COVER SHEET

CS200705607

SEC Registration Number

SSI GROUP, INC. AND SUBSIDIARIES

(Company's Full Name)

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

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

Ms. Rossellina J. Escoto

(Contact Person)

8858-9400

(Company Telephone Number)

1 2 **3 1**

Month *Day*

(Calendar Year)

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

Total Amount of Borrowings

53

Total No. of Stockholders as of 30 September 2022

₱4,035 million

Domestic

Not Applicable

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SEC Number CS200705607
File Number ____________

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

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

(632) 8890-8034
(Telephone Number)

September 30, 2022
(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, 2022**

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, 2022
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, 2022 (with comparative audited figures as of December 31, 2021) and for the three-month and nine-month periods ended September 30, 2022 and 2021 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, 2022 and 2021

Key Performance Indicators	**For the nine months ended September 30**	
PhP MM except where indicated	**2022**	**2021**
Net Sales	15,666	9,347
Gross Profit – merchandise	6,695	3,478
Operating Income (Loss)	1,701	2
Net Income (Loss)	918	(445)
Gross Selling Space (sq.m.)	102,731	104,958
Increase (Decrease) in Gross Selling Space (%)	(2.1%)	(10.0%)

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**	
PhP MM except where indicated	**2022**	**2021**
Key Financial Data		
Net Sales	15,666	9,347
Luxury & Bridge	5,605	4,117
Casual	2,261	1,419
Fast Fashion	5,132	2,123
Footwear, Accessories & Luggage	1,018	538
Others	1,650	1,150
Gross Profit – merchandise[1]	6,695	3,478
Gross Profit Margin – merchandise (%)	42.7%	37.2%
Operating Income (Loss)	1,701	2
Operating Income Margin (%)	10.9%	0.0%
Other Income (Charges)	(332)	(388)
Net Income (Loss)	918	(445)
Net Income Margin (%)	5.8%	(4.8%)
Total Debt[2]	4,035	6,244
Net Debt[3]	(2,619)	1,796
Key Operating Data		
Number of Brands	92	93
Number of Stores	523	530
Gross Selling Space (sq.m.)	102,731	104,958
Increase (Decrease) in Gross Selling Space (%)	(2.1%)	(10.0%)

Revenues

Net sales

SSI Group, Inc. (the "Company" or the "Group") generated sales of ₱15.7 billion during the nine months of 2022, an increase of 67.6% over the same period in 2021. For the third quarter alone, sales increased by 92.6% y-o-y to ₱5.6 billion.

The Group's sales during the 3rd quarter of the year and YTD 9M 2022 have exceeded pre-COVID levels, and were 12.6% higher than sales during 3rd quarter 2019. Total 9M 2022 sales of P15.7 billion were 5.5% higher than 9M 2019.

The Group's luxury and bridge and casual wear categories continued to perform strongly, with increases of 36.2% and 59.4%, respectively, as compared to the same period last year. The Group also saw a significant turnaround in the sales of the fast fashion and footwear, accessories, and luggage categories. Fast fashion grew by 141.7% versus 9M 2021 while footwear, accessories, and luggage sales grew by 89.1% versus 9M 2021. Sales of personal care and food increased as well by 43.4%. The Group's 9M 2021 total sales increased by 67.6% as compared to 9M 2021 sales and were 114.6% higher than 9M 2020 sales.

[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

The Group's sales performance during the nine months of the year reflects strong demand for the Group's products as our customers continued to shop at our optimized store locations and the brands in our portfolio remained top of mind for consumers. Also, our e-commerce business continued to expand, with e-commerce accounting for 8.6% of sales YTD September and 9.2% of sales during the 3rd quarter of 2022.

At the end of September 2022, the Group's store network included 523 stores nationwide which cover a total of approximately 102,731 square meters. During the third quarter, the Group open ten (10) stores covering 712 square meters and closed five (5) stores covering 630 square meters.

As of September 30, 2022, the Group had 92 brands in its portfolio.

The following table sets out the Group's number of stores and gross selling space for the periods ended September 30, 2022 and 2021 and for the year ended December 31, 2021.

Store Network	**September 30**		**December 31**
	2022	**2021**	**2021**
Number of Stores	523	530	525
Luxury & Bridge	146	140	139
Casual	76	77	76
Fast Fashion	48	51	51
Footwear, Accessories & Luggage	115	120	116
Others	138	142	143
Gross Selling Space (sq.m.)	102,731	104,958	104,192
Luxury & Bridge	13,315	12,886	12,713
Casual	11,646	11,530	11,567
Fast Fashion	42,923	43,468	43,468
Footwear, Accessories & Luggage	16,110	17,782	17,011
Others	18,736	19,292	19,434

Rental income

The Group booked rental income of ₱42.5 million during the nine months of 2022, as compared to ₱19.0 million during the same period in 2021. 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 nine months of the year amounted to ₱6.7 billion, a 92.8% increase as compared to the same period last year. Gross profit margin for merchandise sold during the nine-month period was 42.8% as compared to 37.2% during the same period last year. Gross profit margin for merchandise sold during the 3rd quarter alone improved to 43.9% from 30.5% during the same period last year.

Relatively high gross profit margins reflect the strong demand that the Group experienced for the merchandise in its different categories during the nine-month period.

