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SEC Registration Number

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(Company's Full Name)

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

Ms. Rossellina J. Escoto

(Contact Person)

8858-9400

(Company Telephone Number)

1 2

Month Day
(Calendar Year)

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Form 17-Q

(Form Type)

June 15

Month Day
(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

48

Total No. of Stockholders as of
30 September 2021

Total Amount of Borrowings

**₱6,244
million**

Domestic

**Not
Applicable**

Foreign

To be accomplished by SEC Personnel concerned

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SEC Number CS200705607
File Number _____

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

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

(632) 8890-8034
(Telephone Number)

September 30, 2021
(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, 2021**
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, 2021
Common Shares	3,298,408,430

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, 2021 (with comparative audited figures as of December 31, 2020) and for the three-month and nine-month periods ended September 30, 2021 and 2020 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, 2021 and 2020

Key Performance Indicators	For the nine months ended September 30	
	2021	2020
<i>PhP MM except where indicated</i>		
Net Sales	9,347	7,299
Gross Profit – merchandise	3,478	3,135
Operating Income (Loss)	2	(626)
Net Income (Loss)	(445)	(762)
Gross Selling Space (sq.m.)	104,958	116,567
Increase (Decrease) in Gross Selling Space (%)	(10.0%)	(1.4%)

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

Net sales	Sales, net of VAT, minus sales returns and allowances and sales discounts
Gross profit – merchandise	Net sales minus cost of merchandise sold
Operating income (loss)	Gross profit minus operating expenses
Net income (loss)	Operating income (loss) minus other charges and provision for income tax
Gross selling space	Sum of floor area of all stores of the Group

Key Financial and Operating Data	For the nine months ended September 30	
<i>PhP MM except where indicated</i>	2021	2020
Key Financial Data		
Net Sales	9,347	7,299
Luxury & Bridge	4,117	2,459
Casual	1,419	959
Fast Fashion	2,123	2,170
Footwear, Accessories & Luggage	538	567
Others	1,150	1,144
Gross Profit – merchandise ¹	3,478	3,135
Gross Profit Margin – merchandise (%)	37.2%	42.9%
Operating Income (Loss)	2	(626)
Operating Income Margin (%)	0.0%	(8.6%)
Other Income (Charges)	(388)	(371)
Net Income (Loss)	(445)	(762)
Net Income Margin (%)	(4.8%)	(10.4%)
Total Debt ²	6,244	7,157
Net Debt ³	1,796	4,087
Key Operating Data		
Number of Brands	93	96
Number of Stores	530	571
Gross Selling Space (sq.m.)	104,958	116,567
Increase (Decrease) in Gross Selling Space (%)	(10.0%)	(1.4%)

Revenues

Net sales

For the nine months ended September 30, 2021, SSI Group, Inc. (“SSI,” the “Company” or the “Group”) generated sales of ₱9.3 billion, a growth of 28.1% as compared to the same period in 2020. For the third quarter alone, sales increased by 28.4% to ₱2.9 billion. The increase in sales was achieved despite the enhanced and modified enhanced community quarantines during the period, as well as record high COVID-19 cases, that caused the temporary closure of the Group’s brick and mortar stores, reduced foot traffic in malls, and saw most consumers continuing to work from home, and reluctant to venture out of their houses.

At the end of September 2021, the Group’s store network included 530 stores nationwide which cover a total of approximately 104,958 square meters. During the third quarter, the Group closed ten (10) stores covering 1,657 square meters. This is in line with the Group’s focus on locations and brands that are expected to recover most quickly from the impact of COVID-19 pandemic.

With eleven (11) e-commerce sites, bananarepublic.com.ph, beautybar.com.ph, dunelondon.ph, gap.com.ph, lacoste.com.ph, lush.com.ph, marksandspencer.com.ph, payless.com.ph, superga.ph, zara.com/ph, and trunc.ph, the Group’s e-commerce sales for the nine months of 2021 increased by 142% from the same period last year.

¹ Calculated as Net Sales minus Cost of Merchandise Sold

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, 2021, the Group had 93 brands in its portfolio, with Korres added, and Debenhams , MBT, Aerosoles, and A2 by Aerosoles discontinued by the third quarter of the year.

The following table sets out the Group's number of stores and gross selling space for the periods ended September 30, 2021 and 2020 and for the year ended December 31, 2020.

Store Network	September 30		December 31
	2021	2020	2020
Number of Stores	530	540	593
Luxury & Bridge	140	146	147
Casual	77	73	76
Fast Fashion	51	57	58
Footwear, Accessories & Luggage	120	146	158
Others	142	149	154
Gross Selling Space (sq.m.)	104,958	116,567	118,922
Luxury & Bridge	12,886	13,643	13,705
Casual	11,530	12,151	12,721
Fast Fashion	43,468	50,940	50,862
Footwear, Accessories & Luggage	17,782	20,448	21,529
Others	19,292	19,385	20,107

Rental income

The Group booked rental income of ₱19.0 million during the nine months of 2021, as compared to ₱25.0 million during the same period in 2020. Rental income relates to the leasing out of certain store spaces at Central Square as well as income derived from parking spaces at Central Square.

Gross Profit

Gross profit for the first nine months of the year amounted to ₱3.5 billion, an 11.0% increase as compared to the same period last year. Gross profit margin for merchandise sold during the nine-month period was 37.2% as compared to 42.9% during the same period last year. Gross profit margin during the 3rd quarter was 30.5% as compared to 36.7.2% during the previous year. The decline in 3Q GPM was a result of the Group's desire to drive sales given the two week ECQ in August, which was followed by a period of low foot traffic in malls. The Group continues to focus on turning over inventory and generating cashflow, even within low foot traffic environments.

Operating Expenses

During the first nine months of the year, the Group incurred total operating expenses of ₱3.5 billion, a 7.7% decrease as compared to the same period last year. As a percentage of net sales, total operating expenses improved to 37.2% of net sales as compared to 51.6% during the same period in 2020. This reflects the Group's cost rationalization efforts and focus on cost efficiencies given the current operating environment.

Selling and distribution expenses during the nine months of 2021 were at ₱2.6 billion, a decrease of 11.1% as compared to the same period last year. The decrease primarily reflects a decrease in rent and depreciation expenses which decreased to a total of ₱335.2 million, as a result of store closures and

rental concessions. In line with the Group's desire to rationalize expenses, the Group also saw decreases in personnel costs, taxes and licenses, security services, repairs and maintenance, outside services, travel and transportation, entertainment, amusement and recreation expenses, and telegraphic transfer, which decreased by a total of ₱223.8 million. As a percentage of sales, selling and distribution expenses were at 27.8% as compared to 40.0% during the same period last year.

