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SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Company Name SSI GROUP, INC.
Industry Classification Real Estate Activities
Company Type Stock Corporation

Document Information

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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, 2019**
2. SEC Identification Number: **CS200705607**
3. BIR Tax Identification No.: **006-710-876**
4. Exact name of issuer as specified in its charter: **SSI Group, Inc.**
5. Province, country or other jurisdiction of incorporation or organization: **Makati City, Philippines**
6. Industry Classification Code: (SEC Use Only)
7. Address of principal office:
6/F Midland Buendia Building, 403 Sen. Gil Puyat Avenue, Makati City

Postal Code: **1200**
8. Issuer's telephone number, including area code: **(632) 8890 8034**
9. Former name, former address, and former fiscal year, if changed since last report: **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding as of September 30, 2019
Common Shares	3,308,429,430

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

Yes [] No []

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

Philippine Stock Exchange - Common Shares

12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The Company's unaudited interim condensed consolidated financial statements as of September 30, 2019 (with comparative audited figures as of December 31, 2018) and for the three-month and nine-month periods ended September 30, 2019 and 2018 are attached to this Report.

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

RESULTS OF OPERATIONS

For the nine months ended September 30, 2019 and 2018

Key Performance Indicators	For the nine months ended September 30	
<i>PhP MM except where indicated</i>	2019	2018
Net Sales	14,856	13,791
Gross Profit	6,289	5,915
Operating Income	926	733
Net Income	521	368
Gross Selling Space (sq.m.)	118,258	121,904
Decrease in Gross Selling Space (%)	3.0%	7.6%

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>	2019	2018
Key Financial Data		
Net Sales	14,856	13,791
Luxury & Bridge	4,399	3,521
Casual	1,953	1,740
Fast Fashion	4,460	4,743
Footwear, Accessories & Luggage	1,692	1,752
Others	2,351	2,035
Gross Profit	6,289	5,915
Gross Profit Margin (%)	42.3%	42.9%
Operating Income	926	733
Operating Income Margin (%)	6.2%	5.3%
Other Income (Charges)	(171)	(189)
Net Income	521	368
Net Income Margin (%)	3.5%	2.7%
Recurring Net Income ¹	566	435
Recurring Income Margin (%)	3.8%	3.2%
Total Debt ²	5,076	6,211
Net Debt ³	3,718	4,775
Key Operating Data		
Number of Stores	583	602
Gross Selling Space (sq.m.)	118,258	121,904
Decrease in Gross Selling Space (%)	3.0%	7.6%

Net Sales

For the nine months ended September 30, 2019, SSI Group, Inc. (“SSI,” the “Company” or the “Group”) generated sales of ₱14.9 billion, a growth of 7.7% as compared to the same period in 2018. For the third quarter alone, sales increased by 10.5% to ₱5.0 billion driven mainly by strong performances of its luxury, bridge, casual and others categories. The Group also posted strong same-store sales growth during the nine-month period and the third quarter with 9M SSSG at 6.8% and 3Q SSSG of 6.2%. The increase in sales was achieved despite the closure for renovation of several stores at the SM Mall of Asia during the 2nd half of 2018, and a 3% decline in total selling space.

At the end of September 2019, the Group’s store network included 583 stores nationwide which cover a total of approximately 118,258 square meters. During the third quarter, the Group opened seven (7) stores covering 4,418 square meters, which include the opening of the new Zara store at One Bonifacio High Street, the reopening of Zara at SM Mall of Asia, and the opening of the first Tommy Hilfiger Jeans store at Robinsons Place Manila. The Group also closed 18 stores covering 2,505 square meters during the same period.

The Group had a total of 92 brands in its portfolio as of September 30, 2019, with Crystal Jade being added during the third quarter.

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

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

³ Calculated as Total Debt minus Cash

The following table sets out the Group's number of stores and gross selling space for the periods ended September 30, 2019 and 2018 and for the year ended December 31, 2018.

Store Network	September 30		December 31
	2019	2018	2018
Number of Stores*	583	602	596
Luxury & Bridge	133	134	134
Casual	73	76	74
Fast Fashion	67	69	69
Footwear, Accessories & Luggage	160	172	168
Others	150	151	151
Gross Selling Space (sq.m.)	118,258	121,904	120,305
Luxury & Bridge	13,185	13,136	13,076
Casual	12,415	13,460	12,954
Fast Fashion	50,759	52,259	51,756
Footwear, Accessories & Luggage	21,362	22,651	22,319
Others	20,537	20,398	20,201

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

As of September 30, 2019, the Group operated one (1) store in Guam which contributed de minimis sales to the Group's net sales for the period.

Gross Profit

Gross profit for the first nine months of the year amounted to ₱6.3 billion, an increase of 6.3% over the same period in 2018. Gross profit margin for the nine-month period was 42.3% while gross profit margin for the third quarter of 2019 was 41.2%. The Group's third quarter gross profit margin reflects the regular end of season sales that are conducted during this period.

Operating Expenses

For the period ended September 30, 2019, the Group incurred total operating expenses of ₱5.4 billion, a 3.5% increase as compared to the same period last year. However, as a percentage of sales, operating expenses decreased by 290 basis points to 35.3% during the third quarter and by 150 basis points to 36.1% for the nine-month period ended September 2019. The controlled increase in total operating expenses reflect the strategies implemented by the Group to rationalize costs and the Group's efforts to improve its day-to-day operating efficiencies.

Total selling expenses for the nine-month period amounted to ₱4.4 billion as compared to ₱4.3 billion last year. The 2.3% increase was driven mainly by an increase in personnel costs to ₱867.5 million, as the Group added store staff to ensure high service levels as well as additional manpower for the expanding food business. Increases in taxes and licenses, rent, and credit card charges to a total of ₱1.9 billion, which are directly related to the increase in sales, also contributed to the growth in total selling expenses. Utilities and supplies and maintenance expenses during the period were stable at ₱412.7 million and ₱150.0 million, respectively.

General and administrative expenses totaled ₱988.2 million for the first nine months of the year. This is an increase of 9.0% over the same period in 2018, which was primarily attributable to an increase in personnel costs to ₱489.6 million, given the expansion of the Group's e-commerce division, as well as

efforts to strengthen the Group's brand management capabilities. Utilities and travel and transportation expenses also increased to a total of ₱89.9 million.

As a percentage of sales, selling and distribution expense improved to 29.4% of sales as compared to 31.0% during the same period last year while general and administrative expenses were stable at 6.7% of sales.

As a result of the foregoing, operating income for the period ended September 30, 2019 increased to ₱926.5 million, a 26.4% increase as compared to 9M 2018. Operating income for the third quarter of the year amounted to ₱175.4 million, a 14.5% increase over the same period last year.

Other Income (Charges)

For the first nine months of 2019, the Group incurred total other charges of ₱171.3 million. This is a decrease of 9.1% as compared to the same period in 2018 mainly due to lower write-offs of undepreciated leasehold improvements related to stores closed during the period and an increase in the share in the net earnings of Samsonite Philippines, Inc. ("SPI").

