**Indirect**	Direct	Indirect
Stores Specialists, Inc. (SSI)	**100**	**–**	100	–
Rustan Marketing Specialists, Inc. (RMSI)	**–**	**100**	–	100
International Specialty Concepts, Inc. (ISCI)	**–**	**100**	–	100
Rustan Specialty Concepts, Inc. (RSCI)	**–**	**100**	–	100
Specialty Office Concepts, Inc. (SOCI)	**–**	**100**	–	100
Specialty Investments, Inc. (SII)	**–**	**100**	–	100
International Specialty Fashions, Inc. (ISFI)	**–**	**100**	–	100
Footwear Specialty Retailers, Inc. (FSRI)	**–**	**100**	–	100
Global Specialty Retailers, Inc. (GSRI)	**–**	**100**	–	100
Specialty Food Retailers, Inc. (SFRI)	**–**	**100**	–	100
International Specialty Retailers, Inc. (ISRI)	**–**	**100**	–	100
International Specialty Wears, Inc. (ISWI)	**–**	**100**	–	100
Fastravel Specialists Holdings, Inc. (FSHI)	**–**	**100**	–	100
International Specialty Apparels, Inc. (ISAI)	**–**	**100**	–	100
Specialty Lifestyle Concepts, Inc. *(former Casual Clothing Retailers, Inc.)* (SLCI)	**–**	**100**	–	100
SKL International, Ltd. (SKL)	**–**	**100**	–	100

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 March 31, 2021 and for the three months ended March 31, 2021 and 2020 . 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.

<u>Common control business combinations and group reorganizations</u>
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.

<u>Changes in Accounting Policies and Disclosures</u>
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021. 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.

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

Effective beginning on or after January 1, 2021
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

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

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

Deferred effectivity:

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

3. Cash

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash on hand	**₱19,097,772**	₱38,550,938
Cash in banks	**3,179,555,471**	4,300,618,637
Short-term investments	**1,394,706,564**	964,706,564
	₱4,593,359,807	₱5,303,876,139

Cash in banks earn interest at the respective bank deposit rates. Interest earned from cash in banks for the three months ended March 31, 2021 and 2020 amounted to ₱6,201,813 and ₱₱857,248, respectively.

4. Trade and Other Receivables

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade receivables	**₱552,644,233**	₱254,892,223
Nontrade receivables	**430,246,526**	287,147,180
Receivables from related parties (see Note 19)	**149,253,489**	139,352,584
Advances to officers and employees	**84,283,966**	81,336,458
Others	**1,132,224**	3,487,087
	1,217,560,438	766,215,532
Less: Allowance for ECL on nontrade receivables	**(9,763,045)**	(9,763,045)
Allowance for ECL on related parties	**(43,170,999)**	(43,170,999)
	₱1,164,626,394	₱713,281,488

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

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

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

5. Merchandise Inventory

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
At cost		
On hand	**₱8,636,225,278**	₱8,660,001,514
In transit	**129,690,696**	568,731,579
Inventory - at cost	**8,765,915,974**	9,228,733,093
Less allowance for inventory obsolescence	**(19,694,157)**	(19,694,157)
	₱8,746,221,817	₱9,209,038,936

Inventories in transit include items not yet received but ownership or title to the goods has already passed to the Group.

There are no merchandise inventories pledged as security for liabilities. All inventories are presented at cost.

The cost of inventories recognized as expense and presented in "Cost of goods sold" amounted to ₱2,184,744,365 and ₱2,307,885,513, for the three months ended March 31, 2021 and 2020, respectively (see Note 14).

6. Prepayments and Other Current Assets

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Supplies	**₱267,645,510**	₱292,531,047
Input VAT	**92,909,207**	73,092,445
Creditable withholding tax	**47,380,948**	23,107,860
Advances to suppliers	**45,387,389**	43,929,057
Deferred input VAT	**45,278,809**	15,472,635
Security deposits (see Note 23)	**21,717,678**	56,034,171
Prepaid advertising	**10,919,879**	18,784,137
Prepaid insurance	**4,408,674**	7,194,294
Prepaid guarantee	**4,382,447**	4,326,819
Current portion of prepaid rent (see Notes 10 and 23)	**1,088,621**	4,876,020
Others	**42,749,916**	18,044,333
	₱583,869,078	₱557,392,818

Supplies inventory are composed of packaging materials, office and store supplies, and employees uniform inventory.

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

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.

7. Investment in an Associate

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Acquisition cost	**₱24,640,000**	₱24,640,000
Accumulated equity in net earnings:		
Balance at beginning of year	**53,611,625**	62,136,792
Share in net earnings	**(3,778,270)**	10,297,692
Dividends received	–	(18,822,859)
Balance at end of year	**49,833,355**	53,611,625
	₱74,473,355	₱78,251,625

Samsonite Philippines, Inc. (SPI), a company incorporated in the Philippines on September 9, 2008, was established primarily to engage in the importation, distribution, marketing and sale, both wholesale and retail, of all types of luggage and bags, including but not limited to suitcases, garment bags, brief cases, computer bags, backpacks, casual bags, hand bags, travel accessories and such other products of similar nature.