Operating Expenses

During the nine months of the year, the Group incurred total operating expenses of ₱5.0 billion, a 44.1% increase as compared to the same period last year. As a percentage of net sales, total operating expenses improved to 32.0% of net sales as compared to 37.2% during the same period in 2021. This reflects the cost rationalization efforts and focus on cost efficiencies that the Group began in response to the COVID pandemic. .

Selling and distribution expenses during the nine months of 2022 were at ₱4.1 billion, an increase of 59.4% as compared to the same period last year. As a percentage of sales, S&D expenses improved to 26.4%, as compared to 27.8% during the same period last year.

The increase primarily reflects the increase in rent and occupancy to ₱1.4 billion from ₱403.0 million.. Personnel costs and advertising expenses also increased by ₱129.2 million and by ₱4.8 million, respectively. Global marketing fee, credit card charges, delivery and freight, and travel and transportation also increased by a total of ₱496.2 million. These increases reflect higher costs associated with the Group's increased sales, and the normalization of operating conditions.

General and administrative expenses for the nine months of 2022 were at ₱877.1 million, a 0.7% decrease over the same period last year. The decrease pertains to a decrease in depreciation to ₱228.4 million, and decreases in taxes and licenses, supplies and maintenance, security services, professional fees, communication and insurance expenses to a total of ₱121.4 million. As a percentage of sales, general and administrative expenses were at 5.6% as compared to 9.4% during the same period last year.

As a result of the foregoing, the Group's earnings before interest and taxes significantly increased by 109,188% to ₱1.7 billion during the nine-month period of 2022, as compared to EBITDA of ₱2 million in 2021. EBITDA of ₱1.7 billion is also higher than pre-COVID EBITDA of ₱982.8 million during the nine months of 2019.

Other Income (Charges)

Other charges for the nine months of the year totaled ₱332.0 million, a decrease of 14.5% as compared to same period last year. The decrease is largely attributable to the increases in net income of associates to ₱39.4 million and interest income to ₱18.2 million, and to the decrease of interest expense to ₱86.0 million.

Provision for Income Tax

Provision for income tax for the nine months of 2022 amounted to ₱449.8 million as compared to ₱58.0 million 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 income for the nine months of 2022 amounted to ₱918.0 million, a significant increase of 306.5% from ₱444.6 million net loss during the same period last year.

For the 3rd quarter alone, the Group's net income amounted to ₱426.6 million, as compared to a net loss of ₱271.0 during the same period last year.

The Group’s net income during 9MOS 2022 is also significantly higher than net income prior to the COVID pandemic, with 9MOS 2022 at +76% as compared to the same period in 2019.

FINANCIAL CONDITION

As of September 30, 2022, the Group had consolidated assets of ₱20.9 billion as compared to ₱21.5 billion as of December 31, 2021.

Current Assets

As of September 30, 2022, the Group had consolidated current assets of ₱15.1 billion, as compared to ₱15.4 billion as of December 31, 2021.

Cash

As of September 30, 2022, cash amounted to ₱6.7 billion as compared to ₱7.3 billion at the end of 2021. The decrease primarily reflects the Group's capital expenditures amounting to ₱585.9 million and additional interests in an associate amounting to ₱87.5 million. The Group also paid loans and lease liabilities, including interests, amounting to ₱2.6 billion, and cash dividends of ₱69.3 million.

Trade and Other Receivables

As of September 30, 2022, trade and other receivables amounted to ₱716.8 million as compared to ₱776.3 million at the end of 2021. The decrease is mainly attributable to a decrease in trade receivables to ₱217.6 million, which consist primarily of receivables from credit card companies.

Merchandise Inventory

As of September 30, 2022, merchandise inventory amounted to ₱6.9 billion as compared to ₱6.6 billion at the end of 2021. The increase was a result of 9M sales combined with calibrated inventory purchases. The inventory translates into inventory months of 7 months, compared to month' inventory of 10 months at the end of 2021.

Non-Current Assets

Investment in an Associate

As of September 30, 2022, investment in associates amounted to ₱191.0 million as compared to ₱64.1 million at the end of 2021.

On May 17, 2022, Stores Specialists, Inc., a 100% owned subsidiary of SSI Group, Inc., entered into an agreement with G Distribution B.V. (Gucci), for the formation of a joint venture company, Luxury Goods Philippines, Inc. (LGPI). SSI infused capital of t ₱87.5 million into LGPI. LGPI began operations on June 1, 2022 and owns and operates Gucci stores in the Philippines.

The increase in investments in associates reflects the Group's investment in LGPI as well as the Group's share in the net incomes of Samsonite Philippines, Inc. and LGPI of ₱39.4 million.

Investment in Joint Ventures

As of September 30, 2022, investment in joint ventures amounted to ₱535.5 million as compared to ₱544.9 million at the end of 2021.

The decrease in joint ventures primarily reflects the Group's share in the net losses of Landmark Management Services Ltd. (LMS) and MUJI Philippines Corp. (MPC) amounting to a total of ₱9.5 million.

Property and Equipment

As of September 30, 2022, property and equipment amounted to ₱3.7 billion as compared to ₱4.5 billion at the end of 2021. The net decrease is primarily attributable to additional depreciation expense recognized during the period amounting to ₱896.2 million, which was offset by the Group' capital expenditures amounting to ₱585.9 million during the nine months of the year.

