COVER SHEET

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SEC Registration Number

S S I G R O U P , I N C . A N D S U B S I D I A R I E S

(Company's Full Name)

6 / F M i d l a n d B u e n d i a B u i l d i n g 4 0 3 S e n a t o r G i l P u y a t A v e n u e , M a k a t i C i t y

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

Ms. Rossellina J. Escoto	**890-8034**
(Contact Person)	(Company Telephone Number)

1 2 **3 1**	**1 7 - Q**	**June 15**
Month *Day*	(Form Type)	*Month* *Day*
(Calendar Year)		(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

CFD	**Not Applicable**
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

21	**₱8,935 million**	**Not Applicable**
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

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)

September 30, 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: **September 30, 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
Common Shares	**3,312,864,430**

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

Yes [√] No [ ]

If yes, state the name of such Stock Exchange and the 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 September 30, 2015 (with Comparative Audited Figures as of December 31, 2014)

Unaudited Interim Consolidated Statements of Comprehensive Income for the Three-Month and Nine-Month Periods Ended September 30, 2015 and 2014

Unaudited Interim Consolidated Statements of Changes in Equity for the Nine-Month Period Ended September 30, 2015 and 2014

Unaudited Interim Consolidated Statements of Cash Flows for the Nine-Month Period Ended September 30, 2015 and 2014

Notes to Unaudited Interim 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 Nine Months Ended September 30, 2015 and 2014

Key Performance Indicators	**For the Nine Months Ended Sept 30**	
PhP MM except where indicated	**2015**	**2014**
Net Sales	11,784	10,043
Gross Profit	6,263	5,651
Net Income	701	674
Gross Selling Space (sq.m.)	143,497	117,793
Growth in Gross Selling Space (%)	21.8%	

Key Financial Data	**For the Nine Months Ended Sept 30**	
PhP MM except where indicated	**2015**	**2014**
Key Financial Data		
Net Sales	11,784	10,043
Luxury & Bridge	2,363	2,208
Casual	1,713	1,563
Fast Fashion	4,309	3,602
Footwear, Accessories & Luggage	1,769	1,410
Others	1,630	1,260
Gross Profit	6,263	5,651
Gross Profit Margin (%)	53.1%	56.3%
EBITDA[i]	2,345	1,983
EBITDA Margin (%)	19.9%%	19.7%
Other Income (Charges)	(374)	(243)
Net Income	701	674
Net Income Margin (%)	5.9%	6.7%
Core Net Income[ii]	864.7	790
Core Net Income Margin (%)	7.3%	7.9%
Total Debt[iii]	8,935	7,396
Net Debt[iv]	7,792	6,815
Key Operating Data		
Specialty Retailing		
Number of Stores	781	672
Gross Selling Space (sq.m.)	143,497	117,793
Growth in Gross Selling Space (%)	21.8%	
Convenience Stores		
Number of Stores	113	63
Gross Selling Space (sq.m.)	13,572	7,678
Growth in Gross Selling Space (%)	77%	

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[i] EBITDA is calculated as operating income plus depreciation and amortization
[ii] Core Net Income is calculated as net income plus share in net losses of joint ventures
[iii] Calculated as the sum of short-term loans payable, current portion of long-term debt and long-term debt
[iv] Calculated as Total Debt less cash and cash equivalents

Net Sales

For the nine months ended September 30, 2015, SSI Group, Inc. (the "Company" or the "Group") generated net sales of ₱11.8 billion, an increase of 17.3% as compared to the year ago period. Growth in net sales was driven by the expansion of the Group's store network and brand portfolio.

Year to date September 30, 2015 the Group expanded its store network by a net of 58 stores and 9,857 square meters. As of September 30, 2015 the Group's store network consisted of 781 specialty stores covering 143,497 square meters. This represents a gross selling area increase of 7.4% year-to-date and 21.8% compared to September 30, 2014.

As of September 30, 2015 the Group's brand portfolio consisted of consisted of 115 brands and was composed of 46 luxury and bridge brands, 13 casual wear brands, 11 fast fashion brands, 24 footwear, accessories and luggage brands and 21 brands under the others category.

The following table sets out the Group's number of stores and gross selling space as of September 30, 2015 and 2014 and as of Dec. 31, 2014.

Store Network	**September 30**		**Dec 31**
	2015	**2014**	**2014**
Number of Stores[v]	781	672	723
Luxury & Bridge	165	146	150
Casual	137	107	119
Fast Fashion	96	80	92
Footwear, Accessories & Luggage	228	209	219
Others	155	130	143
Gross Selling Space (sq.m.)	143,497	117,793	133,640
Luxury & Bridge	17,370	14,618	15,229
Casual	18,971	15,310	18,217
Fast Fashion	59,368	45,838	56,151
Footwear, Accessories & Luggage	24,645	22,016	23,556
Others	23,143	20,011	20,487

Gross Profit

For the period ended September 30, 2015 the Group's gross profit was at ₱6.3 billion an increase of 10.8% as compared to the year ago period. Gross profit margin for the period ended September 30, 2015 was at 53.1% as compared to 56.3% during the first nine months of 2014. The decrease in the Group's gross profit margin reflects a longer end of season sale period as compared to the previous year, as well as increased discounting and promotional activities during the third quarter of 2015, as the Group faced a more competitive environment.

[v] As of September 30, 2015 the Group operated 2 stores in Guam which contributed de minimis sales to its net sales for the period

Operating Expenses

For the nine months ended September 30, 2015, the Group's operating expenses amounted to ₽4.8 billion an increase of 9.9% as compared to the year ago period. Operating expenses as a percentage of revenue declined to 40.8% as compared to 43.5% during the year ago period. Operating expenses net of depreciation and amortization declined to 33.4% of revenues as compared to 36.6% during the year ago period. The moderate rate of increase of operating expenses reflects efficiencies derived from the Group's expanded store network as well as efforts to rationalize expenses. During 3Q 2015 the Group successfully negotiated for temporary rental and common charge adjustments in several malls.

Year to date September 30, 2015 selling & distribution rental expenses increased 6.2% y-o-y to ₽1.3 billion, while selling & distribution personnel expense also increased at a moderate pace, growing 12.3% year-on-year to ₽750 million. General and administrative expenses for the period increased 3.4% to ₽722 million.

On the other hand, total depreciation and amortization for the period increased by 26.2% to ₽888million as a result of additional depreciation expense associated with new stores added to the Group's network.

As a result of the foregoing, operating income for the period was at ₽1.5 billion, a y-o-y increase of 14%. Operating margin for the period was at 12.4% as compared to 12.7% during the first nine months of 2014.

