



SEC Number CS200705607  
File Number \_\_\_\_\_

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

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

**(632) 8890-8034**  
(Telephone Number)

**March 31, 2022**  
(Quarter Ending)

**SEC FORM 17-Q**  
(Form Type)

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, 2022**
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) 8890 8034**
9. Former name, former address, and former fiscal year, if changed since last report: **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding as of March 31, 2022
<b>Common Shares</b>	<b>3,298,408,430</b>

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, 2022 (with comparative audited figures as of December 31, 2021) and for the three-month periods ended March 31, 2022 and 2021 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, 2022 and 2021

Key Performance Indicators	For the three months ended March 31	
	2022	2021
<i>PhP MM except where indicated</i>		
Net Sales	4,485	3,517
Gross Profit – merchandise	1,661	1,332
Operating Income	181	18
Net Income (Loss)	68	(99)
Gross Selling Space (sq.m.)	103,260	113,234
Decrease in Gross Selling Space (%)	16.8%	4.4%

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

<b>Key Financial and Operating Data</b>	<b>For the three months ended March 31</b>	
<i>PhP MM except where indicated</i>	<b>2022</b>	<b>2021</b>
<b>Key Financial Data</b>		
Net Sales	4,485	3,517
Luxury & Bridge	1,782	1,456
Casual	620	816
Fast Fashion	1,322	497
Footwear, Accessories & Luggage	275	211
Others	487	537
Gross Profit – merchandise <sup>1</sup>	1,661	1,332
Gross Profit Margin – merchandise (%)	37.0%	37.9%
Operating Income	181	18
Operating Income (Loss) Margin (%)	4.0%	0.5%
Other Income (Charges)	(65)	(104)
Net Income (Loss)	68	(99)
Net Income (Loss) Margin (%)	1.5%	(2.8%)
Total Debt <sup>2</sup>	5,435	7,028
Net Debt <sup>3</sup>	(1,540)	2,435
<b>Key Operating Data</b>		
Number of Brands	94	96
Number of Stores	521	555
Gross Selling Space (sq.m.)	103,260	113,234
Decrease in Gross Selling Space (%)	16.8%	4.4%

## Revenues

### *Net sales*

SSI Group, Inc. (the “Company” or the “Group”) generated sales of ₱4.5 billion during the first quarter of 2022, an increase of 27.5% from the same period in 2021. This sales level was achieved despite low foot traffic in malls in January due to the Omicron peak.

Luxury and bridge and casual wear sales continued to outperform the broader portfolio, with increases of 22.4% and 24.8% respectively, as compared to the same period last year. Fast fashion and footwear, accessories, and luggage sales significantly improved during the 1<sup>st</sup> quarter. Fast fashion grew by 61.9% versus 1Q 2021 while footwear, accessories, and luggage sales grew by 30.5% versus 1Q 2021. The Group’s total net sales are at 105% of 1Q 2020 sales and 91% of 1Q 2019 sales.

The Group believes that sales performance during the 1<sup>st</sup> quarter of the year is indicative of resilient demand from the Group’s core customer base. Fast fashion and FAL sales growth also reflected increased demand for these products with more customers working from their offices and socializing, and with children allowed outside of their homes.

As of March 31, 2022, the Group’s store network included 521 stores nationwide covering approximately 103,260 square meters. During the first quarter, the Group opened 2 stores covering 206 square meters and closed 6 stores covering 1,139 square meters.

<sup>1</sup> Calculated as Net Sales minus Cost of Merchandise Sold

<sup>2</sup> Calculated as the sum of Short-term loans payable, Current portion of long-term debt and Long-term debt

<sup>3</sup> Calculated as Total Debt minus Cash

The Group added Clark's during the first quarter of 2022 and had 94 brands in its portfolio as of the period ended March 31, 2022.

The following table sets out the Group's number of stores and gross selling space for the periods ended March 31, 2022 and 2021 and for the year ended December 31, 2021.

Store Network	March 31		December 31
	2022	2021	2021
Number of Stores*	521	555	525
Luxury & Bridge	140	141	139
Casual	75	79	76
Fast Fashion	51	55	51
Footwear, Accessories & Luggage	112	133	116
Others	143	147	143
Gross Selling Space (sq.m.)	103,260	113,234	104,192
Luxury & Bridge	12,846	13,114	12,713
Casual	11,471	12,264	11,567
Fast Fashion	43,468	48,821	43,468
Footwear, Accessories & Luggage	16,041	19,460	17,011
Others	19,434	19,574	19,434

#### *Rental income*

Rental income for the first quarter of 2022 amounted to ₱8.0 million, a 10.0% increase 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, 2022 amounted to ₱1.7 billion, a 25% increase as compared to the same period in 2021. Gross profit margin during the first quarter was at 37% as compared to 38% in 1Q 2021. The lower gross profit margin reflects low foot traffic during the Omicron peak in January, and the resulting delay in the Group's end of season sale period, which extended into March.

#### **Operating Expenses**

Total operating expenses during the first quarter of 2022 amounted to ₱1.5 billion, a 12.3% increase as compared to the same period last year. As a percentage of revenues, total operating expenses improved to 33.0% of revenues as compared to 37.4% during the same period last year. This reflects the Group's cost rationalization effects and focus on cost efficiencies.

Selling and distribution expenses for the first three months of 2022 were at ₱1.2 billion, a 17.8% increase as compared to 1Q 2021. The increase primarily reflects an increase in rent and occupancy to ₱480.3 million. Costs in personnel, advertising, global marketing contribution, communication, outside services, travel and transportation, entertainment, amusement and recreation (EAR), telegraphic transfer, and credit card and other charges also increased by a total of ₱61.1 million. As a

percentage of revenues, selling and distribution expenses were at 25.7% during the first quarter of 2022 as compared to 27.8% in 1Q 2021.

General and administrative expenses for the first three months of 2022 were at ₱326.6 million, a 3.4% decrease over the same period last year. The decrease pertains to decreases in costs of personnel, rent, repairs and maintenance, security services, supplies and maintenance, communication, advertising, travel and transportation and EAR by a total of ₱27.6 million. As a percentage of revenues, general and administrative expenses were at 7.3% in 1Q 2022 versus 9.6% in 1Q 2021.

As a result of the foregoing, the Group generated an operating income of ₱181.4 million during the first quarter of 2022 as compared to ₱17.5 million during the same period last year. Excluding depreciation, operating income was at ₱375.0 million in 1Q 2022.

#### **Other Income (Charges)**

Other charges for the first three months of 2022 totaled ₱64.9 million, a decrease from ₱104.5 million during the same period last year. The decrease is primarily attributable to decreases in interest expense to ₱75.1 million and in loss on disposal of property and equipment to ₱3.0 million during the period. The Group also recognized its share in the net losses of its associate and joint ventures totaling ₱4.4 million during the first quarter of 2022 as compared to ₱7.1 million losses in 1Q 2021.