General and administrative expenses for the nine months of 2021 were at ₱883.5 million, a 3.9% increase over the same period last year. The increase pertains to an increase in depreciation which increased to ₱245.2 million, and increases in security services, outside services, and repairs and maintenance expenses to ₱41.2 million. There were also increases in personnel costs, taxes and licenses, supplies and maintenance, professional fees, communication, advertising, and travel and transportation expenses, which increased by a total of ₱19.3 million. As a percentage of sales, general and administrative expenses were at 9.4% as compared to 11.6% during the same period last year. The slight increase in GAEX during the period reflects the very low GAEX base of the Group in 2020, as the Group already began to implement significant cost saving initiatives as early as March 2020.

As a result of the foregoing, the Group's earnings before interest and taxes was at ₱2 million during the nine months of 2021 as compared to an operating loss of ₱626 million during the same period last year.

Other Income (Charges)

Other charges for the nine months of the year totaled ₱388.2 million, an increase of 4.5% as compared to same period last year. The increase is primarily attributable to its share in the net losses of its associate and write-offs of property and equipment, which increased to ₱10.8 million and ₱30.7 million, respectively. Write-offs of PPE are a result of write offs of undepreciated leasehold improvements of stores closed during the period, as the Group seeks to strengthen its store network by concentrating on developed, central, and more high end locations. On the other hand, the Group's interest expense decreased by 4.6% during the nine-month period, from ₱406.3 million to ₱387.8 million. Interests recognized for short-term debt, long-term debt, and lease liabilities were ₱262.2 million, ₱1.9 million, and ₱123.7 million, respectively.

Provision for Income Tax

Provision for income tax for the first nine months of 2021 amounted to ₱58.0 million as compared to ₱236.2 million income tax benefit during the same period last year. This reflects the new regular and minimum corporate income tax rates under the CREATE law.

Net Income

As a result of the foregoing, the Group's net loss for the nine months of 2021 amounted to ₱444.6 million, a decrease of 41.6% from ₱761.5 million net loss during the same period last year.

Excluding write-offs related to store closures and write-offs of deferred tax assets, resulting from the lower corporate income tax rate under the CREATE law, the Group's recurring loss for the first nine months of the year was at ₱350.7 million, a 52.7% decrease from ₱742.0 million in 2020.

For the 3rd quarter alone, the Group's net loss, before non-recurring write offs of deferred tax assets that were derecognized as a result of the lower corporate tax rate, was at ₱262.0 million as compared to ₱277.0 million during the same period last year.

FINANCIAL CONDITION

As of September 30, 2021, the Group had consolidated assets of ₱20.5 billion as compared to ₱22.7 billion as of December 31, 2020.

Current Assets

As of September 30, 2021, the Group had consolidated current assets of ₱14.4 billion, as compared to ₱15.8 billion as of December 31, 2020.

Cash

As of September 30, 2021, cash amounted to ₱4.4 billion as compared to ₱5.3 billion at the end of 2020. The decrease primarily reflects the Group's capital expenditures of ₱326.0 million, and payment of its loans and lease liabilities, including interest, amounting to ₱1.86 billion. Capital expenditures year to date are primarily for the renovation and expansion of luxury brand stores and for the new Shake Shack store opened in Alabang in October.

Trade and Other Receivables

As of September 30, 2021, trade and other receivables amounted to ₱1.0 billion as compared to ₱713.3 million at the end of 2020. The increase is mainly attributable to an increase in trade receivables to ₱465.9 million, which consist primarily of receivables from credit card companies. Trade receivables increased as a result of additional sales made through 3rd party e-commerce marketplaces. Nontrade receivables also increased to ₱404.1 million, which include receivables from banks for tie-up sale and promotional activities, and principals for their share in marketing expense.

Merchandise Inventory

As of September 30, 2021, merchandise inventory amounted to ₱8.3 billion as compared to ₱9.2 billion at the end of 2020 and ₱10.7 billion at the end of September 2020. The decrease was a result of 9M sales combined with calibrated inventory purchases.

Non-Current Assets

Investment in an Associate

As of September 30, 2021, investment in an associate amounted to ₱67.4 million as compared to ₱78.3 million at the end of 2020. The decrease reflects the Group's share in the net loss of SPI amounting to ₱10.8 million.

Property and Equipment

As of September 30, 2021, property and equipment amounted to ₱3.7 billion as compared to ₱4.5 billion at the end of 2020. The decrease is primarily attributable to additional depreciation expense recognized during the period amounting to ₱1.1 billion. The Group also made capital expenditures amounting to ₱326.0 million during the nine months of the year.

Deferred Tax Assets

As of September 30, 2021, deferred tax assets amounted to ₱600.4 million as compared to ₱591.2 million at the end of 2020. 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.

Other Noncurrent Assets

As of September 30, 2021, other noncurrent assets amounted to ₱169.0 million as compared to ₱198.5 million at the end of 2020. The decrease was mainly due to the decrease in deferred input VAT to nil during the period.

Current Liabilities

As of September 30, 2021, the Group's total consolidated current liabilities amounted to ₱8.4 billion as compared to ₱12.3 billion at the end of 2020.

Trade and Other Payables

As of September 30, 2021, trade and other payables amounted to ₱1.8 billion as compared to ₱2.1 billion at the end of 2020. The decrease is primarily attributable to a decrease in trade payables by ₱72.2 million, in line with terms agreed with brand principals and a decrease in output VAT by ₱167.9 million. There were also decreases in accrued expenses, retention payables, tenant deposits, and payables to related parties, and non-trade suppliers and advertising agencies, which decreased by a total of ₱233.7 million.

Short-term Loans Payable

As of September 30, 2021, short-term loans payable amounted to ₱6.2 billion as compared to ₱7.0 billion at the end of 2020. The decrease is attributable to net payments of short-term debt of ₱765.6 million.

Non- Current Liabilities

Long-term Debt

As of September 30, 2021, the Group has no remaining long-term debt. The outstanding balance of ₱117.6 million at the end of 2020 was paid during the nine-month period.

Retirement Benefit Obligation

As of September 30, 2021, retirement benefit obligation was at ₱782.7 million as compared to ₱748.8 million at the end of 2020. This represents the difference between the present value of the Group's retirement plan obligations and the fair value of the Group's plan assets at the end of the period.

Equity

As of September 30, 2021, total equity amounted to ₱10.0 billion as compared to ₱10.4 billion at the end of 2020. The decrease is largely attributable to the net loss incurred by the Group amounting to ₱444.6 million.

CASH FLOWS

The Group generated positive operating cash flows before working capital changes of ₱1.2 billion during the first nine months of 2021. This was increased primarily through sales of inventories and

calibrated inventory purchases. Increases in trade and other receivables and prepayments, and a decrease in trade and other payables and deferred revenue totaling ₱709.2 million, resulted in cash generated by operating activities of ₱1.3 billion.

Cash flows used in investing activities during the first nine months of 2021 totaled ₱297.9 million. This reflects capital expenditures of ₱326.0 million which was offset by a net decrease in security deposits and other noncurrent assets of ₱28.1 million.

The Group's cash flows used in financing activities during the nine months of 2021 amounted to ₱1.9 billion, a decrease from a positive amount of ₱1.5 billion during the same period last year. This pertains primarily to the Group's repayments of its debts, including the related interests, of ₱1.4 billion and the payment of lease liabilities, including interest booked under PFRS 16, of ₱712 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) The continuing community quarantines imposed by the government in the country may continue to have a material impact on the Group's revenues throughout the year 2021.
- (vi) There were no significant elements of income or loss that did not arise from continuing operations.