Deferred Tax Assets

As of September 30, 2022, deferred tax assets amounted to ₱546.5 million as compared to ₱574.5 million at the end of 2021. 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, 2022, other noncurrent assets amounted to ₱190.3 million as compared to ₱148.1 million at the end of 2021. The increase was mainly due to the advanced payments to contractors for the construction and renovation of stores.

Current Liabilities

As of September 30, 2022, the Group's total consolidated current liabilities amounted to ₱7.6 billion as compared to ₱8.8 billion at the end of 2021.

Trade and Other Payables

As of September 30, 2022, trade and other payables amounted to ₱3.2 billion as compared to ₱2.3 billion at the end of 2021. The increase is due to the increase in trade payables to ₱2.3 billion, reflecting the terms of merchandise deliveries during the period, and in accrued expenses to ₱218.6 million, as a result of increased costs of personnel, utilities, and repairs and maintenance. Retention payable also increased to ₱31.6 million during the nine months of the year, as compared to ₱28.9 million at end of 2021.

Short-term Loans Payable

As of September 30, 2022, short-term loans payable amounted to ₱4.0 billion as compared to ₱5.9 billion at the end of 2021. The decrease is attributable to net payments of short-term debt of ₱2.1 billion.

Non- Current Liabilities

Retirement Benefit Obligation

As of September 30, 2022, retirement benefit obligation was at ₱757.3 million as compared to ₱706.7 million at the end of 2021. 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.

Lease Liabilities

As of September 30, 2022, lease liabilities amounted to ₱1.2 billion, which was ₱427.3 million lower as compared to the balance at the end of 2021. The decrease is mainly attributable to the payment made during the period amounting to ₱517.4 million, which was offset by the interest expense of ₱90.2 million incurred during the period.

As of September 30, 2022, the current portion of the Group's lease liabilities amounted to ₱170.9 million while the noncurrent portion was at ₱1.0 billion.

Equity

As of September 30, 2022, total equity amounted to ₱11.5 billion as compared to ₱10.7 billion at the end of 2021. The increase is largely attributable to the net income recognized by the Group amounting to ₱918.0 million.

CASH FLOWS

The Group generated significant operating cash flows before working capital changes of ₱2.6 billion during the nine months of 2022. Operating cash flow also increased significantly at ₱2.8 billion for the nine months of 2022. The Group also received interest income of ₱18.2 million and paid income taxes of ₱403.4 million. As a result of the foregoing, the Group's operating activities generated a significant amount of ₱2.8 billion.

Cash flows used in investing activities during the nine months of 2022 totaled ₱742.4 million. This reflects capital expenditures of ₱585.9 million and additional investments in an associate, LPGI, of ₱87.5 million. There were also cash outflows for security deposits and other noncurrent assets amounting to a total of ₱69.1 million.

The Group's cash flows used in financing activities during the nine months of 2022 amounted to ₱2.7 billion, as compared to ₱1.9 billion during the same period last year. This pertains primarily to the Group's repayments of its debts, including the related interests, of ₱2.1 billion and the payment of lease liabilities, including interest booked under PFRS 16, of ₱517.4 million.

The Group ended the nine-month period of 2022 with a net debt position of negative ₱2.6 billion.

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) Any community quarantines imposed by the government in the country may have a material impact on the Group's revenues. .

(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 14, 2022

SSI Group, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of September 30, 2022 ***(With Comparative Audited Figures as of December 31, 2021)***
and For the Nine-Month Periods Ended September 30, 2022 and 2021

SSI GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

As of September, 2022
(With Comparative Audited Figures as of December 31, 2021)

	September 30 2022 (Unaudited)	December 31 2021 (Audited)
ASSETS		
Current Assets		
Cash (Note 3)	**₱6,654,270,033**	₱7,252,867,634
Trade and other receivables (Note 4)	**716,750,054**	776,320,437
Merchandise inventories (Note 5)	**6,941,944,918**	6,619,736,173
Prepayments and other current assets (Note 6)	**739,455,040**	749,115,691
Total Current Assets	**15,052,420,045**	15,398,039,935
Noncurrent Assets		
Investment in an associate (Note 7)	**191,027,607**	64,084,628
Interests in joint ventures (Note 8)	**535,466,886**	544,944,217
Property and equipment (Note 9)	**3,492,299,584**	3,817,425,379
Deferred tax assets - net	**546,471,375**	574,459,737
Security deposits and construction bonds (Note 23)	**929,353,476**	908,406,083
Other noncurrent assets (Note 10)	**190,263,944**	148,110,654
Total Noncurrent Assets	**5,884,882,872**	6,057,430,598
TOTAL ASSETS	**₱20,937,302,917**	₱21,455,470,533
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 11)	**₱3,182,783,792**	₱2,291,910,440
Short-term loans payable (Note 12)	**4,035,000,000**	5,935,000,000
Current portion of lease liabilities (Note 23)	**170,941,753**	325,272,911
Deferred revenue	**41,258,224**	42,773,076
Income tax payable	**190,398,600**	167,669,809
Total Current Liabilities	**7,620,382,369**	8,762,626,326
Noncurrent Liabilities		
Retirement benefit obligation	**757,271,774**	706,704,947
Lease liabilities - net of current portion (Note 23)	**1,010,168,216**	1,283,100,176
Tenant deposits (Note 23)	**24,472,632**	24,206,988
Total Noncurrent Liabilities	**1,791,912,622**	2,014,012,111
Total Liabilities	**9,412,294,991**	10,776,638,437
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	**5,860,420,254**	5,011,670,617
Cumulative translation adjustment	**(1,889,487)**	(1,968,927)
Other comprehensive loss	**(134,803,974)**	(132,150,727)
Total Equity	**11,525,007,926**	10,678,832,096
TOTAL LIABILITIES AND EQUITY	**₱20,937,302,917**	₱21,455,470,533