#### **Provision for Income Tax**

Provision for income tax for the first three months of 2022 amounted to ₱48.8 million as compared to ₱12.5 million during the same period last year.

#### **Net Income (Loss)**

As a result of the foregoing, the Group generated a net income of ₱67.7 million during the first quarter of 2022, as compared to the ₱99.4 million loss during the same period in 2021.

#### **FINANCIAL CONDITION**

As of March 31, 2022, the Group had consolidated assets of ₱21.0 billion as compared to ₱21.5 billion as of December 31, 2021.

#### **Current Assets**

As of March 31, 2022, the Group had consolidated current assets of ₱14.9 billion as compared to ₱15.4 billion as of December 31, 2021.

## **Cash**

As of March 31, 2022, cash was at ₱7.0 billion as compared to ₱7.3 billion at the end of 2021. The Group generated ₱596.7 million of operating cashflows during the period, and utilized ₱245.3 million for capital expenditures as well as paid down debt of ₱500.0 million

## **Trade and other receivables**

As of March 31, 2022, trade and other receivables were at ₱699.6 million as compared to ₱776.3 million at the end of 2021. The decrease pertains to the decreases in trade and nontrade receivables to ₱590.2 million. During the 1<sup>st</sup> quarter, the Group collected receivables from credit card companies, third party marketplaces, and from banks for tie-up sale and promotional activities. These tie up sales and promotional activities were done in the last quarter of 2021.

## **Merchandise Inventories**

As of March 31, 2022, merchandise inventories were at ₱6.5 billion as compared to ₱6.6 billion at the end of 2021. The decrease is in line with the Group's strategy to optimize working capital, and reflects strong sales during the last quarter of 2021.

## **Non-Current Assets**

### **Investment in an Associate**

As of March 31, 2022, investment in an associate was at ₱64.2 million as compared to ₱64.1 million at the end of 2021. The increase pertains to the Group's recognized share in the net earnings of SPI amounting to ₱0.1 million during the quarter.

### **Deferred Tax Assets**

As of March 31, 2022, deferred tax assets were at ₱597.1 million as compared to ₱574.5 million at the end of 2021. 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, 2022, the Group's total consolidated current liabilities amounted to ₱8.3 billion as compared to ₱8.8 billion at the end of 2021.

### **Trade and Other Payables**

As of March 31, 2022, trade and other payables were at ₱2.3 billion, which was ₱5.4 million lower as compared to the balance at the end of 2021. The decrease is attributable to the decrease of nontrade payables by ₱182.7 million and accrued expenses by ₱59.7 million. Output VAT, Retention payable, and Payables to non-trade suppliers and advertising agencies also decreased to a total amount of ₱154.0 million.

### **Short-term Loans Payable**

As of March 31, 2022, short-term loans payable amounted to ₱5.4 billion as compared to ₱5.9 billion at the end of 2021. The decrease is attributable to the Group's payment of ₱500.0 million.



Net debt at the end of the quarter was negative ₱1.5 billion as compared to ₱1.3 billion at the end of 2021.

### **Non- Current Liabilities**

#### **Retirement Benefit Obligation**

As of March 31, 2022, retirement benefit obligation was at ₱725.2 million as compared to ₱706.7 million at the end of 2021. 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.

#### **Lease Liabilities**

As of March 31, 2022, lease liabilities amounted to ₱1.6 billion, which was ₱41.0 million lower as compared the balance at the end of 2021. The decrease is mainly attributable to the payment made during the 1<sup>st</sup> quarter amounting to ₱52.1 million, which was offset by the interest expense of ₱11.1 million recognized during the quarter.

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 March 31, 2022, the current portion of the Group's lease liabilities amounted to ₱306.3 million while the noncurrent portion was at ₱1.3 billion.

### **Equity**

As of March 31, 2022, total equity was at ₱10.7 billion. This is an increase of ₱67.7 from the end of 2021 which reflects the net income generated by the Group during the first quarter of the year.

### **CASH FLOWS**

For the quarter ended March 31, 2022, the Group's cash flows from operating activities amounted to ₱596.7 million, a 258.3% increase as compared to negative ₱377.0 million in 1Q 2021. This reflects cash flows from operations before working capital changes of ₱409.9 million, a decrease in current assets of ₱218.4 million and an increase in current liabilities of ₱6.6 million.

During the 1<sup>st</sup> quarter of 2022, the Group spent ₱258.4 million for its investing activities. This reflects ₱245.3 million capital expenditures and ₱13.2 million decrease in other noncurrent assets.

Cash flows used in financing activities totaled ₱616.1 million. This reflects the payment of short-term loans and lease liabilities, including their interests, amounting to ₱564.1 million and ₱52.1 million, respectively.

As a result of the foregoing, total cash as of March 31, 2022 was ₱7.0 billion.

## Other Disclosures

- (i) There are no known trends, events or uncertainties that will result in the Company's liquidity increasing or decreasing in a material way.
- (ii) There were no events that will trigger direct or contingent financial obligations that are material to the Company, including and default or acceleration of an obligation.
- (iii) Likewise, there were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- (iv) There are no material commitments for capital expenditures aside from those performed in the ordinary course of business.
- (v) Any community quarantines that may be imposed by the government in the country may have a material impact on the Group's revenues in 2022.
- (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.

## **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 16, 2022

## SSI Group, Inc. and Subsidiaries

**Unaudited Interim Condensed Consolidated Financial Statements**  
**As of March 31, 2022** *(With Comparative Audited Figures as of*  
*December 31, 2021)*  
**and For the Three-Month Periods Ended March 31, 2022 and 2021**

## SSI GROUP, INC. AND SUBSIDIARIES

### UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

As of March 31, 2022

(With Comparative Audited Figures as of December 31, 2021)

