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SECURITIES AND EXCHANGE COMMISSION

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Company Type Stock Corporation

Document Information

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(Company's Full Name)

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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)

858-9400

(Company Telephone Number)

1 2

Month Day
(Calendar Year)

3 1

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(Form Type)

June 15

Month Day
(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

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Not Applicable

Amended Articles Number/Section

37

Total No. of Stockholders as of
30 September 2017

Total Amount of Borrowings

**₱7,356
million**

Domestic

**Not
Applicable**

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

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SEC Number CS200705607
File Number _____

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

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

(632) 890-8034
(Telephone Number)

September 30, 2017
(Quarter Ending)

SEC FORM 17-Q
(Form Type)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2017**
2. SEC Identification Number: **CS200705607**
3. BIR Tax Identification No.: **006-710-876**
4. Exact name of issuer as specified in its charter: **SSI Group, Inc.**
5. Province, country or other jurisdiction of incorporation or organization: **Makati City, Philippines**
6. Industry Classification Code: (SEC Use Only)
7. Address of principal office:
6/F Midland Buendia Building, 403 Sen. Gil Puyat Avenue, Makati City

Postal Code: **1200**
8. Issuer's telephone number, including area code: **(632) 890 80 34**
9. Former name, former address, and former fiscal year, if changed since last report: **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding
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 classes of securities listed therein:

Philippine Stock Exchange	Common Shares	3,312,864,430
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12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The Company's unaudited interim condensed consolidated financial statements as of September 30, 2017 (with comparative audited figures as of December 31, 2016) and for the three-month and nine-month periods ended September 30, 2017 and 2016 are attached to this Report.

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

RESULTS OF OPERATIONS

For the nine months ended September 30, 2017 and 2016

Key Performance Indicators	For the nine months ended September 30	
<i>PhP MM except where indicated</i>	2017	2016
Net Sales	12,580	12,636
Gross Profit	6,061	6,255
Operating Income	922	844
Net Income	342	306
Gross Selling Space (sq.m.)	131,885	141,483
Decrease in Gross Selling Space (%)	6.8%	

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

Net sales	Sales, net of VAT, less sales returns and allowances and sales discounts
Gross profit	Net sales less cost of sales
Operating income	Gross profit less operating expenses
Net income	Operating income less other charges
Gross selling space	Sum of floor area of all stores of the Group

Key Financial and Operating Data	For the nine months ended September 30	
<i>PhP MM except where indicated</i>	2017	2016
Key Financial Data		
Net Sales	12,580	12,636
Luxury & Bridge	2,776	2,616
Casual	1,471	1,730
Fast Fashion	4,604	4,460
Footwear, Accessories & Luggage	1,775	1,905
Others	1,954	1,925
Gross Profit	6,061	6,255
Gross Profit Margin (%)	48.2%	49.5%
Operating Income	922	844
Operating Income Margin (%)	7.3%	6.7%
Other Income (Charges)	(299)	(282)
Net Income	342	306
Net Income Margin (%)	2.7%	2.4%
Core Net Income ¹	444	395
Core Net Income Margin (%)	3.5%	3.1%
Total Debt ²	7,356	8,631
Net Debt ³	5,990	7,888
Key Operating Data		
<i>Specialty Retailing</i>		
Number of Stores	652	720
Gross Selling Space (sq.m.)	131,885	141,483
Decrease in Gross Selling Space (%)	6.8%	
<i>Convenience Stores</i>		
Number of Stores	68	101
Gross Selling Space (sq.m.)	8,001	11,794
Decrease in Gross Selling Space (%)	32.2%	

Net Sales

SSI Group, Inc. (“SSI,” the “Company” or the “Group”) generated net sales of ₱12.6 billion for the nine months ended September 30, 2017. This is a decrease of 0.4% compared to the same period last year. During the third quarter, however, the Group saw an increase of 2.7% in net sales driven by the performances of the luxury and bridge, fast fashion, and others categories. The Company also posted strong same-store sales growth during the third quarter.

The year-to-date decrease in net sales of 0.4% is in line with the Group’s store rationalization program, which seeks to improve the overall sales quality and operating efficiency of the Group’s store network. The rationalization program also seeks to strengthen the Group’s dominant position in high productivity, central locations.

¹ Core Net Income is derived by excluding the effect of non-recurring write-offs due to store closures and write-offs of expiring NOLCO from the Group’s net income

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

³ Calculated as Total Debt minus Cash

As of September 30, 2017, SSI's store network consisted of 652 stores covering 131,885 square meters. This is a year-on-year net decline of 9,597 square meters, or a decrease of 6.8%, as compared to the year ago period. During the third quarter, the Group opened 7 new stores covering 691 square meters while at the same time closing 20 developmental stores covering 2,622 square meters.

SSI added Estée Lauder to its brand portfolio during the third quarter, increasing the number of brands in its portfolio to 107 as of September 30, 2017.

The following table sets out the Group's number of stores and gross selling space for the periods ended September 30, 2017 and 2016 and for the year ended December 31, 2016.

Store Network	September 30		December 31
	2017	2016	2016
Number of Stores*	652	720	708
Luxury & Bridge	143	160	159
Casual	91	102	98
Fast Fashion	70	79	76
Footwear, Accessories & Luggage	195	219	217
Others	153	160	158
Gross Selling Space (sq.m.)	131,885	141,483	138,852
Luxury & Bridge	14,565	17,311	16,715
Casual	15,497	16,862	16,484
Fast Fashion	55,555	58,144	56,702
Footwear, Accessories & Luggage	24,709	25,490	25,889
Others	21,559	23,676	23,061

*Number of Stores for the period excludes stores located in Guam.

As of September 30, 2017, the Group operated 1 store in Guam which contributed de minimis sales to the Group's net sales for the period.

Gross Profit

For the nine months ended September 30, 2017, the Group generated gross profit of ₱6.1 billion. Gross profit margin for the first nine months of 2017 was at 48.2% as compared to 49.5% during the year ago period. SSI generally sees relatively lower gross margins during the first and third quarters of the year when the Group conducts the majority of its end of season sales.

Operating Expenses

The Group realized benefits from operational efficiencies during the period with total operating expenses of ₱5.1 billion declining 5.0% as compared to the same period last year. The decrease reflects the impact of SSI's store consolidation program as well as the Group's focus on maximizing scale and cost efficiencies.

Total operating expenses as a percentage of net sales was at 40.8% for the period ended September 30, 2017, an improvement over 42.8% during the same period last year.

Selling and distribution expenses for the nine-month period amounted to ₱4.3 billion, a decrease of 7.0% compared to the same period last year. The overall decrease was primarily driven by reductions in the

following: (a) depreciation and amortization expense, which decreased 34.2% to ₱632.0 million; (b) utilities expense, which decreased 7.0% to ₱438.1 million, (c) personnel expenses, which declined by 3.7% to ₱767.6 million; and (d) rent expense, which declined to ₱1.5 billion, a 1.6% decrease year-on-year.

As a result, selling and distribution expenses were at 34.2% of revenues, a significant improvement over 36.6% during the same period last year.