Provision for Income Tax

Provision for income tax for the period ended September 30, 2019 amounted to ₱233.8 million. This translates to an effective tax rate of 31.0% which includes the impact of the Group's nontaxable income (for tax purposes) such as its share in the net earnings of its joint ventures and associate as well as interest income on the accretion of its security deposits.

The Group wrote off expiring net loss carry-overs ("NOLCO") amounting to ₱5.9 million during the period ended September 30, 2019.

Net Income

As a result of the foregoing, net income for the nine months ended September 30, 2019 amounted to ₱521.3 million which is an increase of 30.3% as compared to the same period last year. Net income for the third quarter of 2019 amounted ₱175.4 million, a 106.9% increase over the same period in 2018.

Recurring net income, or net income excluding write-offs related to store closures and write-offs of expiring NOLCO, amounted to ₱566.1 million for the first nine months of the year, a 30.3% increase over 9M 2018. For the third quarter alone, recurring net income increased 39.0% to ₱187.3 million.

FINANCIAL CONDITION

The Group had consolidated assets of ₱19.2 billion as of September 30, 2019, a 5.0% increase from ₱18.3 billion as of December 31, 2018.

Current Assets

As of September 30, 2019, the Group had consolidated current assets of ₱14.2 billion, as compared to ₱13.3 billion as of December 31, 2018.

Cash

At the end of September 2019, cash amounted to ₱1.4 billion as compared to ₱2.4 billion at the end of 2018. The decrease is primarily attributable to payments for capital expenditures amounting to ₱584.0 million, repayments of the Group's loans and the related interest expense, net of loan availments, amounting to ₱588.4 million, and dividend payment of ₱50.0 million. The Group also generated operating cash flows of ₱296.8 million during the period.

Trade and Other Receivables

Trade and other receivables increased to ₱722.0 million as of September 30, 2019, a 6.5% increase as compared to end 2018. The increase was due to an increase in nontrade receivables to ₱457.3 million, which was driven by receivables from various brands.

Merchandise Inventory

Merchandise inventory at the end of September 2019 amounted to ₱10.9 billion, an 18.0% increase as compared to end 2018. The increase in merchandise inventory reflects the Group's purchases of merchandise for the Christmas holidays.

Prepayments and other Current Assets

As of September 30, 2019, prepayments and other current assets were at ₱1.2 billion as compared to ₱1.1 billion. The 13.4% increase was primarily due to increases in supplies inventory to ₱494.1 million and advances to suppliers to ₱296.8 million.

Non-Current Assets

Investment in an Associate

Investment in an associate amounted to ₱101.0 million as of end September 2019, an 85.1% increase as compared to end 2018. This reflects the Group's share in the net earnings of SPI during the first nine months of 2019 amounted to ₱46.4 million.

Deferred Tax Assets

Deferred tax assets were at ₱333.3 million at the end of September 2019 as compared to ₱302.8 million at the end of 2018. These pertain to tax assets recognized for the Group's deductible temporary differences, carryforward benefits of unused minimum corporate income tax (MCIT) and NOLCO, to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and the carryforward benefits of unused MCIT and NOLCO can be utilized.

Security Deposits and Construction Bonds

As of September 30, 2019, security deposits and construction bonds amounted to ₱1.09 billion as compared to ₱1.02 billion at the end of 2018. The increase is primarily due to additional deposits made as a result of rental escalations and store constructions and renovations during the period.

Current Liabilities

The Group had consolidated current liabilities of ₱7.4 billion as of September 30, 2019, as compared to ₱6.7 billion at the end of 2018.

Trade and Other Payables

Trade and other payables amounted to ₱2.3 billion as of September 30, 2019 as compared to ₱1.5 billion at the end of 2018. The increase is primarily due to increases in trade payables to ₱1.2 billion, reflecting the terms of merchandise deliveries during the period, and nontrade payables to ₱908.8 million, which includes payables to contractors and suppliers of services.

Non- Current Liabilities

Long-term Debt

As of September 30, 2019, long-term debt was at ₱63.8 million as compared to ₱401.4 million at the end of 2018. The decrease reflects quarterly repayments of the Group's ₱2.0 billion and ₱500.0 million term loan facilities.

Retirement Benefit Obligation

Retirement benefit obligation was at ₱365.5 million at the end of September 2019. This represents the present value of the Group's retirement benefit obligations, net of the fair value of its plan assets.

Equity

Total equity at the end of the period amounted to ₱11.3 billion. This is an increase of ₱457.3 million or 4.2%, primarily reflecting the Group's net earnings during the period of ₱521.3 million and dividend payment of ₱50.0 million.

CASH FLOWS

During the first nine months of the year, the Group generated positive cash flows from its operating activities amounting to ₱296.8 million.

Cash flows used in investing activities amounted to a total of ₱657.4 million, which include payments for capital expenditures and additional security deposits and construction bonds of ₱584.0 million and ₱65.1 million, respectively.

Net cash flows used in financing activities amounted to ₱641.0 million during the period. This reflects repayments of loans and related interest expense, net of loan availments, amounting to ₱588.4 million, and payment of dividends to stockholders amounting to ₱50.0 million.

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 13, 2019

SSI Group, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of September 30, 2019 (*With Comparative Audited Figures as of
December 31, 2018*)
and For the Nine-Month Periods Ended September 30, 2019 and 2018

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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E	S																								

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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																	

Form Type

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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

Not Applicable

Company's Telephone Number

(02) 890-8034

Mobile Number

Not Applicable

No. of Stockholders

45

Annual Meeting (Month / Day)

June 15

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Ms. Rossellina J. Escoto

Email Address

RJEscoto@rgoc.com.ph

Telephone Number/s

858-9400

Mobile Number

0908 865 0354

CONTACT PERSON'S ADDRESS

2/F Midland Buendia Building, 403 Senator Gil Puyat Avenue, Makati City

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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

As of September 30, 2019

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash (Note 3)	P1,357,758,405	P2,360,460,924
Trade and other receivables (Note 4)	721,985,885	678,035,439
Merchandise inventory (Note 5)	10,906,857,792	9,245,189,954
Prepayments and other current assets (Note 6)	1,207,751,387	1,065,252,880
Total Current Assets	14,194,353,469	13,348,939,197
Noncurrent Assets		
Investment in an associate (Note 7)	101,043,960	54,594,522
Interests in joint ventures (Note 8)	539,588,723	519,849,166
Property and equipment (Note 9)	2,716,085,094	2,806,005,348
Deferred tax assets	333,325,243	302,802,810
Security deposits and construction bonds (Note 23)	1,085,230,118	1,018,278,699
Other noncurrent assets (Note 10)	197,159,391	203,088,344
Total Noncurrent Assets	4,972,432,529	4,904,618,889
TOTAL ASSETS	P19,166,785,998	P18,253,558,086
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	P2,284,105,715	P1,523,808,064
Short-term loans payable (Note 12)	4,562,500,000	4,567,500,000
Current portion of long-term debt (Note 13)	449,848,015	449,848,015
Deferred revenue	21,968,539	21,289,644
Income tax payable	110,729,679	102,659,616
Total Current Liabilities	7,429,151,948	6,665,105,339
Noncurrent Liabilities		
Long-term debt (Note 13)	63,188,109	401,418,108
Retirement benefit obligation	365,511,732	335,528,882
Tenant deposits (Note 23)	33,845,779	33,770,004
Deferred tax liability	6,032	-
Total Noncurrent Liabilities	462,551,652	770,716,994
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
Treasury shares	(10,202,720)	(7,558,440)
Retained earnings		
Appropriated	1,100,000,000	1,100,000,000
Unappropriated	4,373,181,680	3,901,797,763
Cumulative translation adjustment	(2,107,062)	(2,123,272)
Other comprehensive income	(17,963,643)	(6,554,441)
Total Equity	11,275,082,398	10,817,735,753
TOTAL LIABILITIES AND EQUITY	P19,166,785,998	P18,253,558,086