As of March 31, 2021 and December 31, 2030, 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.

8. Interests in Joint Ventures

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

Joint venture	Project description	Income sharing arrangement
MPC	Operation of retail stores in the Philippines	51:49
SCRI	Open and operate convenience stores directly owned and/or franchised in the Philippines	50:50
SSRI	Investment in and operation of mid-market department stores	50:50
LMS	Investment in and operation of travel retail stores in the Philippines	50:50

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

March 31, 2021

	LMS	**MPC**	**SSRI**	**SCRI**	**Total**
Cost:					
Balances at beginning and end of period	**₱375,296,454**	**₱87,500,000**	**₱407,344,383**	**₱420,350,000**	**₱1,292,240,837**
Accumulated equity in net earnings (losses):					
Balances at beginning of year	**10,601,453**	**70,265,821**	**(407,344,383)**	**(420,350,000)**	**(746,827,109)**
Share in net income	**(7,195,765)**	**3,851,954**			**(3,343,811)**
Balances at end of year	**3,405,689**	**74,117,775**	**(407,344,383)**	**(420,350,000)**	**(750,170,919)**
	₱378,702,143	**₱161,617,775**	**₱–**	**₱–**	**₱540,319,918**

December 31, 2020 (Audited)

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

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

The acquisition cost includes the consideration for goodwill amounting to ₱121.75 million and intangible asset amounting to ₱29.90 million. The intangible asset pertains to the concession agreement with Duty Free and is being amortized over 10.7 years. Amortization expense, which is included in the share in net income of LMS, amounted to ₱0.59 million and nil for the three months ended March 31, 2021 and 2020, respectively.

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

Investment in SSRI
The Group (through SII) has 50% ownership interest in SSRI which is engaged in the operation of mid-market department stores. In March 2016, SSRI sold the fixed assets in the department

stores. The proceeds from the sale are distributed to the joint venturers. The remaining carrying value of the investment, after the share in net losses, amounting to ₱27.16 million is fully provided with impairment loss. SSRI has no commercial operations as at March 31, 2021.

Investment in SCRI

The Group (through SII) has 50% ownership interest in SCRI which has an investment in Philippine FamilyMart CVS, Inc. (PFM) that is engaged in the operation of convenience stores. On October 30, 2017, SCRI entered into a Memorandum of Agreement for the sale of its shares in PFM. The sale was concluded on January 11, 2018.

The joint ventures have no contingent liabilities or capital commitments as of March 31, 2021 and December 31, 2020.

9. Property and Equipment

The composition and movements of this account are as follows:

March 31, 2021 (Unaudited)

	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Right of use Asset	Construction in Progress	**Total**
Cost:							
Balances at beginning of year	7,372,905,326	2,581,333,462	900,598,629	304,662,822	4,081,369,726	58,482,199	**15,299,352,164**
Additions	49,535,248	9,928,739	1,268,395	397,075	–	2,801,900	**63,931,357**
Disposals	(44,316,714)	(19,613,275)	–	–	–	–	**(63,929,989)**
Reclassifications	10,000,702	–	–	–	–	(10,000,702)	**–**
Balances at end of year	7,388,124,562	2,571,648,926	901,867,024	305,059,897	4,081,369,726	51,283,397	**15,299,353,532**
Accumulated depreciation and amortization:							
Balances at beginning of year	6,101,708,342	2,144,782,791	335,623,194	178,246,620	2,001,281,132	–	**10,761,642,079**
Depreciation (see Note 18)	112,713,876	36,023,632	10,680,355	6,233,262	56,423,976	–	**222,075,101**
Disposals	(39,352,579)	(18,451,902)	–	–	–	–	**(57,804,481)**
Balances at end of year	6,175,069,639	2,162,354,521	346,303,549	184,479,882	2,057,705,108	–	**10,925,912,699**
Net book values	**₱1,213,054,923**	**₱409,294,405**	**₱555,563,475**	**₱120,580,015**	**₱2,023,664,618**	**₱51,283,397**	**₱4,373,440,833**

December 31, 2020 (Audited)