General and administrative expenses amounted to ₱838.5 million, an increase of 6.5% over the same period last year. The overall increase was driven mainly by increases in personnel costs, advertising expense, and taxes and licenses which increased to ₱401.4 million, ₱38.5 million, and ₱32.0 million, respectively.

As a result of the foregoing, SSI's operating income for the period amounted to ₱922.3 million, an increase of 9.2% versus the same period last year. For the third quarter, operating income amounted to ₱265.1 million, a 19.6% increase compared to the year ago period. This translated to operating margins of 7.3% and 6.4% for the nine-month and three-month periods ended September 30, 2017, respectively, an improvement over 6.7% and 5.5% of last year.

Other Income (Charges)

SSI incurred other charges of ₱298.9 million during the nine-month period ended September 30, 2017. This is an increase of 5.8% as compared to the year ago period, driven mainly by the amount of property and equipment written off during the period. However, this was offset by decreases in the Group's share in the net losses of its joint venture, which decreased by 51.0% to ₱49.3 million, and a decrease in interest expense, which decreased 16.2% to ₱194.9 million, as result of lower debt levels as compared to the same period last year.

In relation to the Group's store rationalization program, the Group booked write-offs on disposals of property and equipment amounting to ₱122.1 million during the period, ₱61.3 million of which were recognized during the third quarter. These reflect write-offs of partially depreciated leasehold improvements of closed stores.

The Group's share in the losses of joint ventures was at ₱49.3 million as compared to ₱100.7 million during the year ago period. The decline in the share of losses of joint ventures was a result of a 25.4% decline in SSI's share of FamilyMart losses to ₱53.0 million, the Group's share in the net income of Landmark Management Services, Ltd. ("LMS") amounting to ₱3.5 million, and the absence of the Wellworth operating losses.

Provision for Income Tax

For the period ended September 30, 2017, provision for income tax amounted to ₱279.0 million, resulting to a 44.8% effective tax rate. This reflects the effect of nontaxable income and nondeductible expenses, for tax purposes, such as the interest accretion on security deposits and the Company's share in the net income or net losses of its joint ventures, respectively. The Group also wrote-off net operating loss carry overs (NOLCO) amounting to ₱17.1 million during the nine-month period ended September 30, 2017.

Net Income

As a result of the foregoing, net income attributable to the parent company for the nine months ended September 30, 2017 was ₱341.7 million, an increase of 11.6% as compared to the same period last year.

Core net income, or net income excluding write-offs related to the Group's store rationalization program and write-offs of expiring NOLCO, was at ₱444.4 million, an increase of 11.1% versus the year ago period.

FINANCIAL CONDITION

As of September 30, 2017, the Group had consolidated assets of ₱19.7 billion, an increase of 2.7% as compared to December 31, 2016.

Current Assets

As of September 30, 2017, the Group had consolidated current assets of ₱13.9 billion, an increase of 8.8% as compared to December 31, 2016.

Cash

As of September 30, 2017, cash was at ₱1.4 billion as compared to ₱1.0 billion at the end of 2016. The increase was due primarily to the operating cash flows generated during the first nine months of the year amounting ₱276.7 million. Also contributing to the increase were a return of capital in SIAL Specialty Retailers, Inc. and dividends received from SPI amounting to ₱140.0 million and ₱26.0 million, respectively.

Prepayments and other Current Assets

As of September 30, 2017, prepayments and other current assets were at ₱1.6 billion as compared to ₱1.2 billion at the end of 2016. This was driven by increases in supplies inventory to ₱537.5 million, advances to suppliers of merchandise to ₱431.5 million, and prepaid tax to ₱82.6 million at the end of the period.

Non-Current Assets

Interests in Joint Ventures

As of September 30, 2017, interests in joint ventures were at ₱474.0 million, a decrease of 28.6% compared to end 2016. During the period, the Group booked its share in the net losses of SIAL CVS Retailers, Inc. amounting to ₱53.0 million and a return of capital amounting to ₱140.0 million related to the sale of the Wellworth department stores. The Group also booked its share of the net income of LMS of ₱3.5 million.

Property and Equipment

As of September 30, 2017, property and equipment amounted to ₱3.7 billion from ₱4.3 billion at the end of 2016. This reflects the selective opening of new stores, the write-off of fixed assets in relation to the store rationalization program, and additional depreciation recognized during the period.

Security Deposits and Construction Bonds

As of September 30, 2017, security deposits and construction bonds amounted to ₱1.2 billion. The increase from ₱1.0 billion at the end of 2016 was due primarily to additional deposits due to rent escalations as well as store constructions and renovations.

Current Liabilities

As of September 30, 2017, the Group had consolidated current liabilities of ₱7.6 billion as compared to ₱6.8 billion at the end of 2016.

Trade and Other Payables

As of September 30, 2017, trade and other payables were at ₱1.4 billion as compared to ₱1.7 billion at the end of 2016. The decrease was primarily attributable to a decrease in nontrade payables to ₱263.3 million reflecting payments to contractors and suppliers of services during the period, and a decrease in accrued expenses to ₱100.3 million which reflects payment of expenses accrued at the end of 2016.

Short-term Loans Payable

As of September 30, 2017, the Group had short-term loans payable amounting to ₱5.1 billion compared to ₱4.0 billion at the end of 2016. The Group borrowed additional short-term loans during the period mainly to fund merchandise inventory purchases.

Non- Current Liabilities

Long-term Debt

As of September 30, 2017, the Group had long-term debt amounting to ₱1.3 billion compared to ₱2.0 billion at the end of 2016. The decrease reflects quarterly repayments on the Group's term loan facilities.

Equity

As of September 30, 2017, total equity amounted to ₱10.4 billion. This is an increase from ₱10.0 billion at the end of 2016, which reflects the increase in retained earnings as a result of the net income generated by the Group in the first nine months of the year.

Other Disclosures

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

PART II – OTHER INFORMATION

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

SIGNATURES

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

SSI GROUP, INC.

By:



ROSSELLINA J. ESCOTO

Authorized Signatory

Vice President - Finance

November 16, 2017

SSI Group, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of September 30, 2017 (*With Comparative Audited Figures as of
December 31, 2016*)
and For the Nine-Month Periods Ended September 30, 2017 and 2016

SSI GROUP, INC. AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS**

As of September 30, 2017

(With Comparative Audited Figures as of December 31, 2016)