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 15, 2021

SSI Group, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of September 30, 2021 *(With Comparative Audited Figures as of
December 31, 2020)*
and For the Nine-Month Periods Ended September 30, 2021 and 2020

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

As of September 30, 2021

(With Comparative Audited Figures as of December 31, 2020)

	September 30 2021 (Unaudited)	December 31 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	P4,448,853,625	P5,303,876,139
Trade and other receivables (Note 4)	1,006,760,381	713,281,488
Merchandise inventories (Note 5)	8,306,028,389	9,209,038,936
Prepayments and other current assets (Note 6)	644,893,050	557,392,818
Total Current Assets	14,406,535,445	15,783,589,381
Noncurrent Assets		
Investment in an associate (Note 7)	67,407,344	78,251,625
Interests in joint ventures (Note 8)	538,426,851	543,663,728
Property and equipment (Note 9)	3,744,600,146	4,537,710,085
Deferred tax assets - net	600,442,234	591,167,488
Security deposits and construction bonds (Note 23)	960,633,489	963,591,768
Other noncurrent assets (Note 10)	169,024,562	198,475,979
Total Noncurrent Assets	6,080,534,626	6,912,860,673
TOTAL ASSETS	P20,487,070,071	P22,696,450,054
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	P1,828,618,167	P2,148,691,455
Short-term loans payable (Note 12)	6,244,440,000	7,010,000,000
Current portion of long-term debt (Note 13)	-	117,593,738
Current portion of lease liabilities (Note 23)	243,426,956	738,752,642
Deferred revenue	22,731,312	30,928,791
Income tax payable	27,603,793	30,383,591
Total Current Liabilities	8,366,820,228	10,076,350,217
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 13)	-	-
Lease liabilities - net of current portion (Note 23)	1,315,852,759	1,408,703,347
Retirement benefit obligation	782,686,597	748,787,027
Tenant deposits (Note 23)	23,921,670	20,279,738
Total Noncurrent Liabilities	2,122,461,026	2,177,770,112
Total Liabilities	10,489,281,254	12,254,120,329
Equity		
Capital stock	3,312,864,430	3,312,864,430
Additional paid-in capital	2,519,309,713	2,519,309,713
Treasury shares	(30,893,010)	(30,893,010)
Retained earnings		
Appropriated	-	-
Unappropriated	4,416,083,743	4,860,701,097
Cumulative translation adjustment	(2,004,156)	(2,080,603)
Other comprehensive loss	(217,571,902)	(217,571,902)
Total Equity	9,997,788,818	10,442,329,725
TOTAL LIABILITIES AND EQUITY	P20,487,070,071	P22,696,450,054

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three-Month Periods Ended September 30		Nine-Month Periods Ended September 30	
	2021	2020	2021	2020
REVENUE				
Revenue from contract with customers - net sales	₱2,926,142,380	₱2,278,303,869	₱9,347,146,869	₱7,299,089,297
Rental income (Note 23)	6,031,914	7,173,640	18,969,104	25,376,571
	2,932,174,294	2,285,477,509	9,366,115,973	7,324,465,868
COST OF GOODS SOLD AND SERVICES (Note 14)				
	2,036,673,270	1,446,039,799	5,877,865,892	4,173,434,861
GROSS PROFIT	895,501,024	839,437,710	3,488,250,081	3,151,031,007
OPERATING EXPENSES				
Selling and distribution (Note 15)	828,644,951	740,219,662	2,603,150,091	2,926,757,568
General and administrative (Note 16)	274,698,157	322,457,777	883,544,572	850,536,612
	1,103,343,108	1,062,677,439	3,486,694,663	3,777,294,180
OTHER INCOME (CHARGES)				
Interest income (Note 3)	3,231,592	1,853,759	11,124,465	4,169,035
Interest accretion on security deposits (Note 23)	878,068	702,556	2,622,450	2,594,569
Interest expense (Notes 12,13 and 23)	(120,191,246)	(154,037,812)	(387,786,746)	(406,329,553)
Loss on disposal of property and equipment (Note 9)	(10,569,789)	(11,558,401)	(30,691,759)	(28,425,520)
Share in net earnings (losses) of an associate (Note 7)	(3,128,326)	(2,277,044)	(10,844,281)	13,281,635
Foreign exchange losses - net	(5,627,269)	(3,036,332)	(7,540,518)	(8,759,587)
Share in net losses of joint ventures (Note 8)	(2,510,936)	(6,555,915)	(5,236,878)	(10,869,208)
Others - net	30,914,391	26,643,525	40,150,858	62,856,804
	(107,003,515)	(148,265,664)	(388,202,409)	(371,481,825)
INCOME (LOSS) BEFORE INCOME TAX	(314,845,599)	(371,505,393)	(386,646,991)	(997,744,998)
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	(13,431,499)	6,613,501	66,438,970	15,305,535
Deferred	(30,448,994)	(92,876,102)	(8,468,607)	(251,513,859)
	(43,880,493)	(86,262,601)	57,970,363	(236,208,324)
NET INCOME (LOSS)	(270,965,106)	(285,242,792)	(444,617,354)	(761,536,674)
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	-	-	76,447	-
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>				
Re-measurement loss on retirement benefit, net of deferred tax	-	-	-	(1,049,758)
TOTAL COMPREHENSIVE INCOME	(₱270,965,106)	(₱585,627,779)	(₱444,540,907)	(₱762,586,432)
BASIC/DILUTED EARNINGS (LOSS) PER SHARE (Note 20)				
	(₱0.08)	(₱0.18)	(₱0.13)	(₱0.14)

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, 2021 AND 2020

	Capital Stock	Additional Paid-in Capital	Treasury Shares	Retained Earnings		Cumulative Translation Adjustment	Other Comprehensive Loss	Total
				Appropriated	Unappropriated			
Balances at January 1, 2020	₱3,312,864,430	₱2,519,309,713	(₱18,103,900)	₱1,100,000,000	₱4,664,521,751	(₱2,169,584)	(₱155,137,693)	₱11,421,284,717
Net loss	–	–	–	–	(761,536,674)	–	–	(761,536,674)
Other comprehensive loss	–	–	–	–	–	–	(1,049,758)	(1,049,758)
Total comprehensive loss for the period	–	–	–	–	(761,536,674)	–	(1,049,758)	(762,586,432)
Treasury shares	–	–	(12,789,110)	–	–	–	–	(12,789,110)
Balances at September 30, 2020	₱3,312,864,430	₱2,519,309,713	(₱30,893,010)	₱1,100,000,000	₱3,902,985,077	(₱2,169,584)	(₱156,187,451)	₱10,645,909,175
Balances at January 1, 2021	₱3,312,864,430	₱2,519,309,713	(₱30,893,010)	₱–	₱4,860,701,097	(₱2,080,603)	(₱217,571,902)	₱10,442,329,725
Net loss	–	–	–	–	(444,617,354)	–	–	(444,617,354)
Other comprehensive loss	–	–	–	–	–	76,447	–	76,447
Total comprehensive loss for the period	–	–	–	–	(444,617,354)	76,447	–	(444,540,907)
Balances at September 30, 2021	₱3,312,864,430	₱2,519,309,713	(₱30,893,010)	₱–	₱4,416,083,743	(₱2,004,156)	(₱217,571,902)	₱9,997,788,818

