Securities and Exchange Commission HEAD OFFICE
Electronic Records Management Division
ICTD MAY 15 2019 5
BY:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **March 31, 2019**

2. SEC Identification Number: **CS200705607**

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

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

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

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of principal office:
6/F Midland Buendia Building, 403 Sen. Gil Puyat Avenue, Makati City

   Postal Code: **1200**

8. Issuer's telephone number, including area code: **(632) 890 80 34**

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

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

Title of each Class	Number of shares of common stock outstanding as of March 31, 2019
Common Shares	**3,308,429,430**

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

    Yes [√] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange - Common Shares

12. Indicate by check mark whether the registrant:

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

    Yes [√] No [ ]

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

    Yes [√] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The Company's unaudited interim condensed consolidated financial statements as of March 31, 2019 (with comparative audited figures as of December 31, 2018) and for the three-month period ended March 31, 2019 and 2018 are attached to this Report.

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

For the three months ended March 31, 2019 and 2018

Key Performance Indicators	**For the three months ended March 31**	
PhP MM except where indicated	**2019**	**2018**
Net Sales	4,921	4,589
Gross Profit	2,086	1,930
Operating Income	286	224
Net Income	171	133
Gross Selling Space (sq.m.)	119,754	126,575
Decrease in Gross Selling Space (%)	5.4%	7.4%

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

Net sales	Sales, net of VAT, less sales returns and allowances and sales discounts
Gross profit	Net sales less cost of sales
Operating income	Gross profit less operating expenses
Net income	Operating income less other charges
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	**2019**	**2018**
Key Financial Data		
Net Sales	4,921	4,859
Luxury & Bridge	1,376	1,099
Casual	637	537
Fast Fashion	1,622	1,688
Footwear, Accessories & Luggage	558	580
Others	729	685
Gross Profit	2,086	1,930
Gross Profit Margin (%)	42.4%	42.1%
Operating Income	286	224
Operating Income Margin (%)	5.8%	4.9%
Other Income (Charges)	(39)	(18)
Net Income	171	133
Net Income Margin (%)	3.5%	2.9%
Recurring Net Income[1]	184	136
Recurring Income Margin (%)	3.7%	3.0%
Total Debt[2]	4,831	6,151
Net Debt[3]	2,954	4,685
Key Operating Data		
Number of Stores	594	626
Gross Selling Space (sq.m.)	119,754	126,575
Decrease in Gross Selling Space (%)	5.4%	7.4%

Net Sales

SSI Group, Inc. ("SSI," the "Company" or the "Group") generated net sales of ₱4.9 billion during the first three months of the year. This is a 7.2% increase compared to ₱4.6 billion during the same period last year. SSI continued to experience healthy sales growth during the period driven by the performances of its luxury and bridge, and casual categories. The Group also posted strong same-store sales growth during the period of 8.6%.

The 7.2% increase was achieved by the Group despite a 5.4 % year-on-year decline in its total selling space and the closure for renovation of several stores at the SM Mall of Asia during the second half of 2018.

As of March 31, 2019, SSI's total floor area covered approximately 119,754 square meters over 594 stores nationwide. During the first quarter, the Group opened seven (7) stores covering 833 square meters and closed nine (9) stores covering 1,384 square meters.

The Group had a total of 90 brands in its portfolio as of March 31, 2019, with no brands added or discontinued during the period.

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

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

Store Network	**March 31**		**December 31**
	2019	**2018**	**2018**
Number of Stores*	594	626	596
Luxury & Bridge	134	135	134
Casual	75	83	74
Fast Fashion	65	72	69
Footwear, Accessories & Luggage	166	189	168
Others	154	147	151
Gross Selling Space (sq.m.)	119,754	126,575	120,305
Luxury & Bridge	12,959	13,329	13,076
Casual	13,110	14,563	12,954
Fast Fashion	50,656	54,714	51,756
Footwear, Accessories & Luggage	22,429	24,221	22,319
Others	20,601	19,748	20,201

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

Gross Profit

For the first quarter of 2019, gross profit amounted to ₱2.1 billion, an 8.1% increase over the same period last year. This translates to a gross profit margin of 42.4%, an improvement over 42.1% during the same period last year.

Operating Expenses

Total operating expenses for the three months ended March 31, 2019 amounted to ₱1.8 billion, a 5.5% increase as compared to ₱1.7 billion. However, as a percentage of net sales, operating expenses improved by 60 basis points to 36.6%. Continued improvements in operating efficiencies reflects the impact of the Group's store rationalization program and its focus on maximizing scale and improving day-to-day cost efficiencies.

Selling and distribution expenses for the first quarter of the year amounted to ₱1.5 billion, an increase of 5.4% over the same period last year. The increase is primarily attributable to increases in taxes and licenses to ₱88.3 million and in rent expense to ₱516.4 million.

General and administrative expenses amounted to ₱309.5 million, a 5.8% increase year-on-year. The increase was due to increases in travel and transportation to ₱15.6 million and in personnel costs to ₱147.1 million.

As a result, selling and distribution expenses, and general and administrative expenses during the period were stable at 30.3% and 6.3% of net sales, respectively.

Operating income for the first quarter of the year amounted to ₱286.4 million, a 27.7% increase over ₱224.4 million during the same period last year. This translates to an operating income margin of 5.8%, a 90 basis point improvement over 4.9% during the same period last year.

Other Income (Charges)

For the period ended March 31, 2019, the Group incurred other charges of ₱38.6 million, a 117.8% increase over the same period last year. The increase is attributable mainly to higher interest expense incurred during the period and higher write-offs of undepreciated leasehold improvements related to store closures amounting to ₱77.4 million and ₱16.5 million, respectively.

The Group also booked rent income of ₱19.6 million during the period, a 6.5% increase over the same period last year. This pertains to the leasing of retail spaces at Central Square, subleasing of store spaces at Kiss and Fly in NAIA Terminal 3, and parking fees at Central Square.