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS		
Current Assets		
Cash (Note 4)	1,366,096,103	P1,047,464,592
Trade and other receivables (Note 5)	893,627,336	926,096,727
Merchandise inventory (Note 6)	9,913,761,608	9,559,675,482
Amounts owed by related parties (Note 20)	130,277,342	57,511,820
Prepayments and other current assets (Note 7)	1,610,925,162	1,199,787,061
Total Current Assets	13,914,687,551	12,790,535,682
Noncurrent Assets		
Investment in an associate (Note 8)	77,692,559	77,753,456
Interests in joint ventures (Note 9)	473,962,053	663,382,136
Property and equipment (Note 10)	3,676,621,349	4,264,877,137
Deferred tax assets	237,748,828	240,760,677
Security deposits and construction bonds (Note 24)	1,196,914,642	1,024,028,596
Other noncurrent assets (Note 11)	101,822,494	103,114,036
Total Noncurrent Assets	5,764,761,925	6,373,916,038
TOTAL ASSETS	P19,679,449,476	P19,164,451,720
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	1,420,093,291	P1,746,452,400
Short-term loans payable (Note 13)	5,110,000,000	4,012,000,000
Current portion of long-term debt (Note 14)	917,698,579	917,698,579
Amounts owed to related parties (Note 20)	280,772	156,383
Deferred revenue	24,146,995	24,334,100
Income tax payable	100,626,966	118,743,420
Total Current Liabilities	7,572,846,603	6,819,384,882
Noncurrent Liabilities		
Long-term debt (Note 14)	1,328,740,511	1,998,740,511
Retirement benefit obligation	345,846,796	345,334,507
Tenant deposits (Note 24)	34,778,744	34,752,738
Total Noncurrent Liabilities	1,709,366,051	2,378,827,756
Equity		
Capital stock - P1 par value	3,312,864,430	3,312,864,430
Additional paid-in capital	2,519,309,713	2,519,309,713
Stock grant	33,640,983	33,640,983
Retained earnings		
Appropriated	1,115,000,000	1,115,000,000
Unappropriated	3,396,171,102	3,054,450,420
Cumulative translation adjustment	(1,749,595)	(2,603,987)
Other comprehensive income	(66,422,477)	(66,422,477)
Total Equity attributable to equity holders of the Parent Company	10,308,814,156	9,966,239,082
Non-controlling interest in consolidated subsidiaries	88,422,666	-
Total Equity	10,397,236,822	9,966,239,082
TOTAL LIABILITIES AND EQUITY	P19,679,449,476	P19,164,451,720

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		Nine-Month Periods Ended	
	September 30		September 30	
	2017	2016	2017	2016
NET SALES	₱4,162,287,659	₱4,054,638,688	₱12,579,828,399	₱12,636,152,100
COST OF GOODS SOLD (Note 15)	2,207,626,451	2,101,245,524	6,518,971,528	6,381,642,782
GROSS PROFIT	1,954,661,208	1,953,393,164	6,060,856,871	6,254,509,318
OPERATING EXPENSES				
Selling and distribution (Note 16)	1,400,225,850	1,495,039,886	4,300,098,736	4,623,015,425
General and administrative (Note 17)	289,356,268	236,718,563	838,464,422	787,032,652
	1,689,582,118	1,731,758,449	5,138,563,158	5,410,048,077
OTHER INCOME (CHARGES)				
Rental income (Note 24)	14,402,021	13,407,721	41,127,252	40,849,912
Share in net earnings of an associate (Note 8)	4,242,857	9,199,259	25,939,103	22,490,220
Interest accretion on security deposits (Note 24)	1,392,157	621,950	3,866,402	2,077,103
Interest income (Note 4)	843,579	675,021	2,214,082	2,006,019
Interest expense (Notes 13 and 14)	(86,658,507)	(86,080,725)	(194,896,797)	(232,448,534)
Share in net losses of joint ventures (Note 9)	(19,336,885)	(23,376,445)	(49,347,866)	(100,736,299)
Loss on disposal of property and equipment (Note 10)	(61,305,048)	(33,191,912)	(122,126,058)	(66,690,377)
Foreign exchange gains (losses) - net	(4,389,752)	9,411,333	(9,926,923)	(5,836,599)
Others - net	26,637,939	34,796,370	4,258,214	55,797,969
	(124,171,639)	(74,537,428)	(298,892,591)	(282,490,586)
INCOME BEFORE INCOME TAX	140,907,451	147,097,287	623,401,122	561,970,655
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	71,754,633	76,000,975	279,272,370	255,520,863
Deferred	(398,052)	5,724,664	(264,596)	306,438
	71,356,581	81,725,639	279,007,774	255,827,301
NET INCOME	69,550,870	65,371,648	344,393,348	306,143,354
OTHER COMPREHENSIVE INCOME				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Cumulative translation adjustment on foreign operations, net of deferred tax	854,392	321,786	854,392	316,917
TOTAL COMPREHENSIVE INCOME	₱70,405,262	₱65,693,434	₱345,247,740	₱306,460,271
Net income attributable to:				
Equity holders of the Parent Company	₱67,669,468	₱65,371,648	₱341,720,682	₱306,143,354
Non-controlling interest in consolidated subsidiaries	1,881,402	—	2,672,666	—
	₱69,550,870	65,371,648	₱344,393,348	306,143,354
Total comprehensive income attributable to:				
Equity holders of the Parent Company	₱68,523,860	₱65,693,434	₱342,575,074	₱306,460,271
Non-controlling interest in consolidated subsidiaries	1,881,402	—	2,672,666	—
	₱70,405,262	₱65,693,434	₱345,247,740	₱306,460,271
BASIC/DILUTED EARNINGS PER SHARE (Note 21)	₱0.02	₱0.02	₱0.10	₱0.09

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, 2017 AND 2016

For the Nine-Month Periods Ended September 30, 2017 and 2016

	Capital Stock	Additional Paid-in Capital	Stock Grants	Retained Earnings		Cumulative Translation Adjustment	Other Comprehensive Income	Total	Non-controlling Interest in Consolidated Subsidiaries	Total
				Appropriated	Unappropriated					
Balances at January 1, 2016	₱3,312,864,430	₱2,519,309,713	₱33,640,983	₱925,000,000	₱3,012,834,660	(₱2,457,254)	(₱84,325,739)	₱9,716,866,793	–	₱9,716,866,793
Net income	–	–	–	–	306,143,354	–	–	306,143,354	–	306,143,354
Exchange differences on translation	–	–	–	–	–	316,917	–	316,917	–	316,917
Total comprehensive income for the period	–	–	–	–	306,143,354	316,917	–	306,460,271	–	306,460,271
Balances at September 30, 2016	₱3,312,864,430	₱2,519,309,713	₱33,640,983	₱925,000,000	₱3,318,978,014	(₱2,140,337)	(₱84,325,739)	₱10,023,327,064	–	₱10,023,327,064
Balances at January 1, 2017	₱3,312,864,430	₱2,519,309,713	₱33,640,983	₱1,115,000,000	₱3,054,450,420	(₱2,603,987)	(₱66,422,477)	₱9,966,239,082	₱–	₱9,966,239,082
Net income	–	–	–	–	341,720,682	–	–	341,720,682	2,672,666	344,393,348
Exchange differences on translation	–	–	–	–	–	854,392	–	854,392	–	854,392
Total comprehensive income for the period	–	–	–	–	341,720,682	854,392	–	342,575,074	2,672,666	345,247,740
Additional investment in a subsidiary	–	–	–	–	–	–	–	–	85,750,000	85,750,000
Balances at September 30, 2017	₱3,312,864,430	₱2,519,309,713	₱33,640,983	₱1,115,000,000	₱3,396,171,102	(₱1,749,595)	(₱66,422,477)	₱10,308,814,156	₱88,422,666	₱10,397,236,822