Other Income (Charges)

Year-to-date September 30, 2015 the Group incurred other charges of ₽374 million as compared to other charges of ₽243 million during the year ago period. The increase in other charges is attributable primarily to increases in interest expense and the Company's share in net losses of joint ventures. Interest expense increased to ₽224 million from ₽194 million during the year ago period, while the Company's share in the net losses of the FamilyMart, Wellworth and Landmark joint ventures increased to ₽164 million compared to ₽117 million during the same period last year.

Provision for Income Tax

For the nine months ended September 30, 2015 provision for income tax was at ₽382 million as compared to ₽362 million during the year ago period. Provision for income tax increased in line with the 4.6% increase in the Group's income before tax. The effective tax rate was 35.3% as a result of non-tax deductible expenses such as the Group's share in the net losses of joint ventures.

Net Income

As a result of the foregoing, net income for the period ended September 30, 2015 was at ₽701 million, an increase of 4.1% as compared to the year ago period.

Core net income, or net income excluding the losses of the Group's joint ventures was at ₽865 million, a 9.4% y-o-y increase.

EBITDA

Year-to-date September 30, 2015, the Group generated EBITDA of ₱2.3billion, an 18.3% y-o-y increased. EBITDA margin YTD September 30, 2015 was at 19.9% as compared to 19.7% during the year ago period.

FINANCIAL CONDITION

As of September 30, 2015 the Group had consolidated assets of ₽21.0 billion, an increase of 16.2% as compared to Dec. 31, 2014.

Current Assets

Cash and Cash Equivalents

As of September 30, 2015 cash and cash equivalents were at ₽1.1 billion as compared to ₽2.5B on Dec. 31, 2014. The lower cash balance reflects the utilization of cash as the Group continued to fund its store expansion program.

Trade and Other Receivables

As of September 30, 2015 trade and other receivables were at ₽500 million, a decrease of 14.5% 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 September 30, 2015 was at ₽9.9 billion as compared to ₽8.0 billion as of December 31, 2014. Increases in inventory are driven by purchases for existing stores and new store openings.

Prepayments and other Current Assets

As of September 30, 2015 prepayments and other current assets were at ₽1.5 billion as compared to ₽590 million at the end of 2014. The increase was due to primarily to an increase in advances to suppliers to ₽572 million, representing advance payments for merchandise inventory, an increase in supplies inventory to ₽237 million and in prepaid rent to ₽91 million, related to the expansion of the Group's store network.

Non-Current Assets

Interests in Joint Ventures

Interest in Joint Ventures as of September 30, 2015 were at ₽1.1 billion, from ₽479 million at end-2014. During the nine-month period the Group increased its investment in SIAL CVS Retailers, Inc. (SCRI) by ₽197 million and booked its share of SCRI losses amounting to ₽63 million for the nine months ended September 2015. The Group also increased its investment in SIAL Specialty Retailers, Inc. (SSRI) by ₽232 million and booked its share of SSRI losses equivalent to ₽98 million. Also, on August 12, 2015 the Group acquired a 50% stake in Landmark Management Services, Ltd. (LMS), a company specializing in travel retail concepts with supply and management agreements for travel retail stores in the Philippines.

As of September 30, 2015 SCRI's FamilyMart store network consisted of 113 stores, of which 31 are franchised. Also as of September 30, SSRI continued to operate two Wellworth department stores which are located at Ayala Fairview Terraces in Quezon City and at UP Town Center, Diliman.

Security Deposits and Construction Bonds

As of September 30, 2015 Security Deposits and Construction Bonds were at ₽943 million a 16.8% increase as compared to ₽807 million 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 September 30, 2015 were at ₽245 million as compared to ₽100 million as of Dec. 31, 2014. This was due primarily to an increase in miscellaneous deposits and advances to suppliers and contractors. These pertain to deposits and advances to contractors related to the construction and renovation of stores.

Current Liabilities

As of September 30, 2015 the Group had consolidated current liabilities of ₽8.8 billion as compared to ₽7.4 billion as of Dec. 31, 2014.

Trade and Other Payables

As of September 30, 2015 Trade and Other Payables were at ₽2.0 billion as compared to ₽3.2 billion as of December 31, 2014. The decrease in Trade and Other Payables was due primarily to a decrease in trade payables, reflecting the terms of merchandise deliveries during the period, and decreases in non-trade payables and accrued expenses, reflecting payments of accrued expenses at the end of 2014.

Short Term Loans Payable

Short-term loans payable as of September 30, 2015 were at ₽6.4 billion as compared to ₽3.6 billion as of Dec. 31, 2014. Additional short-term loans were used to fund working capital requirements associated with the Group's expansion program.

Non- Current Liabilities

Long-Term Debt

As of September 30, 2015 Long-Term Debt was at ₽2.6 billion from ₽1.8 billion as of Dec. 31, 2014. Long-term debt at the end of the period reflects repayments on the ₽2.0B syndicated term loan facility entered into on May 8, 2013, as well as a P1.0 billion three-year term loan facility entered into on September 14, 2015.

Equity

As of September 30, 2015 Total Equity was at ₽9.6 billion as compared to ₽8.9 billion as of Dec. 31, 2014. The increase in Total Equity was due primarily to an increase in retained earnings, reflecting net income generated during the first nine months of 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 is no other information not previously reported in SEC Form 17-C that needs to be reported in this section.

Signatures

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

Registrant: **SSI Group, Inc.**

By:

ROSSELLINA J. ESCOTO
Authorized Signatory
Vice President- Finance
SSI Group, Inc.
Date: 13 November 2015

SSI Group, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
September 30, 2015 and 2014
(*With Comparative Audited Figures as of December 31, 2014*)

COVER SHEET

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SEC Registration Number

S S I G R O U P , I N C . A N D S U B S I D I A R I E S

(Company's Full Name)

6 / F M i d l a n d B u e n d i a B u i l d i n g 4 0 3
S e n a t o r G i l P u y a t A v e n u e , M a k a t i
C i t y

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

Ms. Rossellina J. Escoto

(Contact Person)

890-8034

(Company Telephone Number)

1 2	3 1
Month	*Day*

(Calendar Year)

1 7 - Q

(Form Type)

Month	*Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

21

Total No. of Stockholders

Total Amount of Borrowings

₱8,935 million	**Not Applicable**
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

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SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

As of September 30, 2015
(With Comparative Audited Figures as of December 31, 2014)

