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SEC Registration Number

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(Company's Full Name)

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C	i	t	y																								

(Business Address: No. Street City/Town/Province)

<b>Ms. Rossellina J. Escoto</b>
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(Contact Person)

<b>890-8034</b>
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(Company Telephone Number)

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*Month Day*  
(Calendar Year)

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(Form Type)

<b>1<sup>st</sup> Monday of June</b>
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*Month Day*  
(Annual Meeting)

<b>Not Applicable</b>
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(Secondary License Type, If Applicable)

<b>CFD</b>
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Dept. Requiring this Doc.

<b>Not Applicable</b>
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Amended Articles Number/Section

<b>14</b>
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Total No. of Stockholders

Total Amount of Borrowings

<b>₱5,838 million</b>	<b>Not Applicable</b>
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Domestic Foreign

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To be accomplished by SEC Personnel concerned

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

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

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

**(632) 890-8034**  
(Telephone Number)

**March 31, 2015**  
(Quarter Ending)

**SEC FORM 17-Q Quarterly Report**  
(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, 2015**
2. Commission 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 issuer's principal office: **6/F Midland Buendia Building, 403 Senator Gil Puyat Avenue, Makati City** Postal Code: **1200**
8. Issuer's telephone number, including area code: **(632) 896-95-91**
9. Former name, former address and former fiscal year, if changed since last report: **SSI Group, Inc.**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding
<b>Common Shares</b>	<b>3,312,864,430</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 class/es of securities listed therein:  
**Philippine Stock Exchange** **Common Shares 3,312,864,430**

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 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 (Please see Annex A)***

Unaudited Interim Consolidated Balance Sheet as of March 31, 2015 (with Comparative Audited Figures as of December 31, 2014)

Unaudited Interim Consolidated Statements of Comprehensive Income for the Three-Month Periods Ended March 31, 2015 and 2014

Unaudited Interim Consolidated Statements of Changes in Equity for the Three-Month Periods Ended March 31, 2015 and 2014

Unaudited Interim Consolidated Statements of Cash Flows for the Three-Month Periods Ended March 31, 2015 and 2014

Notes to Unaudited Interim Condensed Consolidated Financial Statements

Attachments—Supplementary Schedules and Exhibits

***Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations***

**Part II Other Information**

## Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

### Results of Operations

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

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

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

<sup>1</sup> EBITDA is calculated as operating income plus depreciation and amortization

<sup>2</sup> Adjusted Net Income is calculated as net income plus share in net losses of joint ventures

<sup>3</sup> Calculated as the sum of short-term loans payable, current portion of long-term debt and long-term debt. 2014 Total Debt is as of Dec. 31, 2014

<sup>4</sup> Calculated as Total Debt less cash and cash equivalents. 2014 Total Debt is as of Dec. 31, 2014

## Net Sales

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

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

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

Luxury & Bridge – Max & Co.

Footwear, Accessories and Luggage – Amazonas, Charming Charlie, Jelly Bunny, Kurt Geiger, Lipault and Radley

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

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

Store Network <sup>5</sup>	March 31		Dec 31
	2015	2014	2014
Number of Stores	746	639	723
Luxury & Bridge	153	136	150
Casual	127	106	119
Fast Fashion	93	69	92
Footwear, Accessories & Luggage	228	197	219
Others	145	131	143
Gross Selling Space (sq.m.)	137,746	108,891	133,640
Luxury & Bridge	15,820	13,246	15,229
Casual	18,857	14,540	18,217
Fast Fashion	58,269	41,054	56,151
Footwear, Accessories & Luggage	24,124	20,996	23,556
Others	20,676	19,055	20,487

## Gross Profit

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

<sup>5</sup> As of March 31, 2015 the Group operated 2 stores in Guam which contributed de minimis sales to its net sales for the period