	March 31 2022 (Unaudited)	December 31 2021 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 3)	P6,975,039,580	P7,252,867,634
Trade and other receivables (Note 4)	699,569,295	776,320,437
Merchandise inventories (Note 5)	6,448,725,394	6,619,736,173
Prepayments and other current assets (Note 6)	778,491,564	749,115,691
<b>Total Current Assets</b>	<b>14,901,825,833</b>	<b>15,398,039,935</b>
<b>Noncurrent Assets</b>		
Investment in an associate (Note 7)	64,195,808	64,084,628
Interests in joint ventures (Note 8)	565,478,948	544,944,217
Property and equipment (Note 9)	3,867,904,915	3,817,425,379
Deferred tax assets - net	597,051,327	574,459,737
Security deposits and construction bonds (Note 23)	892,775,349	908,406,083
Other noncurrent assets (Note 10)	149,872,835	148,110,654
<b>Total Noncurrent Assets</b>	<b>6,137,279,182</b>	<b>6,057,430,598</b>
<b>TOTAL ASSETS</b>	<b>P21,039,105,014</b>	<b>P21,455,470,533</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 11)	P2,286,553,534	P2,291,910,440
Short-term loans payable (Note 12)	5,435,000,000	5,935,000,000
Current portion of lease liabilities (Note 23)	306,325,068	325,272,911
Deferred revenue	51,974,072	42,773,076
Income tax payable	199,466,518	167,669,809
<b>Total Current Liabilities</b>	<b>8,279,319,192</b>	<b>8,762,626,326</b>
<b>Noncurrent Liabilities</b>		
Retirement benefit obligation	725,215,425	706,704,947
Lease liabilities - net of current portion (Note 23)	1,261,034,090	1,283,100,176
Tenant deposits (Note 23)	26,996,908	24,206,988
<b>Total Noncurrent Liabilities</b>	<b>2,013,246,423</b>	<b>2,014,012,111</b>
<b>Total Liabilities</b>	<b>10,292,565,614</b>	<b>10,776,638,437</b>
<b>Equity</b>		
Capital stock	3,312,864,430	3,312,864,430
Additional paid-in capital	2,519,309,713	2,519,309,713
Treasury shares	(30,893,010)	(30,893,010)
Retained earnings	5,079,377,924	5,011,670,617
Cumulative translation adjustment	(1,968,928)	(1,968,927)
Other comprehensive loss	(132,150,729)	(132,150,727)
<b>Total Equity</b>	<b>10,746,539,400</b>	<b>10,678,832,096</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P21,039,105,014</b>	<b>P21,455,470,533</b>

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

	<b>For the Three-Month Periods Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUES</b>		
Revenue from contract with customers - net sales	<b>₱4,485,423,588</b>	₱3,516,644,634
Rental income (Note 23)	<b>7,951,779</b>	7,227,460
	<b>4,493,375,367</b>	3,523,872,094
<b>COST OF GOODS SOLD AND SERVICES</b> (Note 14)	<b>2,830,642,753</b>	2,187,808,554
<b>GROSS PROFIT</b>	<b>1,662,732,614</b>	1,336,063,540
<b>OPERATING EXPENSES</b>		
Selling and distribution (Note 15)	<b>1,154,739,713</b>	980,432,616
General and administrative (Note 16)	<b>326,604,860</b>	338,109,342
	<b>1,481,344,573</b>	1,318,541,958
<b>OTHER INCOME (CHARGES)</b>		
Interest expense (Notes 12 and 13)	<b>(75,128,891)</b>	(108,024,223)
Loss on disposal of property and equipment (Note 9)	<b>(2,980,339)</b>	(6,125,507)
Share in net earnings of an associate (Note 7)	<b>111,180</b>	(3,778,270)
Share in net losses of joint ventures (Note 8)	<b>(4,465,270)</b>	(3,343,811)
Interest income (Note 3)	<b>1,655,744</b>	6,201,813
Foreign exchange gains - net	<b>(9,438,822)</b>	(65,408)
Interest accretion on security deposits (Note 23)	<b>999,999</b>	751,237
Others - net	<b>24,382,915</b>	9,887,675
	<b>(64,863,484)</b>	(104,496,494)
<b>INCOME BEFORE INCOME TAX</b>	<b>116,524,557</b>	(86,974,912)
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>		
Current	<b>71,661,725</b>	44,131,146
Deferred	<b>(22,844,395)</b>	(31,609,849)
	<b>48,817,330</b>	12,521,297
<b>NET INCOME</b>	<b>67,707,227</b>	(99,496,209)
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Cumulative translation adjustment on foreign operations, net of deferred tax	-	69,197
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Re-measurement gain (loss) on retirement benefit, net of deferred tax	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱67,707,227</b>	(₱99,427,012)
<b>BASIC/DILUTED EARNINGS PER SHARE</b> (Note 20)	<b>₱0.02</b>	(₱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, 2022 AND 2021

	Capital Stock	Additional Paid-in Capital	Treasury Shares	Retained Earnings	Cumulative Translation Adjustment	Other Comprehensive Income	Total
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)
<b>Balances at March 31, 2021</b>	<b>₱3,312,864,430</b>	<b>₱2,519,309,713</b>	<b>(₱30,893,010)</b>	<b>₱4,761,204,888</b>	<b>(₱2,011,406)</b>	<b>(₱217,571,902)</b>	<b>₱10,342,902,713</b>
Balances at January 1, 2022	₱3,312,864,430	₱2,519,309,713	(₱30,893,010)	₱5,011,670,697	(₱1,968,928)	(₱132,150,729)	₱10,678,832,173
Net income	–	–	–	67,707,227	–	–	67,707,227
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	(99,496,209)	–	–	67,707,227
<b>Balances at March 31, 2022</b>	<b>₱3,312,864,430</b>	<b>₱2,519,309,713</b>	<b>(₱30,893,010)</b>	<b>₱5,079,377,924</b>	<b>(₱1,968,928)</b>	<b>(₱132,150,729)</b>	<b>₱10,746,539,400</b>

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	
	2022 (Unaudited)	2021 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	₱116,524,557	(₱86,974,912)
Adjustments for:		
Depreciation and amortization (Notes 9, 10 and 18)	194,827,864	222,075,099
Interest expense (Note 12 and 13)	75,128,891	108,024,223
Loss on disposal of property and equipment (Note 9)	2,980,339	6,125,507
Share in net earnings of an associate (Note 7)	(111,180)	3,343,811
Share in net losses (income) of joint ventures (Note 8)	4,465,270	3,778,270
Unrealized foreign exchange losses	252,810	(4,954,969)
Interest income (Note 3)	(1,655,744)	(6,201,813)
Interest accretion on security deposits (Note 23)	(999,999)	(751,237)
Movement in retirement benefit obligation	18,510,478	44,652,649
Operating income before working capital changes	409,923,286	289,116,628
Decrease (increase) in:		
Trade and other receivables	76,751,143	(451,344,907)
Merchandise inventory	171,010,779	462,817,119
Prepayments and other current assets	(29,375,878)	(26,018,412)
Amounts owed by related parties		
Increase (decrease) in:		
Trade and other payables	(5,356,891)	(647,665,651)
Tenant deposits	2,789,920	276,056
Deferred revenue	9,200,871	(9,992,514)
Net cash used in operations	634,943,230	(382,811,681)
Interest received	1,655,744	6,201,813
Income taxes paid	(39,865,014)	–
Net cash flows used in operating activities	596,733,960	(376,609,868)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment (Note 9)	(245,260,032)	(63,931,356)
Additional interests in joint ventures (Note 8)	(25,000,000)	–
Decrease (increase) in:		
Security deposits and construction bonds	16,630,732	(11,064,616)
Other noncurrent assets	(4,789,894)	30,896,469
Net cash flows used in investing activities	(258,419,194)	(44,099,503)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of:		
Short-term loans payable	(500,000,000)	(70,000,000)
Long-term debt		(29,410,001)
Lease liability	(41,013,929)	(82,372,737)
Interest	(75,128,891)	(108,024,223)
Net cash flows from (used in) financing activities	(616,142,820)	(289,806,961)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(277,828,054)</b>	<b>(710,516,332)</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>7,252,867,634</b>	<b>5,303,876,139</b>
<b>CASH AT END OF PERIOD (Note 3)</b>	<b>₱6,975,039,580</b>	<b>₱4,593,359,807</b>