	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Right-of-Use Asset	Construction in Progress	Total
Cost:							
Balances at beginning of year	₱7,255,634,677	₱2,514,378,268	₱892,989,252	₱304,733,387	₱3,926,426,489	₱87,301,743	₱14,981,463,816
Additions	268,697,770	99,942,586	7,609,377	627,345	506,321,822	59,849,915	943,048,815
Disposals and retirement	(239,328,815)	(33,755,157)	–	(697,910)	–	–	(273,781,882)
Remeasurement	–	–	–	–	(351,378,585)	–	(351,378,585)
Reclassifications	87,901,694	767,765	–	–	–	(88,669,459)	–
Balances at end of year	7,372,905,326	2,581,333,462	900,598,629	304,662,822	4,081,369,726	58,482,199	15,299,352,164
Accumulated Depreciation and Amortization:							
Balances at beginning of year	5,773,219,940	1,998,491,501	290,513,069	153,766,171	1,172,593,126	–	9,388,583,807
Depreciation and amortization (Note 18)	528,496,910	177,873,146	45,110,125	25,178,359	1,072,905,136	–	1,849,563,676
Disposals and retirement	(200,008,508)	(31,581,856)	–	(697,910)	–	–	(232,288,274)
Remeasurement	–	–	–	–	(244,217,130)	–	(244,217,130)
Balances at end of year	6,101,708,342	2,144,782,791	335,623,194	178,246,620	2,001,281,132	–	10,761,642,079
Net book values	₱1,271,196,984	₱436,550,671	₱564,975,435	₱126,416,202	₱2,080,088,594	₱58,482,199	₱4,537,710,085

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

Disposals and retirement for the period ended March 31, 2021 and December 31, 2020 mainly pertain to leasehold improvements and store furniture and fixtures derecognized on closed or renovated stores.

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

The Group has no purchase commitments related to property, plant and equipment as of March 31, 2021 and December 31, 2020, respectively.

10. Other Noncurrent Assets

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Franchise fee	**₱89,932,533**	₱83,512,361
Miscellaneous deposits	**74,656,317**	58,588,899
Software costs	**2,782,016**	3,014,491
Deferred Input VAT	**–**	47,511,143
Others	**208,544**	5,849,085
	₱167,579,410	₱198,475,979

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

11. Trade and Other Payables

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade payables	**₱873,060,599**	₱1,087,954,185
Nontrade payables	**420,132,650**	509,008,365
Accrued expenses	**124,524,539**	206,910,477
Retention payable	**32,604,186**	46,264,484
Output VAT	**27,682,743**	191,815,839
Tenant deposit	**10,101,550**	31,003,853
Payable to related parties (see Note 19)	**26,593**	4,161,624
Others	**12,892,944**	71,572,628
	₱1,501,025,804	₱2,148,691,455

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

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

Accrued expenses pertain to accrued salaries, leaves and bonuses, security and safety, interest, 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.

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

12. **Short-term Loans Payable**

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Banks:		
Bank of Philippine Islands (BPI)	**₱2,710,000,000**	₱2,710,000,000
Rizal Commercial Banking Corporation (RCBC)	**1,440,000,000**	1,440,000,000
Banco de Oro (BDO)	**960,000,000**	960,000,000
Bank of Commerce (BOC)	**630,000,000**	700,000,000
Security Bank Corporation (SBC)	**500,000,000**	500,000,000
Metropolitan Bank & Trust Co. (MBTC)	**400,000,000**	400,000,000
China Banking Corporation (CBC)	**300,000,000**	300,000,000
	₱6,940,000,000	₱7,010,000,000

The Group's outstanding short-term peso-denominated loans from local commercial banks bear interest at rates ranging from 4.50% to 6.50% and 4.50% to 5.00% for the three months ended 2021 and 2020, respectively.

Interest expense recognized in the consolidated statements of comprehensive income for the three months ended March 31, 2021 and 2020 amounted to ₱90,432,905 and ₱55,486,867, respectively.

13. **Long-term Debt**

On May 8, 2013, 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.

On October 14, 2016, SSI entered into another long-term loan with BPI amounting to ₱500.00 million that carries a fixed interest rate of 4.00%. Principal repayments are due quarterly starting October 14, 2017 until October 14, 2021.

The purpose of these loans is to solely refinance its existing short term loans.

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

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
BPI	**₱88,183,738**	₱117,593,738
SBC	**–**	–
CBC	**–**	–
MBTC	**–**	–
RCBC	**–**	–
Total	**88,183,738**	117,593,738
Less: current portion	**88,183,738**	117,593,738
Noncurrent portion	**₱–**	₱–

Interest expense recognized in the consolidated statements of comprehensive income for the three months ended March 31, 2021 and 2020 amounted to ₱2,245,318 and ₱4,855,198, respectively.