## **Operating Expenses**

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

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

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

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

## **Other Income (Charges)**

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

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

## **Provision for Income Tax**

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

## **Net Income**

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

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

## **EBITDA**

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

## **FINANCIAL CONDITION**

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

### **Current Assets**

#### **Cash and Cash Equivalents**

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

#### **Trade and Other Receivables**

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

#### **Merchandise Inventory**

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

#### **Prepayments and other Current Assets**

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

### **Non-Current Assets**

#### **Interests in Joint Ventures**



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

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

### **Security Deposits and Construction Bonds**

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

### **Other Non-Current Assets**

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

### **Current Liabilities**

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

### **Trade and Other Payables**

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

### **Short Term Loans Payable**

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

### **Non- Current Liabilities**

#### **Long-Term Debt**

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

## Equity

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

## Other Disclosures

- (i) There are no known trends, events or uncertainties that will result in the Company's liquidity increasing or decreasing in a material way.
- (ii) There were no events that will trigger direct or contingent financial obligations that are material to the Company, including and default or acceleration of an obligation
- (iii) Likewise there were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- (iv) There are no material commitments for capital expenditures aside from those performed in the ordinary course of business and in line with the Group's store expansion program
- (v) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations.
- (vi) There were no significant elements of income or loss that did not arise from continuing operations.
- (vii) The Group experiences the fourth quarter of the year as the peak season relating to increased sales resulting from the Christmas and New Year holidays.

**Part II Other Information**

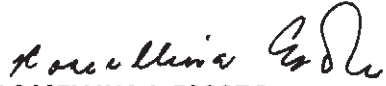
There are no other information not previously reported in SEC Form 17-C that need to be reported in this section.

## Signatures

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

Registrant: **SSI Group, Inc.**

By:

A handwritten signature in black ink, appearing to read "Rosellina J. Escoto". The signature is written in a cursive style with a large, stylized initial "R".

**ROSSELLINA J. ESCOTO**

Authorized Signatory

Vice President—Finance

SSI Group, Inc.

Date: 12 May 2015

**Annex A      Financial Statements**

# SSI Group, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements

March 31, 2015 and 2014

*(With Comparative Audited Figures as of December 31, 2014)*

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(Business Address: No. Street City/Town/Province)

<b>Ms. Rossellina J. Escoto</b>
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(Contact Person)

<b>890-8034</b>
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(Company Telephone Number)

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Month Day  
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Month Day  
(Annual Meeting)

<b>Not Applicable</b>
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(Secondary License Type, If Applicable)

<b>CFD</b>
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Dept. Requiring this Doc.

<b>Not Applicable</b>
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Amended Articles Number/Section

<b>14</b>
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Total No. of Stockholders

Total Amount of Borrowings

<b>₱5,838 million</b>
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Domestic

<b>Not Applicable</b>
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Foreign

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To be accomplished by SEC Personnel concerned

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## SSI GROUP, INC. AND SUBSIDIARIES

### UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

As of March 31, 2015

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱1,252,551,002	₱2,527,828,209
Trade and other receivables (Note 5)	487,800,864	584,872,648
Merchandise inventory (Note 6)	8,972,009,884	7,980,070,099
Amounts owed by related parties (Note 20)	6,484,297	6,941,758
Prepayments and other current assets (Note 7)	720,616,902	590,339,738
<b>Total Current Assets</b>	<b>11,439,462,949</b>	<b>11,690,052,452</b>
<b>Noncurrent Assets</b>		
Investment in an associate (Note 8)	56,685,149	49,117,530
Interests in joint ventures (Note 9)	690,863,875	479,455,513
Property and equipment (Note 10)	4,822,820,634	4,680,064,601
Deferred tax assets	250,419,941	254,727,150
Security deposits and construction bonds (Note 24)	866,309,374	806,968,668
Other noncurrent assets (Note 11)	166,782,979	99,591,385
<b>Total Noncurrent Assets</b>	<b>6,853,881,952</b>	<b>6,369,924,847</b>
<b>TOTAL ASSETS</b>	<b>₱18,293,344,901</b>	<b>₱18,059,977,299</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 12)	₱2,643,030,313	₱3,248,120,916
Short-term loans payable (Note 13)	4,098,736,738	3,596,635,490
Current portion of long-term debt (Note 14)	329,653,444	328,514,924
Amounts owed to related parties (Note 20)	85,398	24,220
Deferred revenue	23,765,211	24,100,045
Income tax payable	330,321,880	192,460,335
<b>Total Current Liabilities</b>	<b>7,425,592,984</b>	<b>7,389,855,930</b>
<b>Noncurrent Liabilities</b>		
Long-term debt (Note 14)	1,409,335,647	1,491,839,072
Retirement benefit obligation	312,232,069	306,185,820
Deferred tax liability	-	236,484
<b>Total Noncurrent Liabilities</b>	<b>1,721,567,716</b>	<b>1,798,261,376</b>
<b>Equity (Note 26)</b>		
Capital stock - ₱1 par value	3,312,864,430	3,312,864,430
Additional paid-in capital	4,056,457,439	4,056,457,439
Stock grant	16,820,490	4,205,123
Equity reserve (Note 3)	(1,537,147,726)	(1,537,147,726)
Retained earnings		
Appropriated	510,000,000	510,000,000
Unappropriated	2,884,195,751	2,617,168,339
Cumulative translation adjustment	(802,492)	4,516,079
Other comprehensive income	(96,203,691)	(96,203,691)
<b>Total Equity</b>	<b>9,146,184,201</b>	<b>8,871,859,993</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱18,293,344,901</b>	<b>₱18,059,977,299</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>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>NET SALES</b>	<b>₱4,034,394,160</b>	₱3,389,643,489
<b>COST OF GOODS SOLD</b> (Note 15)	<b>1,794,895,818</b>	1,483,109,544
<b>GROSS PROFIT</b>	<b>2,239,498,342</b>	1,906,533,945
<b>OPERATING EXPENSES</b>		
Selling and distribution (Note 16)	<b>1,498,946,909</b>	1,259,098,078
General and administrative (Note 17)	<b>227,014,193</b>	245,254,009
	<b>1,725,961,102</b>	1,504,352,087
<b>OTHER INCOME (CHARGES)</b>		
Foreign exchange gains - net	<b>14,971,649</b>	3,484,189
Share in net earnings of an associate (Note 8)	<b>7,567,619</b>	4,839,879
Interest accretion on security deposits (Note 24)	<b>594,161</b>	536,255
Interest income (Note 4)	<b>1,200,315</b>	799,426
Interest expense (Notes 13 and 14)	<b>(73,836,778)</b>	(50,806,780)
Share in net losses of joint ventures (Note 9)	<b>(49,691,638)</b>	(40,322,089)
Others - net	<b>(4,544,069)</b>	12,385,562
	<b>(103,738,741)</b>	(69,083,558)
<b>INCOME BEFORE INCOME TAX</b>	<b>409,798,499</b>	333,098,300
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>		
Current	<b>137,054,861</b>	121,550,192
Deferred	<b>5,716,226</b>	(6,815,483)
	<b>142,771,087</b>	114,734,709
<b>NET INCOME</b>	<b>267,027,412</b>	218,363,591
<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	<b>(5,318,571)</b>	(1,087,501)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Re-measurement loss on retirement benefit, net of deferred tax	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱261,708,841</b>	₱217,276,090
<b>BASIC/DILUTED EARNINGS PER SHARE</b> (Note 21)	<b>₱0.10</b>	₱0.11