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱1,142,277,731**	₱2,527,828,209
Trade and other receivables (Note 5)	**500,235,571**	584,872,648
Merchandise inventory (Note 6)	**9,906,550,205**	7,980,070,099
Amounts owed by related parties (Note 20)	**7,132,852**	6,941,758
Prepayments and other current assets (Note 7)	**1,547,980,219**	590,339,738
Total Current Assets	**13,104,176,578**	11,690,052,452
Noncurrent Assets		
Investment in an associate (Note 8)	**49,624,558**	49,117,530
Interests in joint ventures (Note 9)	**1,119,050,187**	479,455,513
Property and equipment (Note 10)	**5,250,101,331**	4,680,064,601
Deferred tax assets	**275,612,528**	254,727,150
Security deposits and construction bonds (Note 24)	**942,905,517**	806,968,668
Other noncurrent assets (Note 11)	**245,058,963**	99,591,385
Total Noncurrent Assets	**7,882,353,084**	6,369,924,847
TOTAL ASSETS	**₱20,986,529,662**	₱18,059,977,299
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	**₱1,955,892,345**	₱3,248,120,916
Short-term loans payable (Note 13)	**6,360,000,000**	3,596,635,490
Current portion of long-term debt (Note 14)	**330,500,547**	328,514,924
Amounts owed to related parties (Note 20)	**7,099**	24,220
Deferred revenue	**24,209,245**	24,100,045
Income tax payable	**136,873,925**	192,460,335
Total Current Liabilities	**8,807,483,161**	7,389,855,930
Noncurrent Liabilities		
Long-term debt (Note 14)	**2,244,189,789**	1,491,839,072
Retirement benefit obligation	**331,972,630**	306,185,820
Security deposits (Note 24)	**10,515,437**	–
Deferred tax liability	**–**	236,484
Total Noncurrent Liabilities	**2,586,677,856**	1,798,261,376
Equity (Note 26)		
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	**30,837,567**	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	**3,318,145,280**	2,617,168,339
Cumulative translation adjustment	**(2,584,654)**	4,516,079
Other comprehensive income	**(96,203,691)**	(96,203,691)
Total Equity	**9,592,368,645**	8,871,859,993
TOTAL LIABILITIES AND EQUITY	**₱20,986,529,662**	₱18,059,977,299

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three-Month Periods Ended September 30		Nine-Month Periods Ended September 30	
	2015	2014	**2015**	2014
NET SALES	**₱3,877,384,235**	₱3,371,641,779	**₱11,784,131,385**	₱10,043,173,176
COST OF GOODS SOLD (Note 15)	**1,990,289,728**	1,507,114,452	**5,521,519,398**	4,391,950,769
GROSS PROFIT	**1,887,094,507**	1,864,527,327	**6,262,611,987**	5,651,222,407
OPERATING EXPENSES				
Selling and distribution (Note 16)	**1,295,950,931**	1,264,410,820	**4,082,816,791**	3,673,801,441
General and administrative (Note 17)	**247,345,108**	246,007,284	**722,406,375**	698,372,657
	1,543,296,039	1,510,418,104	**4,805,223,166**	4,372,174,098
OTHER INCOME (CHARGES)				
Foreign exchange gains - net	**(11,489,664)**	7,078,200	**(11,303,765)**	33,456,728
Share in net earnings of an associate (Note 8)	**8,174,655**	7,852,530	**24,507,028**	17,532,287
Interest accretion on security deposits (Note 24)	**743,158**	1,003,271	**1,967,703**	3,912,116
Interest income (Note 4)	**962,122**	539,659	**2,779,101**	2,041,458
Interest expense (Notes 13 and 14)	**(82,087,513)**	(69,064,920)	**(223,760,261)**	(193,645,636)
Share in net losses of joint ventures (Note 9)	**(57,515,126)**	(35,922,843)	**(163,701,780)**	(116,567,021)
Others - net	**(8,263,175)**	19,013,714	**(4,880,635)**	9,799,980
	(149,475,543)	(69,500,389)	**(374,392,609)**	(243,470,088)
INCOME BEFORE INCOME TAX	**194,322,925**	284,608,834	**1,082,996,212**	1,035,578,221
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	**94,120,365**	107,232,917	**403,141,131**	388,361,281
Deferred	**(15,047,703)**	(9,927,706)	**(21,121,860)**	(26,371,903)
	79,072,662	97,305,211	**382,019,271**	361,989,378
NET INCOME	**115,250,263**	187,303,623	**700,976,941**	673,588,843
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Cumulative translation adjustment on foreign operations, net of deferred tax	**42,259**	(466,689)	**(7,100,733)**	1,233,934
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Re-measurement loss on retirement benefit, net of deferred tax	–	–	–	–
TOTAL COMPREHENSIVE INCOME	**₱115,292,522**	₱186,836,934	**₱693,876,208**	₱674,822,777
BASIC/DILUTED EARNINGS PER SHARE (Note 21)	**₱0.04**	₱0.09	**₱0.22**	₱0.32

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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014

	For the Nine-Month Periods Ended September 30, 2015 and 2014								
					Retained Earnings		Cumulative	Other	
		Additional		Equity			Translation	Comprehensive	
	Capital Stock	Paid-in Capital	Stock Grants	Reserve	Appropriated	Unappropriated	Adjustment	Income	Total
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	–	–	–	–	–	673,588,843	–	–	673,588,843
Exchange differences on translation	–	–	–	–	–	–	1,233,934	–	1,233,934
Total comprehensive income for the period	–	–	–	–	–	673,588,843	1,233,934	–	674,822,777
Issuance of capital stock	2,417,162,900	–	–	–	–	–	–	–	2,417,162,900
Movement in equity reserve (Note 4)	–	–	–	(2,037,582,221)	–	–	–	–	(2,037,582,221)
Balances at September 30, 2014	**₱2,617,162,900**	**₱–**	**₱–**	**(₱1,537,147,726)**	**₱1,290,000,000**	**₱1,512,205,072**	**(₱4,008,231)**	**(₱57,300,134)**	**₱3,820,911,881**
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	–	–	–	–	–	700,976,941	–	–	700,976,941
Exchange differences on translation	–	–	–	–	–	–	(7,100,733)	–	(7,100,733)
Total comprehensive income for the period	–	–	–	–	–	700,976,941	(7,100,733)	–	693,876,208
Stock grants	–	–	26,632,444	–	–	–	–	–	26,632,444
Balances at September 30, 2015	**₱3,312,864,430**	**₱4,056,457,439**	**₱30,837,567**	**(₱1,537,147,726)**	**₱510,000,000**	**₱3,318,145,280**	**(₱2,584,654)**	**(₱96,203,691)**	**₱ 9,592,368,645**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

(Formerly Casual Clothing Specialists, Inc.)