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	
	2022	2021	**2022**	2021
REVENUE				
Revenue from contract with customers - net sales	**₱5,637,090,668**	₱2,926,142,380	**₱15,666,041,964**	₱9,347,146,869
Rental income (Note 23)	**20,265,715**	6,031,914	**42,548,692**	18,969,104
	5,657,356,383	2,932,174,294	**15,708,590,656**	9,366,115,973
COST OF GOODS SOLD AND SERVICES (Note 14)	**3,168,378,544**	2,036,673,270	**8,983,328,037**	5,877,865,892
GROSS PROFIT	**2,488,977,839**	895,501,024	**6,725,262,619**	3,488,250,081
OPERATING EXPENSES				
Selling and distribution (Note 15)	**1,542,599,304**	828,644,951	**4,148,306,668**	2,603,150,091
General and administrative (Note 16)	**289,185,655**	274,698,157	**877,066,182**	883,544,572
	1,831,784,959	1,103,343,108	**5,025,372,850**	3,486,694,663
OTHER INCOME (CHARGES)				
Share in net earnings of an associate (Note 7)	**29,850,662**	(3,128,326)	**39,442,979**	(10,844,281)
Interest accretion on security deposits (Note 23)	**979,362**	878,068	**2,907,832**	2,622,450
Interest income (Note 3)	**8,678,141**	3,231,592	**18,177,874**	11,124,465
Interest expense (Notes 12 and 13)	**(86,040,610)**	(120,191,246)	**(272,496,482)**	(387,786,746)
Share in net income (losses) of joint ventures (Note 8)	**(1,766,239)**	(2,510,936)	**(9,477,333)**	(5,236,878)
Loss on disposal of property and equipment (Note 9)	**(10,094,551)**	(10,569,789)	**(14,814,240)**	(30,691,759)
Foreign exchange losses - net	**(11,867,139)**	(5,627,269)	**(21,564,304)**	(7,540,518)
Others - net	**50,945,207**	30,914,391	**(74,211,678)**	40,150,858
	(19,315,167)	(107,003,515)	**(332,035,352)**	(388,202,409)
INCOME BEFORE INCOME TAX	**637,877,713**	(314,845,599)	**1,367,854,417**	(386,646,991)
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	**178,034,804**	(13,431,499)	**426,144,170**	66,438,970
Deferred	**33,271,646**	(30,448,994)	**23,694,113**	(8,468,607)
	211,306,450	(43,880,493)	**449,838,283**	57,970,363
NET INCOME	**426,571,263**	(270,965,106)	**918,016,134**	(444,617,354)
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Cumulative translation adjustment on foreign operations, net of deferred tax	**79,441**	–	**79,441**	76,447
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Re-measurement gain (loss) on retirement benefit, net of deferred tax	**–**	–	**(2,653,245)**	–
TOTAL COMPREHENSIVE INCOME	**₱426,650,704**	(₱270,965,106)	**₱915,442,330**	(₱444,540,907)
BASIC/DILUTED EARNINGS PER SHARE (Note 20)	**₱0.13**	_(₱0.08)	**₱0.28**	(₱0.13)

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, 2022 AND 2021

	Capital Stock	Additional Paid-in Capital	Treasury Shares	Retained Earnings	Cumulative Translation Adjustment	Other Comprehensive Income	Total
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 income	–	–	–	–	76,447	–	76,447
Total comprehensive income 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**
Balances at January 1, 2022	₱3,312,864,430	₱2,519,309,713	(₱30,893,010)	₱5,011,670,697	(₱1,968,928)	(₱132,150,729)	₱10,678,832,173
Net income	–	–	–	918,016,134	–	–	918,016,134
Other comprehensive income	–	–	–	–	79,441	(2,653,245)	(2,573,804)
Total comprehensive income for the period	–	–	–	918,016,134	79,441	(2,653,245)	915,442,330
Dividends declared	–	–	–	(69,266,577)	–	–	(69,266,577)
Balances at September 30, 2022	**₱3,312,864,430**	**₱2,519,309,713**	**(₱30,893,010)**	**₱\5,860,420,254**	**(₱1,889,487)**	**(₱134,803,974)**	**₱11,525,007,926**