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

**SSI GROUP, INC. AND SUBSIDIARIES**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2015 AND 2014**

**For the Three-Month Periods Ended March 31, 2015 and 2014**

	Capital Stock	Additional		Stock Grants	Equity Reserve	Retained Earnings		Cumulative Translation Adjustment	Other Comprehensive Income	Total
		Paid-in Capital	Stock			Appropriated	Unappropriated			
Balances at January 1, 2014	₱200,000,000	₱-	₱-	₱-	₱500,434,495	₱1,290,000,000	₱838,616,229	(₱5,242,165)	(₱57,300,134)	₱2,766,508,425
Net income	-	-	-	-	-	-	218,363,591	-	-	218,363,591
Exchange differences on translation	-	-	-	-	-	-	-	(1,087,501)	-	(1,087,501)
Total comprehensive income for the period	-	-	-	-	-	-	218,363,591	(1,087,501)	-	217,276,090
<b>Balances at March 31, 2014</b>	<b>₱200,000,000</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱500,434,495</b>	<b>₱1,290,000,000</b>	<b>₱1,056,979,820</b>	<b>(₱6,329,666)</b>	<b>(₱57,300,134)</b>	<b>₱2,983,784,515</b>
Balances at January 1, 2015	₱3,312,864,430	₱4,056,457,439	₱4,205,123	(₱1,537,147,726)	₱510,000,000	₱2,617,168,339	₱4,516,079	(₱96,203,691)	-	₱8,871,859,993
Net income	-	-	-	-	-	-	267,027,412	-	-	267,027,412
Exchange differences on translation	-	-	-	-	-	-	-	(5,318,571)	-	(5,318,571)
Total comprehensive income for the period	-	-	-	-	-	-	267,027,412	(5,318,571)	-	261,708,841
Stock grants	-	-	12,615,367	-	-	-	-	-	-	12,615,367
<b>Balances at March 31, 2015</b>	<b>₱3,312,864,430</b>	<b>₱4,056,457,439</b>	<b>₱16,820,490</b>	<b>(₱1,537,147,726)</b>	<b>₱510,000,000</b>	<b>₱2,884,195,751</b>	<b>(₱802,492)</b>	<b>(₱96,203,691)</b>	<b>(₱9,146,184,201)</b>	<b>₱9,146,184,201</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	
	2015 (Unaudited)	2014 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	₱409,798,499	₱333,098,300
Adjustments for:		
Depreciation and amortization (Notes 10, 11 and 19)	334,676,352	209,509,711
Interest expense (Note 13 and 14)	73,836,778	50,806,780
Share in net losses of joint ventures (Note 9)	49,691,638	40,322,089
Stock grants	12,615,367	–
Unrealized foreign exchange gains	(3,615,010)	(930,567)
Loss on disposal of property and equipment (Note 10)	5,208,907	1,110,714
Share in net earnings of an associate (Note 8)	(7,567,619)	(4,839,879)
Interest accretion on refundable deposits (Note 24)	(594,161)	(536,255)
Interest income (Note 4)	(1,200,315)	(799,426)
Operating income before working capital changes	872,850,436	627,741,467
Decrease (increase) in:		
Trade and other receivables	97,071,784	154,608,671
Merchandise inventory	(991,939,785)	(897,547,810)
Amounts owed by related parties	457,461	(6,825,190)
Prepayments and other current assets	(139,655,506)	(24,454,206)
Increase (decrease) in:		
Trade and other payables	(605,090,603)	1,146,943,132
Deferred revenue	(334,834)	519,674
Amounts owed to related parties	61,178	6,940,268
Retirement benefit obligation	6,046,249	5,987,873
Net cash generated from (used in) operations	(760,533,620)	1,013,913,879
Interest received	1,200,315	799,426
Net cash flows generated from (used in) operating activities	(759,333,305)	1,014,713,305
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment (Note 10)	(482,641,292)	(788,932,947)
Additional interests in joint ventures (Note 9)	(261,100,000)	(120,000,000)
Increase in:		
Security deposits and construction bonds	(48,561,519)	(26,535,789)
Other noncurrent assets	(67,191,594)	(159,303,539)
Net cash flows used in investing activities	(859,494,405)	(1,094,772,275)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from availment of:		
Short-term loans payable	1,046,000,000	1,832,648,564
Long-term debt	–	700,000,000
Payments of:		
Short-term loans payable	(543,898,752)	(2,599,599,151)
Long-term debt	(81,364,905)	–
Interest	(73,836,778)	(50,806,780)
Proceeds from deposits for future stock subscription	–	252,999,980
Net cash flows from financing activities	346,899,565	135,242,613
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,271,928,145)</b>	<b>55,183,643</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(3,349,062)</b>	<b>(763,671)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>2,527,828,209</b>	<b>1,134,749,837</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)</b>	<b>₱1,252,551,002</b>	<b>₱1,189,169,809</b>

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

## SSI GROUP, INC. AND SUBSIDIARIES

*(Formerly Casual Clothing Specialists, Inc.)*

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### NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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#### 1. Corporate Information

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

#### *Corporate Restructuring*

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

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

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

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

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

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

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

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

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

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

### Basis of Consolidation

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

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

<sup>1</sup> ISAI was registered with the SEC on October 8, 2013 and started commercial operations on October 18, 2014.

<sup>2</sup> CCRI was registered with the SEC on January 10, 2014 and immediately started commercial operations

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

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of March 31, 2015 and for the three months ended March 31, 2015 and 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Company and to the non-controlling interests (NCI), even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's

accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

#### *Common control business combinations and group reorganizations*

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

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

#### Changes in Accounting Policies and Disclosures

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

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

#### *New and Amended Standards and Interpretations and Improved PFRS Adopted in Calendar Year 2015*

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

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

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

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

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)  
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.
- Annual Improvements to PFRSs (2010-2012 cycle)  
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:
  - PFRS 2, *Share-based Payment - Definition of Vesting Condition*  
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
    - A performance condition must contain a service condition
    - A performance target must be met while the counterparty is rendering service
    - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
    - A performance condition may be a market or non-market condition
    - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.



- *PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination*  
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.
- *PFRS 8, Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*  
The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
- *PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*  
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.
- *PAS 24, Related Party Disclosures - Key Management Personnel*  
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.
- Annual Improvements to PFRSs (2011-2013 cycle)  
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:
  - *PFRS 3, Business Combinations - Scope Exceptions for Joint Arrangements*  
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
    - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
    - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
  - *PFRS 13, Fair Value Measurement - Portfolio Exception*  
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

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

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### 3. **Reorganization Involving Entities Under Common Control**

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

Under the pooling-of-interests method:

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

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

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

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

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4. **Cash and Cash Equivalents**

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

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates. Interest earned from cash in banks and short-term investments for the three months ended March 31, 2015 and 2014 amounted to ₱1,200,315 and ₱799,426, respectively.