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine-month Periods Ended September 30	
	2015 (Unaudited)	2014 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱1,082,996,212**	₱1,035,578,221
Adjustments for:		
Depreciation and amortization (Notes 10, 11 and 19)	**887,734,271**	703,553,692
Interest expense (Note 13 and 14)	**223,760,261**	193,645,636
Share in net losses of joint ventures (Note 9)	**163,701,780**	116,567,021
Unrealized foreign exchange losses	**(10,422,983)**	4,370,587
Impairment loss (Notes 10 and 17)	**–**	8,117,500
Mark-to-market loss	**–**	4,799,596
Loss on disposal of property and equipment (Note 10)	**14,533,902**	5,919,748
Share in net earnings of an associate (Note 8)	**(24,507,028)**	(17,532,287)
Interest accretion on refundable deposits (Note 24)	**(1,967,703)**	(3,912,116)
Interest income (Note 4)	**(2,779,101)**	(2,041,458)
Stock grants	**26,632,444**	–
Operating income before working capital changes	**2,359,682,055**	2,049,066,140
Decrease (increase) in:		
Trade and other receivables	**84,637,077**	134,095,325
Merchandise inventory	**(1,926,480,106)**	(1,902,909,531)
Amounts owed by related parties	**(191,094)**	(578,271)
Prepayments and other current assets	**(948,917,284)**	(326,044,453)
Increase (decrease) in:		
Trade and other payables	**(1,292,228,571)**	79,086,959
Deferred revenue	**109,200**	394,087
Amounts owed to related parties	**(17,121)**	(31,141)
Retirement benefit obligation	**25,786,810**	18,050,442
Net cash generated from (used in) operations	**(1,697,619,034)**	51,129,557
Interest received	**2,779,101**	2,041,458
Income taxes paid	**(458,727,541)**	(494,649,899)
Net cash flows used in operating activities	**(2,153,567,474)**	(441,478,884)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 10)	**(1,472,304,903)**	(2,001,633,513)
Additional interests in joint ventures (Note 9)	**(803,296,454)**	(195,250,000)
Dividends received from investment in an associate (Note 8)	**24,000,000**	18,000,000
Increase in:		
Security deposits and construction bonds	**(142,692,343)**	(128,287,599)
Other noncurrent assets	**(145,467,578)**	(228,550,192)
Net cash flows used in investing activities	**(2,539,761,278)**	(2,535,721,304)

(Forward)

	For the Nine-month Periods Ended September 30	
	2015 (Unaudited)	2014 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of:		
Short-term loans payable	**₱6,653,500,000**	₱3,975,761,140
Long-term debt	**1,000,000,000**	702,108,251
Payments of:		
Short-term loans payable	**(3,890,135,490)**	(2,292,611,427)
Long-term debt	**(245,663,660)**	(83,333,333)
Interest	**(223,760,261)**	(193,645,636)
Proceeds from:		
Subscriptions to capital stock (Note 3)	**–**	2,417,162,900
Deposits for future stock	**–**	–
Sale of SSI investment in CCSI (Note 1)	**–**	200,119,176
Payment of advances from stockholders	**–**	(61,580,320)
Payment for the purchase of SSI shares (Notes 1 and 3)	**–**	(2,242,162,541)
Net cash flows from financing activities	**3,293,940,589**	2,421,818,210
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,388,872,726)**	(555,381,978)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**3,322,248**	1,410,717
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**2,527,828,209**	1,134,749,837
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	**₱1,142,277,731**	₱580,778,576

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 November 12, 2015. The same consolidated financial statements were approved and authorized by the BOD on the same date.

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

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 September 30, 2015 and for the nine-month periods ended September 30, 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			
	September 30, 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)[1]	**–**	**100**	–	100
Casual Clothing Retailers, Inc. (CCRI)[2]	**–**	**100**	–	100
SKL International, Ltd. (SKL)	**–**	**100**	–	–

[1] ISAI was registered with the SEC on October 8, 2013 and started commercial operations on October 18, 2014.
[2] CCRI was registered with the SEC on January 10, 2014 and immediately started commercial operations
3 On July 16, 2015, SSI caused the incorporation of SKL, a wholly owned subsidiary, under the territory of the British Virgin Islands (BVI).

All subsidiaries 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 September 30, 2015 and for the nine months ended September 30, 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).

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 September 30, 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)
Equity reserve	(₱1,537,147,726)

4. Cash and Cash Equivalents

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Cash on hand	**₱26,446,800**	₱76,104,404
Cash in banks	**1,115,742,931**	1,650,479,361
Short-term investments	**88,000**	801,244,444
	₱1,142,277,731	₱2,527,828,209

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to six 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 nine months ended September 30, 2015 and 2014 amounted to ₱2,779,101 and ₱2,041,458, respectively.

5. Trade and Other Receivables

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Nontrade receivables	**₱241,599,459**	₱182,755,203
Trade receivables	**94,291,504**	244,248,603
Advances to officers and employees	**84,017,445**	97,062,879
Receivables from related parties (see Note 20)	**79,016,934**	54,798,851
Others	**1,310,229**	6,007,112
	₱500,235,571	₱584,872,648

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

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

6. Merchandise Inventory

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
At cost		
On hand	**₱9,455,640,945**	₱7,437,886,515
In transit	**450,909,260**	542,183,584
	₱9,906,550,205	₱7,980,070,099

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

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

The cost of inventories recognized as expense and presented in "Cost of goods sold" amounted to ₱4,942,335,566 and ₱3,914,602,406, for the nine months ended September 30, 2015 and 2014, respectively (see Note 15).

7. Prepayments and Other Current Assets

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Advances to suppliers	**₱572,098,739**	₱18,821,475
Input VAT	**319,804,057**	211,196,273
Supplies inventory	**236,644,188**	103,590,564
Prepaid rent (see Note 24)	**91,473,709**	61,502,482
Deferred input VAT	**58,399,683**	39,770,839
Prepaid advertising	**47,326,608**	18,780,843
Prepaid tax	**42,786,460**	33,360,716
Prepaid insurance	**24,211,052**	11,288,664
Current portion of security deposits (see Note 24)	**18,908,223**	10,185,026
Prepaid guarantee	**14,703,092**	2,790,533
Creditable withholding tax	**6,425,160**	5,841,444
Miscellaneous deposits	**300,000**	1,124,888
Others	**114,899,248**	72,085,991
	₱1,547,980,219	₱590,339,738

Input VAT will be applied against output VAT.

8. Investment in an Associate

	September 30, 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	**24,507,028**	24,179,835
Dividends received	**(24,000,000)**	(18,000,000)
Balance at end of year	**24,984,558**	24,477,530
	₱49,624,558	₱49,117,530

SPI, a company incorporated in the Philippines on September 9, 2008, was established primarily to engage in the importation, distribution, marketing and sale, both wholesale and retail, of all types of luggage and bags, including but not limited to suitcases, garment bags, brief cases, computer bags, backpacks, casual bags, hand bags, travel accessories and such other products of similar nature.