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	
	2021 (Unaudited)	2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(₱386,646,991)	(997,744,998)
Adjustments for:		
Depreciation and amortization (Notes 9, 10 and 18)	1,095,380,796	1,386,123,632
Interest expense (Note 12, 13 and 23)	387,786,746	406,329,553
Loss on disposal of property and equipment (Note 9)	30,691,759	28,425,520
Share in net earnings (losses) of an associate (Note 7)	10,844,281	(13,281,635)
Share in net losses of joint ventures (Note 8)	5,236,878	10,869,208
Unrealized foreign exchange losses	(729,695)	–
Interest income (Note 3)	(11,124,465)	(4,169,035)
Interest accretion on security deposits (Note 23)	(2,622,450)	(2,594,569)
Movement in retirement benefit obligation	33,899,569	40,655,956
Operating income before working capital changes	1,162,716,428	854,613,631
Decrease (increase) in:		
Trade and other receivables	(293,478,893)	(8,777,448)
Merchandise inventories	903,010,547	(923,351,863)
Prepayments and other current assets	(87,500,232)	293,974,442
Increase (decrease) in:		
Trade and other payables	(320,073,288)	(629,327,942)
Tenant deposits	3,641,932	147,271
Deferred revenue	(8,197,479)	–
Net cash generated from (used in) operations	1,360,119,015	(412,721,909)
Interest received	11,124,465	4,169,035
Income taxes paid	(69,218,768)	(163,342,663)
Net cash flows from (used in) operating activities	1,302,024,712	(571,895,537)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 9)	(326,014,272)	(320,774,428)
Decrease (increase) in:		
Security deposits and construction bonds	(1,367,614)	(12,109,703)
Other noncurrent assets	29,451,418	(2,421,195)
Net cash flows used in investing activities	(297,930,468)	(335,305,326)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of short-term loans payable	300,000,000	3,035,000,000
Payments of:		
Short-term loans payable	(1,065,560,000)	(100,000,000)
Long-term debt	(117,593,738)	(254,896,667)
Lease liability	(588,176,274)	(776,273,020)
Interest	(387,786,746)	(406,329,553)
Purchase of treasury shares	–	(12,789,110)
Net cash flows from (used in) financing activities	(1,859,116,758)	1,484,711,650
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(855,022,514)	577,510,787
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,303,876,139	2,492,459,933
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 3)	₱4,448,853,625	₱3,069,970,720

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).

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 unaudited interim condensed consolidated financial statements were reviewed and recommended for approval by the Audit Committee to the Board of Directors (BOD) on November 11, 2021. The same unaudited 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, 2021 and for the nine-month periods ended September 30, 2021 and 2020 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, 2020.

Basis of Consolidation

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

	Percentage ownership			
	September 30, 2021		December 31, 2020	
	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 interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of September 30, 2021 and for the nine months ended September 30, 2021 and 2020. 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, 2021. 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, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022

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

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

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

Deferred effectivity:

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

3. Cash and Cash Equivalents

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash on hand	₱13,608,439	₱38,550,938
Cash in banks	2,919,032,024	4,300,618,637
Short-term investments	1,516,213,162	964,706,564
	₱4,448,853,625	₱5,303,876,139

Cash in banks earn interest at the respective bank deposit rates. Interest earned from cash in banks for the nine months ended September 30, 2021 and 2020 amounted to ₱11.12 million and ₱4.17 million, respectively.

4. Trade and Other Receivables

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade receivables	₱465,952,784	₱254,892,223
Nontrade receivables	404,081,551	287,147,180
Receivables from related parties (see Note 19)	134,822,509	139,352,584
Advances to officers and employees	53,268,790	81,336,458
Others	1,568,792	3,487,087
	1,059,694,426	766,215,532
Less: Allowance for ECL on nontrade receivables	(9,763,045)	(9,763,045)
Allowance for ECL on related parties	(43,170,999)	(43,170,999)
	₱1,006,760,381	₱713,281,488

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

Nontrade receivables mainly include receivables from banks for tie-up sale and promotional activities, and principals for their share in marketing expense.

Nontrade receivables, advances to officers and employees and receivables from related parties are usually settled within one year. SSI's advances to officers and employees are subject to 12% annual interest and are payable within 3-6 months through salary deduction.

5. Merchandise Inventories

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
At cost		
On hand	₱8,095,050,509	₱8,660,001,514
In transit	230,672,037	568,731,579
Inventory - at cost	8,325,722,546	9,228,733,093
Less allowance for inventory obsolescence	(19,694,157)	(19,694,157)
	₱8,306,028,389	₱9,209,038,936

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 merchandise sold" amounted to ₱5,868.72 million and ₱4,164.26 million, for the nine months ended September 30, 2021 and 2020, respectively (see Note 14).

6. Prepayments and Other Current Assets

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Supplies	₱262,813,285	₱292,531,047
Input VAT	95,998,134	73,092,445
Advances to suppliers	76,795,166	43,929,057
Creditable withholding tax	51,384,761	23,107,860
Deferred input VAT	47,025,262	15,472,635
Security deposits (see Note 23)	33,721,906	56,034,171
Prepaid insurance	32,876,240	7,194,294
Prepaid guarantee	7,230,924	4,326,819
Current portion of prepaid rent (see Notes 10 and 23)	5,743,252	4,876,020
Prepaid advertising	1,492,206	18,784,137
Others	29,811,914	18,044,333
	₱644,893,050	₱557,392,818

Supplies 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, 2021 (Unaudited)	December 31, 2020 (Audited)
Acquisition cost	₱24,640,000	₱24,640,000
Accumulated equity in net earnings:		
Balance at beginning of year	53,611,625	62,136,792
Share in net earnings	(10,844,281)	10,297,692
Dividends received	-	(18,822,859)
Balance at end of year	42,767,344	53,611,625
	₱67,407,344	₱78,251,625

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, 2021 and December 31, 2020, SPI is 40% owned by the Group and 60% owned by Samsonite Corporation, its ultimate parent and an entity incorporated under the laws of the United States of America.