Loan Covenants

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

14. Cost of Goods Sold

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Cost of merchandise sold (Note 5)	**₱2,184,744,365**	₱2,307,885,512
Depreciation and amortization (Notes 9 and 18)	**978,068**	1,013,487
Rent (Note 23)	**830,803**	964,696
Utilities	**512,489**	849,626
Outside services	**151,711**	240,093
Others	**591,118**	655,889
	₱2,187,808,554	₱2,311,609,303

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

Cost of merchandise sold:

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Merchandise inventory, beginning	**₱9,209,038,936**	₱9,818,880,088
Net purchases	**1,721,927,247**	2,938,605,906
Cost of merchandise available for sale	**10,930,966,183**	12,757,485,994
Less merchandise inventory, ending	**8,746,221,817**	10,449,600,482
	₱2,184,744,365	₱2,307,885,512

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

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

15. Selling and Distribution Expenses

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Rent (see Notes 19 and 23)	**₱126,591,173**	₱410,503,618
Personnel costs (see Note 17)	**183,043,266**	311,683,374
Depreciation and amortization (see Notes 9, 10 and 18)	**182,118,532**	232,171,844
Utilities	**103,702,811**	102,400,126
Taxes and licenses	**70,547,735**	68,940,796
Advertising	**64,602,766**	62,331,914
Credit card charges	**55,238,376**	81,418,867
Supplies and maintenance	**47,343,055**	44,131,976
Delivery and freight charges	**38,795,586**	14,246,503
Global marketing contribution fee	**26,163,618**	64,720,489
Security services	**25,091,424**	40,099,172
Repairs and maintenance	**8,746,202**	16,369,570
Communication	**7,397,045**	5,945,122
Insurance	**5,575,514**	17,524,884
Outside services	**2,963,744**	4,306,629
Travel and transportation	**1,142,673**	17,109,028
Entertainment, amusement and recreation (EAR)	**350,221**	1,350,444
Telegraphic transfer	**277,899**	547,430
Others	**30,740,976**	22,382,093
	₱980,432,616	₱1,518,183,879

16. General and Administrative Expenses

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Personnel costs (see Note 17)	**₱156,946,282**	₱170,717,015
Depreciation and amortization (see Notes 9, 10 and 18)	**40,657,840**	37,364,340
Rent (see Notes 19 and 23)	**39,914,404**	30,295,725
Taxes and licenses	**17,894,740**	16,641,349
Insurance	**15,539,378**	3,035,289
Repairs and maintenance	**13,817,909**	5,720,580
Utilities	**9,780,343**	9,029,050
Security services	**7,401,631**	5,735,387
Supplies and maintenance	**7,252,500**	9,380,331
Communication	**5,035,800**	4,106,219
Professional fees	**3,540,985**	4,052,052
Advertising	**3,256,438**	719,231
Travel and transportation	**2,537,230**	6,531,587
EAR	**1,074,862**	987,934
Outside service	**228,951**	303,770
Others	**13,230,049**	6,523,324
	₱338,109,342	₱311,143,183

17. Personnel Costs

Personnel costs were charged to operations as follows:

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Salaries, wages and bonuses	**₱286,574,189**	₱424,238,481
Retirement benefit expense	**17,720,908**	17,286,419
Other employee benefits	**35,694,451**	40,875,489
	₱339,989,548	₱482,400,389

Personnel costs were distributed as follows:

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Selling and distribution (see Note 15)	**₱183,043,266**	311,683,374
General and administrative (see Note 16)	**156,946,282**	170,717,015
	₱339,989,548	₱482,400,389

18. Depreciation and Amortization Expense

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Property and equipment (see Note 9)	**₱221,046,406**	₱270,376,053
Franchise fee (see Note 10)	**2,079,993**	–
Software costs (see Note 10)	**628,041**	173,618
	₱223,754,440	₱270,549,671

Depreciation and amortization were distributed as follows:

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Cost of services (Note 14)	**₱978,068**	₱1,013,487
Selling and distribution (see Note 16)	**182,118,532**	232,171,844
General and administrative (see Note 17)	**40,657,840**	37,364,340
	₱223,754,440	₱270,549,671

19. **Related Party Disclosures**

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

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

a. Lease of the Group's store outlet spaces from a related party (see Note 23). Related rent expense amounted to ₱14.3 million and ₱14.4 million, for the three months in the period ended March 31, 2021 and 2020, respectively;

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

c. Sales through the use of related parties' gift certificates. Total value of the related parties' gift certificates used amounted to ₱4.3 million and ₱6.6 million for the three months ended March 31, 2021 and 2020, respectively;

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

e. Compensation of the Company's key management personnel comprised of short-term employee benefits amounting to ₱9.3 million, ₱9.4 million for the three months in the period ended March 31, 2021 and 2020, respectively, and post-employment benefits amounting to ₱1.5 million and ₱1.4 million for the three months in the period ended March 31, 2021 and 2020, respectively.