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	
	2022 (Unaudited)	2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱1,367,854,417**	(₱386,646,991)
Adjustments for:		
Depreciation and amortization (Notes 9, 10 and 18)	**905,064,970**	1,095,380,796
Interest expense (Note 12 and 13)	**272,496,482**	387,786,746
Loss on disposal of property and equipment (Note 9)	**14,814,240**	30,691,759
Share in net losses (earnings) of associates (Note 7)	**9,477,333**	10,844,281
Share in net losses (earnings) of joint ventures (Note 8)	**(39,442,979)**	5,236,878
Unrealized foreign exchange losses	**5,258,108**	(729,695)
Interest income (Note 3)	**(18,177,874)**	(11,124,465)
Interest accretion on security deposits (Note 23)	**(2,907,832)**	(2,622,450)
Movement in retirement benefit obligation	**47,029,167**	33,899,569
Operating income before working capital changes	**2,561,466,032**	1,162,716,428
Decrease (increase) in:		
Trade and other receivables	**59,570,384**	(293,478,893)
Merchandise inventory	**(322,208,745)**	903,010,547
Prepayments and other current assets	**9,660,646**	(87,500,232)
Increase (decrease) in:		
Trade and other payables	**890,873,367**	(320,073,288)
Tenant deposits	**265,644**	3,641,932
Deferred revenue	**(1,514,977)**	(8,197,479)
Net cash used in operations	**3,198,112,351**	1,360,119,015
Interest received	**18,177,874**	11,124,465
Income taxes paid	**(403,415,377)**	(69,218,768)
Net cash flows used in operating activities	**2,812,874,848**	1,302,024,712
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 9)	**(585,887,549)**	(326,014,272)
Additional interests in an associate (Note 7)	**(87,500,000)**	–
Decrease (increase) in:		
Security deposits and construction bonds	**(18,039,562)**	(1,367,614)
Other noncurrent assets	**(51,019,161)**	29,451,418
Net cash flows used in investing activities	**(742,446,272)**	(297,930,468)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of short-term loans payable	**–**	300,000,000
Payments of:		
Short-term loans payable	**(1,900,000,000)**	(1,065,560,000)
Long-term debt	**–**	(117,593,738)
Lease liability	**(427,263,118)**	(588,176,274)
Interest	**(272,496,482)**	(387,786,746)
Dividends paid during the year	**(69,266,577)**	–
Net cash flows from (used in) financing activities	**(2,669,026,177)**	(1,859,116,758)
NET INCREASE (DECREASE) IN CASH	**(598,597,601)**	(855,022,514)
CASH AT BEGINNING OF PERIOD	**7,252,867,634**	5,303,876,139
CASH AT END OF PERIOD (Note 3)	**₱6,654,270,033**	₱4,448,853,625

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

SSI GROUP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANC0IAL 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 11, 2022. 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

<u>Basis of Presentation</u>

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, 2022 and for the nine-month periods ended September 30, 2022 and 2021 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, 2021.

Basis of Consolidation

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

	Percentage ownership			
	September 30, 2022		December 31, 2021	
	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. *(former Casual Clothing Retailers, Inc.)* (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, 2022 and for the nine months ended September 30, 2022 and 2021. 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, 2022. 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, 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

o Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

o Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

o Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transactions*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025

- 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*

3. **Cash**

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cash on hand	**₱15,860,042**	₱14,895,101
Cash in banks	**4,667,432,619**	5,118,980,407
Short-term investments	**1,970,977,372**	2,118,992,126
	₱6,654,270,033	₱7,252,867,634

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of between 30 to 60 days depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates. Interest earned from cash in banks and short-term investments for the nine months ended September 30, 2022 and 2021 amounted to ₱18,177,874 and ₱11,124,465, respectively.

4. **Trade and Other Receivables**

		September, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade receivables		**₱217,588,263**	₱280,509,256
Nontrade receivables		**376,131,667**	360,674,621
Receivables from related parties (see Note 19)		**117,861,994**	143,457,307
Advances to officers and employees		**62,838,389**	49,768,476
Others		**1,237,538**	818,574
		775,657,851	835,228,234
Less:	Allowance for ECL on nontrade receivables	**(15,736,798)**	(15,736,798)
	Allowance for ECL on related parties	**(43,170,999)**	(43,170,999)
		₱716,750,054	₱776,320,437

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 Inventory**

	September, 2022 (Unaudited)	December 31, 2021 (Audited)
At cost		
On hand	**₱6,664,710,627**	₱6,153,896,303
In transit	**285,584,674**	477,396,123
Inventory - at cost	**6,950,295,301**	6,631,292,426
Less allowance for inventory obsolescence	**(8,350,383)**	(11,556,253)
	₱6,941,944,918	₱6,619,736,173

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 ₱8,970,546,196 and ₱5,868,724,866, for the nine months ended September 30, 2022 and 2021, respectively (see Note 14).