Provision for Income Tax

For the first three months of the year, provision for income tax amounted to ₱77.2 million, which translates to a 31.1% effective tax rate. This is an improvement over 35.7% during the same period last year primarily reflecting tax efficiencies realized following the merger of Luxury Concepts, Inc. and Specialty Lifestyle Concepts, Inc. in August 2018.

The effective tax rate is impacted by the Group's nontaxable income such as the share in net earnings of its remaining joint ventures and associate as well as interest income on the accretion of security deposits. The Group also wrote off expiring net operating loss carry-overs (NOLCO) during the period amounting to ₱2.0 million.

Net Income

As a result of the foregoing, net income for the first three months of the year amounted to ₱170.6 million, a 28.4% increase 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 ₱184.1 million, a 35.5% increase over 1Q 2018.

FINANCIAL CONDITION

The Group had consolidated assets of ₱18.22 billion as of March 31, 2019, a decrease of 0.2% from ₱18.25 billion as of December 31, 2018.

Current Assets

As of March 31, 2019, the Group had consolidated current assets of ₱13.29 billion, as compared to ₱13.35 billion as of December 31, 2018.

Cash

Cash amounted to ₱1.9 billion at the end of March 2019. This is a 20.5% decrease as compared to end 2018 primarily reflecting repayments made by the Group on its loans and the related interest expense amounting to a total of ₱665.1 million as well as capital expenditures amounting to ₱84.9 million. The Group also generated positive operating cash flows of ₱395.3 million during the period.

Trade and Other Receivables

As of March 31, 2019, trade and other receivables were at ₱636.2 million as compared to ₱678.0 million at the end of 2018. The decrease is attributable to a decrease in trade receivable, which consist primarily of receivables from credit card companies

Prepayments and other Current Assets

Prepayments and other current assets amounted to ₱1.15 billion as of end March 2019, as compared to ₱1.07 billion at the end of 2018. The increase was primarily due to increases in prepaid advertising to ₱87.2 million, and supplies inventory to ₱415.6 million.

Non-Current Assets

Investment in an Associate

As of March 31, 2019, investment in an associate increased to ₱67.2 million, a 23.1% increase. This reflects the Group's share in the net income of Samsonite Philippines, Inc. amounting to ₱12.6 million.

Property and Equipment

Property and equipment was at ₱2.7 billion as of March 31, 2019. This is a 4.8% decrease as compared to end 2018 reflecting the depreciation expense recognized, the write-offs of the net book values of leasehold improvements related to store closures, and opening of new stores during the first three months of 2019.

Deferred Tax Assets

As of March 31, 2019, deferred tax assets amounted to ₱318.7 million as compared to ₱302.8 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 NOLO 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 March 31, 2019, other noncurrent assets amounted to ₱296.0 million as compared to ₱203.1 million at the end of 2018. The increase is significantly due to an increase in miscellaneous deposits to ₱166.2 million which include deposits with contractors for the construction and renovation of stores.

Current Liabilities

The Group had consolidated current liabilities of ₱6.57 billion as of March 31, 2019, as compared to ₱6.67 billion at the end of 2017.

Trade and Other Payables

Trade and other payables were at ₱1.8 billion as compared to ₱1.5 billion at the end of 2018. The increase is primarily due to increases in trade payables to ₱915.5 million, reflecting terms of merchandise deliveries during the year, and nontrade payables to ₱697.2 million which includes payables to contractors and suppliers of services.

Short-term Loans Payable

As of March 31, 2019, short-term loans payable amounted to ₱4.1 billion as compared to ₱4.6 billion at the end of 2018. The decrease reflects payments of the Group's short-term loans during the first three months of the year.

Non- Current Liabilities

Long-term Debt

Long-term debt was at ₱288.7 million as of March 31, 2019. This is a decrease of 112.7 million from end 2018, reflecting quarterly repayments on the Group's ₱2.0 billion and ₱500.0 million term loan facilities.

Retirement Benefit Obligation

Retirement benefit obligation amounted to ₱353.2 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.

Equity

As of March 31, 2019, total equity grew to ₱11.0 billion from ₱10.8 billion as of end 2018. The increase is attributable to the net increase in retained earnings reflecting the net income earned by the Company additional SSI shares bought back during the first three months of the year amounting to ₱170.6 million and ₱2.6 million, respectively.

CASH FLOWS

Net cash flows generated from the Group's operating activities increased to ₱395.3 million during the period. This is as compared to net cash used in operating activities amounting to ₱32.2 million same period last year.

Cash flows used in investing activities totaled ₱211.3 million, inclusive of a ₱126.5 million increase in noncurrent assets. Capital expenditures during the first quarter of 2019 amounted to ₱84.9 million.

Free cash flow for the period (calculated as operating cash flows less capital expenditures) was at ₱310.4 million.

Cash flows used in financing activities during the period amounted to at ₱667.8 million representing repayments of the Group’s loans and related interest expense.

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

PART II – OTHER INFORMATION

There is no other information not previously reported in SEC Form 17-C that needs to be reported in this section.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

SSI GROUP, INC.

By:

ROSSELLINA J. ESCOTO
Authorized Signatory
Vice President - Finance

May 15, 2019

SSI Group, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of March 31, 2019 *(With Comparative Audited Figures as of December 31, 2018)*
and For the Three-Month Periods Ended March 31, 2019 and 2018

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

As of March 31, 2019
(With Comparative Audited Figures as of December 31, 2018)