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three-Month Periods Ended		Nine-Month Periods Ended	
	September 30		September 30	
	2019	2018	2019	2018
NET SALES	₱5,004,646,290	₱4,528,239,074	₱14,855,645,459	₱13,791,450,346
COST OF GOODS SOLD (Note 14)	2,944,034,851	2,539,486,420	8,566,372,524	7,876,051,907
GROSS PROFIT	2,060,611,439	1,988,752,654	6,289,272,935	5,915,398,439
OPERATING EXPENSES				
Selling and distribution (Note 15)	1,440,606,854	1,419,061,545	4,374,633,604	4,275,720,502
General and administrative (Note 16)	325,064,457	311,995,974	988,171,956	906,593,522
	1,765,671,311	1,731,057,519	5,362,805,560	5,182,314,024
OTHER INCOME (CHARGES)				
Rental income (Note 23)	19,862,029	26,207,846	56,311,656	60,758,915
Share in net earnings of an associate (Note 7)	21,343,148	9,211,920	46,449,438	30,082,963
Interest accretion on security deposits (Note 24)	665,982	1,069,659	1,894,247	2,576,107
Interest income (Note 3)	1,175,498	773,363	4,008,582	3,156,455
Interest expense (Notes 12 and 13)	(84,298,779)	(91,338,652)	(245,162,191)	(210,403,742)
Share in net income of joint ventures (Note 8)	5,851,829	6,415,772	19,739,556	23,493,843
Loss on disposal of property and equipment (Note 9)	(14,136,186)	(66,698,624)	(55,407,279)	(85,886,550)
Foreign exchange gains (losses) - net	(5,623,060)	(261,450)	(7,696,162)	(4,896,253)
Others - net	12,764,773	(14,011,757)	8,569,774	(7,385,062)
	(42,394,766)	(128,631,923)	(171,292,379)	(188,503,324)
INCOME BEFORE INCOME TAX	252,545,362	129,063,212	755,174,996	544,581,091
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	89,303,221	50,169,286	274,884,179	226,248,433
Deferred	(12,156,956)	(5,879,989)	(41,050,384)	(49,720,765)
	77,146,265	44,289,297	233,833,795	176,527,668
NET INCOME	175,399,097	84,773,915	521,341,201	368,053,423
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	—	—	16,210	3,748
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>				
Re-measurement gain (loss) on retirement benefit, net of deferred tax	—	—	(11,409,202)	—
TOTAL COMPREHENSIVE INCOME	₱175,399,097	₱84,773,915	₱509,948,209	₱368,057,171
BASIC/DILUTED EARNINGS PER SHARE (Note 20)	₱0.05	₱0.03	₱0.16	₱0.11

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

	For the Nine-Month Periods Ended September 30, 2019 and 2018								
	Capital Stock	Additional Paid-in Capital	Stock Grants	Treasury Shares	Retained Earnings		Cumulative Translation Adjustment	Other Comprehensive Income	Total
					Appropriated	Unappropriated			
Balances at January 1, 2018	₱3,312,864,430	₱2,519,309,713	₱33,640,983	(₱457,280)	₱1,402,500,000	₱3,042,212,724	(₱2,703,640)	(₱69,933,016)	₱10,237,433,914
Net income	–	–	–	–	–	368,053,423	–	–	368,053,423
Exchange differences on translation	–	–	–	–	–	–	3,748	–	3,748
Total comprehensive income for the period	–	–	–	–	–	368,053,423	3,748	–	368,057,171
Reversal of appropriation of retained earnings	–	–	–	–	(262,500,000)	262,500,000	–	–	–
Treasury shares	–	–	–	(3,246,160)	–	–	–	–	(3,246,160)
Dividends paid during the year	–	–	–	–	–	(43,045,424)	–	–	(43,045,424)
Balances at September 30, 2018	₱3,312,864,430	₱2,519,309,713	₱33,640,983	(₱3,703,440)	₱1,140,000,000	₱3,629,720,723	(₱2,699,892)	(₱69,933,016)	₱10,559,199,501
Balances at January 1, 2019	₱3,312,864,430	₱2,519,309,713	₱–	(₱7,558,440)	₱1,100,000,000	₱3,901,797,763	(₱2,123,272)	(₱6,554,441)	₱10,817,735,753
Net income	–	–	–	–	–	521,341,201	–	–	521,341,201
Other comprehensive income	–	–	–	–	–	–	–	(11,409,202)	(11,409,202)
Exchange differences on translation	–	–	–	–	–	–	16,210	–	16,210
Total comprehensive income for the period	–	–	–	–	–	521,341,201	16,210	(11,409,202)	509,948,209
Treasury shares	–	–	–	(2,644,280)	–	–	–	–	(2,644,280)
Dividends paid during the year	–	–	–	–	–	(49,957,284)	–	–	(49,957,284)
Balances at September 30, 2019	₱3,312,864,430	₱2,519,309,713	₱–	(₱10,202,720)	₱1,100,000,000	₱4,373,181,680	(₱2,107,062)	(₱17,963,643)	₱11,275,082,397

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	
	2019	2018
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱755,174,996	544,581,091
Adjustments for:		
Depreciation and amortization (Notes 9, 10 and 18)	639,809,715	643,420,429
Interest expense (Note 12 and 13)	245,162,191	210,403,742
Loss on disposal of property and equipment (Note 9)	48,350,363	85,886,550
Share in net earnings of an associate (Note 7)	(46,449,438)	(30,082,963)
Share in net income of joint ventures (Note 8)	(19,739,556)	(23,493,843)
Unrealized foreign exchange gains	1,187,639	(1,890,388)
Interest income (Note 3)	(4,008,582)	(3,156,455)
Interest accretion on security deposits (Note 23)	(1,894,247)	(2,576,107)
Operating income before working capital changes	1,617,593,081	1,423,092,056
Decrease (increase) in:		
Trade and other receivables	(43,950,446)	(46,748,048)
Merchandise inventory	(1,661,667,838)	(433,730,954)
Amounts owed by related parties	-	121,328,980
Prepayments and other current assets	(142,498,507)	84,328,599
Increase (decrease) in:		
Trade and other payables	760,297,651	(490,509,826)
Deferred revenue	678,895	(5,738,460)
Amounts owed to related parties	-	159,923
Retirement benefit obligation	13,683,989	24,034,482
Tenant deposits	75,775	(1,008,740)
Net cash from operations	544,212,600	675,208,012
Interest received	4,008,582	3,156,455
Income taxes paid	(251,374,265)	(242,471,064)
Net cash flows from operating activities	296,846,917	435,893,403
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 9)	(584,024,090)	(313,233,756)
Decrease (increase) in:		
Security deposits and construction bonds	(65,057,172)	(159,285,087)
Other noncurrent assets	(8,286,781)	20,401,268
Net cash flows used in investing activities	(657,368,043)	(452,117,575)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of short-term loans payable	1,085,000,000	1,930,000,000
Payments of:		
Short-term loans payable	(1,090,000,000)	(875,000,000)
Long-term debt	(338,229,999)	(1,038,229,998)
Interest	(245,162,191)	(210,403,742)
Purchase of treasury shares	(2,644,280)	(3,246,160)
Dividends paid during the year	(49,957,284)	(43,045,424)
Net cash flows used in financing activities	(640,993,754)	(239,925,324)
NET INCREASE (DECREASE) IN CASH	(1,001,514,880)	(256,149,496)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(1,187,639)	2,855,085
CASH AT BEGINNING OF PERIOD	2,360,460,924	1,689,481,704
CASH AT END OF PERIOD (Note 3)	₱1,357,758,405	₱1,436,187,293