6. Prepayments and Other Current Assets

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Supplies	**265,298,534**	₱284,872,392
Advances to suppliers	**208,029,188**	232,184,690
Input VAT	**90,636,813**	70,119,526
Security deposits (see Note 23)	**35,969,771**	46,047,375
Deferred input VAT	**34,658,781**	45,773,071
Creditable withholding tax	**12,234,596**	1,841,921
Prepaid insurance	**31,074,753**	18,959,643
Current portion of prepaid rent (see Notes 10 and 23)	**16,091,527**	3,964,176
Prepaid guarantee	**3,703,795**	5,548,408
Prepaid advertising	**1,724,267**	457,916
Others	**40,033,015**	39,346,573
	₱739,455,040	₱749,115,691

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

The Group's interests in associates pertain to the following:

Associate company	Project description	Group ownership September 30, 2022	Group ownership December 31, 2021
Samsonite Philippines Inc. (SPI)	Operation of retail stores in the Philippines	40%	40%
Luxury Goods Philippines, Inc. (LGPI)	Operation of retail stores in the Philippines	25%	–

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

September 30, 2022 (Unaudited)

	SPI	LGPI	**Total**
Acquisition cost	₱24,640,000	₱87,500,000	**112,140,000**
Accumulated equity in net earnings:			
Balance at beginning of year	34,444,628	–	**34,444,628**
Share in net earnings	20,898,138	18,544,841	**39,442,979**
Dividends received	–	–	**–**
Balance at end of year	60,342,766	18,544,841	**78,887,607**
	₱84,982,766	**₱106,044,841**	**191,027,607**

December 31, 2021 (Audited)

	SPI
Acquisition cost	₱24,640,000
Accumulated equity in net earnings:	
Balances at beginning of year	53,611,625
Share in net earnings (losses)	(14,166,997)
Dividends	–
Balances at end of year	39,444,628
	₱64,084,628

On May 17, 2022, Stores Specialists, Inc., a 100% owned subsidiary of SSI Group, Inc., entered into an agreement with G Distribution B.V. (Gucci), for the formation of a joint venture company, Luxury Goods Philippines, Inc. (LGPI). LGPI shall be initially capitalized at ₱350,000,000, with SSI owning 25% of LGPI and Gucci owning the remaining 75%. LGPI started commercial operations on June 1, 2022.

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, 2022 (Unaudited)

	LMS	**MPC**	**SSRI**	**SCRI**	**Total**
Cost:					
Balances at beginning and end of period	**₱375,296,454**	**₱87,500,000**	**₱407,344,383**	**₱420,350,000**	**₱1,290,490,837**
Accumulated equity in net earnings (losses):					
Balances at beginning of year	**(15,180,697)**	**97,328,462**	**(407,344,383)**	**(420,350,000)**	**(745,546,619)**
Share in net income	**(40,808,932)**	**31,331,599**	**–**	**–**	**(9,477,333)**
Balances at end of year	**(55,989,629)**	**128,660,061**	**(407,344,383)**	**(420,350,000)**	**(755,023,952)**
	₱319,306,825	**₱216,160,061**	**₱–**	**₱–**	**₱535,466,886**

December 31, 2021 (Audited)

	LMS	MPC	SSRI	SCRI	Total
Cost:					
Balances at beginning	₱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	10,601,454	70,265,821	(407,344,383)	(420,350,000)	(746,827,108)
Share in net earnings (loss)	(25,782,153)	27,062,641	–	–	1,280,488
Balances at end of year	(15,180,699)	97,328,462	(407,344,383)	(420,350,000)	(745,546,620)
	₱360,115,755	₱184,828,462	₱–	₱–	₱544,944,217

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 ₱1.31 million and ₱1.23 million for the nine months ended September 30, 2022 and 2021, 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

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, 2022.

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, 2022 and December 31, 2021.

9. **Property and Equipment**

The composition and movements of this account are as follows:

September 30, 2022 (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	₱7,269,543,051	₱2,602,970,054	₱951,854,265	₱304,290,165	₱3,910,705,986	₱184,199,510	**₱15,223,563,031**
Additions	364,626,936	68,991,683	–	1,022,579	109,251	151,137,096	**585,887,545**
Disposals	(309,835,018)	(12,989,655)	–	–	–	–	**(322,824,673)**
Reclassifications	299,273,232	–	–	–	–	(299,273,232)	**–**
Balances at end of year	7,623,608,201	2,658,972,082	951,854,265	305,312,744	3,910,815,237	36,063,374	**15,486,625,903**
Accumulated depreciation and amortization:							
Balances at beginning of year	6,194,785,352	2,264,883,307	383,476,497	200,573,481	2,362,419,014	–	**11,406,137,651**
Depreciation (see Note 18)	292,021,907	102,206,640	39,545,234	16,876,791	445,548,528	–	**896,199,100**
Disposals	(297,038,395)	(10,882,294)			(89,744)	–	**(308,010,433)**
Balances at end of year	6,189,768,864	2,356,207,653	423,021,731	217,450,272	2,807,877,798	–	**11,994,326,318**
Net book values	**₱1,433,839,337**	**₱302,764,429**	**₱528,832,534**	**₱87,862,472**	**₱1,102,937,439**	**₱36,063,374**	**₱3,492,299,585**