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

	For the Nine-Month Periods Ended September 30	
	2017 (Unaudited)	2016 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱623,401,122	₱561,970,655
Adjustments for:		
Depreciation and amortization (Notes 10, 11 and 19)	747,550,128	1,075,318,976
Interest expense (Note 13 and 14)	194,896,797	232,448,534
Share in net losses of joint ventures (Note 9)	49,347,866	100,736,299
Loss on disposal of property and equipment (Note 10)	122,126,058	66,690,377
Unrealized foreign exchange gains	2,887,592	768,238
Share in net earnings of an associate (Note 8)	(25,939,103)	(22,490,220)
Interest accretion on security deposits (Note 24)	(3,866,402)	(2,077,103)
Interest income (Note 4)	(2,214,082)	(2,006,019)
Operating income before working capital changes	1,708,189,976	2,011,359,737
Decrease (increase) in:		
Trade and other receivables	32,469,391	(106,389,721)
Merchandise inventory	(354,086,126)	(528,595,044)
Amounts owed by related parties	(72,765,522)	(14,607,448)
Prepayments and other current assets	(416,061,193)	(399,668,805)
Increase (decrease) in:		
Trade and other payables	(326,359,109)	(992,553,002)
Deferred revenue	(187,105)	1,352,586
Amounts owed to related parties	124,389	(236,186)
Retirement benefit obligation	512,289	4,139,888
Tenant deposits	26,006	10,614,810
Net cash generated from (used in) operations	571,862,996	(14,583,185)
Interest received	2,214,082	2,006,019
Income taxes paid	(297,388,824)	(310,648,112)
Net cash flows generated from (used in) operating activities	276,688,254	(323,225,278)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 10)	(278,745,045)	(623,548,206)
Additional interests in joint ventures (Note 9)		(91,000,000)
Return of capital on SSRI (Note 9)	140,072,217	104,833,400
Dividends received	26,000,000	–
Decrease (increase) in:		
Security deposits and construction bonds	(164,096,553)	(10,192,883)
Other noncurrent assets	(1,383,807)	(3,734,561)
Net cash flows used in investing activities	(278,153,188)	(623,642,250)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of short-term loans payable	2,050,000,000	2,805,000,000
Payments of:		
Short-term loans payable	(952,000,000)	(1,935,000,000)
Long-term debt	(670,000,000)	(250,000,000)
Interest	(194,896,797)	(232,448,534)
Investment from Non-Controlling interest	85,750,000	–
Net cash flows from financing activities	318,853,203	387,551,466
NET INCREASE (DECREASE) IN CASH	317,388,269	(59,316,062)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	1,243,242	(2,314,918)
CASH AT BEGINNING OF PERIOD	1,047,464,592	1,304,962,341
CASH AT END OF PERIOD (Note 4)	₱1,366,096,103	₱743,331,361

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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 ₱200.00 million divided into 2,000,000 shares with par value of ₱100.00 per share, to ₱3.00 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 ₱700.00 million, of which ₱175.00 million was paid and ₱525.00 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 ₱2.20 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 ₱525.00 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 ₱1.20 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.

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).

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 6, 2017. The same interim condensed consolidated financial statements were approved and authorized by the BOD on the same date.

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

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, 2017 and for the nine-month periods ended September 30, 2017 and 2016 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, 2016.

Basis of Consolidation

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

	Percentage ownership			
	September 30, 2017		December 31, 2016	
	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) ³	–	100	–	100
MUJI Philippines Corp. (MPC) ⁴	–	51	–	–

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).

⁴ MPC was registered to the SEC on February 1, 2017 and started commercial operations on April 1, 2017.

All subsidiaries, except for FSHI, SII and SKL, are in the retail business and hold exclusive distributorship of certain brands.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of September 30, 2017 and for the nine months ended September 30, 2017 and 2016. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity holders of the Parent Company.

Additional investments

On February 1, 2017, SSI caused the incorporation of MPC to operate the MUJI stores in the Philippines. On April 1, 2017, Ryohin Keikaku Co., Ltd. (RKJ), a retail company based in Japan, invested ₱85,750,000 in MPC for a 49% ownership. On the same date, MPC started its commercial operations.

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, 2017. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards to have a significant impact on the Group's financial statements.

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

Effective beginning on or after January 1, 2017

Amendment to PFRS 12, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

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, 2017 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	<u>(₱1,537,147,726)</u>

Prior to the reorganization the balance of the equity reserve represents the difference between the legal capital of the Company and SSI.

4. Cash

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Cash on hand	₱30,370,849	₱85,514,004
Cash in banks	1,335,725,254	961,950,588
	<u>₱1,366,096,103</u>	<u>₱1,047,464,592</u>

Cash in banks earn interest at the respective bank deposit rates. Interest earned from cash in banks for the nine months ended September 30, 2017 and 2016 amounted to ₱2,214,082 and ₱2,006,019, respectively.

5. Trade and Other Receivables

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Trade receivables	₱235,348,978	₱277,721,936
Nontrade receivables	367,108,563	356,329,207
Receivables from related parties (see Note 20)	205,956,461	220,802,680
Advances to officers and employees	83,410,471	69,970,079
Others	1,802,863	1,272,825
	<u>₱893,627,336</u>	<u>₱926,096,727</u>

Trade receivables are due from credit card companies and normally settled on three days' terms. Nontrade receivables, advances to officers and employees, receivables from related parties 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, 2017 (Unaudited)	December 31, 2016 (Audited)
At cost		
On hand	₱9,757,867,102	₱8,992,350,579
In transit	155,894,506	567,324,903
	₱9,913,761,608	₱9,559,675,482

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 ₱6,018,542,216 and ₱5,865,875,326, for the nine months ended September 30, 2017 and 2016, respectively (see Note 15).

7. Prepayments and Other Current Assets

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Advances to suppliers	₱431,486,317	₱337,563,365
Supplies inventory	537,469,961	344,162,960
Input VAT	267,317,728	258,327,393
Prepaid tax	82,635,560	3,528,436
Current portion of prepaid rent (see Notes 11 and 24)	37,220,538	30,384,059
Deferred input VAT	39,173,477	45,827,764
Prepaid insurance	37,632,173	18,307,563
Prepaid advertising	87,236,629	90,379,099
Creditable withholding tax	8,002,789	15,176,207
Prepaid guarantee	4,921,964	4,268,845
Current portion of security deposits (see Note 24)	4,391,362	9,314,453
Others	73,436,664	42,546,917
	₱1,610,925,162	₱1,199,787,061

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

Input VAT will be applied against output VAT.

Others include advances for non-merchandise purchases arising from transactions made by the Group with its foreign suppliers.