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

On June 18, 2014, certain resolutions were approved by the Board and shareholders of the Company, including, among others: (1) change in its corporate name from “Casual Clothing Specialists, Inc.” to “SSI Group, Inc.”; (2) change in its primary purpose as a retail company to that of a holding company; (3) increase in its authorized capital stock from ₱3.0 billion to ₱5.0 billion; (4) reduction of par value of its shares from ₱100.00 per share to ₱1.00 per share; and (5) increase in the number of members of its board of directors from five to nine. These changes, including the appropriate amendments to its articles of incorporation, were submitted to the Philippine SEC on July 30, 2014 and were subsequently approved on August 29, 2014. Upon approval, the Company has an authorized capital stock of ₱5.00 billion divided into 5,000,000,000 shares with a par value of ₱1.00 per share.

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

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

The interim condensed consolidated financial statements were reviewed and recommended for approval by the Audit Committee to the Board of Directors (BOD) on November 12, 2019. The same interim condensed consolidated financial statements were approved and authorized by the BOD on the same date.

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

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, 2019 and for the nine-month periods ended September 30, 2019 and 2018 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. The unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at December 31, 2018.

Basis of Consolidation

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

	Percentage ownership			
	September 30, 2019		December 31, 2018	
	Direct	Indirect	Direct	Indirect
Stores Specialists, Inc. (SSI)	100	–	100	–
Rustan Marketing Specialists, Inc. (RMSI)	–	100	–	100
International Specialty Concepts, Inc. (ISCI)	–	100	–	100
Rustan Specialty Concepts, Inc. (RSCI)	–	100	–	100
Specialty Office Concepts, Inc. (SOCI)	–	100	–	100
Specialty Investments, Inc. (SII)	–	100	–	100
International Specialty Fashions, Inc. (ISFI)	–	100	–	100
Footwear Specialty Retailers, Inc. (FSRI)	–	100	–	100
Global Specialty Retailers, Inc. (GSRI)	–	100	–	100
Specialty Food Retailers, Inc. (SFRI)	–	100	–	100
International Specialty Retailers, Inc. (ISRI)	–	100	–	100
International Specialty Wears, Inc. (ISWI)	–	100	–	100
Fastravel Specialists Holdings, Inc. (FSHI)	–	100	–	100
International Specialty Apparels, Inc. (ISAI)	–	100	–	100
Specialty Lifestyle Concepts, Inc. (<i>former Casual Clothing Retailers, Inc.</i>) (SLCI)	–	100	–	100
SKL International, Ltd. (SKL)	–	100	–	100

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

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of September 30, 2019 and for the nine months ended September 30, 2019 and 2018. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

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, 2019. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards to have a significant impact on the Group's financial statements.

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

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

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

lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

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

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

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

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

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

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

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

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

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

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
 - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
 - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

3. Cash

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash on hand	₱27,591,642	₱36,310,930
Cash in banks	1,330,166,763	2,224,149,994
Short-term investments	–	100,000,000
	₱1,357,758,405	₱2,360,460,924

Cash in banks earn interest at the respective bank deposit rates. Interest earned from cash in banks for the nine months ended September 30, 2019 and 2018 amounted to ₱4,008,582 and ₱3,156,455, respectively.

4. Trade and Other Receivables

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade receivables	₱122,717,142	₱268,038,636
Nontrade receivables	457,252,695	272,280,314
Receivables from related parties (see Note 19)	84,777,403	71,228,195
Advances to officers and employees	74,967,840	84,217,489
	739,715,080	695,764,634
Less allowance for doubtful accounts	17,729,195	17,729,195
	₱721,985,885	₱678,035,439

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

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

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

5. Merchandise Inventory

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
At cost		
On hand	P10,528,473,060	P8,519,776,129
In transit	378,384,732	725,413,825
	P10,906,857,792	P9,245,189,954

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

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

The cost of inventories recognized as expense and presented in “Cost of goods sold” amounted to P8,069,440,960 and P7,406,836,878, for the nine months ended September 30, 2019 and 2018, respectively (see Note 14).

6. Prepayments and Other Current Assets

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Supplies inventory	P494,139,769	P381,205,401
Advances to suppliers	296,838,323	256,463,505
Input VAT	194,185,606	197,534,537
Creditable withholding tax	45,520,889	58,311,116
Prepaid advertising	23,804,836	43,701,792
Current portion of prepaid rent (see Notes 10 and 23)	31,737,047	36,293,203
Deferred input VAT	32,795,377	25,724,677
Prepaid guarantee	8,209,332	6,550,082
Prepaid insurance	21,755,781	16,200,060
Current portion of security deposits (see Note 23)	–	5,246,363
Others	58,764,427	38,022,144
	P1,207,751,387	P1,065,252,880

Supplies inventory are composed of packaging materials, office and store supplies, and employees uniform inventory.

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

Input VAT will be applied against output VAT.

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

7. Investment in an Associate

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Acquisition cost	₱24,640,000	₱24,640,000
Accumulated equity in net earnings:		
Balance at beginning of year	29,954,522	22,661,362
Share in net earnings	46,449,438	43,293,160
Dividends received	–	(36,000,000)
Balance at end of year	76,403,960	29,954,522
	₱101,043,960	₱54,594,522

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

As of September 30, 2019 and December 31, 2018, SPI is 40% owned by the Group and 60% owned by Samsonite Corporation, its ultimate parent and an entity incorporated under the laws of the United States of America.