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5. **Trade and Other Receivables**

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

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

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

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6. **Merchandise Inventory**

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

Inventories in transit include items not yet received but ownership or title to the goods has already passed to the Group.

There are no merchandise inventories pledged as security for liabilities. All inventories are presented at cost.

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

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## 7. Prepayments and Other Current Assets

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

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

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

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## 8. Investment in an Associate

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

SPI, a company incorporated in the Philippines on September 9, 2008, was established primarily to engage in the importation, distribution, marketing and sale, both wholesale and retail, of all types of luggage and bags, including but not limited to suitcases, garment bags, brief cases,

computer bags, backpacks, casual bags, hand bags, travel accessories and such other products of similar nature.

As of March 31, 2015 and December 31, 2014, SPI is 40% owned by the Group and 60% owned by Samsonite Corporation, its ultimate parent and an entity incorporated under the laws of the United States of America.

## 9. Interests in Joint Ventures

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

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

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

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

SCRI (50% take up through SII)

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

SSRI (50% take up through SII)

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

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

## 10. Property and Equipment

The composition and movements of this account are as follows:

	<b>For the Three Months Ended March 31, 2015 (Unaudited)</b>					
	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Construction in Progress	Total
<b>Cost:</b>						
Balances at beginning of year	₱6,340,315,432	₱1,872,078,320	₱736,966,441	₱243,614,203	₱101,973,187	₱9,294,947,583
Additions	315,152,049	86,767,383	64,190,269	3,644,998	12,886,593	482,641,292
Disposals	(8,422,471)	(2,310,236)	–	–	–	(10,732,707)
Reclassifications	13,204,768	14,001,857	–	–	(27,206,625)	–
Balances at end of year	6,660,249,778	1,970,537,324	801,156,710	247,259,201	87,653,155	9,766,856,168
<b>Accumulated depreciation and impairment:</b>						
Balances at beginning of year	3,378,403,168	1,131,996,960	62,985,677	41,497,177	–	4,614,882,982
Depreciation (see Note 20)	256,711,307	63,731,419	9,522,910	4,710,716	–	334,676,352
Disposals	(4,065,303)	(1,458,497)	–	–	–	(5,523,800)
Balances at end of year	3,631,049,172	1,194,269,882	72,508,587	46,207,893	–	4,944,035,534
<b>Net book values</b>	<b>₱3,029,200,606</b>	<b>₱776,267,442</b>	<b>₱728,648,123</b>	<b>₱201,051,308</b>	<b>₱87,653,155</b>	<b>₱4,822,820,634</b>
	<b>For the Year Ended December 31, 2014 (Audited)</b>					
	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Construction in Progress	Total
<b>Cost:</b>						
Balances at beginning of year	₱4,185,621,829	₱1,367,468,612	₱58,326,550	₱228,272,062	₱400,380,187	₱6,240,069,240
Additions	2,200,779,247	509,626,706	–	16,359,998	417,099,098	3,143,865,049
Disposals	(82,951,851)	(5,016,998)	–	(1,017,857)	–	(88,986,706)
Reclassifications	36,866,207	–	678,639,891	–	(715,506,098)	–
Balances at end of year	6,340,315,432	1,872,078,320	736,966,441	243,614,203	101,973,187	9,294,947,583
<b>Accumulated depreciation:</b>						
Balances at beginning of year	2,642,537,431	938,835,542	43,279,720	22,716,040	–	3,647,368,733
Depreciation (see Note 20)	803,206,745	195,622,278	19,705,957	19,035,601	–	1,037,570,581
Disposals	(67,341,008)	(2,460,860)	–	(254,464)	–	(70,056,332)
Balances at end of year	3,378,403,168	1,131,996,960	62,985,677	41,497,177	–	4,614,882,982
<b>Net book values</b>	<b>₱2,961,912,264</b>	<b>₱740,081,360</b>	<b>₱673,980,764</b>	<b>₱202,117,026</b>	<b>₱101,973,187</b>	<b>₱4,680,064,601</b>

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**11. Other Noncurrent Assets**

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

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

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**12. Trade and Other Payables**

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

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

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

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

### 13. Short-term Loans Payable

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

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

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

### 14. Long-term Debt

On May 8, 2013, the Group entered into a credit facility for the ₱2.0 billion syndicated term loan facility with BPI, SBC, CBC, MBTC and RCBC. The purpose of the loan is to finance the Group's capital expenditures related to the construction of the Central Square and other corporate purposes. Principal repayments are due quarterly starting August 20, 2014.