8. Interests in Joint Ventures

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

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

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

September 30, 2021 (Unaudited)

	LMS	MPC	SSRI	SCRI	Total
Cost:					
Balances at beginning	₱375,296,454	₱87,500,000	₱407,344,383	₱420,350,000	₱1,292,240,837
Accumulated equity in net earnings (losses):					
Balances at beginning of year	10,601,453	70,265,821	(407,344,383)	(420,350,000)	(746,827,109)
Share in net earnings (loss)	(17,969,439)	12,732,560	-	-	(5,236,878)
Balances at end of year	(7,367,985)	82,998,381	(407,344,383)	(420,350,000)	(752,063,986)
	₱367,928,469	₱170,498,381	₱-	₱-	₱538,426,851

December 31, 2020 (Audited)

	LMS	MPC	SSRI	SCRI	Total
Cost:					
Balances at beginning	₱375,296,454	₱89,250,000	₱407,344,383	₱420,350,000	₱1,292,240,837
Sale of shares	-	(1,750,000)	-	-	(1,750,000)
Balances at end of year	₱375,296,454	₱87,500,000	₱407,344,383	₱420,350,000	1,290,490,837
Accumulated equity in net earnings (losses) and impairment loss:					
Balances at beginning of year	44,796,080	59,517,308	(407,344,383)	(420,350,000)	(723,380,995)
Share in net earnings (loss)	(34,194,627)	10,748,513	-	-	(23,446,114)
Balances at end of year	10,601,453	70,265,821	(407,344,383)	(420,350,000)	(746,827,109)
	₱385,897,907	₱157,765,821	₱-	₱-	₱543,663,728

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 Landmark Management Services Ltd. (LMS) from its two existing shareholders, Regent Asia Group Limited (Regent) and Prime (Duty Free Distributors) Limited (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 Philippines and is being amortized over 10.7 years. Amortization expense, which is included in the share in net earnings of LMS, amounted to ₱1.85 million and ₱1.90 million for the nine months ended September 30, 2021 and 2020, respectively.

Investment in MPC

On January 20, 2017, SSI and Ryohin Keikaku Co., Ltd. entered into a Joint Venture Agreement wherein the parties agreed to form MPC. SSI contributed ₱89.25 million for the 51% ownership interest in MPC. On November 20, 2020, the Company entered into a Deed of absolute sale of shares with RKJ for the sale of 1% or 1,750,000 common shares of the Company's ownership interest in MPC. The Joint Venture Agreement provides for unanimous votes of both parties in so far as most key and relevant operating activities are concerned. On December 3, 2020, the Company received cash amounting to ₱5.48 million for the sale of the said shares costing ₱1.75 million and recognized a gain amounting to ₱3.73 million.

Investment in SSRI and SCRI

The remaining carrying value of the investment, after the share in net losses, amounting to ₱27.16 million is fully provided with impairment loss. Both SSRI and SCRI has no commercial operations as at September 30, 2021.

The joint ventures have no contingent liabilities or capital commitments as of September 30, 2021 and December 31, 2020.

9. Property and Equipment

The composition and movements of this account are as follows:

September 30, 2021 (Unaudited)

	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Right of use Asset	Construction in Progress	Total
Cost:							
Balances at beginning of year	₱7,372,905,326	₱2,581,333,462	₱900,598,629	₱304,662,822	₱4,081,369,726	₱58,482,199	₱15,299,352,164
Additions	129,474,958	31,151,258	51,255,636	769,812	841,026	112,521,582	326,014,272
Disposals and retirement	(331,839,393)	(24,590,977)	–	(1,754,996)	(231,218)	–	(358,416,584)
Reclassifications	119,825,294	–	–	–	–	(119,825,294)	–
Balances at end of the period	7,290,366,185	2,587,893,743	951,854,265	303,677,638	4,081,979,534	51,178,487	15,266,949,852
Accumulated depreciation and amortization:							
Balances at beginning of year	6,101,708,342	2,144,782,791	335,623,194	178,246,620	2,001,281,132	–	10,761,642,079
Depreciation and amortization (see Note 18)	319,180,278	107,502,771	34,656,984	18,419,935	608,672,484	–	1,088,432,452
Disposals and retirement	(303,850,956)	(21,928,982)	–	(1,754,996)	(189,891)	–	(327,724,825)
Balances at end of the period	6,117,037,664	2,230,356,580	370,280,178	194,911,559	2,609,763,725	–	11,522,349,706
Net book values	₱1,173,328,521	₱357,537,163	₱581,574,087	₱108,766,079	₱1,472,215,809	₱51,178,487	₱3,744,600,146

December 31, 2020 (Audited)

	Leasehold Improvements	Store, Office, Warehouse Furniture and Fixtures	Building	Transportation Equipment	Right-of-Use Asset	Construction in Progress	Total
Cost:							
Balances at beginning of year	₱7,255,634,677	₱2,514,378,268	₱892,989,252	₱304,733,387	₱3,926,426,489	₱87,301,743	₱14,981,463,816
Additions	268,697,770	99,942,586	7,609,377	627,345	506,321,822	59,849,915	943,048,815
Disposals and retirement	(239,328,815)	(33,755,157)	–	(697,910)	–	–	(273,781,882)
Remeasurement	–	–	–	–	(351,378,585)	–	(351,378,585)
Reclassifications	87,901,694	767,765	–	–	–	(88,669,459)	–
Balances at end of year	7,372,905,326	2,581,333,462	900,598,629	304,662,822	4,081,369,726	58,482,199	15,299,352,164
Accumulated Depreciation and Amortization:							
Balances at beginning of year	5,773,219,940	1,998,491,501	290,513,069	153,766,171	1,172,593,126	–	9,388,583,807
Depreciation and amortization (Note 18)	528,496,910	177,873,146	45,110,125	25,178,359	1,072,905,136	–	1,849,563,676
Disposals and retirement	(200,008,508)	(31,581,856)	–	(697,910)	–	–	(232,288,274)
Remeasurement	–	–	–	–	(244,217,130)	–	(244,217,130)
Balances at end of year	6,101,708,342	2,144,782,791	335,623,194	178,246,620	2,001,281,132	–	10,761,642,079
Net book values	₱1,271,196,984	₱436,550,671	₱564,975,435	₱126,416,202	₱2,080,088,594	₱58,482,199	₱4,537,710,085

Additions to leasehold improvements and construction in progress in 2021 and 2020 pertain to improvements and construction of newly opened and renovated stores during the period.

Disposals and retirement for the period ended September 30, 2021 and year ended December 31, 2020 mainly pertain to leasehold improvements and store furniture and fixtures derecognized on closed or renovated stores.

No property and equipment were pledged or treated as security to the outstanding liabilities as of September 30, 2021 and December 31, 2020.

The Group has no purchase commitments related to property and equipment as of September 30, 2021 and December 31, 2020.