As of September 30, 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

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

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

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
SCRI	**₱280,096,025**	₱146,194,230
SSRI	**466,853,277**	333,261,283
LMS	**372,100,885**	–
	₱1,119,050,187	₱479,455,513

SCRI (50% take up through SII)

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Acquisition cost	**₱420,350,000**	₱223,850,000
Accumulated equity in net earnings:		
Balance at beginning of period	**(77,655,770)**	(20,275,285)
Share in net loss	**(62,598,205)**	(57,380,485)
Balance at end of period	**(140,253,975)**	(77,655,770)
	₱280,096,025	₱146,194,230

SSRI (50% take up through SII)

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Acquisition cost	**₱652,250,000**	₱420,750,000
Accumulated equity in net earnings:		
Balance at beginning of period	**(87,488,717)**	–
Share in net loss	**(97,908,006)**	(87,488,717)
Balance at end of period	**(185,396,723)**	(87,488,717)
	₱466,853,277	₱333,261,283

LMS (50% take up through SKL)

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Acquisition cost	**₱375,296,454**	₱–
Accumulated equity in net earnings:		
Balance at beginning of period	**–**	–
Share in net loss	**(3,195,569)**	–
Balance at end of period	**(3,195,569)**	–
	₱372,100,885	₱–

The joint ventures have no contingent liabilities or capital commitments as of September 30, 2015 and December 31, 2014.

10. Property and Equipment

The composition and movements of this account are as follows:

	For the Nine Months Ended September 30, 2015 (Unaudited)					
	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Construction in Progress	**Total**
Cost:						
Balances at beginning of year	₱6,340,315,432	₱1,872,078,320	₱736,966,441	₱243,614,203	₱101,973,187	**₱9,294,947,583**
Additions	1,019,769,251	253,686,184	103,982,353	12,042,956	82,824,159	**1,472,304,903**
Disposals	(59,075,984)	(3,922,115)	–	–	–	**(62,998,099)**
Reclassifications	37,984,289	–	–	–	(37,984,289)	**–**
Balances at end of period	7,338,992,988	2,121,842,389	840,948,794	255,657,159	146,813,057	**10,704,254,387**
Accumulated depreciation and Impairment:						
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 19)	689,949,187	153,135,685	29,926,080	14,723,319	–	**887,734,271**
Disposals	(45,454,189)	(3,010,008)	–	–	–	**(48,464,197)**
Balances at end of period	4,022,898,166	1,282,122,637	92,911,757	56,220,496	–	**5,454,153,056**
Net book values	**₱3,316,094,822**	**₱839,719,752**	**₱748,037,037**	**₱199,436,663**	**₱146,813,057**	**₱5,250,101,331**

	For the Year Ended December 31, 2014 (Audited)					
	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Construction in Progress	Total
Cost:						
Balances at beginning of year	₱4,185,621,829	₱1,367,468,612	₱58,326,550	₱228,272,062	₱400,380,187	₱6,240,069,240
Additions	2,200,779,247	509,626,706	–	16,359,998	417,099,098	3,143,865,049
Disposals	(82,951,851)	(5,016,998)	–	(1,017,857)	–	(88,986,706)
Reclassifications	36,866,207	–	678,639,891	–	(715,506,098)	–
Balances at end of year	6,340,315,432	1,872,078,320	736,966,441	243,614,203	101,973,187	9,294,947,583
Accumulated depreciation:						
Balances at beginning of year	2,642,537,431	938,835,542	43,279,720	22,716,040	–	3,647,368,733
Depreciation (see Note 19)	803,206,745	195,622,278	19,705,957	19,035,601	–	1,037,570,581
Disposals	(67,341,008)	(2,460,860)	–	(254,464)	–	(70,056,332)
Balances at end of year	3,378,403,168	1,131,996,960	62,985,677	41,497,177	–	4,614,882,982
Net book values	₱2,961,912,264	₱740,081,360	₱673,980,764	₱202,117,026	₱101,973,187	₱4,680,064,601

11. Other Noncurrent Assets

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Miscellaneous deposits	**₱112,367,925**	₱62,757,338
Advances to suppliers and contractors	**66,866,940**	7,296,504
Franchise fee	**51,185,627**	14,146,743
Prepaid rent - net of current portion	**6,048,013**	6,011,528
Software costs	**2,254,594**	1,397,495
Others	**6,335,864**	7,981,777
	₱245,058,963	₱99,591,385

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

12. Trade and Other Payables

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Nontrade payables	**₱861,231,881**	₱948,693,341
Trade payables	**667,665,014**	1,599,830,624
Retention payable	**164,763,403**	107,308,393
Accrued expenses	**127,662,197**	430,413,494
Output VAT	**38,328,787**	37,809,812
Payables to related parties (see Note 20)	**1,558,151**	7,240,136
Others	**94,682,912**	116,825,116
	₱1,955,892,345	₱3,248,120,916

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, salaries and wages, rentals 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

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Banks:		
Bank of Philippine Islands (BPI)	**₱2,365,000,000**	₱1,000,000,000
Security Bank Corporation (SBC)	**1,485,000,000**	416,750,000
Banco de Oro (BDO)	**900,000,000**	370,000,000
China Banking Corporation (CBC)	**800,000,000**	400,000,000
Hongkong and Shanghai Banking Corporation Limited (HSBC)	**400,000,000**	654,885,490
Metropolitan Bank & Trust Co. (MBTC)	**240,000,000**	–
Rizal Commercial Banking Corporation (RCBC)	**170,000,000**	755,000,000
	₱6,360,000,000	₱3,596,635,490

The Group's outstanding short-term peso-denominated loans from local commercial banks bear interest at rates ranging from 2.80% to 3.50% and 3.00% to 5.24%, for the nine months ended 2015 and 2014, respectively.

Interest expense recognized in the consolidated statements of comprehensive income for the nine months ended September 30, 2015 and 2014 amounted to ₱138,475,509 and ₱117,381,451, 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.

On September 14, 2015, SSI entered into a long-term loan agreement with BPI amounting to ₱1.0 billion. The purpose of the loan is to solely refinance its existing short term loans. Principal repayments are due quarterly starting September 14, 2016. The loan carries an interest of a fixed rate of 3.85%. The loan will mature on September 15, 2018.