8. Investment in an Associate

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Acquisition cost	₱24,640,000	₱24,640,000
Accumulated equity in net earnings:		
Balance at beginning of year	53,113,456	30,273,723
Share in net earnings	25,939,103	28,839,733
Dividends received	(26,000,000)	(6,000,000)
Balance at end of year	53,052,559	53,113,456
	₱77,692,559	₱77,753,456

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

As of September 30, 2017 and December 31, 2016, 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 Group's interests in joint ventures pertain to the following:

Joint venture	Joint venture partner	Project description	Income sharing arrangement
SIAL CVS Retailers, Inc. (SCRI) ¹	Varejo Corporation	Open and operate convenience stores directly owned and/or franchised in the Philippines	50:50
SIAL Specialty Retailers, Inc. (SSRI) ²	Varejo Corporation	Investment in and operation of mid-market department stores	50:50
Landmark Management Services, Ltd. (LMS) ³	Regent Asia Group, Ltd. (Prime) and Prime (Duty Free Distributors) Ltd. (Prime)	Investment in and operation of travel retail stores in the Philippines	50:50

¹ SCRI has started commercial operations in April 2013.

² SSRI has started commercial operations in March 2014.

³ LMS has existing operations prior to the acquisition in August 2015.

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

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

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
SCRI	₱63,892,988	₱116,923,415
SSRI	27,383,894	167,233,461
SKL	382,685,171	379,225,260
	₱473,962,053	₱663,382,136

SCRI (50% take up through SII)

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Cost:		
Balance at beginning of year	₱420,350,000	₱420,350,000
Accumulated equity in net earnings:		
Balance at beginning of period	(303,426,585)	(157,628,565)
Share in net loss	(53,030,427)	(145,798,020)
Balance at end of period	(356,457,012)	(303,426,585)
	₱63,892,988	₱116,923,415

SSRI (50% take up through SII)

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Cost:		
Balance at beginning of year	₱547,416,600	₱652,250,000
Return of capital	(140,072,217)	(104,833,400)
Balance at end of year	407,344,383	547,416,600
Accumulated equity in net earnings:		
Balance at beginning of period	(380,183,139)	(235,186,512)
Share in net earnings (losses)	222,650	(144,996,627)
Balance at end of period	(379,960,489)	(380,183,139)
	₱27,383,894	₱167,233,461

LMS (50% take up through SKL)

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Acquisition cost	₱375,296,454	₱375,296,454
Accumulated equity in net earnings:		
Balances at beginning of period	3,928,806	(615,820)
Share in net earnings	3,459,911	4,544,626
Balances at end of period	7,388,717	3,928,806
	₱382,685,171	₱379,225,260

The joint ventures have no contingent liabilities or capital commitments as of September 30, 2017 and December 31, 2016.

10. Property and Equipment

The composition and movements of this account are as follows:

September 30, 2017 (Unaudited)	Store, Office, Warehouse					Total
	Leasehold Improvements	Furniture and Fixtures	Building	Transportation Equipment	Construction in Progress	
Cost:						
Balances at beginning of year	P7,859,264,624	P2,140,414,229	P874,797,537	P259,497,420	P82,611,796	P11,216,585,606
Additions	169,454,987	59,860,299	-	15,559,628	33,870,131	278,745,045
Disposals	(561,293,791)	(11,992,643)	-	(1,175,000)	-	(574,461,434)
Reclassifications	62,110,802	191,964	-	-	(62,302,766)	-
Balances at end of year	7,529,536,622	2,188,473,849	874,797,537	273,882,048	54,179,161	10,920,869,217
Accumulated depreciation and amortization:						
Balances at beginning of year	5,246,576,934	1,474,302,956	147,559,377	83,269,202	-	6,951,708,469
Depreciation (see Note 19)	531,767,072	164,983,286	33,257,587	14,866,830	-	744,874,775
Disposals	(445,853,113)	(6,364,763)	-	(117,500)	-	(452,335,376)
Balances at end of year	5,332,490,893	1,632,921,479	180,816,964	98,018,532	-	7,244,247,868
Net book values	P2,187,045,729	P555,552,370	P693,980,573	P175,863,516	P64,179,161	P3,676,621,349

December 31, 2016 (Audited)	Store, Office, Warehouse					Total
	Leasehold Improvements	Furniture and Fixtures	Building	Transportation Equipment	Construction in Progress	
Cost:						
Balances at beginning of year	P7,751,959,370	P2,202,872,779	P852,141,513	P256,436,738	P138,527,183	P11,201,937,583
Additions	519,280,731	111,419,660	22,656,024	4,848,181	52,197,842	710,402,438
Disposals	(519,865,491)	(174,101,425)	-	(1,787,499)	-	(695,754,415)
Reclassifications	107,890,014	223,215	-	-	(108,113,229)	-
Balances at end of year	7,859,264,624	2,140,414,229	874,797,537	259,497,420	82,611,796	11,216,585,606
Accumulated depreciation:						
Balances at beginning of year	4,458,906,590	1,368,102,459	103,524,715	62,864,955	-	5,993,398,719
Depreciation	1,177,201,386	267,916,630	44,034,662	22,191,746	-	1,511,344,424
Disposals	(389,531,042)	(161,716,133)	-	(1,787,499)	-	(553,034,674)
Balances at end of year	5,246,576,934	1,474,302,956	147,559,377	83,269,202	-	6,951,708,469
Net book values	P2,612,687,690	P666,111,273	P727,238,160	P176,228,218	P82,611,796	P4,264,877,137

11. Other Noncurrent Assets

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Franchise fee	P50,925,756	P52,018,462
Miscellaneous deposits	38,005,667	37,932,037
Prepaid rent - net of current portion (see Note 24)	4,916,082	5,700,219
Software costs	1,415,847	4,577,197
Others	6,559,142	2,886,121
	P101,822,494	P103,114,036

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

12. Trade and Other Payables

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Trade payables	₱899,454,332	₱824,095,807
Nontrade payables	263,322,333	535,192,116
Accrued expenses	100,349,411	240,668,448
Retention payable	70,298,967	36,785,633
Output VAT	57,431,973	87,871,774
Payable to related parties (see Note 20)	3,418,349	1,762,925
Others	25,817,926	20,075,697
	₱1,420,093,291	₱1,746,452,400

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

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

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

Other payables mainly pertain to payables to non-trade suppliers and payable to advertising agencies.

Nontrade payables, accrued expenses and other payables are generally paid within 12 months from balance sheet date.

13. Short-term Loans Payable

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Banks:		
Bank of Philippine Islands (BPI)	₱2,810,000,000	₱2,112,000,000
Banco de Oro (BDO)	700,000,000	800,000,000
Philippine National Bank (PNB)	500,000,000	-
Metropolitan Bank & Trust Co. (MBTC)	500,000,000	500,000,000
Security Bank Corporation (SBC)	500,000,000	-
China Banking Corporation (CBC)	100,000,000	100,000,000
Hongkong and Shanghai Banking Corporation Limited (HSBC)	-	400,000,000
Rizal Commercial Banking Corporation (RCBC)	-	100,000,000
	₱5,110,000,000	₱4,012,000,000

The Group's outstanding short-term peso-denominated loans from local commercial banks bear interest at rates ranging from 3.00% to 3.50% and 2.50% to 3.00%, for the nine months ended 2017 and 2016, respectively.

Interest expense recognized in the consolidated statements of comprehensive income for the nine months ended September 30, 2017 and 2016 amounted to ₱113,695,508 and ₱129,336,392, respectively.