December 31, 2021 (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	₱7,372,905,326	₱2,581,333,462	₱900,598,629	₱304,662,822	₱4,081,369,726	₱58,482,199	₱15,299,352,164
Additions	209,904,647	48,422,734	51,255,636	1,318,704	202,391,201	166,187,635	679,480,557
Disposals and retirement	(353,737,247)	(26,859,382)	–	(1,691,359)	(321,119,625)	–	(703,407,613)
Remeasurement	–	–	–	–	(51,862,076)	–	(51,862,076)
Reclassifications	40,470,327	–	–	–	–	(40,470,327)	–
Balances at end of year	7,269,543,053	2,602,896,814	951,854,265	304,290,167	3,910,779,226	184,199,507	15,223,563,032
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 (Note 18)	416,500,278	141,307,972	47,853,303	24,018,220	693,557,798	–	1,323,237,571
Disposals and retirement	(323,423,268)	(21,115,585)	–	(1,691,359)	(321,119,625)	–	(667,349,837)
Remeasurement	–	–	–	–	(11,392,160)	–	(11,392,160)
Balances at end of year	6,194,785,352	2,264,975,178	383,476,497	200,573,481	2,362,327,145	–	11,406,137,653
Net book values	₱1,074,757,701	₱337,921,636	₱568,377,768	₱103,716,686	₱1,548,452,081	₱184,199,507	₱3,817,425,379

Additions to leasehold improvements and construction in progress in 2022 and 2021 pertain to improvements and construction of newly opened and renovated stores during the year.

Disposals and retirement for the period ended September 30, 2022 and December 31, 2021 mainly pertain to leasehold improvements, store furniture and fixtures and right-of-use assets derecognized on closed or renovated stores.

No property and equipment were pledged or treated as security to the outstanding liabilities as of September 30, 2022 and December 31, 2021.

The Group has no purchase commitments related to property, plant and equipment as of September 30, 2022 and December 31, 2021, respectively.

10. **Other Noncurrent Assets**

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Franchise fee	**₱72,961,573**	₱75,708,914
Miscellaneous deposits	**115,834,408**	62,003,440
Software costs	**1,266,185**	1,789,147
Others	**201,778**	8,609,053
	₱190,263,944	₱148,110,554

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

11. **Trade and Other Payables**

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade payables	**₱2,304,874,882**	₱1,111,763,757
Nontrade payables	**572,619,695**	733,722,811
Accrued expenses	**218,628,366**	211,634,969
Output VAT	**32,600,748**	175,509,007
Retention payable	**31,611,880**	28,882,628
Tenant deposit	**7,551,985**	7,551,985
Payable to related parties (see Note 19)	**201,872**	770,989
Others	**14,280,533**	22,074,294
	₱3,182,369,961	₱2,291,910,440

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, 2022 (Unaudited)	December 31, 2021 (Audited)
Banks:		
Bank of Philippine Islands (BPI)	**₱1,855,000,000**	₱2,365,000,000
Banco de Oro (BDO)	**1,080,000,000**	1,400,000,000
Rizal Commercial Banking Corporation (RCBC)	**500,000,000**	1,100,000,000
Security Bank Corporation (SBC)	**500,000,000**	500,000,000
China Banking Corporation (CBC)	**100,000,000**	300,000,000
Bank of Commerce (BOC)	**–**	270,000,000
	₱4,035,000,000	₱5,935,000,000

The Group's outstanding short-term peso-denominated loans from local commercial banks bear interest at rates ranging from 4.50% to 5.75% and 4.10% to 5.25% for the nine months ended 2022 and 2021, respectively.

Interest expense recognized in the consolidated statements of comprehensive income for the nine months ended September, 2022 and 2021 amounted to ₱182,319,855 and ₱262,198,258, respectively.

13. **Long-term Debt**

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.

Interest expense recognized in the consolidated statements of comprehensive income for the nine months ended September 30, 2022 and 2021 amounted to nil and ₱1,893,165, 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, 2022 and December 31, 2021, the Group is in compliance with the loan covenants of all their respective outstanding debts.

14. **Cost of Goods Sold**

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Cost of merchandise sold (Note 5)	**₱8,970,546,196**	₱5,868,724,866
Depreciation and amortization (Notes 9 and 18)	**3,614,778**	3,152,145
Rent (Note 23)	**2,492,602**	2,475,063
Utilities	**1,805,505**	1,148,112
Outside services	**124,235**	495,641
Others	**4,744,721**	1,870,065
	₱8,983,328,037	₱5,877,865,892

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

Cost of merchandise sold:

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Merchandise inventory, beginning	**₱6,619,736,173**	₱9,209,038,936
Net purchases	**9,292,754,940**	4,965,714,320
Cost of merchandise available for sale	**15,912,491,113**	14,174,753,256
Less merchandise inventory, ending	**6,941,944,917**	8,306,028,390
	₱8,970,546,196	₱5,868,724,866

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, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Rent (see Notes 19 and 23)	**₱784,466,520**	(₱102,749,969)
Personnel costs (see Note 17)	**666,686,307**	537,457,473
Depreciation and amortization (see Notes 9, 10 and 18)	**673,044,014**	844,119,888
Global marketing contribution fee	**359,965,678**	76,195,574
Utilities	**341,719,753**	295,575,509
Credit card charges	**303,453,637**	172,539,129
Advertising	**169,591,078**	164,788,088
Delivery and freight charges	**179,143,190**	106,593,912
Supplies and maintenance	**166,789,994**	112,366,210
Taxes and licenses	**140,426,958**	122,560,461
Security services	**71,578,675**	57,069,488
Insurance	**52,250,254**	46,758,139
Professional fees	**42,735,653**	41,337,305
Repairs and maintenance	**38,800,375**	30,538,634
Communication	**22,956,058**	25,648,538
Travel and transportation	**13,517,660**	4,574,469
Outside services	**8,349,161**	5,242,403
Entertainment, amusement and recreation (EAR)	**1,807,246**	1,061,787
Telegraphic transfer	**1,047,154**	785,076
Others	**109,977,303**	60,687,977
	₱4,148,306,668	₱2,603,150,091