10. Other Noncurrent Assets

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Franchise fee	₱82,738,672	₱83,512,361
Miscellaneous deposits	83,562,686	58,588,899
Software costs	2,613,793	3,014,491
Deferred Input VAT	–	47,511,143
Others	109,411	5,849,085
	₱169,024,562	₱198,475,979

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

11. Trade and Other Payables

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade payables	₱1,015,770,024	₱1,087,954,185
Nontrade payables	662,662,750	509,008,365
Accrued expenses	72,363,652	206,910,477
Retention payable	28,405,545	46,264,484
Output VAT	23,962,477	191,815,839
Tenant deposits (see Note 23)	–	31,003,853
Payable to related parties (see Note 19)	569,441	4,161,624
Others	24,884,278	71,572,628
	₱1,828,618,167	₱2,148,691,455

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, 2021 (Unaudited)	December 31, 2020 (Audited)
Banks:		
Bank of the Philippine Islands (BPI)	₱2,444,440,000	₱2,710,000,000
Rizal Commercial Banking Corporation (RCBC)	1,440,000,000	1,440,000,000
BDO Unibank, Inc. (BDO)	1,260,000,000	960,000,000
Security Bank Corporation (SBC)	500,000,000	500,000,000
Bank of Commerce (BOC)	300,000,000	700,000,000
China Banking Corporation (CBC)	300,000,000	300,000,000
Metropolitan Bank & Trust Co. (MBTC)	–	400,000,000
	₱6,244,440,000	₱7,010,000,000

The Group's outstanding short-term peso-denominated loans from local commercial banks bear interest at rates ranging from 4.10% to 5.25% and 4.75% to 6.00% for the nine months ended September 30, 2021 and 2020, respectively.

Interest expense recognized in the interim consolidated statements of comprehensive income for the nine months ended September 30, 2021 and 2020 amounted to ₱262.20 million and ₱267.18 million, 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 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 was fully paid on May 20, 2020.

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 solely to refinance its existing short term loans.

Long-term debt (net of unamortized transaction costs) amounted to nil and ₱117.59 million as of September 30, 2021 and December 31, 2020, respectively.

Interest expense recognized in the interim consolidated statements of comprehensive income for the nine months ended September 30, 2021 and 2020 amounted to ₱1.89 million and ₱7.56 million, 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, 2021 and December 31, 2020, the Group is in compliance with the loan covenants of all their respective outstanding debts.

14. Cost of Goods Sold and Services

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Cost of merchandise sold (see Note 5)	₱5,868,724,866	₱4,164,263,161
Depreciation and amortization (see Notes 9 and 18)	3,152,145	2,984,104
Rent (Note 23)	2,475,063	2,437,187
Utilities	1,148,112	1,971,290
Outside services	495,641	361,728
Others	1,870,065	1,417,391
	₱5,877,865,892	₱4,173,434,861

Depreciation and amortization pertain to depreciation of leasehold improvements and furniture and fixtures of leased spaces. Utilities, rent, security and safety expenses pertain to cost incurred in the operation of leased spaces.

Cost of merchandise sold:

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Merchandise inventories, beginning	₱9,209,038,936	₱9,818,880,088
Net purchases	4,965,714,320	5,087,615,024
Cost of merchandise available for sale	14,174,753,256	14,906,495,112
Less merchandise inventories, ending	8,306,028,390	10,742,231,951
	₱5,868,724,866	₱4,164,263,161

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

15. Selling and Distribution Expenses

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Depreciation and amortization (see Notes 9, 10 and 18)	P844,119,888	P1,220,893,453
Personnel costs (see Note 17)	537,457,473	642,122,337
Utilities	295,575,509	256,691,043
Credit card charges	172,539,129	147,209,580
Advertising	164,788,088	117,585,456
Taxes and licenses	122,560,461	193,055,429
Supplies and maintenance	112,366,210	99,769,229
Delivery and freight charges	106,593,912	33,605,597
Global marketing contribution fee	76,195,574	63,389,672
Security services	57,069,488	76,546,138
Insurance	46,758,139	42,708,175
Professional fees	41,337,305	38,246,978
Repairs and maintenance	30,538,634	31,124,092
Communication	25,648,538	20,317,298
Outside services	5,242,403	16,060,883
Travel and transportation	4,574,469	21,513,845
Entertainment, amusement and recreation (EAR)	1,061,787	1,806,488
Telegraphic transfer	785,076	817,502
Rent (see Notes 19 and 23)	(102,749,969)	(144,352,192)
Others	60,687,977	47,646,565
	P2,603,150,091	P2,926,757,568

16. General and Administrative Expenses

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Personnel costs (see Note 17)	P430,248,032	P426,216,146
Depreciation and amortization (see Notes 9, 10 and 18)	245,177,689	162,246,075
Taxes and licenses	43,708,378	34,697,579
Repairs and maintenance	28,051,758	24,763,904
Utilities	24,690,265	31,627,153
Supplies and maintenance	24,554,961	23,959,104
Security services	21,341,932	16,071,514
Insurance	17,187,063	35,269,092
Communication	14,547,681	11,362,413
Professional fees	10,872,487	10,051,827
Advertising	8,583,781	7,307,564
Travel and transportation	7,174,356	6,766,708
EAR	927,213	1,791,697
Outside service	744,986	332,054
Rent (see Note 23)	(42,098,089)	21,517,269
Others	47,832,079	36,556,513
	P883,544,572	P850,536,612

17. Personnel Costs

Personnel costs were charged to operations as follows:

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Salaries, wages and bonuses	₱807,656,020	₱951,479,851
Retirement benefit expense	52,055,730	44,262,654
Other employee benefits	107,993,755	72,595,978
	₱967,705,505	₱1,068,338,483

Personnel costs were distributed as follows:

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Selling and distribution (see Note 15)	₱537,457,473	₱642,122,337
General and administrative (see Note 16)	430,248,032	426,216,146
	₱967,705,505	₱1,068,338,483

18. Depreciation and Amortization Expense

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Property and equipment (see Note 9)	₱1,085,501,381	₱1,378,889,957
Franchise fee (see Note 10)	6,247,702	6,310,202
Software costs (see Note 10)	700,639	923,473
	₱1,092,449,722	₱1,386,123,632

Depreciation and amortization were distributed as follows:

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Cost of services (see Note 14)	₱3,152,145	₱2,984,104
Selling and distribution (see Note 15)	844,119,888	1,220,893,453
General and administrative (see Note 16)	245,177,689	162,246,075
	₱1,092,449,722	₱1,386,123,632

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:

- Lease of the Group's store outlet spaces from a related party (see Note 23). Related rent expense amounted to ₱38.96 million and ₱30.76 million, for the nine months ended September 30, 2021 and 2020, respectively;
- The Group reimburses related parties for its expenses paid by the related parties in behalf of the Group;
- Sales through the use of related parties' gift certificates. Total value of related parties' gift certificates used amounted to ₱12.88 million and ₱10.61 million for the nine months ended September 30, 2021 and 2020, respectively;
- Short-term noninterest-bearing cash advances to/from related parties; and
- Compensation of the Company's key management personnel comprised of short-term employee benefits amounting to ₱28.0 million, ₱27.9 million for the nine months ended September 30, 2021 and 2020, respectively, and post-employment benefits amounting to ₱4.2 million and ₱4.1 million for the nine months ended September 30, 2021 and 2020, respectively.