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash (Note 3)	**₱1,876,699,268**	₱2,360,460,924
Trade and other receivables (Note 4)	**636,209,453**	678,035,439
Merchandise inventory (Note 5)	**9,625,006,216**	9,245,189,954
Amounts owed by related parties (Note 19)	**6,905,464**	–
Prepayments and other current assets (Note 6)	**1,148,299,153**	1,065,252,880
Total Current Assets	**13,293,119,554**	13,348,939,197
Noncurrent Assets		
Investment in an associate (Note 7)	**67,210,972**	54,594,522
Interests in joint ventures (Note 8)	**529,273,978**	519,849,166
Property and equipment (Note 9)	**2,672,702,706**	2,806,005,348
Deferred tax assets	**318,675,924**	302,802,810
Security deposits and construction bonds (Note 23)	**1,044,625,854**	1,018,278,699
Other noncurrent assets (Note 10)	**296,018,521**	203,088,344
Total Noncurrent Assets	**4,928,507,955**	4,904,618,889
TOTAL ASSETS	**₱18,221,627,509**	₱18,253,558,086
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	**₱1,839,252,497**	₱1,523,808,064
Short-term loans payable (Note 12)	**4,092,500,000**	4,567,500,000
Current portion of long-term debt (Note 13)	**449,848,015**	449,848,015
Amounts owed to related parties (Note 19)	**173,893**	–
Deferred revenue	**22,224,994**	21,289,644
Income tax payable	**167,830,221**	102,659,616
Total Current Liabilities	**6,571,829,620**	6,665,105,339
Noncurrent Liabilities		
Long-term debt (Note 13)	**288,674,775**	401,418,108
Retirement benefit obligation	**353,167,530**	335,528,882
Tenant deposits (Note 23)	**33,633,129**	33,770,004
Deferred tax liability	**6,032**	–
Total Noncurrent Liabilities	**675,481,466**	770,716,994
Equity		
Capital stock - ₱1 par value	**3,312,864,430**	3,312,864,430
Additional paid-in capital	**2,519,309,713**	2,519,309,713
Treasury shares	**(10,202,720)**	(7,558,440)
Retained earnings		
Appropriated	**1,100,000,000**	1,100,000,000
Unappropriated	**4,072,415,705**	3,901,797,763
Cumulative translation adjustment	**(2,107,062)**	(2,123,272)
Other comprehensive income	**(17,963,643)**	(6,554,441)
Total Equity	**10,974,316,423**	10,817,735,753
TOTAL LIABILITIES AND EQUITY	**₱18,221,627,509**	₱18,253,558,086

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	
	2019 (Unaudited)	2018 (Unaudited)
NET SALES	**₱4,921,393,289**	₱4,589,420,812
COST OF GOODS SOLD (Note 14)	**2,834,961,599**	2,659,137,719
GROSS PROFIT	**2,086,431,690**	1,930,283,093
OPERATING EXPENSES		
Selling and distribution (Note 15)	**1,490,476,164**	1,413,447,290
General and administrative (Note 16)	**309,514,765**	292,442,669
	1,799,990,929	1,705,889,959
OTHER INCOME (CHARGES)		
Interest expense (Notes 12 and 13)	**(77,365,110)**	(49,576,417)
Rental income (Note 23)	**19,592,247**	18,397,935
Loss on disposal of property and equipment (Note 9)	**(16,491,551)**	(2,120,961)
Share in net earnings of an associate (Note 7)	**12,616,450**	10,889,389
Share in net losses of joint ventures (Note 8)	**9,424,812**	7,673,312
Interest income (Note 3)	**1,853,114**	646,608
Foreign exchange gains - net	**(962,612)**	(5,383,126)
Interest accretion on security deposits (Note 23)	**638,987**	930,007
Others - net	**12,045,856**	799,672
	(38,647,807)	(17,743,581)
INCOME BEFORE INCOME TAX	**247,792,954**	206,649,553
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**90,838,710**	88,072,037
Deferred	**(13,663,698)**	(14,274,876)
	77,175,012	73,797,161
NET INCOME	**170,617,942**	132,852,392
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	**16,210**	3,748
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	**(11,409,202)**	–
TOTAL COMPREHENSIVE INCOME	**₱159,224,950**	₱132,856,140
BASIC/DILUTED EARNINGS PER SHARE (Note 20)	**₱0.05**	₱0.04

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, 2019 AND 2018

	For the Three-Month Periods Ended March 31, 2019 and 2018								
					Retained Earnings				
	Capital Stock	Additional Paid-in Capital	Stock Grants	Treasury Shares	Appropriated	Unappropriated	Cumulative Translation Adjustment	Other Comprehensive Income	Total
Balances at January 1, 2018	₱3,312,864,430	₱2,519,309,713	₱33,640,983	(₱457,280)	₱1,402,500,000	₱3,042,212,724	(₱2,703,640)	(₱69,933,016)	₱10,237,433,914
Net income	–	–	–	–	–	132,852,392	–	–	132,852,392
Exchange differences on translation	–	–	–	–	–	–	3,748	–	3,748
Total comprehensive income for the period	–	–	–	–	–	132,852,392	3,748	–	132,856,140
Reversal of appropriation of retained earnings	–	–	–	–	(262,500,000)	262,500,000	–	–	–
Treasury shares	–	–	–	(566,600)	–	–	–	–	(566,600)
Balances at March 31, 2018	**₱3,312,864,430**	**₱2,519,309,713**	**₱33,640,983**	**(₱1,023,880)**	**₱1,140,000,000**	**₱3,437,565,116**	**(₱2,699,892)**	**(₱69,933,016)**	**₱10,369,723,454**
Balances at January 1, 2019	₱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
Net income	–	–	–	–	–	170,617,942	–	–	170,617,942
Other comprehensive income								(11,409,202)	(11,409,202)
Exchange differences on translation	–	–	–	–	–	–	16,210	–	16,210
Total comprehensive income for the period	–	–	–	–	–	170,617,942	16,210	(11,409,202)	159,224,950
Treasury shares	–	–	–	(2,644,280)	–	–	–	–	(2,644,280)
Balances at March 31, 2019	**₱3,312,864,430**	**₱2,519,309,713**	**₱–**	**(₱10,202,720)**	**₱1,100,000,000**	**₱4,072,415,705**	**(₱2,107,062)**	**(₱17,963,643)**	**₱10,974,316,423**