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

			Outstanding balances	
Related Parties	Periods ended	Transactions for the year	Receivables from related parties (Note 5)	Payable to related parties (Note 12)
Under common control				
RCC	**March 31, 2021**	**₱12,410,621**	**₱75,099,854**	**₱–**
	December 31, 2020	₱25,216,740	₱59,437,175	₱709,594
RMK	**March 31, 2021**	**27,163,477**	**28,504,844**	**26,593**
	December 31, 2020	(20,280,237)	18,719,189	259,110
Others	**March 31, 2021**	**–**	**–**	**–**
	December 31, 2020	(2,223,066)	862,228	3,078,913
Joint ventures				
PFM	**March 31, 2021**	**–**	**–**	**–**
	December 31, 2020	–	–	–
SCRI	**March 31, 2021**	**–**	**–**	**–**
	December 31, 2020	(90,515)	23,492	114,007
MPC	**March 31, 2021**	**–**	**6,800**	**–**
	December 31, 2020	(2,613,497)	14,671,750	–
Associate				
SPI	**March 31, 2021**	**1,487,897**	**2,470,993**	**–**
	December 31, 2020	50,479	2,467,751	–
	March 31, 2021		**₱106,082,491**	**₱26,593**
	December 31, 2020		₱96,181,585	₱4,161,624

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

20. Earnings Per Share (EPS)

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

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Net income	**(₱99,496,209)**	₱109,894,525
Divided by weighted average number of common shares	**3,298,408,430**	3,306,761,285
	(₱0.03)	₱0.03

There were no potential dilutive common shares for the three months ended March 31, 2021 and 2020.

21. Risk Management Objectives and Policies

The principal financial instruments of the Group are cash 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 trade receivables since the Group expects to fully realize its receivables from debtors.

The table below shows the maximum exposure of the Company to credit risk:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash	**₱4,593,359,807**	₱5,303,876,139
Trade and other receivables		
Trade receivables	**552,644,233**	254,892,223
Nontrade receivables	**430,246,526**	287,147,180
Receivables from related parties	**106,082,490**	96,181,584
Others	**1,132,224**	3,487,088
Security deposits and construction bonds	**997,125,299**	1,019,625,939
	₱6,680,590,579	₱6,965,210,913

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

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

March 31, 2021 (Unaudited)

	Total	**Neither past due nor impaired**	**Past due but not impaired**				**Impaired**
			<30 days	**30 - 60 days**	**60 - 90 days**	**> 90 days**	
Cash	**₱4,593,359,807**	₱4,593,359,807	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables	**552,644,233**	476,520,036	55,275,332	2,842,435	3,197,270	14,809,160	–
Nontrade receivables	**430,246,526**	127,920,609	57,451,507	26,998,820	23,618,574	184,493,971	9,763,045
Receivables from related parties	**106,082,490**	34,763,600	36,310,770	12,169,926	9,955,889	12,882,305	–
Others	**1,132,224**	1,132,224	–	–	–	–	–
Security deposits and construction bonds	**997,125,299**	997,125,299	–	–	–	–	–
Total	**₱6,680,590,579**	**₱6,229,689,351**	**₱150,169,832**	**₱42,011,181**	**₱36,771,734**	**₱212,185,436**	**₱9,763,045**

December 31, 2020

	Total	Neither past due nor impaired	Past due but not impaired				Impaired
			<30 days	30 - 60 days	60 - 90 days	> 90 days	
Cash	₱5,303,876,139	₱5,303,876,139	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables	254,892,223	142,556,970	75,215,318	11,528,851	2,512,555	23,078,528	–
Nontrade receivables	287,147,180	69,364,617	78,926,091	29,721,290	3,988,003	95,384,133	9,763,045
Receivables from related parties	96,181,584	95,780,363	28,951	372,270	–	–	–
Others	3,487,088	2,595,076	3,423	149,810	244,982	493,797	–
Security deposits and construction bonds[1]	1,019,625,939	1,019,625,939	–	–	–	–	–
Total	₱6,965,210,153	₱6,633,799,105	₱154,173,782	₱41,772,222	₱6,745,540	₱118,956,459	₱9,763,045

Impairment of financial assets

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

a. Cash, nontrade receivables (except those related to principals), amounts owed by related parties and security deposits and construction bonds. The Group uses general approach in assessing impairment of these financial assets. The credit risk of these financial asset is presumed to increase when the contractual payments are more than 30 days past due. As of March 31, 2021 and December 31, 2020, there has been no increase in credit risk of these financial assets since initial recognition except for amounts owed by related parties amounting to ₱23.63 million which are classified as credit impaired as of March 31, 2021 and December 31, 2020.

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

c. Nontrade receivables pertain to receivables from principals. The credit risk of these financial assets is presumed to increase when the contractual payments are more than 90 days past due. As of March 31, 2021 and December 31, 2020, nontrade receivables from principals amounting to ₱8.34 million are classified as credit impaired.