8. Interests in Joint Ventures

The Group's interests in joint ventures pertain to the following:

Joint venture	Project description	Income sharing arrangement
MPC	Operation of retail stores in the Philippines	51:49
SCRI	Open and operate convenience stores directly owned and/or franchised in the Philippines	50:50
SSRI	Investment in and operation of mid-market department stores	50:50
LMS	Investment in and operation of travel retail stores in the Philippines	50:50

The movements in the carrying values of interest in joint ventures are as follows:

September 30, 2019

	LMS	MPC	SSRI	SCRI	Total
Cost:					
Balances at beginning and end of period	₱375,296,454	₱89,250,000	₱407,344,383	₱420,350,000	₱1,292,240,837
Accumulated equity in net earnings (losses):					
Balances at beginning of year	32,527,710	22,775,002	(407,344,383)	(420,350,000)	(772,391,671)
Share in net income	(5,916,704)	25,656,261	–	–	19,739,557
Balances at end of year	26,611,006	48,431,263	(407,344,383)	(420,350,000)	(752,652,114)
	₱401,907,461	₱137,681,262	₱–	₱–	₱539,588,723

December 31, 2018

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

Investment in LMS

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

The acquisition cost includes the consideration for goodwill amounting to ₱121.75 million and intangible asset amounting to ₱29.90 million. The intangible asset pertains to the concession agreement with Duty Free and is being amortized over 10.7 years. Amortization expense, which is included in the share in net income of LMS, amounted to ₱1.92 million and ₱1.96 million for the nine months ended September 30, 2019 and 2018, respectively.

Investment in MPC

On January 20, 2017, SSI and Ryohin Keikaku Co., Ltd. entered into a Joint Venture Agreement wherein the parties agreed to form MPC. SSI contributed ₱89.25 million for the 51% ownership interest in MPC. The Joint Venture Agreement provides for unanimous votes of both parties in so far as most key and relevant operating activities are concerned.

Investment in SSRI

The Group (through SII) has 50% ownership interest in SSRI which is engaged in the operation of mid-market department stores. In March 2016, SSRI sold the fixed assets in the department stores. The proceeds from the sale are distributed to the joint venturers. The remaining carrying value of the investment, after the share in net losses, amounting to ₱27.16 million is fully provided with impairment loss. SSRI has no commercial operations as at September 30, 2019.

Investment in SCRI

The Group (through SII) has 50% ownership interest in SCRI which has an investment in Philippine FamilyMart CVS, Inc. (PFM) that is engaged in the operation of convenience stores. On October 30, 2017, SCRI entered into a Memorandum of Agreement for the sale of its shares in PFM. The sale was concluded on January 11, 2018.

The joint ventures have no contingent liabilities or capital commitments as of September 30, 2019 and December 31, 2018.

9. Property and Equipment

The composition and movements of this account are as follows:

September 30, 2019 (Unaudited)

	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Construction in Progress	Total
Cost:						
Balances at beginning of year	P7,256,246,129	P2,211,690,435	P898,080,680	P279,203,655	P68,097,610	P10,713,318,509
Additions	241,531,726	151,853,637	766,280	21,640,299	168,232,148	584,024,090
Disposals	(536,903,903)	(4,282,484)	–	(1,842,067)	–	(543,028,454)
Reclassifications	78,722,572	–	–	–	(78,722,572)	–
Balances at end of year	7,039,596,524	2,359,261,588	898,846,960	299,001,887	157,607,186	10,754,314,145
Accumulated depreciation and amortization:						
Balances at beginning of year	5,704,592,695	1,822,463,913	249,056,739	131,199,814	–	7,907,313,161
Depreciation (see Note 18)	435,437,200	137,978,722	33,506,123	18,671,936	–	625,593,981
Disposals	(491,816,922)	(1,356,815)	–	(1,504,354)	–	(494,678,091)
Balances at end of year	5,648,212,973	1,959,085,820	282,562,862	148,367,396	–	8,038,229,051
Net book values	P1,391,383,551	P400,175,768	P616,284,098	P150,634,491	P157,607,186	P2,716,085,094

December 31, 2018 (Audited)

	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Construction in Progress	Total
Cost:						
Balances at beginning of year	P7,368,130,759	P2,163,605,355	P874,797,537	P274,746,423	P53,173,551	P10,734,453,625
Additions	250,345,949	78,219,347	5,035,248	4,457,232	96,351,641	434,409,417
Disposals and retirement	(427,866,210)	(27,179,820)	–	–	(498,503)	(455,544,533)
Reclassifications	65,635,631	(2,954,447)	18,247,895	–	(80,929,079)	–
Balances at end of year	7,256,246,129	2,211,690,435	898,080,680	279,203,655	68,097,610	10,713,318,509
Accumulated Depreciation and Amortization:						
Balances at beginning of year	5,440,614,983	1,647,035,565	191,902,831	107,286,610	–	7,386,839,989
Depreciation and amortization (Note 18)	589,230,915	198,216,264	47,855,599	23,913,204	–	859,215,982
Disposals and retirement	(318,233,856)	(20,508,954)	–	–	–	(338,742,810)
Reclassifications	(7,019,347)	(2,278,962)	9,298,309	–	–	–
Balances at end of year	5,704,592,695	1,822,463,913	249,056,739	131,199,814	–	7,907,313,161
Net book values	P1,551,653,434	P389,226,522	P649,023,941	P148,003,841	P68,097,610	P2,806,005,348

10. Other Noncurrent Assets

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Franchise fee	P96,636,799	P98,804,487
Miscellaneous deposits	86,247,642	83,915,471
Prepaid rent - net of current portion (see Note 23)	5,763,151	5,981,459
Software costs	1,219,751	868,888
Deferred Input VAT	–	4,985,095
Others	7,292,048	8,532,944
	P197,159,391	P203,088,344

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

11. Trade and Other Payables

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade payables	₱1,221,660,471	₱640,440,497
Nontrade payables	918,271,034	525,228,822
Accrued expenses	73,977,081	170,089,235
Output VAT	22,450,340	131,887,802
Retention payable	41,630,670	35,020,805
Payable to related parties (see Note 19)	1,075,262	822,238
Others	5,040,857	20,318,665
	₱2,284,105,715	₱1,523,808,064

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

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

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

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

Trade and other payables are generally paid within 12 months from balance sheet date.

12. Short-term Loans Payable

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Banks:		
Bank of Philippine Islands (BPI)	₱2,245,000,000	₱2,605,000,000
Banco de Oro (BDO)	627,500,000	1,062,500,000
Metropolitan Bank & Trust Co. (MBTC)	500,000,000	500,000,000
Bank of Commerce (BOC)	500,000,000	–
Security Bank Corporation (SBC)	390,000,000	–
Philippine National Bank (PNB)	300,000,000	400,000,000
	₱4,562,500,000	₱4,567,500,000

The Group's outstanding short-term peso-denominated loans from local commercial banks bear interest at rates ranging from 5.25% to 5.75% and 4.65% to 5.25% for the nine months ended September 30, 2019 and 2018, respectively.

Interest expense recognized in the consolidated statements of comprehensive income for the nine months ended September 30, 2019 and 2018 amounted to ₱220,828,537 and ₱149,546,602, respectively.

13. Long-term Debt

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

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

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

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

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
BPI	₱330,208,667	₱484,938,663
SBC	66,253,495	132,753,496
CBC	45,704,947	91,579,948
MBTC	45,704,947	91,579,948
RCBC	25,164,067	50,414,068
Total	513,036,123	851,266,123
Less: current portion	449,848,015	449,848,015
Noncurrent portion	₱63,188,109	₱401,418,108

Interest expense recognized in the consolidated statements of comprehensive income for the nine months ended September 30, 2019 and 2018 amounted to ₱24,333,654 and ₱60,857,140, 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, 2019 and December 31, 2018, the Group is in compliance with the loan covenants of all their respective outstanding debts.