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	
	2019 (Unaudited)	2018 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱247,792,954**	₱206,649,553
Adjustments for:		
Depreciation and amortization (Notes 9, 10 and 18)	**202,356,072**	227,519,928
Interest expense (Note 12 and 13)	**77,365,110**	49,576,417
Loss on disposal of property and equipment (Note 9)	**16,491,551**	2,120,961
Share in net earnings of an associate (Note 7)	**(12,616,450)**	(10,889,389)
Share in net losses (income) of joint ventures (Note 8)	**(9,424,812)**	(7,673,312)
Unrealized foreign exchange gains	**2,702,486**	4,492,616
Interest income (Note 3)	**(1,853,114)**	(646,608)
Interest accretion on security deposits (Note 23)	**(638,987)**	(930,007)
Operating income before working capital changes	**522,174,810**	470,220,159
Decrease (increase) in:		
Trade and other receivables	**41,825,986**	133,687,111
Merchandise inventory	**(379,816,262)**	(76,603,899)
Amounts owed by related parties	**(6,905,464)**	120,522,073
Prepayments and other current assets	**(75,922,440)**	(223,269,493)
Increase (decrease) in:		
Trade and other payables	**315,444,433**	(449,295,734)
Deferred revenue	**935,350**	(615,617)
Amounts owed to related parties	**173,893**	318,226
Retirement benefit obligation	**1,339,787**	5,586,582
Tenant deposits	**(136,875)**	(997,500)
Net cash used in operations	**419,113,218**	(20,448,092)
Interest received	**1,853,114**	646,608
Income taxes paid	**(25,668,105)**	(12,368,292)
Net cash flows used in operating activities	**395,298,227**	(32,169,776)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 9)	**(84,855,524)**	(110,739,275)
Decrease (increase) in:		
Security deposits and construction bonds	**(32,832,001)**	(9,964,495)
Other noncurrent assets	**(93,619,635)**	21,844,269
Net cash flows used in investing activities	**(211,307,160)**	(98,859,501)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of short-term loans payable	**–**	860,000,000
Payments of:		
Short-term loans payable	**(475,000,000)**	(650,000,000)
Long-term debt	**(112,743,333)**	(253,285,797)
Interest	**(77,365,110)**	(49,576,417)
Purchase of treasury shares	**(2,644,280)**	(566,600)
Net cash flows from (used in) financing activities	**(667,752,723)**	(93,428,814)
NET INCREASE (DECREASE) IN CASH	**(483,761,656)**	(224,458,091)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**–**	1,192,790
CASH AT BEGINNING OF PERIOD	**2,360,460,924**	1,689,481,704
CASH AT END OF PERIOD (Note 3)	**₱1,876,699,268**	₱1,466,216,403

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONDENSED 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 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 10, 2019. 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, 2019 and for the three-month periods ended March 31, 2019 and 2018 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, 2018.

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

	Percentage ownership			
	March 31, 2019		December 31, 2018	
	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, 2019 and for the three months ended March 31, 2019 and 2018. 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, 2019. 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, 2019

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of "low-value" assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

3. Cash

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash on hand	**₱32,085,796**	₱36,310,930
Cash in banks	**1,844,613,472**	2,224,149,994
Short-term investments	**–**	100,000,000
	₱1,876,699,268	₱2,360,460,924

Cash in banks earn interest at the respective bank deposit rates. Interest earned from cash in banks for the three months ended March 31, 2019 and 2018 amounted to ₱1,853,114 and ₱646,608, respectively.

4. Trade and Other Receivables

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade receivables	**₱226,778,276**	₱268,038,636
Nontrade receivables	**261,227,569**	272,280,314
Receivables from related parties (see Note 19)	**77,952,459**	71,228,195
Advances to officers and employees	**87,980,344**	84,217,489
	653,938,648	695,764,634
Less allowance for doubtful accounts	**17,729,195**	17,729,195
	₱636,209,453	₱678,035,439

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

Nontrade receivables mainly include statutory claims, receivables charged to customers for the repair of damaged merchandise and advances to suppliers and banks for tie-up sale and promotional activities.

Nontrade receivables, advances to officers and employees and receivables from related parties are usually settled within one year.

"Others" generally include receivables from third parties that are not trade related and are generally due within one year.

5. Merchandise Inventory

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
At cost		
On hand	**₱9,377,181,094**	₱8,519,776,129
In transit	**247,825,122**	725,413,825
	₱9,625,006,216	₱9,245,189,954

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 ₱2,692,918,116 and ₱2,518,150,594, for the three months ended March 31, 2019 and 2018, respectively (see Note 14).

6. Prepayments and Other Current Assets

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Supplies inventory	**₱415,636,080**	₱381,205,401
Advances to suppliers	**256,463,505**	256,463,505
Input VAT	**175,093,464**	197,534,537
Prepaid advertising	**87,215,650**	43,701,792
Creditable withholding tax	**54,674,166**	58,311,116
Deferred input VAT	**29,522,954**	25,724,677
Current portion of prepaid rent (see Notes 10 and 23)	**28,406,811**	36,293,203
Prepaid insurance	**11,952,315**	16,200,060
Current portion of security deposits (see Note 23)	**7,123,833**	5,246,363
Prepaid guarantee	**6,525,695**	6,550,082
Others	**75,684,680**	38,022,144
	₱1,148,299,153	₱1,065,252,880

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, 2019 (Unaudited)	December 31, 2018 (Audited)
Acquisition cost	**₱24,640,000**	₱24,640,000
Accumulated equity in net earnings:		
Balance at beginning of year	**29,954,522**	22,661,362
Share in net earnings	**12,616,450**	43,293,160
Dividends received	**–**	(36,000,000)
Balance at end of year	**42,570,972**	29,954,522
	₱67,210,972	₱54,594,522

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, 2019 and December 31, 2018, 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, 2019

	LMS	MPC	SSRI	SCRI	Total
Cost:					
Balances at beginning and end of period	**₱375,296,454**	**₱89,250,000**	**₱407,344,383**	**₱420,350,000**	**₱1,292,240,837**
Accumulated equity in net earnings (losses):					
Balances at beginning of year	**32,527,710**	**22,775,002**	**(407,344,383)**	**(420,350,000)**	**(772,391,671)**
Share in net income	**2,269,137**	**7,155,675**	**–**	**–**	**9,424,812**
Balances at end of year	**34,796,847**	**29,930,677**	**(407,344,383)**	**(420,350,000)**	**(762,966,859)**
	₱410,093,301	**₱119,180,677**	**₱–**	**₱–**	**₱529,273,978**