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

## **SSI GROUP, INC. AND SUBSIDIARIES**

### **NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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#### **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, 2022. The same interim condensed consolidated financial statements were approved and authorized by the BOD on the same date.

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

##### Basis of Presentation

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

Basis of Preparation

The unaudited interim condensed consolidated financial statements as of March 31, 2022 and for the three-month periods ended March 31, 2022 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, 2021.

Basis of Consolidation

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

	<b>Percentage ownership</b>			
	<b>March 31, 2022</b>		December 31, 2021	
	<b>Direct</b>	<b>Indirect</b>	Direct	Indirect
Stores Specialists, Inc. (SSI)	<b>100</b>	–	100	–
Rustan Marketing Specialists, Inc. (RMSI)	–	<b>100</b>	–	100
International Specialty Concepts, Inc. (ISCI)	–	<b>100</b>	–	100
Rustan Specialty Concepts, Inc. (RSCI)	–	<b>100</b>	–	100
Specialty Office Concepts, Inc. (SOCI)	–	<b>100</b>	–	100
Specialty Investments, Inc. (SII)	–	<b>100</b>	–	100
International Specialty Fashions, Inc. (ISFI)	–	<b>100</b>	–	100
Footwear Specialty Retailers, Inc. (FSRI)	–	<b>100</b>	–	100
Global Specialty Retailers, Inc. (GSRI)	–	<b>100</b>	–	100
Specialty Food Retailers, Inc. (SFRI)	–	<b>100</b>	–	100
International Specialty Retailers, Inc. (ISRI)	–	<b>100</b>	–	100
International Specialty Wears, Inc. (ISWI)	–	<b>100</b>	–	100
Fastravel Specialists Holdings, Inc. (FSHI)	–	<b>100</b>	–	100
International Specialty Apparels, Inc. (ISAI)	–	<b>100</b>	–	100
Specialty Lifestyle Concepts, Inc. ( <i>former Casual Clothing Retailers, Inc.</i> ) (SLCI)	–	<b>100</b>	–	100
SKL International, Ltd. (SKL)	–	<b>100</b>	–	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, 2022 and for the three months ended March 31, 2022 and 2021. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

#### Common control business combinations and group reorganizations

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

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

#### Changes in Accounting Policies and Disclosures

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2022. 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, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

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

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transactions*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity:

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

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### 3. Cash

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Cash on hand	<b>₱12,202,438</b>	₱14,895,101
Cash in banks	<b>4,893,509,920</b>	5,118,980,407
Short-term investments	<b>2,069,327,222</b>	2,118,992,126
	<b>₱6,975,039,580</b>	₱7,252,867,634

Cash in banks earn interest at the respective bank deposit rates. Interest earned from cash in banks for the three months ended March 31, 2022 and 2021 amounted to ₱1,655,744 and ₱6,201,813, respectively.

#### 4. Trade and Other Receivables

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Trade receivables	<b>₱253,066,597</b>	₱280,509,256
Nontrade receivables	<b>337,072,659</b>	360,674,621
Receivables from related parties (see Note 19)	<b>116,899,262</b>	143,457,307
Advances to officers and employees	<b>50,416,411</b>	49,768,476
Others	<b>1,022,163</b>	818,574
	<b>758,477,092</b>	835,228,234
Less: Allowance for ECL on nontrade receivables	<b>(15,736,798)</b>	(15,736,798)
Allowance for ECL on related parties	<b>(43,170,999)</b>	(43,170,999)
	<b>₱699,569,295</b>	₱776,320,437

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

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
At cost		
On hand	<b>₱6,262,538,215</b>	₱6,153,896,303
In transit	<b>197,743,432</b>	477,396,123
Inventory - at cost	<b>6,460,281,647</b>	6,631,292,426
Less allowance for inventory obsolescence	<b>(11,556,253)</b>	(11,556,253)
	<b>₱6,448,725,394</b>	₱6,619,736,173

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 ₱2,824,880,130 and ₱2,184,744,365, for the three months ended March 31, 2022 and 2021, respectively (see Note 14).

## 6. Prepayments and Other Current Assets

	<b>March 31, 2022</b>	December 31, 2021
	<b>(Unaudited)</b>	(Audited)
Supplies	<b>₱282,914,355</b>	₱284,872,392
Advances to suppliers	<b>232,184,690</b>	232,184,690
Input VAT	<b>97,302,310</b>	70,119,526
Security deposits (see Note 23)	<b>46,047,375</b>	46,047,375
Deferred input VAT	<b>40,937,054</b>	45,773,071
Creditable withholding tax	<b>26,650,127</b>	1,841,921
Prepaid insurance	<b>7,551,648</b>	18,959,643
Current portion of prepaid rent (see Notes 10 and 23)	<b>3,997,887</b>	3,964,176
Prepaid guarantee	<b>3,918,597</b>	5,548,408
Prepaid advertising	<b>765,312</b>	457,916
Others	<b>36,222,209</b>	39,346,573
	<b>₱778,491,564</b>	₱749,115,691

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

	<b>March 31, 2022</b>	December 31, 2021
	<b>(Unaudited)</b>	(Audited)
Acquisition cost	<b>₱24,640,000</b>	₱24,640,000
Accumulated equity in net earnings:		
Balance at beginning of year	<b>34,444,628</b>	53,611,625
Share in net earnings	<b>111,180</b>	(14,166,997)
Dividends received	-	-
Balance at end of year	<b>39,555,808</b>	39,444,628
	<b>₱64,195,808</b>	₱64,084,628

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, 2022 and December 31, 2021, 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	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 interest in joint ventures are as follows:

### March 31, 2022 (Unaudited)

	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
Additional investment	–	–	–	25,000,000	25,000,000
Accumulated equity in net earnings (losses):					
Balances at beginning of year	(15,180,697)	97,328,462	(407,344,383)	(420,350,000)	(745,546,619)
Share in net income	(7,804,738)	3,339,468	–	–	(4,465,270)
Balances at end of year	(22,985,435)	100,667,930	(407,344,383)	(420,350,000)	(750,011,889)
	<b>₱352,311,019</b>	<b>₱188,167,930</b>	<b>₱–</b>	<b>₱25,000,000</b>	<b>₱565,478,948</b>

### December 31, 2021 (Audited)

	LMS	MPC	SSRI	SCRI	Total
Cost:					
Balances at beginning	₱375,296,454	₱87,500,000	₱407,344,383	₱420,350,000	₱1,290,490,837
Accumulated equity in net earnings (losses) and impairment loss:					
Balances at beginning of year	10,601,454	70,265,821	(407,344,383)	(420,350,000)	(746,827,108)
Share in net earnings (loss)	(25,782,153)	27,062,641	–	–	1,280,488
Balances at end of year	(15,180,699)	97,328,462	(407,344,383)	(420,350,000)	(745,546,620)
	<b>₱360,115,755</b>	<b>₱184,828,462</b>	<b>₱–</b>	<b>₱–</b>	<b>₱544,944,217</b>

### 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 ₱0.59 for the three months ended March 31, 2022 and 2021, 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, 2022.

#### 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, 2022 and December 31, 2021.

## 9. Property and Equipment

The composition and movements of this account are as follows:

March 31, 2022 (Unaudited)

	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Right of use Asset	Construction in Progress	Total
<b>Cost:</b>							
Balances at beginning of year	₱7,269,543,051	₱2,602,970,054	₱951,854,265	₱304,290,165	₱3,910,705,986	₱184,199,510	<b>₱15,223,563,031</b>
Additions	124,290,210	24,101,771	–	986,674	–	95,881,370	<b>245,260,025</b>
Disposals	(7,425,269)	–	–	–	(22,218,842)	–	<b>(29,644,111)</b>
Reclassifications	30,583,588	–	–	–	–	(30,583,588)	–
Balances at end of year	7,416,991,580	2,627,071,825	951,854,265	305,276,839	3,888,487,144	249,497,292	<b>15,439,178,945</b>
<b>Accumulated depreciation and amortization:</b>							
Balances at beginning of year	6,194,785,352	2,264,883,307	383,476,497	200,573,481	2,362,419,014	–	<b>11,406,137,651</b>
Depreciation (see Note 18)	90,912,093	33,705,138	13,188,570	5,956,221	48,038,130	–	<b>191,800,152</b>
Disposals	(7,311,078)	–	–	–	(19,352,695)	–	<b>(26,663,773)</b>
Balances at end of year	6,278,386,367	2,298,588,445	396,665,067	206,529,702	2,391,104,449	–	<b>11,571,274,030</b>
<b>Net book values</b>	<b>₱1,138,605,213</b>	<b>₱328,483,380</b>	<b>₱555,189,198</b>	<b>₱98,747,137</b>	<b>₱1,497,382,695</b>	<b>₱249,497,288</b>	<b>₱3,867,904,915</b>

December 31, 2021 (Audited)

	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Right-of-Use Asset	Construction in Progress	Total
<b>Cost:</b>							
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	209,904,647	48,422,734	51,255,636	1,318,704	202,391,201	166,187,635	679,480,557
Disposals and retirement	(353,737,247)	(26,859,382)	–	(1,691,359)	(321,119,625)	–	(703,407,613)
Remeasurement	–	–	–	–	(51,862,076)	–	(51,862,076)
Reclassifications	40,470,327	–	–	–	–	(40,470,327)	–
Balances at end of year	7,269,543,053	2,602,896,814	951,854,265	304,290,167	3,910,779,226	184,199,507	15,223,563,032
<b>Accumulated Depreciation and Amortization:</b>							
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 and amortization (Note 18)	416,500,278	141,307,972	47,853,303	24,018,220	693,557,798	–	1,323,237,571
Disposals and retirement	(323,423,268)	(21,115,585)	–	(1,691,359)	(321,119,625)	–	(667,349,837)
Remeasurement	–	–	–	–	(11,392,160)	–	(11,392,160)
Balances at end of year	6,194,785,352	2,264,975,178	383,476,497	200,573,481	2,362,327,145	–	11,406,137,653
Net book values	₱1,074,757,701	₱337,921,636	₱568,377,768	₱103,716,686	₱1,548,452,081	₱184,199,507	₱3,817,425,379

Additions to leasehold improvements and construction in progress in 2022 and 2021 pertain to improvements and construction of newly opened and renovated stores during the year.

Disposals and retirement for the period ended March 31, 2022 and December 31, 2021 mainly pertain to leasehold improvements, store furniture and fixtures and right-of-use assets derecognized on closed or renovated stores.

No property and equipment were pledged or treated as security to the outstanding liabilities as of March 31, 2022 and December 31, 2021.

The Group has no purchase commitments related to property, plant and equipment as of March 31, 2022 and December 31, 2021, respectively.

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## 10. Other Noncurrent Assets

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Franchise fee	<b>₱76,188,055</b>	₱75,708,914
Miscellaneous deposits	<b>72,405,738</b>	62,003,440
Software costs	<b>1,073,467</b>	1,789,147
Others	<b>205,575</b>	8,609,053
	<b>₱149,872,835</b>	₱148,110,554

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

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## 11. Trade and Other Payables

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Trade payables	<b>₱1,422,178,779</b>	₱1,111,763,757
Nontrade payables	<b>550,975,613</b>	733,722,811
Accrued expenses	<b>151,892,182</b>	211,634,969
Output VAT	<b>105,796,529</b>	175,509,007
Retention payable	<b>27,323,930</b>	28,882,628
Tenant deposit	<b>7,551,985</b>	7,551,985
Payable to related parties (see Note 19)	<b>207,611</b>	770,989
Others	<b>20,626,905</b>	22,074,294
	<b>₱2,286,553,534</b>	₱2,291,910,440

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.

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## 12. Short-term Loans Payable

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Banks:		
Bank of Philippine Islands (BPI)	P2,065,000,000	P2,365,000,000
Banco de Oro (BDO)	1,400,000,000	1,400,000,000
Rizal Commercial Banking Corporation (RCBC)	1,100,000,000	1,100,000,000
Security Bank Corporation (SBC)	500,000,000	500,000,000
Bank of Commerce (BOC)	270,000,000	270,000,000
China Banking Corporation (CBC)	100,000,000	300,000,000
	<b>P5,435,000,000</b>	<b>P5,935,000,000</b>

The Group's outstanding short-term peso-denominated loans from local commercial banks bear interest at rates ranging from 4.10% to 5.00% and 4.50% to 6.50% for the three months ended 2022 and 2021, respectively.