The loan carries an interest of a fixed base rate plus an interest spread of 150 basis points per annum or a 5.50% per annum floor rate. The syndicated term loan will mature on February 20, 2020.

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

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



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

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

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

#### Loan Covenants

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

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#### 15. Cost of Goods Sold

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

Cost of merchandise sold:

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

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

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

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#### 16. Selling and Distribution Expenses

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

## 17. General and Administrative Expenses

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

## 18. Personnel Costs

Personnel costs were charged to operations as follows:

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

Personnel expenses were distributed as follows:

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

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**19. Depreciation and Amortization Expense**

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

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Depreciation and amortization were distributed as follows:

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

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**20. Related Party Disclosures**

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

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

- a. Lease of the Group's store outlet spaces from a related party (see Note 24). Related rent expense amounted to ₱26.6 million and ₱32.8 million, for the three months in the period ended March 31, 2015 and 2014, respectively;
- b. The Group reimburses related parties for its expenses paid by the related parties in behalf of the Group;
- c. Sales through the use of related parties' gift certificates. Total value of the related parties' gift certificates used amounted to ₱11.5 million and ₱15.2 million for the three months in the period ended March 31, 2015 and 2014, respectively;
- d. Short-term noninterest-bearing cash advances to/from related parties; and
- e. Compensation of the Company's key management personnel comprised of short-term employee benefits amounting to ₱9.5 million, ₱9.0 million for the three months in the period ended March 31, 2015 and 2014, respectively, and post-employment benefits amounting to ₱1.4 million and ₱1.1 million for the three months in the period ended March 31, 2015 and 2014, respectively;

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

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

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

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

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

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

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

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## 21. Earnings Per Share (EPS)

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

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

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

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

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## 22. Risk Management Objectives and Policies

The principal financial instruments of the Group are cash and cash equivalents and short-term and long-term loans. The main purpose of these financial instruments is to anticipate future fund requirements of the Group. The Group has various other financial assets and liabilities such as trade and other receivables, trade and other payables, short-term loan payable and long-term debt, amounts owed to/by related parties and security deposits and construction bonds which arise directly from its operations.

The main risks arising from the financial instruments of the Group are credit risk, foreign currency risk and liquidity risk. The Group's management reviews and approves policies for managing each of these risks and they are summarized below. The Group also monitors the market price risk arising from all financial instruments. The magnitudes of these risks that have arisen over the year are discussed below.

### *Credit risk*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group trades only with recognized, creditworthy third parties, mostly with credit card companies. Trade receivables from third parties are monitored on an on-going basis with the result that the exposure of the Group to bad debts is not significant. There is no allowance for impairment of receivables since the Group expects to fully realize its receivables from its debtors. With respect to credit risk from other financial assets of the Group, which is mainly comprised of cash in banks, short-term investments, amounts owed by related parties, trade and other receivables and security deposits, the exposure of the Group to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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

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

**March 31, 2015**

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

**December 31, 2014**

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

**Capital Management**

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

The Group manages its capital structure and makes adjustments to it based on changes in economic and business conditions. To maintain or adjust the capital structure, the Group may consider paying dividends to stockholders, returning capital to stockholders, or issuing new shares of stocks. No major changes were made on the objectives, policies, or processes during the three months ended March 31, 2015 and year ended December 31, 2014. Capital includes equity as shown in the consolidated balance sheet.

As disclosed in Note 14, the Group is required by their creditors to maintain a debt-to-equity ratio and debt-service coverage ratio. The Group, thus, monitors capital on the basis of debt-to-equity ratio which is calculated as total liabilities divided by total equity. The Company includes within debt all interest-bearing short-term and long-term liabilities. These externally imposed capital requirements have been complied with as of March 31, 2015.



## 23. Fair Value of Financial Instruments

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

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

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

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

*Cash and cash equivalents, trade and other receivables, amounts owed by/to related parties, trade and other payables and short-term loans*

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

*Security deposits and construction bonds*

The fair values of security deposits are based on the discounted value of future cash flows using the applicable market interest rates. Discount rates ranging from 2.43% to 5.08% and 2.10% to 4.89%, were used in calculating the fair value of the Group's refundable deposits as of March 31, 2015 and December 31, 2014, respectively.