As of September 30, 2021 and December 31, 2020, transactions with related parties are as follows:

Related Parties	Periods ended	Transactions for the period	Outstanding balances	
			Receivables from related parties (see Note 4)	Payable to related parties (see Note 11)
<i>Under common control</i>				
RCC	September 30, 2021	₱15,870,045	₱64,377,193	₱-
	December 31, 2020	₱25,216,740	₱59,437,175	₱709,594
RMK	September 30, 2021	5,141,019	24,149,254	569,441
	December 31, 2020	(20,280,237)	18,719,189	259,110
Others	September 30, 2021	-	-	-
	December 31, 2020	(2,223,066)	862,228	3,078,913
<i>Joint ventures</i>				
PFM	September 30, 2021	-	-	-
	December 31, 2020	-	-	-
SCRI	September 30, 2021	-	-	-
	December 31, 2020	(90,515)	23,492	114,007
MPC	September 30, 2021	14,050	20,150	-
	December 31, 2020	(2,613,497)	14,671,750	-
<i>Associate</i>				
SPI	September 30, 2021	1,487,897	3,104,913	-
	December 31, 2020	50,479	2,467,751	-
	September 30, 2021		₱91,651,510	₱569,441

December 31, 2020	P96,181,585	P4,161,624
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The related party balances as of September 30, 2021 and December 31, 2020 are due and demandable, non-interest bearing and unsecured. The allowance for expected credit losses on amounts owed by related parties amounted to P43.17 million as of September 30, 2021 and December 31, 2020, all receivables from related parties are not impaired. All related party balances are settled in cash.

20. Earnings (Loss) Per Share (EPS)

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

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Net income	(P444,617,354)	(P761,536,674)
Divided by weighted average number of common shares	3,298,408,430	3,301,737,057
	(P0.13)	(P0.23)

There were no potential dilutive common shares for the nine months ended September 30, 2021 and 2020.

21. 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 payables and long-term debt, amounts owed to/by related parties, tenant 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 period 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, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash and cash equivalents	₱4,448,853,625	₱5,303,876,139
Trade and other receivables		
Trade receivables	465,952,784	254,892,223
Nontrade receivables	404,081,551	287,147,180
Receivables from related parties	134,822,509	139,352,584
Others	1,568,792	3,487,088
Security deposits and construction bonds	994,355,395	1,019,625,939
	₱6,449,634,656	₱7,008,381,153

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, 2021 (Unaudited)

	Total	Neither past due nor impaired	Past due but not impaired				Impaired
			<30 days	30 - 60 days	60 - 90 days	> 90 days	
Cash and cash equivalents	₱4,448,853,625	₱4,448,853,625	₱-	₱-	₱-	₱-	₱-
Trade and other receivables							
Trade receivables	465,952,784	429,276,045	30,665,635	3,665,226	-	2,345,878	-
Nontrade receivables	404,081,551	5,193,686	123,025,377	24,870,028	57,599,954	183,629,462	9,763,045
Receivables from related parties	134,822,509	2,426,390	8,789,823	13,441,769	8,690,904	58,302,624	43,170,999
Others	1,568,792	-	-	1,568,792	-	-	-
Security deposits and construction bonds	994,355,395	993,576,870	-	-	-	778,525	-
Total	₱6,449,634,656	₱5,879,326,616	₱162,480,835	₱43,545,815	₱66,290,858	₱245,056,489	₱52,934,044

December 31, 2020 (Audited)

	Total	Neither past due nor impaired	Past due but not impaired				Impaired
			<30 days	30 - 60 days	60 - 90 days	> 90 days	
Cash and cash equivalents	₱5,303,876,139	₱5,303,876,139	₱-	₱-	₱-	₱-	₱-
Trade and other receivables							
Trade receivables	254,892,223	142,556,970	75,215,318	11,528,851	2,512,555	23,078,528	-
Nontrade receivables	287,147,180	69,364,617	78,926,091	29,721,290	3,988,003	95,384,133	9,763,045
Receivables from related parties	139,352,583	95,780,363	28,951	372,270	-	-	43,170,999
Others	3,487,088	2,595,076	3,423	149,810	244,982	493,797	-
Security deposits and construction bonds ¹	1,019,625,939	1,019,625,939	-	-	-	-	-
Total	₱7,008,381,152	₱6,633,799,105	₱154,173,782	₱41,772,222	₱6,745,540	₱118,956,459	₱52,934,044

Impairment of financial assets

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

- a. Cash and cash equivalents, 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, 2021 and December 31, 2020, there has been no increase in credit risk of these financial assets since initial recognition except for amounts owed by related parties amounting to ₱43.17 million which are classified as credit impaired as of September 30, 2021 and December 31, 2020.
- 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. As of September 30, 2021 and December 31, 2020, the identified impairment losses on these financial assets were immaterial.

- c. Nontrade receivables pertain to receivables from principals. The credit risk of these financial assets is presumed to increase when the contractual payments are more than 90 days past due. As of September 30, 2021 and December 31, 2020, nontrade receivables from principals amounting to ₱9.76 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, 2021 and year ended December 31, 2020. Capital includes equity as shown in the consolidated balance sheet.

As disclosed in Note 13, 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, 2021 and December 31, 2020.

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:

	September 30, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets				
<i>Loans and receivables</i>				
Security deposits and construction bonds	₱994,355,395	₱1,011,258,876	₱1,019,625,939	₱1,036,529,420
Financial Liabilities				
<i>Other financial liabilities</i>				
Current portion of long-term debt	₱-	₱-	₱117,593,738	₱120,134,685

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), tenant deposits, trade and other payables and short-term loan payables

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 5.80% to 6.10% and 5.50% to 7.56% were used in calculating the fair value of the Group's security deposits as of September 30, 2021 and December 31, 2020, respectively.

Current portion of 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 nil and 5.23% to 7.03% were used in calculating the fair value of the Group's long-term debt as of September 30, 2021 and December 31, 2020, 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, 2021 and December 31, 2020 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, 2021 and years ended December 31, 2020, 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**

Group as a Lessee

The Group has various leases of its warehouse and office space and certain store outlets used in its operations for lease terms ranging from three to ten years. Rental payments on certain outlets are based on a fixed basic monthly rate plus a certain percentage of gross sales, while other store outlets and office spaces are based on fixed monthly rates. The Group also has certain leases of stores, office and warehouse space with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The rollforward analysis of right-of-use assets follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balances at beginning of the year	₱2,080,088,594	₱2,753,833,363
Additions	841,026	506,321,822
Depreciation expense	(608,672,484)	(1,072,905,136)
Remeasurement/termination	(41,327)	(107,161,455)
Balances at end of the year	₱1,472,215,809	₱2,080,088,594

The rollforward analysis of lease liabilities follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balances at beginning of the year	₱2,147,455,989	₱2,832,462,784
Additions	–	460,033,129
Interest expense	123,695,323	173,576,791
Remeasurement/termination	–	(114,468,613)
Lease concession	(121,266,948)	(735,453,471)
Payments	(590,604,649)	(468,694,631)
Balances at end of the year	1,559,279,715	2,147,455,989
Less: current portion	243,426,956	738,752,642
Balances at end of the year	₱1,315,852,759	₱1,408,703,347

The Group has paid security deposits for the store outlets and office spaces with carrying amounts of ₱994.36 million and ₱1,019.63 million as of September 30, 2021 and December 31, 2020, respectively, which are refundable upon complete turnover of the leased area. The present value of these deposits was computed using the discount rates prevailing at the inception date of the lease, ranging from 3.56% to 6.89%. Interest income recognized from these security deposits amounted to ₱2.62 million and ₱2.59 million, for the nine months ended September 30, 2021 and 2020, 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 ₱23.92 million and ₱36.98 million as of September 30, 2021 and December 31, 2020, 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 to five years. Rental income on these spaces is based on a fixed basic monthly rate plus a certain percentage of gross sales.