Interest expense recognized in the consolidated statements of comprehensive income for the three months ended March 31, 2022 and 2021 amounted to P64,073,241 and P90,432,905, respectively.

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## 13. Long-term Debt

On October 14, 2016, SSI entered into another long-term loan with BPI amounting to P500.00 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.

Interest expense recognized in the consolidated statements of comprehensive income for the three months ended March 31, 2022 and 2021 amounted to nil and P2,245,318, 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, 2022 and December 31, 2021, the Group is in compliance with the loan covenants of all their respective outstanding debts.

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## 14. Cost of Goods Sold

	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)
Cost of merchandise sold (Note 5)	P2,824,880,130	P2,184,744,365
Depreciation and amortization (Notes 9 and 18)	1,205,427	978,068
Rent (Note 23)	873,778	830,803
Utilities	702,637	512,489
Outside services	35,616	151,711
Others	2,945,165	591,118
	<b>P2,830,642,753</b>	<b>P2,187,808,554</b>

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:

	<b>March 31, 2022 (Unaudited)</b>	March 31, 2021 (Unaudited)
Merchandise inventory, beginning	<b>₱6,619,736,173</b>	₱9,209,038,936
Net purchases	<b>2,653,869,352</b>	1,721,927,247
Cost of merchandise available for sale	<b>9,273,605,525</b>	10,930,966,183
Less merchandise inventory, ending	<b>6,448,725,394</b>	8,746,221,817
	<b>₱2,824,880,131</b>	₱2,184,744,365

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.

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## 15. Selling and Distribution Expenses

	<b>March 31, 2022 (Unaudited)</b>	March 31, 2021 (Unaudited)
Rent (see Notes 19 and 23)	<b>₱244,513,895</b>	₱126,591,173
Personnel costs (see Note 17)	<b>194,132,474</b>	183,043,266
Depreciation and amortization (see Notes 9, 10 and 18)	<b>152,182,358</b>	182,118,532
Utilities	<b>114,279,645</b>	103,702,811
Taxes and licenses	<b>84,428,527</b>	70,547,735
Advertising	<b>83,050,280</b>	64,602,766
Credit card charges	<b>67,239,000</b>	55,238,376
Supplies and maintenance	<b>44,947,062</b>	47,343,055
Delivery and freight charges	<b>38,791,461</b>	38,795,586
Global marketing contribution fee	<b>35,103,693</b>	26,163,618
Security services	<b>26,060,669</b>	25,091,424
Repairs and maintenance	<b>11,037,134</b>	8,746,202
Communication	<b>8,153,816</b>	7,397,045
Insurance	<b>5,440,877</b>	5,575,514
Outside services	<b>3,013,284</b>	2,963,744
Travel and transportation	<b>1,647,131</b>	1,142,673
Entertainment, amusement and recreation (EAR)	<b>2,012,424</b>	350,221
Telegraphic transfer	<b>362,359</b>	277,899
Others	<b>38,343,624</b>	30,740,976
	<b>₱1,154,739,713</b>	₱980,432,616

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**16. General and Administrative Expenses**

	<b>March 31, 2022</b>	March 31, 2021
	<b>(Unaudited)</b>	(Unaudited)
Personnel costs (see Note 17)	<b>₱141,872,787</b>	₱156,946,282
Depreciation and amortization (see Notes 9, 10 and 18)	<b>41,440,080</b>	40,657,840
Rent (see Notes 19 and 23)	<b>36,436,515</b>	39,914,404
Taxes and licenses	<b>25,047,962</b>	17,894,740
Insurance	<b>15,806,896</b>	15,539,378
Repairs and maintenance	<b>10,156,778</b>	13,817,909
Utilities	<b>12,528,953</b>	9,780,343
Security services	<b>6,571,029</b>	7,401,631
Supplies and maintenance	<b>6,324,358</b>	7,252,500
Communication	<b>4,615,613</b>	5,035,800
Professional fees	<b>4,616,966</b>	3,540,985
Outside service	<b>3,115,477</b>	228,951
Advertising	<b>2,104,916</b>	3,256,438
Travel and transportation	<b>1,178,095</b>	2,537,230
EAR	<b>396,075</b>	1,074,862
Others	<b>14,392,360</b>	13,230,049
	<b>₱326,604,860</b>	₱338,109,342

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**17. Personnel Costs**

Personnel costs were charged to operations as follows:

	<b>March 31, 2022</b>	March 31, 2021
	<b>(Unaudited)</b>	(Unaudited)
Salaries, wages and bonuses	<b>₱289,921,354</b>	₱286,574,189
Retirement benefit expense	<b>20,175,977</b>	17,720,908
Other employee benefits	<b>25,934,552</b>	35,694,451
	<b>₱336,031,882</b>	₱339,989,548

Personnel costs were distributed as follows:

	<b>March 31, 2022</b>	March 31, 2021
	<b>(Unaudited)</b>	(Unaudited)
Cost of services (Note 14)	<b>₱26,622</b>	₱-
Selling and distribution (see Note 15)	<b>194,132,474</b>	183,043,266
General and administrative (see Note 16)	<b>141,872,787</b>	156,946,282
	<b>₱336,031,882</b>	₱339,989,548

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## 18. Depreciation and Amortization Expense

	<b>March 31, 2022 (Unaudited)</b>	March 31, 2021 (Unaudited)
Property and equipment (see Note 9)	<b>₱191,800,153</b>	₱221,046,406
Franchise fee (see Note 10)	<b>2,503,557</b>	2,079,993
Software costs (see Note 10)	<b>524,155</b>	628,041
	<b>₱194,827,865</b>	₱223,754,440

Depreciation and amortization were distributed as follows:

	<b>March 31, 2022 (Unaudited)</b>	March 31, 2021 (Unaudited)
Cost of services (Note 14)	<b>₱1,205,427</b>	₱978,068
Selling and distribution (see Note 16)	<b>152,182,357</b>	182,118,532
General and administrative (see Note 17)	<b>41,440,080</b>	40,657,840
	<b>₱194,827,864</b>	₱223,754,440

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## 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 ₱18.7 million and ₱14.3 million, for the three months in the period ended March 31, 2022 and 2021, 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 ₱6.3 million and ₱4.3 million for the three months ended March 31, 2022 and 2021, 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 ₱9.2 million, ₱9.3 million for the three months in the period ended March 31, 2022 and 2021, respectively, and post-employment benefits amounting to ₱1.4 million and ₱1.5 million for the three months in the period ended March 31, 2022 and 2021, respectively.