14. Long-term Debt

On May 8, 2013, SSI entered into a credit facility for the ₱2.00 billion syndicated term loan facility with BPI, SBC, CBC, MBTC and RCBC. The purpose of the loan is to finance the Group's capital expenditures related to the construction of the Central Square and other corporate purposes. Principal repayments are due quarterly starting August 20, 2014. The loan carries an interest of a fixed base rate plus an interest spread of 150 basis points per annum or a 5.50% per annum floor rate. Principal repayments are due quarterly starting August 20, 2014. The syndicated term loan will mature on February 20, 2020.

On September 14, 2015, SSI entered into a long-term loan agreement with BPI amounting to ₱1.00 billion. Principal repayments are due quarterly starting September 14, 2016. The loan carries a fixed interest rate of 3.85%. The loan will mature on September 15, 2018. Also on October 15, 2015, SSI entered into another long-term loan agreement with BPI amounting to ₱400.00 million that carries a fixed interest rate of 3.85%. Principal repayments are due quarterly starting October 15, 2016 until October 15, 2018.

On October 14, 2016, SSI entered into another long-term loan with BPI amounting to ₱500.00 million that carries a fixed interest rate of 4.00%. Principal repayments are due quarterly starting October 14, 2017 until October 14, 2021.

The purpose of these loans is to solely refinance its existing short term loans.

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

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
BPI	₱1,577,126,587	₱2,063,626,587
SBC	242,554,612	309,054,613
CBC	167,326,210	213,201,210
MBTC	167,326,210	213,201,210
RCBC	92,105,471	117,355,470
Total	2,246,439,090	2,916,439,090
Less: current portion	917,698,579	917,698,579
Noncurrent portion	₱1,328,740,511	₱1,998,740,511

Interest expense recognized in the consolidated statements of comprehensive income for the three months ended September 30, 2017 and 2016 amounted to ₱81,201,289 and ₱103,112,142, 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, 2017 and December 31, 2016, the Group is in compliance with the loan covenants of all their respective outstanding debts.

15. Cost of Goods Sold

	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Cost of merchandise sold	₱6,018,542,216	₱5,865,875,326
Royalty fees	183,162,667	159,589,526
Personnel costs (see Note 18)	68,969,779	84,889,157
Rent (see Notes 20 and 24)	42,685,982	32,136,326
Depreciation and amortization (see Notes 10, 11 and 19)	33,807,671	25,930,008
Travel and transportation	33,634,202	52,246,949
Security and safety	15,934,434	9,799,001
Repairs and maintenance	9,706,521	10,604,380
Utilities	8,958,544	11,535,385
Supplies and maintenance	2,990,685	1,274,437
Insurance	2,781,826	2,376,644
Taxes and licenses	331,521	299,434
Others	97,465,480	125,086,209
	₱6,518,971,528	₱6,381,642,782

Cost of merchandise sold:

	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Merchandise inventory, beginning	₱9,559,675,482	₱9,679,995,388
Net purchases	6,372,628,342	6,394,470,370
Cost of merchandise available for sale	15,932,303,824	16,074,465,758
Less merchandise inventory, ending	9,913,761,608	10,208,590,432
	₱6,018,542,216	₱5,865,875,326

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, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Rent (see Notes 20 and 24)	₱1,470,508,032	₱1,495,075,632
Personnel costs (see Note 18)	767,638,005	796,855,662
Depreciation and amortization (see Notes 10, 11 and 19)	632,001,484	960,976,158
Utilities	438,120,917	471,104,916
Credit card charges	230,950,588	226,553,395
Supplies and maintenance	133,997,115	99,621,622
Taxes and licenses	113,554,067	103,917,830
Security services	104,583,825	91,578,281
Global marketing contribution fee	92,679,701	96,412,417
Advertising	64,614,588	71,546,146
Repairs and maintenance	51,155,285	64,518,872
Delivery and freight charges	38,955,152	14,188,058
Travel and transportation	30,179,566	25,543,486
Communication	23,637,860	27,713,834
Insurance	21,458,417	22,827,338
Outside services	8,037,266	7,668,260
Entertainment, amusement and recreation (EAR)	3,336,593	5,539,610
Telegraphic transfer	1,267,907	1,640,645
Others	73,422,368	39,733,263
	₱4,300,098,736	₱4,623,015,425

17. General and Administrative Expenses

	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Personnel costs (see Note 18)	₱401,355,938	₱374,682,286
Rent (see Notes 20 and 24)	98,365,396	107,316,082
Depreciation and amortization (see Notes 10, 11 and 19)	81,740,973	88,412,810
Advertising	38,484,036	17,770,414
Utilities	27,139,601	18,547,938
Taxes and licenses	32,002,857	21,099,879
Security services	27,237,235	22,916,555
Repairs and maintenance	25,929,332	26,111,497
Supplies and maintenance	18,547,068	27,684,136
Communication	17,600,846	13,854,365
Travel and transportation	16,844,725	17,857,103
Professional fees	9,245,580	11,513,923
Insurance	6,989,967	7,240,627
EAR	5,192,598	5,146,797
Outside service	468,982	474,339
Others	31,319,288	26,403,901
	₱838,464,422	₱787,032,652

18. Personnel Costs

Personnel costs were charged to operations as follows:

	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Salaries, wages and bonuses	₱1,098,225,708	₱1,117,531,238
Retirement benefit expense	11,851,032	10,995,615
Other employee benefits	127,886,982	127,900,252
	₱1,237,963,722	₱1,256,427,105

Personnel costs were distributed as follows:

	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Cost of goods sold (see Note 15)	₱68,969,779	₱84,889,157
Selling and distribution (see Note 16)	767,638,005	796,855,662
General and administrative (see Note 17)	401,355,938	374,682,286
	₱1,237,963,722	₱1,256,427,105

19. Depreciation and Amortization Expense

	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Property and equipment (see Note 10)	₱744,874,775	₱1,072,844,685
Franchise fee (see Note 11)	1,730,938	1,449,434
Software costs (see Note 11)	944,415	1,024,857
	₱747,550,128	₱1,075,318,976

Depreciation and amortization were distributed as follows:

	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Cost of goods sold (see Note 15)	₱33,807,671	₱25,930,008
Selling and distribution (see Note 16)	632,001,484	960,976,158
General and administrative (see Note 17)	81,740,973	88,412,810
	₱747,550,128	₱1,075,318,976

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 ₱82.8 million and ₱71.9 million, for the nine months in the period ended September 30, 2017 and 2016, 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 ₱21.1 million and ₱28.4 million for the nine months ended September 30, 2017 and 2016, 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 ₱28.2 million, ₱28.0 million for the nine months in the period ended September 30, 2017 and 2016, respectively, and post-employment benefits amounting to ₱4.2 million and ₱5.0 million for the nine months in the period ended September 30, 2017 and 2016, respectively;

As of September 30, 2017 and December 31, 2016, receivables from and payables to related parties are as follows:

September 30, 2017 (Unaudited)		Outstanding balances			
Related Parties	Transactions for the period	Receivables from related parties (see Note 5)	Payable to related parties (see Note 12)	Amounts owed by related parties	Amounts owed to related parties
<i>Affiliates</i>					
RCC	₱17,233,976	₱63,239,946	₱2,417,304	₱4,005,654	₱-
RMK	5,572,710	23,317,525	1,001,045	443	280,772
<i>Joint ventures</i>					
PFM	2,954,200	12,879,448	-	4,394,390	-
SCRI	72,267,200	106,000,000	-	120,392,200	-
<i>Associate</i>					
SPI	42,513	519,542	-	1,484,655	-
	₱98,070,599	₱205,956,461	₱3,418,349	₱130,277,342	₱280,772
December 31, 2016 (Audited)		Outstanding balances			
Related Parties	Transactions for the period	Receivables from related parties (see Note 5)	Payable to related parties (see Note 12)	Amounts owed by related parties	Amounts owed to related parties
<i>Affiliates</i>					
RCC	₱24,900,185	₱81,537,463	₱-	₱3,507,432	₱-
RMK	12,947,589	18,353,152	1,762,925	443	156,383
<i>Joint ventures</i>					
PFM	1,249,280	9,941,909	-	4,394,290	-
SCRI	25,000,000	110,415,308	-	48,125,000	-
<i>Associate</i>					
SPI	312,740	554,848	-	1,484,655	-
	₱64,409,794	₱220,802,680	₱1,762,925	₱57,511,820	₱156,383

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, 2017 and December 31, 2016 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, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Net income	₱341,720,682	₱306,143,354
Divided by weighted average number of common shares	3,312,864,430	3,312,864,430
	₱0.10	₱0.09

There were no potential dilutive common shares for the nine months ended September 30, 2017 and 2016.

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, 2017 (Unaudited)

	Total	Neither past due nor impaired	Past due but not impaired				Impaired
			<30 days	30 - 60 days	60 - 90 days	> 90 days	
Cash in banks and cash equivalents	₱1,335,725,255	₱1,335,725,255	₱-	₱-	₱-	₱-	₱-
Trade and other receivables							
Trade receivables	235,348,978	137,730,897	95,420,307	1,754,014	3,000	440,760	-
Nontrade receivables	367,108,563	125,060,466	88,338,422	19,207,016	24,070,750	110,431,909	-
Receivables from related parties	205,956,462	9,403,722	43,023,060	116,755,765	12,292,303	24,481,612	-
Advances to officers and employees	83,410,471	78,996,417	1,246,321	1,194,391	1,090,531	882,811	-
Other receivables	1,802,861	753,783	30,667	137,466	243,524	637,421	-
Amounts owed by related parties	130,277,342	124,398,799	-	-	-	5,878,543	-
Current portion of security deposits ¹	4,391,362	4,391,362	-	-	-	-	-
Security deposits and construction bonds	1,196,914,642	589,188,297	846,074	224,553	2,077,443	604,578,275	-
Total	₱3,560,935,936	₱2,405,648,998	₱228,904,851	₱139,273,205	₱39,777,551	₱747,331,331	₱-

¹ Presented under "Prepayments and other current assets"

December 31, 2016 (Audited)

	Total	Neither past due nor impaired	Past due but not impaired				Impaired
			<30 days	30 - 60 days	60 - 90 days	> 90 days	
Cash in banks	₱961,950,588	₱961,950,588	₱-	₱-	₱-	₱-	₱-
Trade and other receivables							
Trade receivables	277,721,936	89,234,797	174,540,750	5,940,737	2,582,848	5,422,804	-
Nontrade receivables	356,329,207	69,657,910	148,412,796	6,580,999	21,192,946	110,484,556	-
Receivables from related parties	220,802,680	112,426,218	29,992,301	576,551	1,537,589	76,270,021	-
Advances to officers and employees	69,970,089	69,081,755	66,336	97,130	485,472	239,386	-
Other receivables	1,272,825	1,272,825	-	-	-	-	-
Amounts owed by related parties	57,511,820	47,513,408	-	2,070,705	1,508,240	6,419,467	-
Current portion of security deposits ¹	9,314,453	9,314,453	-	-	-	-	-
Security deposits and construction bonds	1,024,028,596	1,024,028,596	-	-	-	-	-
Total	₱2,978,902,184	₱2,384,480,550	₱353,012,183	₱15,266,122	₱27,307,095	₱198,836,234	₱-

¹ Presented under "Prepayments and other current assets"

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, 2017 and year ended December 31, 2016. 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, 2017.

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, 2017 (Unaudited)		December 31, 2016 (Audited)	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets				
<i>Loans and receivables</i>				
Security deposits and construction bonds	₱1,201,306,004	₱1,178,743,196	₱1,033,824,312	₱983,845,061
Financial Liabilities				
<i>Other financial liabilities</i>				
Long-term debt	₱2,246,439,090	₱2,336,775,060	₱2,916,439,090	₱3,053,557,852

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

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

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

Security deposits and construction bonds

The fair values of security deposits are based on the discounted value of future cash flows using the applicable market interest rates. Discount rates ranging from 2.87% to 3.67% and 2.57% to 3.98%, were used in calculating the fair value of the Group's refundable deposits as of September 30, 2017 and December 31, 2016, 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 2.50% to 4.58% and 3.43% to 5.59% were used in calculating the fair value of the Group's long-term debt as of September 30, 2017 and December 31, 2016, respectively.

Fair Value Hierarchy

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

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

The Group's security deposits and construction bonds and long-term debt are classified as Level 3.

As at September 30, 2017 and December 31, 2016 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, 2017 and years ended December 31, 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

24. Contracts and Commitments

Leases

The Group leases its office space and certain store outlets used in its operations for lease terms ranging from two to three years. Rental payments on certain outlets are based on a fixed basic monthly rate plus a certain percentage of gross sales, while other store outlets and office spaces are based on fixed monthly rates. Rentals charged to operations amounted to ₱1,606.1 million and ₱1,634.5 million, for the nine months ended September 30, 2017 and 2016, respectively (see Notes 15, 16 and 17).

Of the total rent expense, ₱193.9 million and ₱213.6 million for the nine months ended September 30, 2017 and 2016, respectively, pertain to contingent rent of some stores based on percentage ranging from 3% to 6% of total merchandise sales.

The Group has paid security deposits for the store outlets and office spaces with carrying amounts of ₱1,201.3 million and ₱1,033.8 million as of September 30, 2017 and December 31, 2016, 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 ₱3.9 million and ₱2.1 million, for the nine months ended September 30, 2017 and 2016, respectively.

Group as lessor

In 2014, the Group leased out portions of the store spaces and parking space in Central Square for a lease term ranging from one to three years. Rental income on these spaces is based on a fixed basic monthly rate plus a certain percentage of gross sales. Deposits received from tenants amounted to ₱34.8 million as of September 30, 2017 and December 31, 2016, pertaining to deposits on the leased space.

In 2015, the Group subleased its leased space in NAIA Terminal 3 for a lease term of one year or less. Rental income on these spaces is based on a fixed basic monthly rate plus a certain percentage of gross sales.