December 31, 2018

	LMS	MPC	SSRI	SCRI	Total
Cost:					
Balances at beginning of year	₱375,296,454	₱–	₱407,344,383	₱420,350,000	₱1,292,240,837
Investment during the year	–	89,250,000	–	–	–
Return of investment	–	–	–	–	–
Balances at 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):					
Balances at beginning of year	15,519,812	5,308,259	(407,344,383)	(420,350,000)	(806,866,312)
Share in net income (loss)	17,007,898	17,466,743	–	–	34,474,641
Balances at end of year	32,527,710	22,775,002	(407,344,383)	(420,350,000)	(772,391,671)
Impairment loss	–	–	–	–	(27,161,244)
	₱407,824,164	₱112,025,002	₱–	₱–	₱519,849,166

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 ₱0.62 million and ₱0.62 million for the three months ended March 31, 2019 and 2018, 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. The Joint Venture Agreement provides for unanimous votes of both parties in so far as most key and relevant operating activities are concerned.

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, 2019.

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, 2019 and December 31, 2018.

9. Property and Equipment

The composition and movements of this account are as follows:

March 31, 2019 (Unaudited)

	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	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**
Additions	44,672,219	14,749,377	–	691,964	24,741,964	**84,855,524**
Disposals	(106,037,478)	–	–	–	–	**(106,037,478)**
Reclassifications	32,594,251	–	–	–	(32,594,251)	**–**
Balances at end of year	7,227,475,121	2,226,439,812	898,080,680	279,895,619	60,245,323	**10,692,136,555**
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 (see Note 18)	139,743,001	44,966,293	11,464,448	5,492,873	–	**201,666,615**
Disposals	(89,545,927)	–	–	–	–	**(89,545,927)**
Balances at end of year	5,754,789,769	1,867,430,206	260,521,187	136,692,687	–	**8,019,433,849**
Net book values	**₱1,472,685,352**	**₱359,009,606**	**₱637,559,493**	**₱143,202,932**	**₱60,245,323**	**₱2,672,702,706**

December 31, 2018

	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Construction in Progress	Total
Cost:						
Balances at beginning of year	₱7,368,130,759	₱2,163,605,355	₱874,797,537	₱274,746,423	₱53,173,551	₱10,734,453,625
Additions	250,345,949	78,219,347	5,035,248	4,457,232	96,351,641	434,409,417
Disposals and retirement	(427,866,210)	(27,179,820)	–	–	(498,503)	(455,544,533)
Reclassifications	65,635,631	(2,954,447)	18,247,895	–	(80,929,079)	–
Balances at end of year	7,256,246,129	2,211,690,435	898,080,680	279,203,655	68,097,610	10,713,318,509
Accumulated Depreciation and Amortization:						
Balances at beginning of year	5,440,614,983	1,647,035,565	191,902,831	107,286,610	–	7,386,839,989
Depreciation and amortization (Note 18)	589,230,915	198,216,264	47,855,599	23,913,204	–	859,215,982
Disposals and retirement	(318,233,856)	(20,508,954)	–	–	–	(338,742,810)
Reclassifications	(7,019,347)	(2,278,962)	9,298,309	–	–	–
Balances at end of year	5,704,592,695	1,822,463,913	249,056,739	131,199,814	–	7,907,313,161
Net book values	₱1,551,653,434	₱389,226,522	₱649,023,941	₱148,003,841	₱68,097,610	₱2,806,005,348

10. Other Noncurrent Assets

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Franchise fee	**₱105,928,254**	₱98,804,487
Miscellaneous deposits	**166,230,201**	83,915,471
Prepaid rent - net of current portion (see Note 23)	**5,903,161**	5,981,459
Software costs	**673,941**	868,888
Deferred Input VAT	–	4,985,095
Others	**17,282,964**	8,532,944
	₱296,018,521	₱203,088,344

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

11. Trade and Other Payables

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade payables	**₱915,502,144**	₱640,440,497
Nontrade payables	**697,206,715**	525,228,822
Accrued expenses	**167,565,900**	170,089,235
Retention payable	**34,294,073**	35,020,805
Output VAT	**6,420,696**	131,887,802
Payable to related parties (see Note 19)	**427,688**	822,238
Others	**17,835,281**	20,318,665
	₱1,839,252,497	₱1,523,808,064

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, 2019 (Unaudited)	December 31, 2018 (Audited)
Banks:		
Bank of Philippine Islands (BPI)	**₱2,535,000,000**	₱2,605,000,000
Banco de Oro (BDO)	**657,500,000**	1,062,500,000
Metropolitan Bank & Trust Co. (MBTC)	**500,000,000**	500,000,000
Philippine National Bank (PNB)	**400,000,000**	400,000,000
	₱4,092,500,000	₱4,567,500,000

The Group’s outstanding short-term peso-denominated loans from local commercial banks bear interest at rates ranging from 5.85% to 6.25% and 3.50% to 4.00% for the three months ended 2019 and 2018, respectively.

Interest expense recognized in the consolidated statements of comprehensive income for the three months ended March 31, 2019 and 2018 amounted to ₱66,489,682 and ₱31,231,400, 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, 2019 (Unaudited)	December 31, 2018 (Audited)
BPI	**₱433,361,996**	₱484,938,663
SBC	**110,586,829**	132,753,496
CBC	**76,288,281**	91,579,948
MBTC	**76,288,281**	91,579,948
RCBC	**41,997,401**	50,414,068
Total	**738,522,788**	851,266,123
Less: current portion	**449,848,015**	449,848,015
Noncurrent portion	**₱288,674,775**	₱401,418,108

Interest expense recognized in the consolidated statements of comprehensive income for the three months ended March 31, 2019 and 2018 amounted to ₱10,875,428 and ₱18,345,017, 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, 2019 and December 31, 2018, the Group is in compliance with the loan covenants of all their respective outstanding debts.