*Long-term debt*

The fair value of long-term debt is based on the discounted value of future cash flows using the applicable market interest rates. Discount rates ranging from 3.81% to 4.72% and 4.04% to 5.31% were used in calculating the fair value of the Group's long-term debt as of March 31, 2015 and December 31, 2014, respectively.

### Fair Value Hierarchy

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

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

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

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

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

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

For the three months ended March 31, 2015 and years ended December 31, 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

## 24. Contracts and Commitments

### *Leases*

The Group leases its office space and certain store outlets used in its operations for lease terms ranging from two to three years. Rental payments on certain outlets are based on a fixed basic monthly rate plus a certain percentage of gross sales, while other store outlets and office spaces are based on fixed monthly rates. Rentals charged to operations amounted to ₱473,459,127 and ₱428,939,399, for the three months ended March 31, 2015 and 2014, respectively (see Notes 15, 16 and 17).

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

The Group has paid security deposits for the store outlets and office spaces with carrying amounts of ₱866.3 million and ₱817.2 million as of March 31, 2015 and December 31, 2014, respectively, which are refundable upon complete turnover of the leased area. The present value of these deposits was computed using the discount rates prevailing at the inception date of the lease, ranging from 1.24% to 7.15%. Interest income recognized from these security deposits amounted to ₱594,161 and ₱536,255, for the three months ended March 31, 2015 and 2014, respectively.

## 25. Segment Reporting

The Group has determined that it is operating as one operating segment. Based on management's assessment, no part or component of the business of the Group meets the qualifications of an operating segment as defined by PFRS 8.

The Company's store operations is its only income generating activity and such is the measure used by the chief operating decision maker in allocating resources.

The Company derives its primary income from the sales of merchandise to external customers and is the only basis for segment reporting purposes. Sales are reported on an entity-wide basis. These information are measured using the same accounting policies and estimates as the Group's consolidated financial statements.

The table below sets out revenue from external customers by category for the three months ended March 30, 2015 and 2014 (amounts in thousands):

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

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

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

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26. **Equity**

a. Common Shares

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

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

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

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

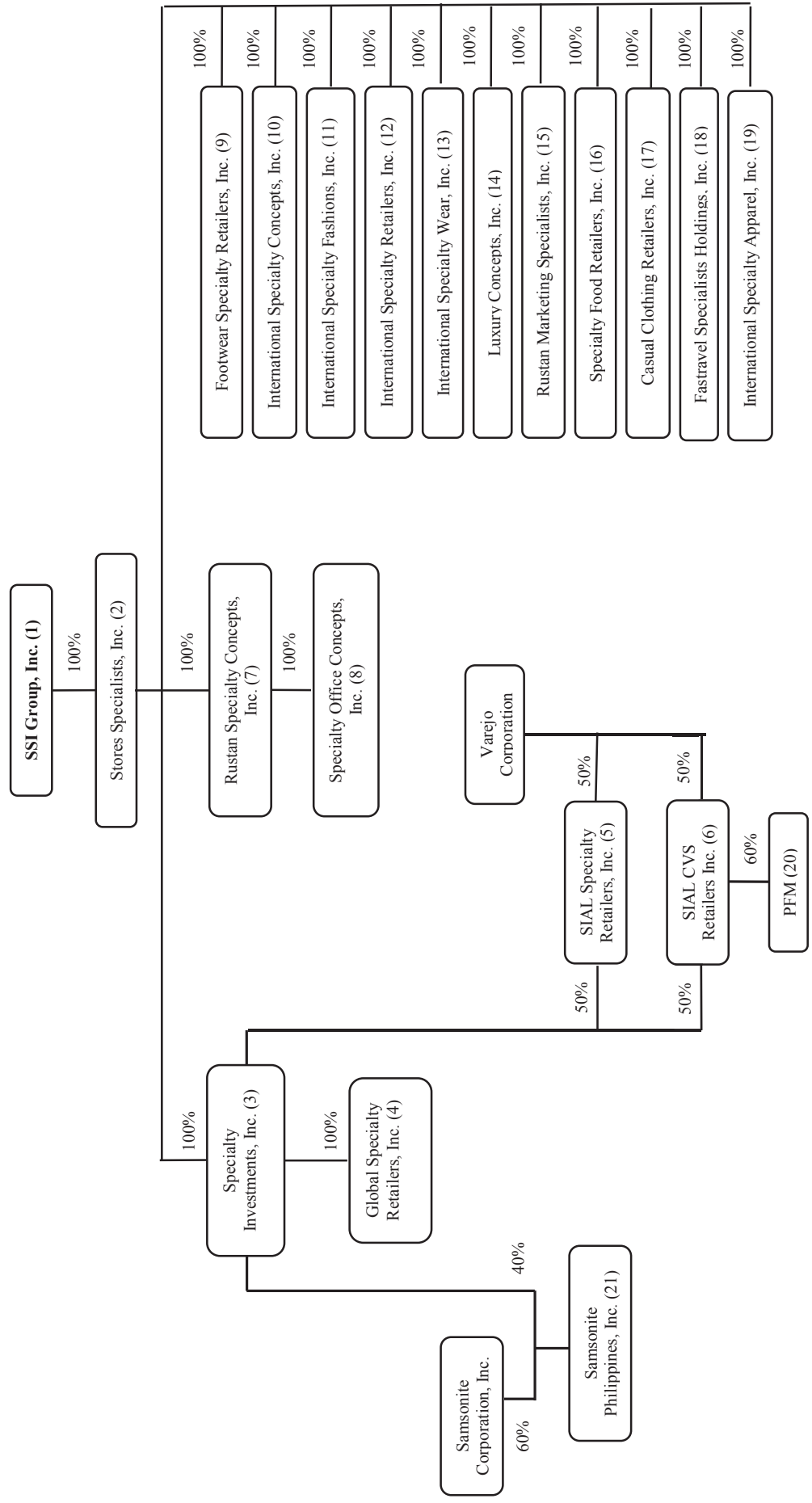
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27. **Seasonality of operations**