As of March 31, 2022 and December 31, 2021, transactions with related parties are as follows:

Related Parties	Periods ended	Transactions for the year	Outstanding balances	
			Receivables from related parties (Note 5)	Payable to related parties (Note 12)
<i>Under common control</i>				
RCC	<b>March 31, 2022</b>	<b>(P12,120,546)</b>	<b>P41,331,408</b>	<b>P-</b>
	December 31, 2021	P129,468,827	P54,667,672	P-
RMK	<b>March 31, 2022</b>	<b>802,488</b>	<b>29,230,515</b>	<b>207,611</b>
	December 31, 2021	34,749,793	26,467,277	770,989
<i>Joint ventures</i>				
PFM	<b>March 31, 2022</b>	-	-	-
	December 31, 2021	-	-	-
MPC	<b>March 31, 2022</b>	-	<b>1,850</b>	-
	December 31, 2021	11,008,378	15,986,869	-
<i>Associate</i>				
SPI	<b>March 31, 2022</b>	-	<b>3,164,490</b>	-
	December 31, 2021	696,739	3,164,490	-
	<b>March 31, 2022</b>		<b>P73,728,263</b>	<b>P207,611</b>
	December 31, 2021		P100,286,308	P770,989

The related party balances as of March 31, 2022 and December 31, 2021 are due and demandable, non-interest bearing and unsecured. The allowance for expected credit losses on amounts owed by related parties amounted to P43.17 million as of March 31, 2022 and December 31, 2021, 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:

	<b>March 31, 2022 (Unaudited)</b>	March 31, 2021 (Unaudited)
Net income	<b>P67,707,227</b>	(P99,496,209)
Divided by weighted average number of common shares	<b>3,298,408,430</b>	3,298,408,430
	<b>P0.02</b>	(P0.03)

There were no potential dilutive common shares for the three months ended March 31, 2022 and 2021.

## 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:

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Cash	<b>₱6,975,039,580</b>	₱7,252,867,634
Trade and other receivables		
Trade receivables	<b>253,066,597</b>	280,509,256
Nontrade receivables	<b>337,072,659</b>	360,674,621
Receivables from related parties	<b>116,899,262</b>	143,457,307
Others	<b>1,022,163</b>	818,574
Security deposits and construction bonds	<b>938,822,724</b>	954,453,458
	<b>₱8,621,922,985</b>	₱8,992,780,850

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, 2022 (Unaudited)**

	Total	Neither past due nor impaired	Past due but not impaired				Impaired
			<30 days	30 - 60 days	60 - 90 days	> 90 days	
Cash	<b>₱6,975,039,580</b>	₱6,975,039,580	₱-	₱-	₱-	₱-	₱-
Trade and other receivables							
Trade receivables	<b>253,066,597</b>	236,395,482	8,919,397	2,948,644	357,508	4,445,566	-
Nontrade receivables	<b>337,072,659</b>	8,478,840	61,595,227	31,288,363	23,189,981	196,783,451	15,736,798
Receivables from related parties	<b>116,899,262</b>	4,732,647	13,500,545	5,400,218	7,425,299	42,669,554	43,170,999
Others	<b>1,022,163</b>	1,022,163	-	-	-	-	-
Security deposits and construction bonds	<b>938,822,724</b>	938,822,724	-	-	-	-	-
<b>Total</b>	<b>₱8,621,922,985</b>	<b>₱8,164,491,436</b>	<b>₱84,015,168</b>	<b>₱39,637,226</b>	<b>₱30,972,788</b>	<b>₱243,898,571</b>	<b>₱58,907,797</b>

#### **December 31, 2021**

	Total	Neither past due nor impaired	Past due but not impaired				Impaired
			<30 days	30 - 60 days	60 - 90 days	> 90 days	
Cash and cash equivalents	₱7,252,867,634	₱7,252,867,634	₱-	₱-	₱-	₱-	₱-
Trade and other receivables							
Trade receivables	280,509,256	250,166,226	17,682,376	53,487	614,501	11,992,666	-
Nontrade receivables	360,674,621	101,602,364	55,298,884	28,505,855	7,173,009	152,357,711	15,736,798
Receivables from related parties	143,457,307	2,102,279	37,389,457	10,850,610	4,341,274	45,602,688	43,170,999
Others	818,574	-	818,574	-	-	-	-
Security deposits and construction bonds <sup>1</sup>	954,453,458	954,453,458	-	-	-	-	-
<b>Total</b>	<b>₱8,992,780,850</b>	<b>₱8,561,191,961</b>	<b>₱111,189,291</b>	<b>₱39,409,952</b>	<b>₱12,128,784</b>	<b>₱209,953,065</b>	<b>₱58,907,797</b>

### *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, 2022 and December 31, 2021, 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, 2022 and December 31, 2021.
- 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, 2022 and December 31, 2021, nontrade receivables from principals amounting to ₱15.74 million and ₱8.34 million, respectively, 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, 2022 and year ended December 31, 2021. 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, 2022.

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## 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:

	<b>March 31, 2022 (Unaudited)</b>		December 31, 2021 (Audited)	
	<b>Carrying Amounts</b>	<b>Fair Values</b>	Carrying Amounts	Fair Values
<b>Financial Assets</b>				
<i>Loans and receivables</i>				
Security deposits and construction bonds	<b>₱938,822,724</b>	<b>₱954,666,652</b>	₱954,453,457	₱970,297,385

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

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

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

*Security deposits and construction bonds*

The fair values of security deposits are based on the discounted value of future cash flows using the applicable market interest rates. Discount rates ranging from 1.66% to 2.20% were used in calculating the fair value of the Group's refundable deposits as of March 31, 2022 and December 31, 2021.

#### 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, 2022 and December 31, 2021 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, 2022 and years ended December 31, 2021, 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.

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## 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:

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Balances at beginning of the year	<b>₱1,548,286,972</b>	₱2,080,088,594
Additions	–	202,391,201
Depreciation expense	<b>(48,038,130)</b>	(693,557,798)
Remeasurement/termination	<b>(2,866,147)</b>	(40,469,916)
<b>Balances at end of the year</b>	<b>₱1,497,382,695</b>	₱1,548,452,081

The rollforward analysis of lease liabilities follows:

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Balances at beginning of the year	<b>₱1,608,373,087</b>	₱2,147,455,989
Additions	–	202,164,134
Interest expense	<b>11,055,650</b>	132,183,930
Remeasurement/termination	–	(45,746,474)
Lease concession	–	(401,436,655)
Payments	<b>(52,069,579)</b>	(426,247,747)
<b>Balances at end of the year</b>	<b>1,567,359,158</b>	1,608,373,177
<b>Less: current portion</b>	<b>306,325,068</b>	325,273,001
<b>Balances at end of the year</b>	<b>₱1,261,034,090</b>	₱1,283,100,176

The Group has paid security deposits for the store outlets and office spaces with carrying amounts of ₱938.82 million and ₱954.45 million as of March 31, 2022 and December 31, 2021, 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 ₱1.00 million and ₱0.75 million, for the three months ended March 31, 2022 and 2021, 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. Rental income recognized on these spaces amounted to ₱7.95 million and ₱7.23 million, for the three months ended March 31, 2022 and 2021, respectively. Deposits received from tenants amounted to ₱34.58 million and ₱31.76 million as of March 31, 2022 and December 31, 2021, respectively, pertaining to deposits on the leased space.