14. Cost of Goods Sold

	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
Cost of merchandise sold	**₱2,692,918,116**	₱2,518,150,594
Royalty fees	**36,855,368**	30,257,769
Rent (see Notes 19 and 23)	**16,386,386**	15,018,780
Personnel costs (see Note 17)	**15,836,066**	26,868,736
Travel and transportation	**12,778,700**	7,911,547
Depreciation and amortization (see Notes 9, 10 and 18)	**9,662,534**	9,807,243
Security and safety	**4,635,883**	1,770,582
Utilities	**3,705,859**	3,564,707
Supplies and maintenance	**2,759,736**	1,241,187
Taxes and licenses	**1,615,944**	265,624
Repairs and maintenance	**1,006,984**	3,277,710
Insurance	**467,022**	767,407
Others	**36,333,001**	40,235,833
	₱2,834,961,599	₱2,659,137,719

Cost of merchandise sold:

	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
Merchandise inventory, beginning	**₱9,245,189,954**	₱9,423,866,643
Net purchases	**3,072,734,378**	2,594,754,493
Cost of merchandise available for sale	**12,317,924,332**	12,018,621,136
Less merchandise inventory, ending	**9,625,006,216**	9,500,470,542
	₱2,692,918,116	₱2,518,150,594

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, 2019 (Unaudited)	March 31, 2018 (Unaudited)
Rent (see Notes 19 and 23)	**₱516,407,377**	₱483,890,491
Personnel costs (see Note 17)	**270,491,835**	270,211,244
Depreciation and amortization (see Notes 9, 10 and 18)	**163,321,519**	187,849,165
Utilities	**141,572,857**	141,351,250
Credit card charges	**93,592,253**	85,147,520
Taxes and licenses	**88,269,450**	47,524,492
Supplies and maintenance	**40,642,931**	40,019,860
Global marketing contribution fee	**35,864,988**	30,432,032
Security services	**35,430,848**	21,202,283
Delivery and freight charges	**23,168,856**	20,552,557
Advertising	**18,443,846**	16,290,430
Repairs and maintenance	**16,990,879**	22,411,275
Travel and transportation	**10,465,154**	7,116,078
Insurance	**8,602,244**	8,698,915
Communication	**6,471,896**	7,275,507
Outside services	**4,393,691**	2,576,003
Entertainment, amusement and recreation (EAR)	**697,865**	647,276
Telegraphic transfer	**398,674**	681,995
Others	**15,249,001**	19,568,917
	₱1,490,476,164	₱1,413,447,290

16. General and Administrative Expenses

	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
Personnel costs (see Note 17)	**₱147,084,093**	₱141,782,470
Rent (see Notes 19 and 23)	**33,027,889**	33,655,893
Depreciation and amortization (see Notes 9, 10 and 18)	**29,372,019**	29,863,520
Taxes and licenses	**18,050,270**	16,843,711
Utilities	**16,483,055**	12,025,238
Travel and transportation	**15,571,271**	7,171,085
Repairs and maintenance	**8,804,627**	6,684,370
Supplies and maintenance	**6,214,082**	6,601,832
Security services	**6,874,804**	5,245,944
Communication	**4,699,527**	4,909,777
Professional fees	**3,163,626**	4,456,207
Advertising	**2,653,122**	9,690,992
Insurance	**2,619,036**	2,645,426
EAR	**1,606,158**	1,071,673
Outside service	**143,943**	156,628
Others	**13,147,243**	9,637,903
	₱309,514,765	₱292,442,669

17. Personnel Costs

Personnel costs were charged to operations as follows:

	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
Salaries, wages and bonuses	**₱371,337,886**	₱389,623,930
Retirement benefit expense	**13,087,174**	15,583,032
Other employee benefits	**48,986,935**	33,655,488
	₱433,411,995	₱438,862,450

Personnel costs were distributed as follows:

	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
Cost of goods sold (see Note 14)	**₱15,836,066**	₱26,868,736
Selling and distribution (see Note 15)	**270,491,835**	270,211,244
General and administrative (see Note 16)	**147,084,093**	141,782,470
	₱433,411,994	₱438,862,450

18. Depreciation and Amortization Expense

	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
Property and equipment (see Note 9)	**₱201,666,615**	₱227,282,325
Franchise fee (see Note 10)	**494,510**	–
Software costs (see Note 10)	**194,947**	237,603
	₱202,356,072	₱227,519,928

Depreciation and amortization were distributed as follows:

	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
Cost of goods sold (see Note 15)	**₱9,662,534**	₱9,807,243
Selling and distribution (see Note 16)	**163,321,519**	187,849,165
General and administrative (see Note 17)	**29,372,019**	29,863,520
	₱202,356,072	₱227,519,928

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 ₱18.5 million and ₱21.7 million, for the three months in the period ended March 31, 2019 and 2018, 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 ₱8.0 million and ₱8.2 million for the three months ended March 31, 2019 and 2018, respectively;

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

e. Compensation of the Company's key management personnel comprised of short-term employee benefits amounting to ₱9.5 million, ₱9.7 million for the three months in the period ended March 31, 2019 and 2018, respectively, and post-employment benefits amounting to ₱1.3 million and ₱1.3 million for the three months in the period ended March 31, 2019 and 2018, respectively;

As of March 31, 2019 and December 31, 2018, receivables from and payables to related parties are as follows:

March 31, 2019 (Unaudited)		Outstanding balances			
Related Parties	Transactions for the period	Receivables from related parties (see Note 4)	Payable to related parties (see Note 11)	Amounts owed by related parties	Amounts owed to related parties
Affiliates					
RCC	₱3,111,675	₱13,838,486	₱244,293	₱1,010,987	₱–
RMK	2,410,898	32,565,007	183,394	8,870	173,893
Joint ventures					
PFM		14,095,001	–	4,386,052	–
MPC	1,369,160	16,710,103	–	14,900	–
Associate					
SPI	23,483	743,862	–	1,484,655	–
	₱6,915,216	**₱77,952,459**	**₱427,687**	**₱6,905,464**	**₱173,893**