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

**Exhibit I**

**SSI GROUP, INC.  
MAP SHOWING RELATIONSHIPS BETWEEN AND AMONG THE GROUP, AND ITS SUBSIDIARIES  
MARCH 31, 2015**



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

**SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS  
AND INTERPRETATIONS  
MARCH 31, 2015**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of March 31, 2015		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>			✓	
<b>Philippine Financial Reporting Standards</b>				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendment to PFRS 1: Meaning of 'Effective PFRSs'*		✓	
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of March 31, 2015</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Consideration in a Business Combination			
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segment's Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*			✓
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of March 31, 2015		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables*		✓	
	Amendment to PFRS 13: Portfolio Exception			✓
<b>Philippine Accounting Standards</b>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19	Employee Benefits	✓		



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of March 31, 2015</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
(Amended)	Amendments to PAS19: Defined Benefit Plans - Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization*			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of March 31, 2015		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40 and PFRS 3: Classifying property as investment property or owner-occupied property.			✓
PAS 41	Agriculture			✓
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of March 31, 2015</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	39: Embedded Derivatives			
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for Construction of Real Estate*			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of March 31, 2015</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

*\*These standards, interpretations and amendments to existing standards became effective subsequent to March 31, 2015. The Company did not early adopt these standards, interpretations and amendments.*

**Exhibit III**

**SSI GROUP, INC.**

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**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR  
DIVIDEND DECLARATION  
MARCH 31, 2015**

Unappropriated retained earnings, as adjusted, beginning		₱840,979,508
Net income during the period closed to retained earnings	22,220,675	
Less: Other realized gains related to accretion of income from security deposits		—
Deferred tax asset recognized during the year		—
		<hr/>
Net income actually earned during the period		22,220,675
		<hr/>
Retained earnings available for dividend declaration		₱863,200,183
		<hr/> <hr/>

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

**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**

<b>Ratios</b>	<b>Formula</b>	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>March 31, 2014</b>
(i) Current Ratio	Current Assets/Current Liabilities	1.54	1.58	
(ii) Debt/Equity Ratio	Bank Debts/ Total Equity	0.64	0.61	
(iii) Net Debt/Equity Ratio	Bank Debts-Cash & Equivalents/Total Equity	0.50	0.33	
(iii) Asset to Equity Ratio	Total Assets/Total Equity	2.00	2.04	
(iv) Interest Cover Ratio	EBITDA/Interest Expense	11.49		12.04
(v) Profitability Ratios				
GP Margin	Gross Profit/Revenues	55.51%		56.25%
Net Profit Margin	Net Income/Revenues	6.62%		6.44%
EBITDA Margin	EBITDA/Revenues	21.02%		18.05%
Return on Assets	Net Income/Total Assets	1.46%		1.21%
Return on Equity	Net Income/Total Equity	2.92%		2.46%
*EBITDA = The sum of Operating Income and depreciation and amortization				