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## 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, 2022 and 2021 (amounts in millions):

	<b>March 31, 2022 (Unaudited)</b>	March 31, 2021 (Unaudited)
Net Sales		
Luxury and Bridge	<b>₱1,782</b>	₱1,456
Fast Fashion	<b>1,322</b>	816
Casual	<b>620</b>	497
Footwear, Accessories and Luggage	<b>275</b>	211
Other	<b>487</b>	537
	<b>₱4,485</b>	₱3,517

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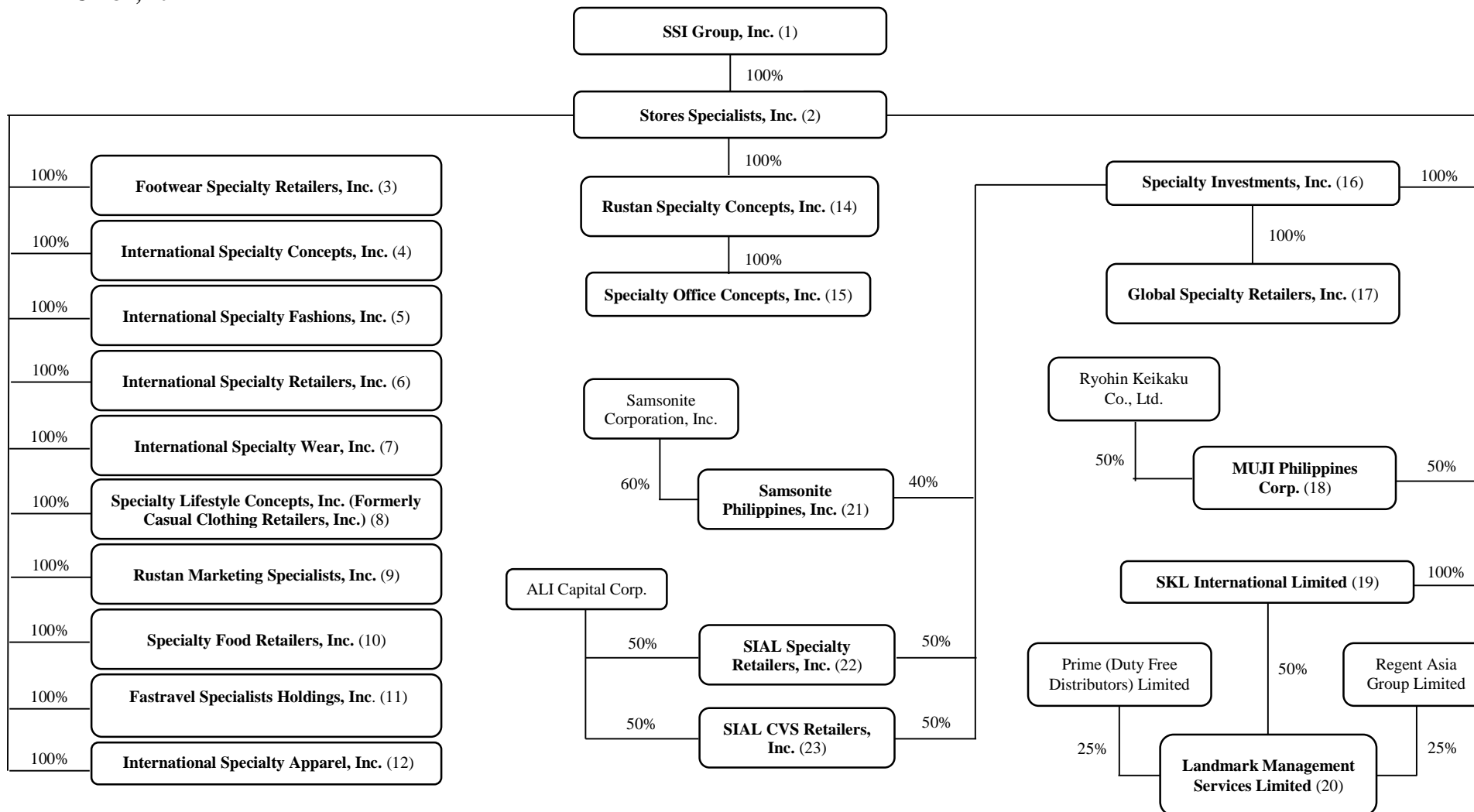
## 25. Seasonality of operations

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, 2022**



**Exhibit II****SSI GROUP, INC.****RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR  
DIVIDEND DECLARATION****MARCH 31, 2022**

Unappropriated retained earnings, as adjusted, beginning		₱1,057,680,882
Cumulative prior year adjustments:		
Interest income from accretion of the discount on security deposits		(5,574,182)
Benefit from deferred tax		(255,112)
		<hr/>
		1,051,851,588
Net income during the period closed to retained earnings	17,744,258	
Less: Other realized gains related to accretion of income from security deposits		—
Deferred tax asset recognized during the year		—
		<hr/>
Net income during the period		17,744,258
Retained earnings available for dividend declaration		<u>₱1,069,595,846</u>



**Exhibit III**

**SSI GROUP, INC.**

**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**

<b>Ratios</b>	<b>Formula</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
(i) Current Ratio	Current Assets/Current Liabilities	1.80	1.76	1.61
(ii) Debt/Equity Ratio	Bank Debts/ Total Equity	0.51	0.56	0.68
(iii) Net Debt/Equity Ratio	Bank Debts-Cash & Equivalents/Total Equity	(0.14)	(0.12)	0.24
(iii) Asset to Equity Ratio	Total Assets/Total Equity	1.96	2.01	2.11
(iv) Interest Cover Ratio	EBITDA/Interest Expense	5.14	3.88	2.25
<b>(v) Profitability Ratios</b>				
GP Margin	Gross Profit/Revenues	37.00%	39.05%	37.91%
Net Profit (Loss) Margin	Net Income (Loss) /Revenues	1.51%	0.97%	-2.82%
EBITDA Margin	EBITDA/Revenues	8.60%	11.88%	6.90%
Return on Assets	Net Income (Loss) /Total Assets	0.32%	0.70%	-0.46%
Return on Equity	Net Income (Loss) /Total Equity	0.63%	1.41%	-0.96%

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