14. Cost of Goods Sold

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Cost of merchandise sold	₱8,069,440,960	₱7,406,836,878
Royalty fees	107,083,684	61,319,377
Rent (see Notes 19 and 23)	52,061,139	48,172,088
Personnel costs (see Note 17)	47,019,520	105,971,894
Depreciation and amortization (see Notes 9, 10 and 18)	44,951,347	30,110,164
Travel and transportation	39,589,194	35,426,534
Security and safety	13,335,470	12,368,427
Utilities	12,521,308	10,906,090
Supplies and maintenance	6,155,175	7,275,046
Insurance	3,562,954	2,377,051
Repairs and maintenance	2,871,270	15,922,988
Taxes and licenses	1,992,697	1,013,581
Others	165,787,806	138,351,789
	₱8,566,372,524	₱7,876,051,907

Cost of merchandise sold:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Merchandise inventory, beginning	₱9,245,189,954	₱9,423,866,643
Net purchases	9,731,108,798	7,840,567,832
Cost of merchandise available for sale	18,976,298,752	17,264,434,475
Less merchandise inventory, ending	(10,906,857,792)	9,857,597,597
	₱8,069,440,960	₱7,406,836,878

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

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

15. Selling and Distribution Expenses

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Rent (see Notes 19 and 23)	₱1,459,810,724	₱1,437,060,853
Personnel costs (see Note 17)	867,489,160	784,316,351
Depreciation and amortization (see Notes 9, 10 and 18)	502,375,720	524,205,785
Utilities	412,745,837	411,013,105
Credit card charges	283,673,734	260,672,112
Taxes and licenses	175,788,931	157,335,746
Supplies and maintenance	149,979,720	149,639,281
Security services	106,762,539	113,024,235
Global marketing contribution fee	93,960,390	92,814,162
Delivery and freight charges	66,382,075	55,166,489
Repairs and maintenance	49,873,733	64,201,924
Advertising	46,258,687	58,195,631
Insurance	31,346,290	27,467,744
Travel and transportation	28,226,314	24,360,224
Communication	25,433,178	21,238,691
Outside services	20,496,274	9,626,924
Entertainment, amusement and recreation (EAR)	8,416,810	4,339,224
Telegraphic transfer	1,602,973	1,741,723
Others	44,010,515	79,300,298
	₱4,374,633,604	₱4,275,720,502

16. General and Administrative Expenses

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Personnel costs (see Note 17)	₱489,584,963	₱442,368,433
Rent (see Notes 19 and 23)	94,444,391	98,006,119
Depreciation and amortization (see Notes 9, 10 and 18)	92,482,648	89,104,481
Utilities	53,811,592	35,554,322
Travel and transportation	36,103,787	23,068,743
Taxes and licenses	32,992,796	38,111,676
Supplies and maintenance	28,224,099	21,547,332
Repairs and maintenance	25,465,986	27,408,191
Security services	24,856,870	26,716,343
Advertising	16,892,174	27,336,336
Communication	15,330,122	14,829,363
Insurance	12,414,133	14,077,462
Professional fees	10,796,721	10,693,367
EAR	5,048,747	5,359,345
Outside service	811,766	446,784
Others	48,911,161	31,965,225
	₱988,171,956	₱906,593,522

17. Personnel Costs

Personnel costs were charged to operations as follows:

	September 30, 2019	September 30, 2018
	(Unaudited)	(Unaudited)
Salaries, wages and bonuses	₱1,203,316,702	₱1,196,203,021
Retirement benefit expense	37,027,786	37,827,317
Other employee benefits	163,749,155	98,626,340
	₱1,404,093,643	₱1,332,656,678

Personnel costs were distributed as follows:

	September 30, 2019	September 30, 2018
	(Unaudited)	(Unaudited)
Cost of goods sold (see Note 14)	₱47,019,520	₱105,971,894
Selling and distribution (see Note 15)	867,489,160	784,316,351
General and administrative (see Note 16)	489,584,963	442,368,433
	₱1,404,093,643	₱1,332,656,678

18. Depreciation and Amortization Expense

	September 30, 2019	September 30, 2018
	(Unaudited)	(Unaudited)
Property and equipment (see Note 9)	₱625,593,981	₱641,615,789
Franchise fee (see Note 10)	13,204,612	1,567,038
Software costs (see Note 10)	1,011,122	237,603
	₱639,809,715	₱643,420,430

Depreciation and amortization were distributed as follows:

	September 30, 2019	September 30, 2018
	(Unaudited)	(Unaudited)
Cost of goods sold (see Note 14)	₱44,951,347	₱30,110,164
Selling and distribution (see Note 15)	502,375,720	524,205,785
General and administrative (see Note 16)	92,482,648	89,104,481
	₱639,809,715	₱643,420,430

19. Related Party Disclosures

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

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

- a. Lease of the Group's store outlet spaces from a related party (see Note 23). Related rent expense amounted to ₱59.4 million and ₱66.9 million, for the nine months in the period ended September 30, 2019 and 2018, respectively;
- b. The Group reimburses related parties for its expenses paid by the related parties in behalf of the Group;
- c. Sales through the use of related parties' gift certificates. Total value of the related parties' gift certificates used amounted to ₱19.0 million and ₱20.9 million for the nine months ended September 30, 2019 and 2018, respectively;
- d. Short-term noninterest-bearing cash advances to/from related parties; and
- e. Compensation of the Company's key management personnel comprised of short-term employee benefits amounting to ₱28.0 million, ₱28.1 million for the nine months in the period ended September 30, 2019 and 2018, respectively, and post-employment benefits amounting to ₱4.2 million and ₱4.1 million for the nine months in the period ended September 30, 2019 and 2018, respectively;

As of September 30, 2019 and December 31, 2018, receivables from and payables to related parties are as follows:

September 30, 2019 (Unaudited)

Related Parties	Transactions for the period	Outstanding balances	
		Receivables from related parties (see Note 4)	Payable to related parties (see Note 11)
<i>Affiliates</i>			
RCC	17,237,851	₱26,019,298	₱746,501
RMK	8,315,872	37,860,096	328,711
<i>Joint ventures</i>			
PFM	7,838	18,481,053	–
MPC	8,200	18,300	50
<i>Associate</i>			
SPI	–	2,398,656	–
	₱113,271,579	₱84,777,403	₱1,075,262

December 31, 2018 (Audited)

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

The related party balances as of September 30, 2019 and December 31, 2018 are due and demandable, non-interest bearing and unsecured. Except for receivables from SCRI which was provided with allowance amounting ₱41.13 million, all receivables from related parties are not impaired. All related party balances are settled in cash.

20. Earnings Per Share (EPS)

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

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Net income	₱521,341,201	₱368,053,423
Divided by weighted average number of common shares	3,309,186,035	3,312,263,372
	₱0.16	₱0.11

There were no potential dilutive common shares for the nine months ended September 30, 2019 and 2018.