Capital Management

The primary objective of the Group is to maintain a strong credit rating and healthy capital ratios to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it based on changes in economic and business conditions. To maintain or adjust the capital structure, the Group may consider paying dividends to stockholders, returning capital to stockholders, or issuing new shares of stocks. No major changes were made on the objectives, policies, or processes during the three months ended March 31, 2021 and year ended December 31, 2020. Capital includes equity as shown in the consolidated balance sheet.

As disclosed in Note 14, the Group is required by their creditors to maintain a debt-to-equity ratio and debt-service coverage ratio. The Group, thus, monitors capital on the basis of debt-to-equity ratio which is calculated as total liabilities divided by total equity. The Company includes within debt all interest-bearing short-term and long-term liabilities. These externally imposed capital requirements have been complied with as of March 31, 2021.

22. Fair Value of Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments:

	March 31, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets				
Loans and receivables				
Security deposits and construction bonds	**₱997,125,299**	**₱1,014,029,680**	₱1,019,625,939	₱1,036,529,420
Financial Liabilities				
Other financial liabilities				
Long-term debt	**₱88,183,738**	**₱88,260,000**	₱117,593,738	₱120,134,685

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 5.80% to 6.10% and 5.50% to 7.56% were used in calculating the fair value of the Group's refundable deposits as of March 31, 2021 and December 31, 2020, respectively.

Long-term debt
The fair value of long-term debt is based on the discounted value of future cash flows using the applicable market interest rates. Discount rates ranging from 5.59% to 5.82% and 5.23% to 7.03% were used in calculating the fair value of the Group's long-term debt as of March 31, 2021 and December 31, 2020, respectively.

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

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

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

As at March 31, 2021 and December 31, 2020 the Group does not have financial instruments with fair values determined using inputs that are classified under Level 1 and 3.

For the three months ended March 31, 2021 and years ended December 31, 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

23. Contracts and Commitments

Group as a Lessee
The Group has various leases of its warehouse and office space and certain store outlets used in its operations for lease terms ranging from three to ten years. Rental payments on certain outlets are based on a fixed basic monthly rate plus a certain percentage of gross sales, while other store outlets and office spaces are based on fixed monthly rates. The Group also has certain leases of stores, office and warehouse space with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The rollforward analysis of right-of-use assets follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Balances at beginning of the year	**₱2,080,088,594**	₱2,753,833,363
Additions	**–**	506,321,822
Depreciation expense	**(56,423,976)**	(1,072,905,136)
Remeasurement/termination	**–**	(107,161,455)
Balances at end of the year	**₱2,023,664,618**	₱2,080,088,594

The rollforward analysis of lease liabilities follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Balances at beginning of the year	**₱2,147,455,989**	₱2,832,462,784
Additions	**–**	460,033,129
Interest expense	**15,346,000**	173,576,791
Remeasurement/termination	**–**	(114,468,613)
Lease concession	**(1,028,696)**	(735,453,471)
Payments	**(96,690,041)**	(468,694,631)
Balances at end of the year	**2,065,083,252**	2,147,455,989
Less: current portion	**736,899,789**	738,752,642
Balances at end of the year	**₱1,328,183,463**	₱1,408,703,347

The Group has paid security deposits for the store outlets and office spaces with carrying amounts of ₱997.12 million and ₱1,019.63 million as of March 31, 2021 and December 31, 2020, respectively, which are refundable upon complete turnover of the leased area. The present value of these deposits was computed using the discount rates prevailing at the inception date of the lease, ranging from 3.56% to 6.89%. Interest income recognized from these security deposits amounted to ₱0.75 million and ₱0.80 million, for the three months ended March 31, 2021 and 2020, 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 ₱30.66 million and ₱36.98 million as of March 31, 2021 and December 31, 2020, respectively, 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 to five years. Rental income on these spaces is based on a fixed basic monthly rate plus a certain percentage of gross sales. Rental income recognized on these spaces amounted to nil and ₱13.3 million, for the three months ended March 31, 2021 and 2020, respectively.

24. **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. This information is measured using the same accounting policies and estimates as the Group's consolidated financial statements.

The table below sets out revenue from external customers by category for the three months ended March 31, 2021 and 2020 (amounts in millions):

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Net Sales		
Luxury and Bridge	**₱1,494**	₱1,282
Casual	**525**	570
Fast Fashion	**816**	1,439
Footwear, Accessories and Luggage	**230**	378
Other	**452**	614
	₱3,517	₱4,283

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).

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Philippines	**₱3,517**	₱4,273
Guam	**–**	10
	₱3,517	₱4,283

25. Seasonality of operations

The Group experiences seasonal fluctuations in its operations. The Group's sales typically peak during the fourth quarter of the year due to the increased sales attributable to the Christmas and New Year Holidays.

EXHIBIT I

SSI GROUP, INC.