Rental income recognized on these spaces amounted to ₱19.0 million and ₱25.4 million, for the nine months ended September 30, 2021 and 2020, 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. This information is measured using the same accounting policies and estimates as the Group's consolidated financial statements.

The table below sets out revenue from external customers by category for the nine months ended September 30, 2021 and 2020 (amounts in millions):

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Net Sales		
Luxury and Bridge	₱4,117	₱2,459
Casual	1,419	959
Fast Fashion	2,123	2,170
Footwear, Accessories and Luggage	538	567
Other	1,150	1,144
	₱9,347	₱7,299

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, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Philippines	₱9,347	₱7,283
Guam	-	16
	₱9,347	₱7,299

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, 2021**

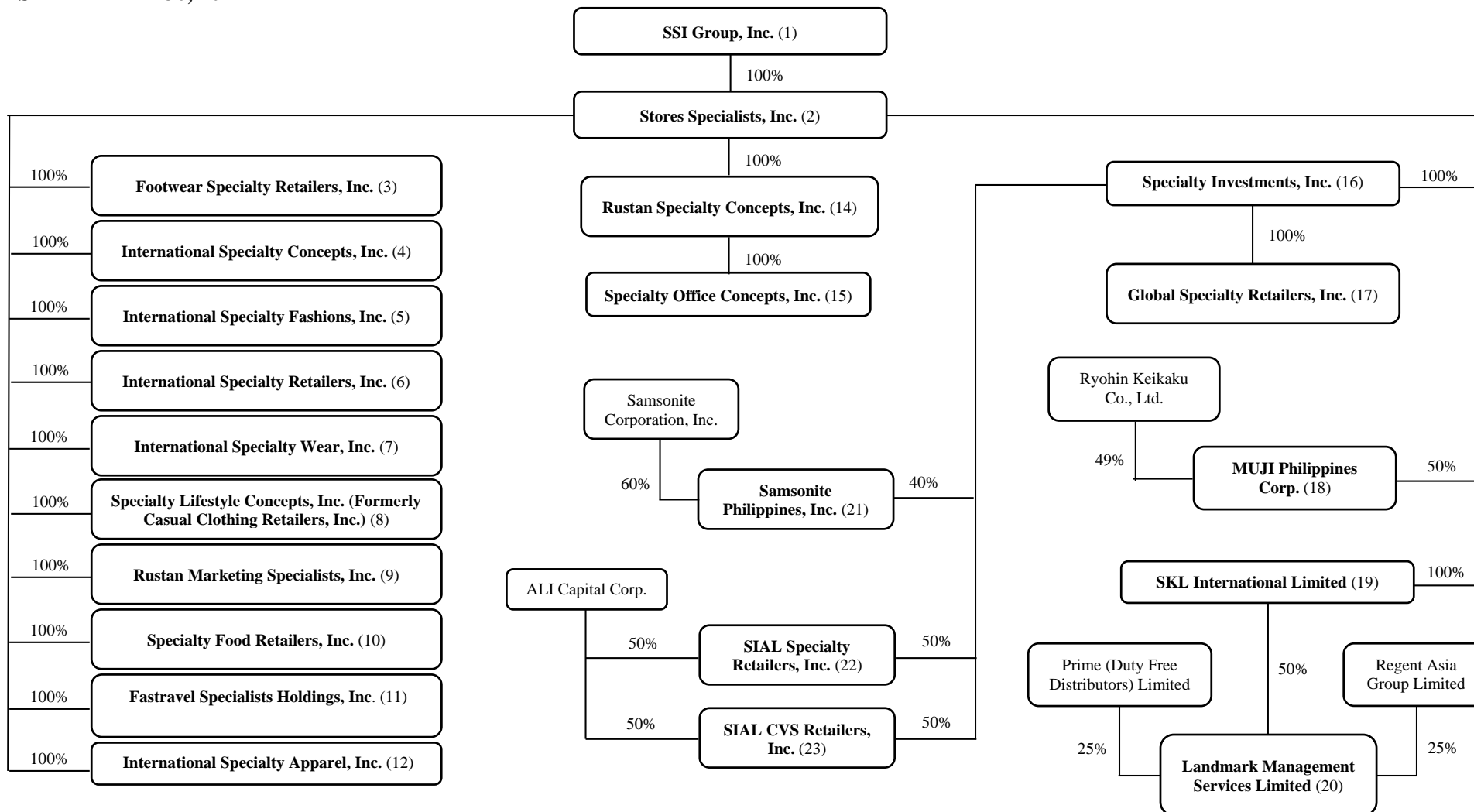


Exhibit II**SSI GROUP, INC.**

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
SEPTEMBER 30, 2021**

Unappropriated retained earnings, as adjusted, beginning		₱1,006,741,214
Cumulative prior year adjustments:		
Interest income from accretion of the discount on security deposits		(5,181,311)
		<hr/> 1,001,559,903
Net income during the period closed to retained earnings	30,107,722	
Less: Other realized gains related to accretion of income from security deposits		—
Deferred tax asset recognized during the year		<hr/> —
Net income during the period		30,107,722
Retained earnings available for dividend declaration		<hr/> <u>₱1,031,667,625</u>

Exhibit III

SSI GROUP, INC.

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratios	Formula	September 30, 2021	December 31, 2020	September 30, 2020
(i) Current Ratio	Current Assets/Current Liabilities	1.72	1.57	1.59
(ii) Debt/Equity Ratio	Bank Debts/ Total Equity	0.62	0.68	0.67
(iii) Net Debt/Equity Ratio	Bank Debts-Cash & Equivalents/Total Equity	0.18	0.17	0.38
(iii) Asset to Equity Ratio	Total Assets/Total Equity	2.05	2.17	2.11
(iv) Interest Cover Ratio	EBITDA/Interest Expense	3.68	2.59	2.41
(v) Profitability Ratios				
GP Margin	Gross Profit/Revenues	37.24%	40.54%	43.02%
Net Profit (Loss) Margin	Net Income (Loss) /Revenues	-4.75%	-7.39%	-10.40%
EBITDA Margin	EBITDA/Revenues	10.39%	11.34%	9.05%
Return on Assets	Net Income (Loss) /Total Assets	-2.17%	-3.98%	-3.39%
Return on Equity	Net Income (Loss) /Total Equity	-4.45%	-8.66%	-7.15%

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