21. Risk Management Objectives and Policies

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

The main risks arising from the financial instruments of the Group are credit risk, foreign currency risk and liquidity risk. The Group's management reviews and approves policies for managing

each of these risks and they are summarized below. The Group also monitors the market price risk arising from all financial instruments.

The magnitudes of these risks that have arisen over the year are discussed below.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group trades only with recognized, creditworthy third parties, mostly with credit card companies. Trade receivables from third parties are monitored on an on-going basis with the result that the exposure of the Group to bad debts is not significant. There is no allowance for impairment of trade receivables since the Group expects to fully realize its receivables from debtors.

The table below shows the maximum exposure of the Company to credit risk:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash	₱1,330,166,763	₱2,324,149,994
Trade and other receivables		
Trade receivables	122,717,142	268,038,636
Nontrade receivables	457,252,695	272,280,314
Receivables from related parties	118,444,760	71,228,195
Security deposits and construction bonds	1,085,230,118	1,023,525,062
	₱3,113,811,478	₱3,959,222,201

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

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

September 30, 2019 (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	₱1,330,166,763	₱1,330,166,763	₱-	₱-	₱-	₱-	₱-
Trade and other receivables							
Trade receivables	122,717,142	114,740,718	7,370,835	45,177	299,828	260,585	-
Nontrade receivables	457,252,695	261,865,465	74,926,746	23,721,399	17,342,197	61,667,693	17,729,195
Receivables from related parties	118,444,760	1,372,826	33,416,651	9,873,101	7,594,693	25,062,488	41,125,000
Security deposits and construction bonds	1,085,230,118	1,085,230,118	-	-	-	-	-
Total	₱3,113,811,478	₱2,793,375,890	₱115,714,232	₱33,639,677	₱25,236,718	₱86,990,766	₱58,854,195

December 31, 2018 (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	₱2,324,149,994	₱2,324,149,994	₱-	₱-	₱-	₱-	₱-
Trade and other receivables							
Trade receivables	268,038,636	250,917,590	12,165,346	830,728	344,834	3,780,138	-
Nontrade receivables	272,280,314	245,904,589	-	370,980	8,275,550	-	17,729,195
Receivables from related parties	71,228,195	25,557,868	401,187	256,246	128,658	3,759,237	41,125,000
Security deposits and construction bonds	1,023,525,062	1,023,525,062	-	-	-	-	-
Total	₱3,959,222,201	₱3,870,055,103	₱12,566,533	₱1,457,954	₱8,749,042	₱7,539,375	₱58,854,195

Impairment of financial assets

The following financial assets are subject to expected credit loss model effective January 1, 2018:

- a. Cash, nontrade receivables (except those related to principals), amounts owed by related parties and security deposits and construction bonds

The Group uses general approach in assessing impairment of these financial assets. The credit risk of these financial asset is presumed to increase when the contractual payments are more

than 30 days past due. As of September 30, 2019 and December 31, 2018, there has been no increase in credit risk of these financial assets since initial recognition except for amounts owed by related parties amounting to ₱41.13 million which are classified as credit impaired as of September 30, 2019 and December 31, 2018.

b. Trade receivables

For these financial assets, the Group uses simplified approach. An impairment analysis is performed at each reporting date to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The identified impairment losses on these financial assets were immaterial.

c. Nontrade receivables amounting to ₱39.03 million pertain to receivables from principals. The credit risk of these financial assets is presumed to increase when the contractual payments are more than 90 days past due. As of September 30, 2019 and December 31, 2018, nontrade receivables from principals amounting to ₱17.73 million are classified as credit impaired.

Capital Management

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

The Group manages its capital structure and makes adjustments to it based on changes in economic and business conditions. To maintain or adjust the capital structure, the Group may consider paying dividends to stockholders, returning capital to stockholders, or issuing new shares of stocks. No major changes were made on the objectives, policies, or processes during the nine months ended September 30, 2019 and year ended December 31, 2018. Capital includes equity as shown in the consolidated balance sheet.

As disclosed in Note 14, the Group is required by their creditors to maintain a debt-to-equity ratio and debt-service coverage ratio. The Group, thus, monitors capital on the basis of debt-to-equity ratio which is calculated as total liabilities divided by total equity. The Company includes within debt all interest-bearing short-term and long-term liabilities. These externally imposed capital requirements have been complied with as of September 30, 2019.

22. Fair Value of Financial Instruments

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

	<u>September 30, 2019 (Unaudited)</u>		<u>December 31, 2018 (Audited)</u>	
	<u>Carrying Amounts</u>	<u>Fair Values</u>	<u>Carrying Amounts</u>	<u>Fair Values</u>
Financial Assets				
<i>Loans and receivables</i>				
Security deposits and construction bonds	₱1,085,230,118	₱1,074,352,076	₱1,018,278,699	₱1,050,086,063
Financial Liabilities				
<i>Other financial liabilities</i>				
Long-term debt	₱513,036,124	₱535,359,882	₱851,266,123	₱975,414,968

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

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

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

Security deposits and construction bonds

The fair values of security deposits are based on the discounted value of future cash flows using the applicable market interest rates. Discount rates ranging from 4.19% to 4.48% and 5.41% to 7.29% were used in calculating the fair value of the Group's refundable deposits as of September 30, 2019 and December 31, 2018, respectively.

Long-term debt

The fair value of long-term debt is based on the discounted value of future cash flows using the applicable market interest rates. Discount rates ranging from 3.70% to 4.04% and 5.78% to 6.98% were used in calculating the fair value of the Group's long-term debt as of September 30, 2019 and December 31, 2018, respectively.

Fair Value Hierarchy

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

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

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

As at September 30, 2019 and December 31, 2018 the Group does not have financial instruments with fair values determined using inputs that are classified under Level 1 and 3.

For the nine months ended September 30, 2019 and years ended December 31, 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

23. Contracts and Commitments

Leases

The Group leases its office space and certain store outlets used in its operations for lease terms ranging from two to three years. Rental payments on certain outlets are based on a fixed basic monthly rate plus a certain percentage of gross sales, while other store outlets and office spaces are based on fixed monthly rates. Rentals charged to operations amounted to ₱1,606.3 million and ₱1,583.2 million, for the nine months ended September 30, 2019 and 2018, respectively (see Notes 14, 15 and 16).

Of the total rent expense, ₱275.4 million and ₱196.4 million for the nine months ended September 30, 2019 and 2018, respectively, pertain to contingent rent of some stores based on percentage ranging from 3% to 6% of total merchandise sales.

The Group has paid security deposits for the store outlets and office spaces with carrying amounts of ₱1,085.2 million and ₱1,023.5 million as of September 30, 2019 and December 31, 2018, respectively, which are refundable upon complete turnover of the leased area. The present value of these deposits was computed using the discount rates prevailing at the inception date of the lease, ranging from 1.24% to 7.15%. Interest income recognized from these security deposits amounted to ₱1.9 million and ₱2.6 million, for the nine months ended September 30, 2019 and 2018, respectively.