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

MARCH 31, 2021

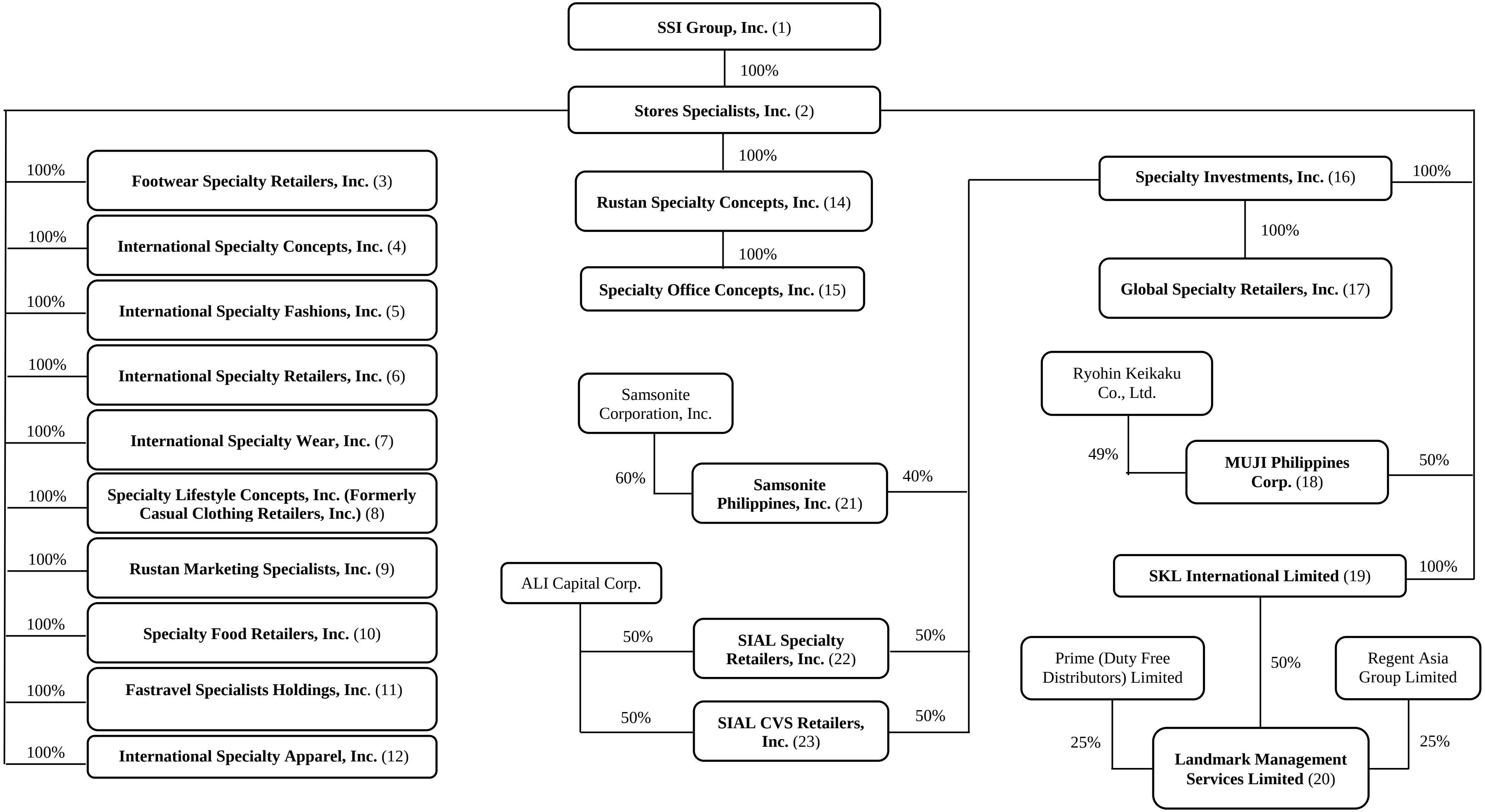

Exhibit II

SSI GROUP, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

MARCH 31, 2021

Unappropriated retained earnings, as adjusted, beginning		₱1,006,741,214
Cumulative prior year adjustments:		
Interest income from accretion of the discount on security deposits		(5,181,311)
		1,001,559,903
Net income during the period closed to retained earnings	10,685,133	
Less: Other realized gains related to accretion of income from security deposits	–	
Deferred tax asset recognized during the year	(292,153)	
Net income during the period		10,392,980
Retained earnings available for dividend declaration		₱1,011,952,883