December 31, 2018 (Audited)		Outstanding balances			
Related Parties	Transactions for the period	Receivables from related parties (see Note 4)	Payable to related parties (see Note 11)	Amounts owed by related parties	Amounts owed to related parties
Affiliates					
RCC	₱28,817,767	₱20,055,700	₱244,293	₱–	₱–
RMK	(8,635,512)	31,800,873	463,938	–	–
Others	(25,826)	139,833	114,007	–	–
Joint ventures					
PFM	17,690,793	–	–	–	–
SCRI	191,738,649	–	–	–	–
MPC	10,065,775	17,057,698	–	–	–
Associate					
SPI	(74,531)	2,174,091	–	–	–
	₱160,670,864	₱71,228,195	₱822,238	₱–	₱–

The related party balances as of March 31, 2019 and December 31, 2018 are due and demandable, non-interest bearing and unsecured. Except for receivables from SCRI which was provided with allowance amounting ₱41.13 million, 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, 2019 (Unaudited)	March 31, 2018 (Unaudited)
Net income	**₱170,617,942**	₱132,852,392
Divided by weighted average number of common shares	**3,310,841,731**	3,312,524,430
	₱0.05	₱0.04

There were no potential dilutive common shares for the three months ended March 31, 2019 and 2018.

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, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash	**₱1,844,613,472**	₱2,324,149,994
Trade and other receivables		
Trade receivables	**226,778,276**	268,038,636
Nontrade receivables	**261,227,569**	272,280,314
Receivables from related parties	**77,952,459**	71,228,195
Amounts owed by related parties	**6,905,464**	–
Security deposits and construction bonds	**1,051,749,687**	1,023,525,062
	₱3,469,226,927	₱3,959,222,201

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, 2019 (Unaudited)

	Total	Neither past due nor impaired	Past due but not impaired <30 days	30 - 60 days	60 - 90 days	> 90 days	Impaired
Cash in banks and cash equivalents	₱1,844,613,472	₱1,844,613,472	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables	226,778,276	226,778,276	–	–	–	–	–
Nontrade receivables	261,227,569	91,326,670	34,578,382	47,166,296	65,662,607	4,764,419	17,729,195
Receivables from related parties	77,952,459	20,808,017	15,498,894	–	–	520,548	41,125,000
Amounts owed by related parties	6,905,464	6,905,464	–	–	–	–	–
Security deposits and construction bonds	1,051,749,687	1,051,749,687	–	–	–	–	–
Total	**₱3,469,226,927**	**₱3,242,181,586**	**₱50,077,276**	**₱47,166,296**	**₱65,662,607**	**₱5,284,967**	**₱58,854,195**

1 Presented under "Prepayments and other current assets"

December 31, 2018

	Total	Neither past due nor impaired	Past due but not impaired <30 days	30 - 60 days	60 - 90 days	> 90 days	Impaired
Cash in banks	₱2,324,149,994	₱2,324,149,994	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables	268,038,636	250,917,590	12,165,346	830,728	344,834	3,780,138	–
Nontrade receivables	272,280,314	245,904,589	–	370,980	8,275,550	–	17,729,195
Receivables from related parties	71,228,195	25,557,868	401,187	256,246	128,658	3,759,237	41,125,000
Security deposits and construction bonds	1,023,525,062	1,023,525,062	–	–	–	–	–
Total	₱3,959,222,201	₱3,870,055,103	₱12,566,533	₱1,457,954	₱8,749,042	₱7,539,375	₱58,854,195

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, 2019 and December 31, 2018, there has been no increase in credit risk of these financial assets since initial recognition except for amounts owed by related parties amounting to ₱41.13 million which are classified as credit impaired as of March 31, 2019 and December 31, 2018.

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 amounting to ₱39.03 million 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, 2019 and December 31, 2018, nontrade receivables from principals amounting to ₱17.73 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, 2019 and year ended December 31, 2018. 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, 2019.

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, 2019 (Unaudited)		December 31, 2018 (Audited)	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets				
Loans and receivables				
Security deposits and construction bonds	**₱1,051,749,687**	**₱1,044,588,180**	₱1,018,278,699	₱1,050,086,063
Financial Liabilities				
Other financial liabilities				
Long-term debt	**₱738,522,790**	**₱766,618,620**	₱851,266,123	₱975,414,968

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 5.41% to 7.29% were used in calculating the fair value of the Group's refundable deposits as of March 31, 2019 and December 31, 2018, 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 5.78% to 6.98% were used in calculating the fair value of the Group's long-term debt as of March 31, 2019 and December 31, 2018, 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, 2019 and December 31, 2018 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, 2019 and years ended December 31, 2018, 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

Leases
The Group leases its office space and certain store outlets used in its operations for lease terms ranging from two to three years. Rental payments on certain outlets are based on a fixed basic monthly rate plus a certain percentage of gross sales, while other store outlets and office spaces are based on fixed monthly rates. Rentals charged to operations amounted to ₱565.8 million and ₱532.6 million, for the three months ended March 31, 2019 and 2018, respectively (see Notes 14, 15 and 16).

Of the total rent expense, ₱129.9 million and ₱81.4 million for the three months ended March 31, 2019 and 2018, respectively, pertain to contingent rent of some stores based on percentage ranging from 3% to 6% of total merchandise sales.

The Group has paid security deposits for the store outlets and office spaces with carrying amounts of ₱1,051.75 million and ₱1,023.53 million as of March 31, 2019 and December 31, 2018, respectively, which are refundable upon complete turnover of the leased area. The present value of these deposits was computed using the discount rates prevailing at the inception date of the lease, ranging from 1.24% to 7.15%. Interest income recognized from these security deposits amounted to ₱0.6 million and ₱0.9 million, for the three months ended March 31, 2019 and 2018, 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 ₱33.63 million and ₱33.77 million as of March 31, 2019 and December 31, 2018, 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 or less. 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 ₱19.6 million and ₱18.4 million, for the three months ended March 31, 2019 and 2018, 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. These information are measured using the same accounting policies and estimates as the Group's consolidated financial statements.