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

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
BPI	**₱1,418,867,630**	₱484,214,163
SBC	**418,867,630**	484,214,163
CBC	**288,955,677**	334,034,958
MBTC	**288,955,677**	334,034,958
RCBC	**159,043,722**	183,855,754
Total	**2,574,690,336**	1,820,353,996
Less current portion	**330,500,547**	328,514,924
Noncurrent portion	**₱2,244,189,789**	₱1,491,839,072

The long-term debts are presented net of unamortized transaction costs. A rollforward analysis of unamortized transaction costs in 2015 and 2014 follows:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Balance at beginning of period	**₱12,979,337**	₱17,169,480
Transaction costs recognized during the period	**–**	3,500,000
Amortization	**(4,336,340)**	(7,690,143)
Balance at end of period	**₱8,642,997**	₱12,979,337

Interest expense relating to long-term debt recognized in the consolidated statements of comprehensive income for the nine months ended September 30, 2015 and 2014 amounted to ₱85,284,752 and ₱76,264,185, 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 September 30, 2015 and December 31, 2014 the Group is in compliance with the loan covenants of all their respective outstanding debts.

15. **Cost of Goods Sold**

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Cost of merchandise sold	**₱4,942,335,566**	₱3,914,602,406
Royalty fees	**173,072,620**	151,323,308
Personnel costs (see Note 18)	**158,016,856**	138,600,295
Advertising	**112,612,939**	90,325,417
Travel and transportation	**38,280,097**	32,299,789
Rent (see Notes 20 and 24)	**28,873,830**	23,641,425

(Forward)

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Depreciation and amortization (see Notes 10, 11 and 19)	**₱16,513,941**	₱11,142,057
Utilities	**12,886,766**	6,149,553
Repairs and maintenance	**8,071,754**	4,849,929
Security and safety	**7,779,558**	6,856,597
Insurance	**2,201,681**	1,947,330
Supplies and maintenance	**663,306**	457,398
Taxes and licenses	**64,318**	89,013
Others	**20,146,166**	9,666,252
	₱5,521,519,398	₱4,391,950,769

Cost of merchandise sold:

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Merchandise inventory, beginning	**₱7,980,070,099**	₱5,898,907,758
Net purchases	**6,868,815,672**	5,817,511,937
Cost of merchandise available for sale	**14,848,885,771**	11,716,419,695
Less merchandise inventory, ending	**9,906,550,205**	7,801,817,289
	₱4,942,335,566	₱3,914,602,406

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.

16. Selling and Distribution Expenses

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Rent (see Notes 20 and 24)	**₱1,256,744,178**	₱1,183,587,288
Depreciation and amortization (see Notes 10, 11 and 19)	**791,418,482**	622,936,378
Personnel costs (see Note 18)	**750,427,085**	667,991,946
Utilities	**402,576,429**	383,574,031
Credit card charges	**194,785,456**	175,506,605
Taxes and licenses	**118,898,212**	115,974,795
Security services	**113,780,140**	108,248,093
Supplies and maintenance	**100,747,031**	99,573,271
Global marketing contribution fee	**85,050,279**	60,700,656
Advertising	**64,587,421**	62,060,082
Repairs and maintenance	**52,150,239**	47,672,675
Travel and transportation	**30,630,814**	28,828,394
Delivery and freight charges	**13,820,438**	28,917,361

(Forward)

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Insurance	**₱31,294,165**	₱18,808,249
Communication	**25,040,991**	20,257,775
Outside services	**7,262,932**	6,314,833
Entertainment, amusement and recreation (EAR)	**6,261,045**	7,560,615
Professional fees	**5,069,864**	4,853,119
Telegraphic transfer	**2,035,866**	2,314,655
Others	**30,235,724**	28,120,620
	₱4,082,816,791	₱3,673,801,441

17. General and Administrative Expenses

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Personnel costs (see Note 18)	**₱330,102,522**	₱283,251,807
Rent (see Notes 20 and 24)	**96,033,227**	77,350,544
Depreciation and amortization (see Notes 10, 11 and 19)	**79,801,848**	69,475,257
Supplies and maintenance	**37,279,431**	32,744,995
Utilities	**22,751,078**	22,910,974
Travel and transportation	**19,576,184**	24,493,483
Repairs and maintenance	**17,880,965**	13,280,253
Security services	**17,166,634**	10,057,708
Communication	**14,937,330**	8,668,697
Taxes and licenses	**13,851,519**	53,409,882
Advertising	**12,793,960**	20,234,567
Insurance	**12,305,608**	9,662,639
Professional fees	**11,179,560**	13,671,280
EAR	**5,677,083**	5,539,100
Outside service	**284,488**	9,974,634
Impairment loss	**–**	8,117,500
Others	**30,784,938**	35,529,337
	₱722,406,375	₱698,372,657

18. Personnel Costs

Personnel costs were charged to operations as follows:

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Salaries, wages and bonuses	**₱1,090,448,613**	₱916,447,803
Retirement benefit expense	**25,786,810**	26,699,515
Other employee benefits	**122,311,040**	146,696,730
	₱1,238,546,463	₱1,089,844,048

Personnel expenses were distributed as follows:

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Cost of goods sold (see Note 15)	**₱158,016,856**	₱138,600,295
Selling and distribution (see Note 16)	**750,427,085**	667,991,946
General and administrative (see Note 17)	**330,102,522**	283,251,807
	₱1,238,546,463	₱1,089,844,048

19. **Depreciation and Amortization Expense**

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Property and equipment (see Note 10)	**₱887,734,271**	₱701,819,877
Initial master fee (see Note 11)	**–**	1,733,815
	₱887,734,271	₱703,553,692

Depreciation and amortization were distributed as follows:

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Cost of goods sold (see Note 15)	**₱16,513,941**	₱11,142,057
Selling and distribution (see Note 16)	**791,418,482**	622,936,378
General and administrative (see Note 17)	**79,801,848**	69,475,257
	₱887,734,271	₱703,553,692

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 ₱71.2 million and ₱95.3 million, for the nine months in the period ended September 30, 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 ₱13.5 million and ₱6.9 million for the nine months in the period ended September 30, 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 ₱38.5 million, ₱38.2 million for the nine months in the period ended September 30, 2015 and 2014, respectively, and post-employment benefits amounting to ₱4.8 million and ₱3.7 million for the nine months in the period ended September 30, 2015 and 2014, respectively;

As of September 30, 2015 and December 31, 2014, receivables from and payables to related parties are as follows (amounts in thousands):

Related Party	Nature of Transactions	Transactions: **Nine months ended September 30 2015**	Transactions: Year ended December 31 2014	**Balances as at September 30 2015**	Balances as at December 31 2014
Receivables from related parties					
Affiliates					
Rustan Commercial Corporation (RCC)	Advances for payments of inventories	**₱35,562**	₱35,729	**₱57,349**	₱41,626
Philippine Family Mart CVS,Inc. (PFM)	Various expenses	**1,125**	6,423	**7,548**	6,423
Rustan Marketing Corporation (RMK)	Various expenses	**3,102**	2,794	**5,272**	2,794
Joint venture					
SCRI	Various expenses	**23,541**	3,401	**8,676**	3,451
Associate					
SPI	Various expenses	**191**	505	**172**	505
		₱63,521	₱48,852	**₱79,017**	₱54,799
Payables to related parties					
Affiliates					
RMK	Various expenses	**₱–**	₱3,546	**₱1,558**	₱3,746
RCC	Various expenses	–	3,494	–	3,494
		₱–	₱7,040	**₱1,558**	₱7,240