Exhibit III

SSI GROUP, INC.
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratios	Formula	March 31, 2021	December 31, 2020	March 31, 2020
(i) Current Ratio	Current Assets/Current Liabilities	1.61	1.57	1.81
(ii) Debt/Equity Ratio	Bank Debts/ Total Equity	0.68	0.68	0.39
(iii) Net Debt/Equity Ratio	Bank Debts-Cash & Equivalents/Total Equity	0.24	0.17	0.25
(iii) Asset to Equity Ratio	Total Assets/Total Equity	2.11	2.17	1.89
(iv) Interest Cover Ratio	EBITDA/Interest Expense	2.25	2.59	7.79
(v) Profitability Ratios				
GP Margin	Gross Profit/Revenues	37.91%	40.54%	46.34%
Net Profit (Loss) Margin	Net Income (Loss) /Revenues	-2.82%	-7.39%	2.57%
EBITDA Margin	EBITDA/Revenues	6.90%	11.34%	10.97%
Return on Assets	Net Income (Loss) /Total Assets	-0.46%	-3.98%	0.50%
Return on Equity	Net Income (Loss) /Total Equity	-0.96%	-8.66%	0.95%

*EBITDA = Earnings before interest, taxes and depreciation and amortization

Annex "C"

EXECUTIVE OFFICERS

Elizabeth T. Quiambao, 69, is the Executive Vice President of the Company. Mrs. Quiambao is also the Executive Vice President and/or General Manager of most of the Group's companies She is also a member of the board of directors of MUJI Philippines, Corp. Prior to joining the Group in 1994, she was an auditor with SGV & Co., the Controller of Philippine Aerospace Development Corp., the Vice President of Tourist Duty Free Shops and Vice President of Grosby Footwear, Inc. Mrs. Quaimbao graduated magna cum laude from the University of Santo Tomas with a Bachelor of Science degree in Commerce, major in Accountancy and is a certified public accountant.

Rossellina J Escoto, 68, is the Vice President of Finance of the Company. Mrs. Escoto is also the Vice President of Finance or Finance Manager of most of the Group's companies. Prior to joining the Group in 1997, she was an auditor with SGV & Co., and also held a senior management position with the Philippine Stock Exchange. Mrs. Escoto graduated magna cum laude from the University of Santo Tomas with a Bachelor of Science degree in Commerce, major in Accountancy and is a certified public accountant.

Ma. Margarita A. Atienza, 47, is the Vice President of Investor Relations & Corporate Planning, and the Compliance Officer of the Company. Ms. Atienza is also a member of the board of directors and the Chief Financial Officer of Landmark Management Services, Ltd. and is the Treasurer of MUJI Philippines Corp. Ms. Atienza is also the Data Privacy Officer of the Group. Prior to joining the Group in 2014, she was an Associate Director for Client Coverage with BPI Capital Corporation, which she joined in 2008. Ms. Atienza was a Merit Scholar at the Ateneo de Manila University and graduated from the Ateneo with a Bachelor's Degree in Social Sciences and the Asian Institute of Management with a Master's in Business Administration.

Ma. Alicia Picazo-San Juan, 49, is the Corporate Secretary of the Company. Atty. Picazo-San Juan is a practicing lawyer and a Partner of Picazo Buyco Tan Fider & Santos Law Offices. She serves as the Corporate Secretary of various Philippine companies, including Max's Group, Inc., Yellow Cab Food Corporation, Pancake House Products, Inc. The Real American Doughnut Co., Inc., Max's Bakeshop, Inc., ATR Kim Eng Asset Management, Inc., ATRAM Investment Management Partners Corp., Seedbox Technologies, Inc., IBM Global Financing Philippines, 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.

Cultural Center of the Philippines
SENTRONG PANGKULTURA NG PILIPINAS

April 29, 2021

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City
Metro Manila

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

Re: **Consent for Zenaida R. Tantoco to hold positions in private corporations**

Gentlemen:

We write to confirm that Ms. Zenaida R. Tantoco currently serves as a member of the Board of Trustees of the Cultural Center of the Philippines ("CCP"). We likewise confirm that this does not preclude her from being elected and from holding positions in private corporations.

Yours,

Digitally signed by Lizaso Arsenio de Jesus
Date: 2021.04.29 14:01:15 +08'00'

Arsenio J. Lizaso
President/Trustee

DEPARTMENT OF FOREIGN AFFAIRS
KAGAWARAN NG UGNAYANG PANLABAS

HUMAN RESOURCES MANAGEMENT OFFICE

12 May 2021

Sir:

This is to confirm that Ms. Maria Elena R. Tantoco currently serves as Honorary Consul General of the Republic of the Philippines in Casablanca, Kingdom of Morocco. Given this position, Ms. Tantoco is performing her functions on a voluntary basis without salary or monetary compensation.

This is to likewise confirm that her position as an honorary consular officer of the Philippines does not preclude her from accepting or holding any appointed or elected positions in private corporations.

Very truly yours,

RONALD M. JOVES
Acting Director

MR. VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets and Securities Regulations Department
Securities and Exchange Commission
SEC Building, EDSA Greenhills
Mandaluyong City, Metro Manila