The table below sets out revenue from external customers by category for the three months ended March 31, 2019 and 2018 (amounts in millions):

	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
Net Sales		
Luxury and Bridge	**₱1,376**	₱1,099
Casual	**637**	537
Fast Fashion	**1,622**	1,688
Footwear, Accessories and Luggage	**558**	580
Other	**729**	685
	₱4,922	₱4,589

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, 2019 (Unaudited)	March 31, 2018 (Unaudited)
Philippines	**₱4,905**	₱4,572
Guam	**17**	17
	₱4,922	₱4,589

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, 2019

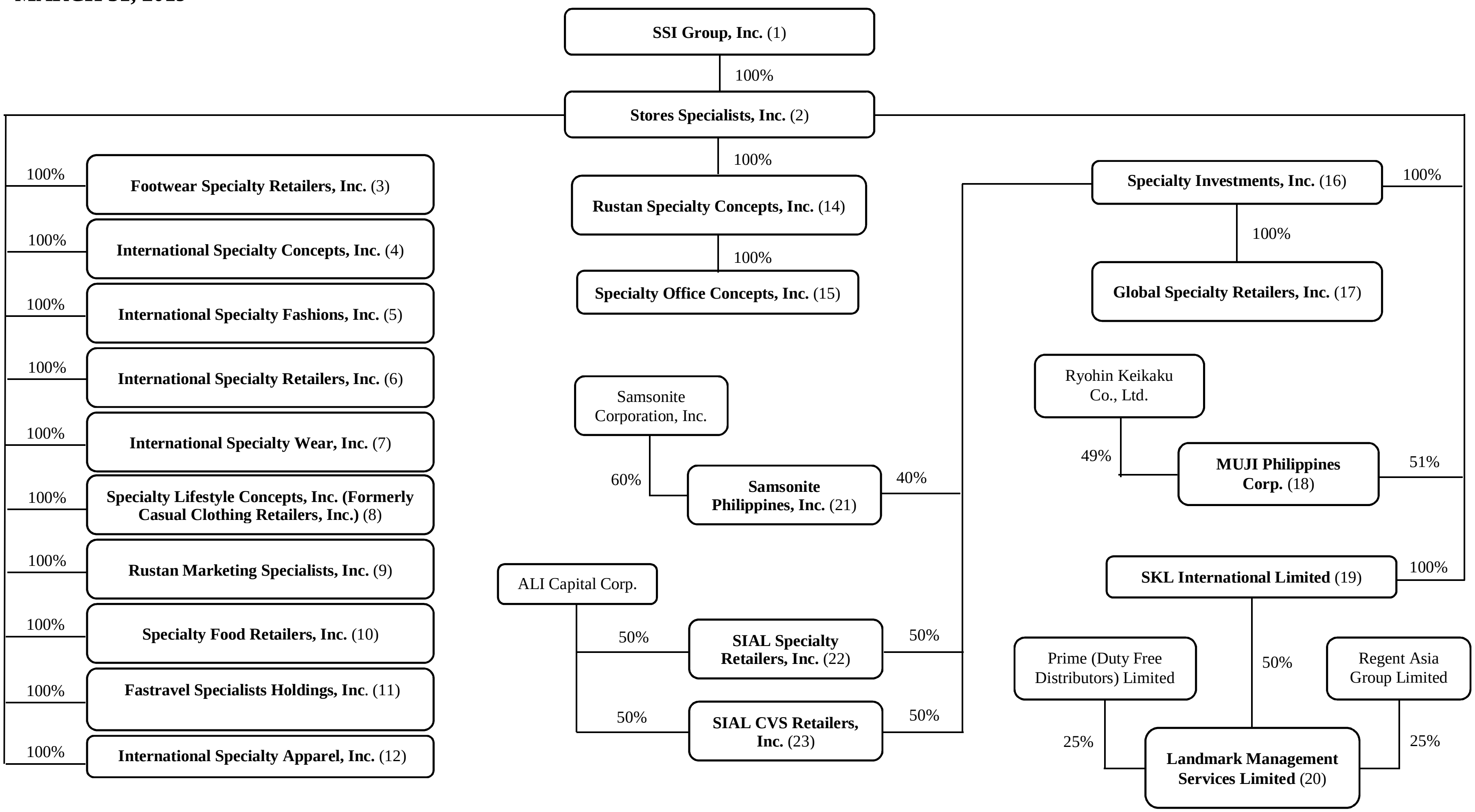

Exhibit II

SSI GROUP, INC.

SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2019		**Adopted**	**Not Adopted**	**Not Applicable**
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions	✓		
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2019		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓
	Amendments to PAS 40, Transfers of Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2019		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment	✓		
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration	✓		
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2019		Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC-15	Operating Leases - Incentives			✓
Philippine Interpretation SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets - Web Site Costs			✓

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

Exhibit III

SSI GROUP, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

March 31, 2019

Unappropriated retained earnings, as adjusted, beginning			₱1,023,608,355
Net income during the period closed to retained earnings		5,197,942	
Less:	Other realized gains related to accretion of income from security deposits	302,066	
	Deferred tax asset recognized during the year	–	
Net income actually earned during the period			4,895,876
Retained earnings available for dividend declaration			₱1,028,504,231

Exhibit IV

SSI GROUP, INC.
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratios	Formula	March 31, 2019	December 31, 2018	March 31, 2018
(i) Current Ratio	Current Assets/Current Liabilities	2.02	2.00	1.87
(ii) Debt/Equity Ratio	Bank Debts/ Total Equity	0.44	0.50	0.59
(iii) Net Debt/Equity Ratio	Bank Debts-Cash & Equivalents/Total Equity	0.27	0.28	0.45
(iii) Asset to Equity Ratio	Total Assets/Total Equity	1.66	1.69	1.78
(iv) Interest Cover Ratio	EBITDA/Interest Expense	6.32	6.95	9.12
(v) Profitability Ratios				
GP Margin	Gross Profit/Revenues	42.40%	42.00%	42.06%
Net Profit Margin	Net Income/Revenues	3.47%	3.01%	2.89%
EBITDA Margin	EBITDA/Revenues	9.93%	10.76%	9.85%
Return on Assets	Net Income /Total Assets	0.94%	3.33%	0.72%
Return on Equity	Net Income /Total Equity	1.55%	5.62%	1.28%

*EBITDA = Operating income plus depreciation and amortization