Related Party	Nature of Transactions	Transactions: **Nine months ended September 30 2015**	Transactions: Year ended December 31 2014	**Balances as at September 30 2015**	Balances as at December 31 2014
Amounts owed by related parties					
Affiliates					
RMK	Advances	**₱–**	₱–	**(₱45)**	₱20
RCC	Advances	**256**	456	**1,306**	1,050
PFM	Advances	**–**	4,386	**4,387**	4,387
Associate					
SPI	Advances	**–**	–	**1,485**	1,485
		₱256	₱4,842	**₱7,133**	₱6,942
Amounts owed to related parties					
Affiliate					
RMK	Advances	**₱49**	(₱22)	**₱7**	₱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 September 30, 2015 and December 31, 2014 are unsecured, on demand and noninterest-bearing.

21. **Earnings Per Share (EPS)**

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

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Net income	**₱700,976,941**	₱673,588,843
Divided by weighted average number of common shares	**3,254,889,303**	2,117,579,567
	₱0.22	₱0.32

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 nine months ended September 30, 2015 and 2014.

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:

September 30, 2015

		Neither past	Past due but not impaired				
	Total	**due nor impaired**	**<30 days**	**30 - 60 days**	**60 - 90 days**	**> 90 days**	**Impaired**
Cash in banks and short-term investments	**₱1,115,830,931**	₱1,115,830,931	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables	**94,291,504**	29,982,024	58,166,369	3,862,464	1,202,431	1,078,216	–
Nontrade receivables	**241,599,459**	143,804,239	26,452,538	25,371,069	15,866,001	30,105,612	–
Advances to officers and employees	**84,017,445**	82,457,976	–	797,894	99,620	661,955	–
Receivables from related parties	**79,016,934**	1,339,589	22,265,688	5,448,755	24,548,284	25,414,618	–
Other receivables	**1,310,229**	1,310,229	–	–	–	–	–
Amounts owed by related parties	**7,132,852**	1,262,146	1,215,843	885,584	2,032,147	1,737,132	–
Current portion of security deposits (presented under "Prepayments and other current assets")	**18,908,223**	18,908,223	–	–	–	–	–
Security deposits and construction bonds	**942,905,517**	–	–	–	–	942,905,517	–
Total	**₱2,585,013,094**	**₱1,394,895,357**	**₱108,100,438**	**₱36,365,766**	**₱43,748,483**	**₱1,001,903,050**	**₱–**

December 31, 2014

		Neither past	Past due but not impaired				
	Total	due nor impaired	<30 days	30 - 60 days	60 - 90 days	> 90 days	Impaired
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	–	–	–	–	–
Total	₱3,860,496,204	₱3,762,927,533	₱36,082,638	₱14,123,129	₱6,669,600	₱40,693,304	₱–

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 nine months ended September 30, 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 September 30, 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:

	September 30, 2015 (Unaudited)		December 31, 2014 (Audited)	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets				
Loans and receivables				
Security deposits and construction bonds	**₱961,813,740**	**₱957,379,751**	₱808,421,478	₱785,727,709
Financial Liabilities				
Other financial liabilities				
Long-term debt	**₱2,574,690,336**	**₱2,569,175,161**	₱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 1.68% to 3.10% and 2.10% to 4.89%, were used in calculating the fair value of the Group's refundable deposits as of September 30, 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 1.68% to 3.49% and 4.04% to 5.31% were used in calculating the fair value of the Group's long-term debt as of September 30, 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:

	September 30, 2015 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
Disclosed at fair value				
Security deposits and construction bonds	₱–	₱957,379,751	₱–	₱957,379,751
Long-term debt	–	(2,569,175,161)	–	(2,569,175,161)
Total	**₱–**	**(₱1,611,795,410)**	**₱–**	**(₱1,611,795,410)**

	December 31, 2014 (Audited)			
	Level 1	Level 2	Level 3	Total
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)
Total	₱–	(₱1,038,347,901)	₱–	(₱1,038,347,901)

As at September 30, 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 nine months ended September 30, 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

Group as a lessee

The Group leases its office space and certain store outlets used in its operations for lease terms ranging from two to three years. Rental payments on certain outlets are based on a fixed basic monthly rate plus a certain percentage of gross sales, while other store outlets and office spaces are based on fixed monthly rates. Rentals charged to operations amounted to ₱1,381,651,235 and ₱1,284,579,257, for the nine months ended September 30, 2015 and 2014, respectively (see Notes 15, 16 and 17).

Of the total rent expense, ₱264,391,191 and ₱263,868,791 for the nine months ended September 30, 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 ₱961.8 million and ₱817.2 million as of September 30, 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 ₱2.0 million and ₱3.9 million, for the nine months ended September 30, 2015 and 2014, respectively.

Group as a lessor
The Group leases out certain store space in its building in Fort Bonifacio, Taguig City. Rental payments are based on a fixed basic monthly rate plus a certain percentage of gross sales. This is renewable upon mutual agreement between the Group and its lessees. Security deposits received related to these store spaces amounted to ₱10.5 million and nil as of September 30, 2015 and December 31, 2014, respectively. Rental income amounted to ₱20.7 million and ₱1.4 million, for the nine months ended September 30, 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 nine months ended September 30, 2015 and 2014 (amounts in millions):

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Net Sales		
Luxury and Bridge	**₱2,363**	₱2,208
Casual	**1,713**	1,563
Fast Fashion	**4,309**	3,602
Footwear, Accessories and Luggage	**1,769**	1,410
Other	**1,630**	1,260
	₱11,784	₱10,043

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

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Philippines	**₱11,699**	₱9,928
Guam	**85**	115
	₱11,784	₱10,043

26. **Equity**

a. Common Shares

The Company's authorized and issued capital stock as of September 30, 2015 and December 31, 2014 follows:

	Number of Shares	
	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Authorized capital stock, ₱1 par value	**5,000,000,000**	5,000,000,000
Issued capital stock:		
Balance at beginning of year	**3,312,864,430**	2,000,000
Issued during the period	**–**	19,171,629
Balance before stock split	**3,312,864,430**	21,171,629
Effect of stock split*	**–**	2,095,991,271
Balance after stock split	**3,312,864,430**	2,117,162,900
Issued during the period	**–**	1,195,701,530
Balance at end of period	**3,312,864,430**	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.*

	Capital Stock	
	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Issued capital stock:		
Balance at beginning of year	**₱3,312,864,430**	₱200,000,000
Issued during the period	**–**	3,112,864,430
Balance at end of period	**₱3,312,864,430**	₱3,312,864,430

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.