Group as lessor

In 2014, the Group leased out portions of the store spaces and parking space in Central Square for a lease term ranging from one to three years. Rental income on these spaces is based on a fixed basic monthly rate plus a certain percentage of gross sales. Deposits received from tenants amounted to ₱33.8 million and ₱33.8 million as of September 30, 2019 and December 31, 2018, respectively, pertaining to deposits on the leased space.

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

Rental income recognized on these spaces amounted to ₱56.3 million and ₱60.8 million, for the nine months ended September 30, 2019 and 2018, respectively.

24. Segment Reporting

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

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

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

The table below sets out revenue from external customers by category for the nine months ended September 30, 2019 and 2018 (amounts in millions):

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Net Sales		
Luxury and Bridge	₱4,399	₱3,521
Casual	1,953	1,740
Fast Fashion	4,460	4,743
Footwear, Accessories and Luggage	1,692	1,752
Other	2,351	2,035
	₱14,855	₱13,791

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, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Philippines	₱14,809	₱13,745
Guam	46	46
	₱14,855	₱13,791

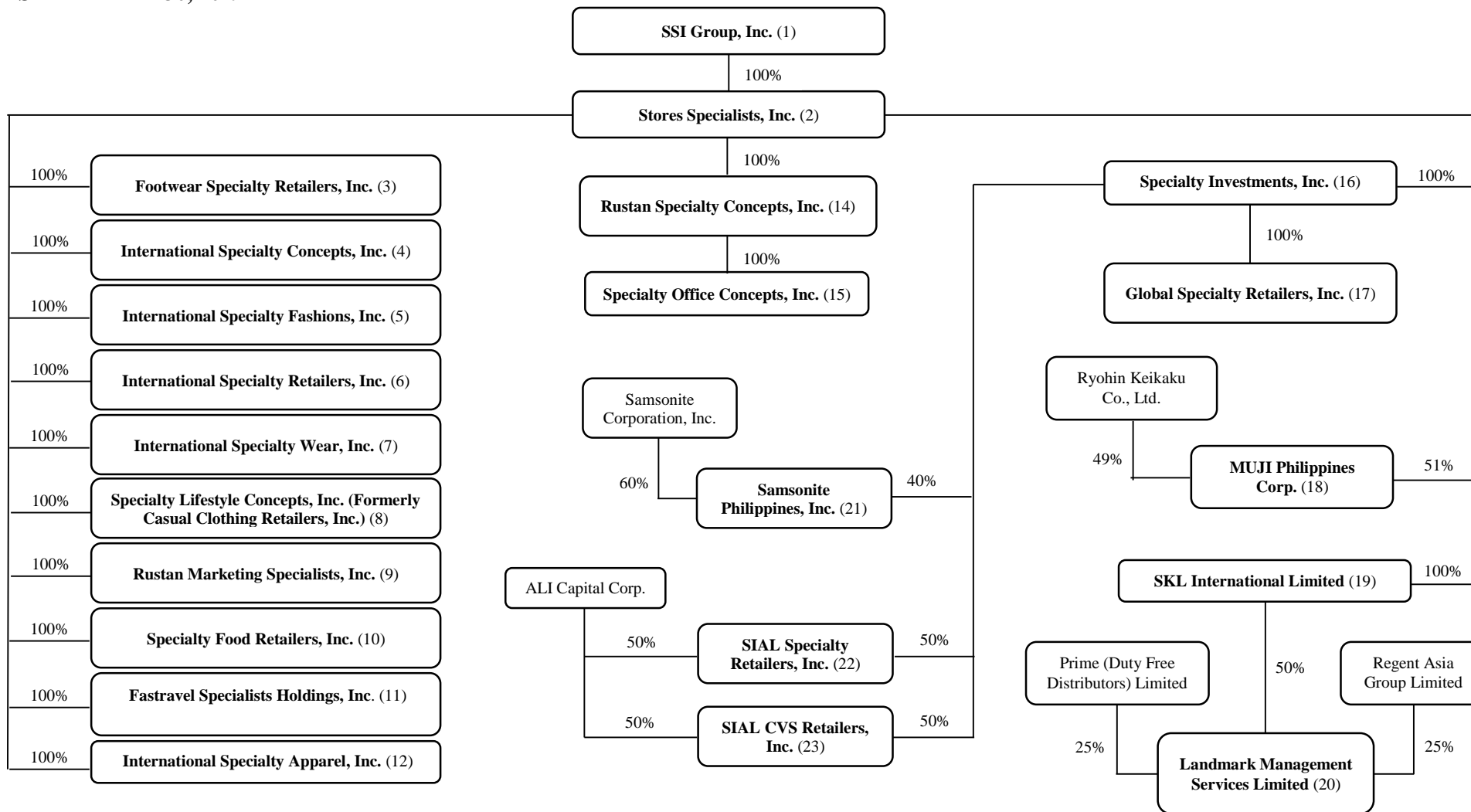
25. Seasonality of operations

The Group experiences seasonal fluctuations in its operations. The Group's sales typically peak during the fourth quarter of the year due to the increased sales attributable to the Christmas and New Year Holidays.

EXHIBIT I

SSI GROUP, INC.

**MAP SHOWING RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND ITS SUBSIDIARIES
SEPTEMBER 30, 2019**



SSI GROUP, INC.

**SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS
AND INTERPRETATIONS**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions	✓		
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓
	Amendments to PAS 40, Transfers of Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment	✓		
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration	✓		
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of September 30, 2019		Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC-15	Operating Leases - Incentives			✓
Philippine Interpretation SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets - Web Site Costs			✓

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

Exhibit III**SSI GROUP, INC.****RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION****September 30, 2019**

Unappropriated retained earnings, as adjusted, beginning		₱1,023,608,355
Net income during the period closed to retained earnings	8,325,457	
Less: Other realized gains related to accretion of income from security deposits	906,199	
Deferred tax asset recognized during the year	<u>—</u>	
Net income actually earned during the period		9,231,656
Less: Dividends declared during the period		(49,957,284)
Retained earnings available for dividend declaration		<u>₱982,882,727</u>

SSI GROUP, INC.

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratios	Formula	September 30, 2019	December 31, 2018	September 30, 2018
(i) Current Ratio	Current Assets/Current Liabilities	1.91	2.00	1.89
(ii) Debt/Equity Ratio	Bank Debts/ Total Equity	0.45	0.50	0.59
(iii) Net Debt/Equity Ratio	Bank Debts-Cash & Equivalents/Total Equity	0.33	0.28	0.45
(iii) Asset to Equity Ratio	Total Assets/Total Equity	1.70	1.69	1.76
(iv) Interest Cover Ratio	EBITDA/Interest Expense	6.39	6.95	6.54
(v) Profitability Ratios				
GP Margin	Gross Profit/Revenues	42.34%	42.00%	42.89%
Net Profit Margin	Net Income/Revenues	3.51%	3.01%	2.67%
EBITDA Margin	EBITDA/Revenues	10.54%	10.76%	9.98%
Return on Assets	Net Income /Total Assets	2.72%	3.33%	1.98%
Return on Equity	Net Income /Total Equity	4.62%	5.62%	3.49%

*EBITDA = Operating income plus depreciation and amortization