Rental income recognized on these spaces amounted to ₱41.1 million and ₱40.8 million, for the nine months ended September 30, 2017 and 2016, 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, 2017 and 2016 (amounts in millions):

	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Net Sales		
Luxury and Bridge	₱2,776	₱2,616
Casual	1,471	1,730
Fast Fashion	4,604	4,460
Footwear, Accessories and Luggage	1,775	1,905
Other	1,954	1,925
	₱12,580	₱12,636

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).

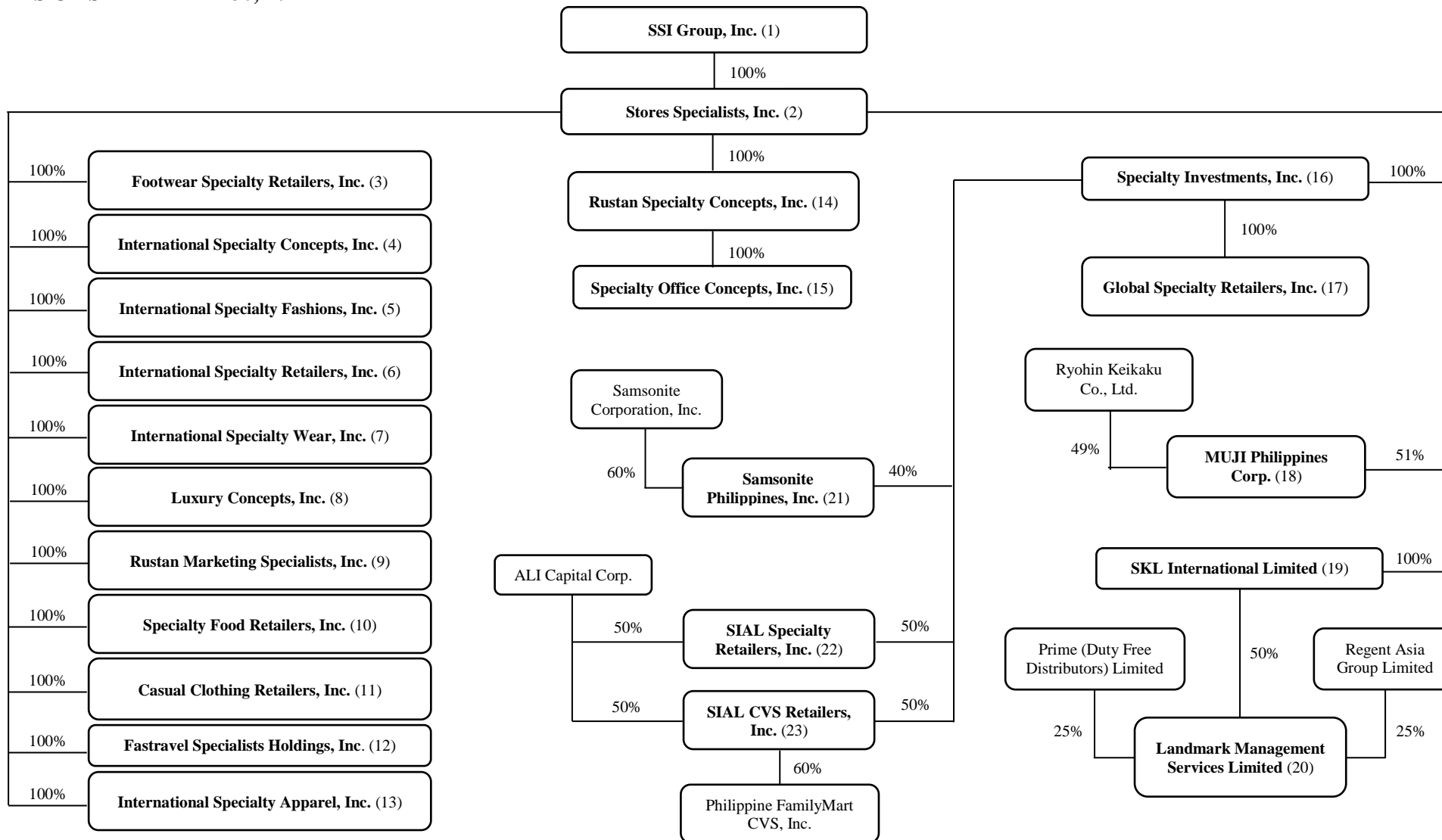
	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Philippines	₱12,532	₱12,578
Guam	48	58
	₱12,580	₱12,636

26. 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.

SSI GROUP, INC. AND SUBSIDIARIES

MAP SHOWING RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND ITS SUBSIDIARIES AS OF SEPTEMBER 30, 2017



SSI GROUP, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS

AND INTERPRETATIONS

SEPTEMBER 30, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2017		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			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9; Financial Instruments, with PFRS 4			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of September 30, 2017				
	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	✓		
	Amendment to PFRS 7: Servicing Contracts			✓
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 (2010 version)		✓*	
	PFRS 9, Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)		✓*	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓*	
	PFRS 9, Financial Instruments (2014 or final version)		✓*	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Classification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables			✓
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of September 30, 2017				
	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	✓		
	Amendments to PAS 1 (Revised): Disclosure Initiative	✓		
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 14	Segment Reporting			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16: Bearer Plants			✓
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization			✓
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			✓
	Amendment to PAS 19: Regional Market Issue regarding Discount Rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of September 30, 2017				
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value			✓
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	✓		
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information “Elsewhere in the Interim Financial Report”	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and 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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of September 30, 2017				
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendments to PAS 40: Transfer of Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
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	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>	✓		
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of September 30, 2017				
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-15	Operating Leases - Incentives			✓
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			✓

* The Company did not early adopt these standards, interpretations and amendment

Exhibit III

SSI GROUP, INC.

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION**

September 30, 2017

Unappropriated retained earnings, as adjusted, beginning		₱976,829,195
Net income during the period closed to retained earnings	11,382,816	
Less: Other realized gains related to accretion of income from security deposits	839,295	
Deferred tax asset recognized during the year	<u>—</u>	
Net income actually earned during the period		<u>12,222,111</u>
Retained earnings available for dividend declaration		<u><u>₱989,051,306</u></u>

SSI GROUP, INC.

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratios	Formula	September 30, 2017	December 31, 2016	September 30, 2016
(i) Current Ratio	Current Assets/Current Liabilities	1.84	1.87	1.69
(ii) Debt/Equity Ratio	Bank Debts/ Total Equity	0.71	0.70	0.86
(iii) Net Debt/Equity Ratio	Bank Debts-Cash & Equivalents/Total Equity	0.58	0.59	0.79
(iii) Asset to Equity Ratio	Total Assets/Total Equity	1.89	1.92	2.05
(iv) Interest Cover Ratio	EBITDA/Interest Expense	8.57	8.11	8.26
(v) Profitability Ratios				
GP Margin	Gross Profit/Revenues	48.18%		49.50%
Net Profit Margin	Net Income/Revenues	2.74%		2.42%
EBITDA Margin	EBITDA/Revenues	13.27%		15.19%
Return on Assets	Net Income attributable to equity holders of the Parent Company/Total Assets	1.75%		1.49%
Return on Equity	Net Income attributable to equity holders of the Parent Company /Total Equity	3.31%		3.05%

*EBITDA = Operating income plus depreciation and amortization