Exhibit I

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

MAP SHOWING RELATIONSHIPS BETWEEN AND AMONG THE GROUP, AND ITS SUBSIDIARIES
SEPTEMBER 30, 2015

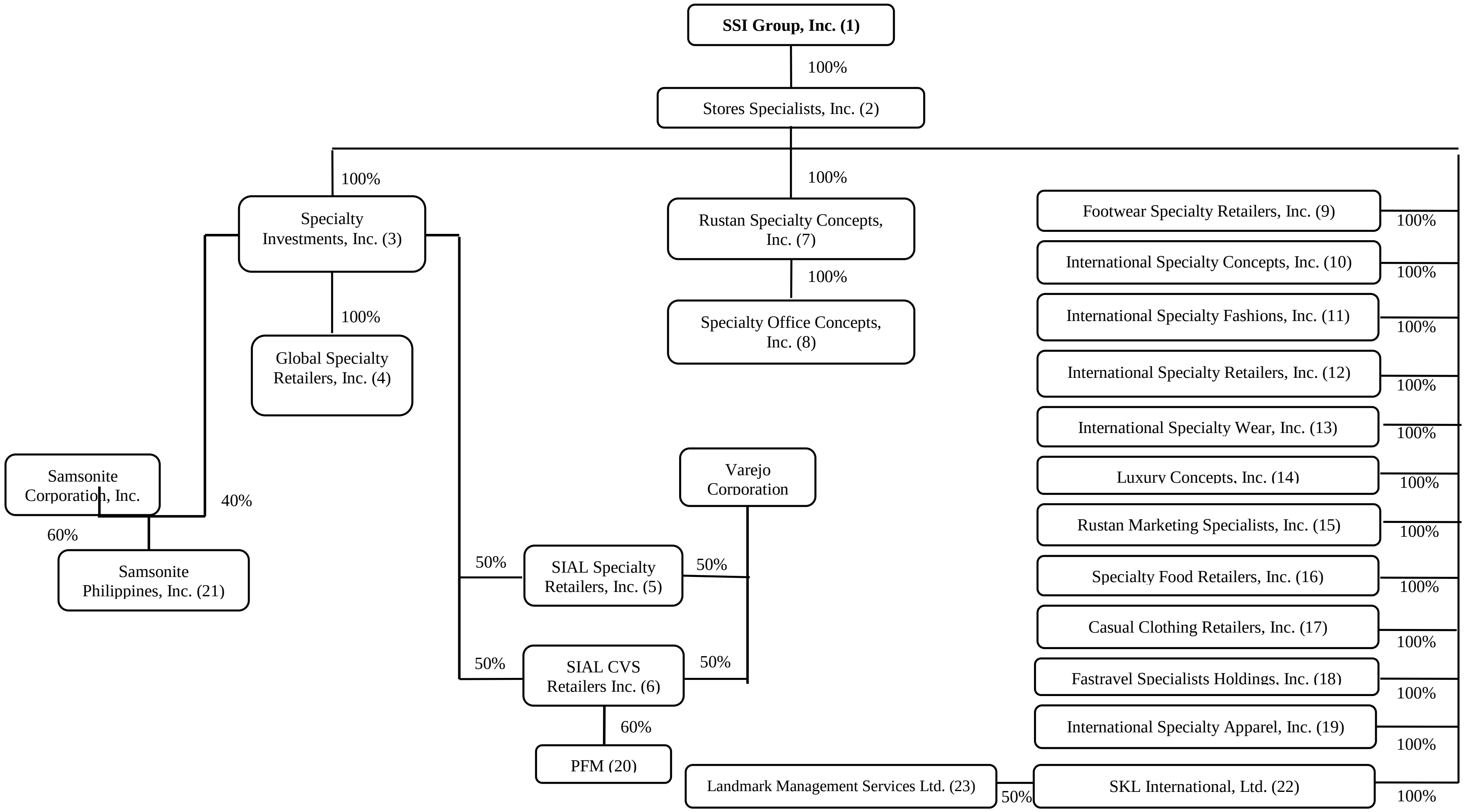

Exhibit II

SSI GROUP, INC.

SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

SEPTEMBER 30, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of September 30, 2015**		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendment to PFRS 1: Meaning of 'Effective PFRSs'*		✓	
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2015		Adopted	Not Adopted	Not Applicable
	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	✓		
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2015		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
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 (Amended)	Employee Benefits	✓		
	Amendments to PAS19: Defined Benefit Plans - Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23	Borrowing Costs	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2015		Adopted	Not Adopted	Not Applicable
(Revised)				
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	✓		
	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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of September 30, 2015**		**Adopted**	**Not Adopted**	**Not Applicable**
	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			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*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 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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2015		Adopted	Not Adopted	Not Applicable
IFRIC 15	Agreements for Construction of Real Estate*			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**These standards, interpretations and amendments to existing standards became effective subsequent to September 30, 2015. The Company did not early adopt these standards, interpretations and amendments.*

Exhibit III

SSI GROUP, INC.
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
SEPTEMBER 30, 2015

Unappropriated retained earnings, as adjusted, beginning		₱840,979,508
Net income during the period closed to retained earnings	47,545,626	
Less: Other realized gains related to accretion of income from security deposits	–	
Deferred tax asset recognized during the year	–	
Net income actually earned during the period		47,545,626
Retained earnings available for dividend declaration		₱888,525,134

Exhibit IV

SSI GROUP, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratios	Formula	September 30, 2015	December 31, 2014	September 30, 2014
(i) Current Ratio	Current Assets/Current Liabilities	1.49	1.58	
(ii) Debt/Equity Ratio	Bank Debts/ Total Equity	0.93	0.61	
(iii) Net Debt/Equity Ratio	Bank Debts-Cash & Equivalents/Total Equity	0.81	0.33	
(iii) Asset to Equity Ratio	Total Assets/Total Equity	2.19	2.04	
(iv) Interest Cover Ratio	EBITDA/Interest Expense	10.48		10.24
(v) Profitability Ratios				
GP Margin	Gross Profit/Revenues	53.14%		56.3%
Net Profit Margin	Net Income/Revenues	5.95%		6.7%
EBITDA Margin	EBITDA/Revenues	19.90%		19.7%
Return on Assets	Net Income/Total Assets	3.34%		4.4%
Return on Equity	Net Income/Total Equity	7.31%		17.6%

*EBITDA = Operating income plus depreciation and amortization