16. General and Administrative Expenses

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Personnel costs (see Note 17)	**₱445,204,035**	₱430,248,032
Depreciation and amortization (see Notes 9, 10 and 18)	**228,406,178**	245,177,689
Taxes and licenses	**39,995,282**	43,708,378
Utilities	**34,027,857**	24,690,265
Repairs and maintenance	**28,621,327**	28,051,758
Supplies and maintenance	**22,085,049**	24,554,961
Security services	**19,437,602**	21,341,932
Professional fees	**10,831,467**	10,872,487
Communication	**12,656,040**	14,547,681
Insurance	**16,387,768**	17,187,063
Advertising	**9,406,952**	8,583,781
Travel and transportation	**7,339,175**	7,174,356
EAR	**1,626,954**	927,213
Outside service	**1,063,717**	744,986
Rent (see Notes 19 and 23)	**(49,078,284)**	(42,098,089)
Others	**49,055,063**	47,832,079
	₱877,066,182	₱883,544,572

17. Personnel Costs

Personnel costs were charged to operations as follows:

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Salaries, wages and bonuses	**₱944,708,777**	₱807,656,020
Retirement benefit expense	**60,432,370**	52,055,730
Other employee benefits	**107,204,070**	107,993,755
	₱1,112,345,217	₱967,705,505

Personnel costs were distributed as follows:

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Cost of services (Note 14)	**₱454,875**	₱–
Selling and distribution (see Note 15)	**666,686,307**	537,457,473
General and administrative (see Note 16)	**445,204,035**	430,248,032
	₱1,112,345,217	₱967,705,505

18. **Depreciation and Amortization Expense**

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Property and equipment (see Note 9)	**₱896,199,100**	₱1,085,501,381
Franchise fee (see Note 10)	**7,270,478**	6,247,702
Software costs (see Note 10)	**1,595,392**	700,639
	₱905,064,970	₱1,092,449,722

Depreciation and amortization were distributed as follows:

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Cost of services (Note 14)	**₱3,614,778**	₱3,152,145
Selling and distribution (see Note 16)	**673,044,014**	844,119,888
General and administrative (see Note 17)	**228,406,178**	245,177,689
	₱905,064,970	₱1,092,449,722

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 ₱66.5 million and ₱39.0 million, for the nine months in the period ended September 30, 2022 and 2021, 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 ₱19.8 million and ₱12.9 million for the nine months ended September 30, 2022 and 2021, 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 ₱28.1 million, ₱28.0 million for the nine months in the period ended September 30, 2022 and 2021, respectively, and post-employment benefits amounting to ₱4.3 million and ₱4.2 million for the nine months in the period ended September 30, 2022 and 2021, respectively.

As of September 30, 2022 and December 31, 2021, transactions with related parties are as follows:

Related Parties	Periods ended	Transactions for the year	Outstanding balances Receivables from related parties (Note 5)	Outstanding balances Payable to related parties (Note 12)
Under common control				
RCC	**September 30, 2022**	**(₱10,053,543)**	**₱42,290,109**	**₱–**
	December 31, 2021	₱129,468,827	₱54,667,672	₱–
RMK	**September 30, 2022**	**2,527,764**	**29,929,366**	**201,872**
	December 31, 2021	34,749,793	26,467,277	770,989
Joint ventures				
PFM	**September 30, 2022**	**–**	**–**	**–**
	December 31, 2021	–	–	–
MPC	**September 30, 2022**	**16,875**	**–**	**–**
	December 31, 2021	11,008,378	15,986,869	–
Associate				
SPI	**September 30, 2022**	**–**	**2,471,520**	**–**
	December 31, 2021	696,739	3,164,490	–
	September 30, 2022		**₱74,690,995**	**₱201,872**
	December 31, 2021		₱100,286,308	₱770,989

The related party balances as of September 30, 2022 and December 31, 2021 are due and demandable, non-interest bearing and unsecured. The allowance for expected credit losses on amounts owed by related parties amounted to ₱43.17 million as of September 30, 2022 and December 31, 2021, 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, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Net income	**₱918,016,134**	(₱444,617,354)
Divided by weighted average number of common shares	**3,298,408,430**	3,298,408,430
	₱0.28	(₱0.13)

There were no potential dilutive common shares for the nine months ended September 30, 2022 and 2021.

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, 2022 (Unaudited)	December 31, 2021 (Audited)
Cash	**₱6,654,270,033**	₱7,252,867,634
Trade and other receivables		
Trade receivables	**217,588,263**	280,509,256
Nontrade receivables	**376,131,667**	360,674,621
Receivables from related parties	**117,861,994**	143,457,307
Others	**1,237,538**	818,574
Security deposits and construction bonds	**965,323,247**	954,453,458
	₱8,332,412,742	₱8,992,780,850

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, 2022 (Unaudited)

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**<30 days**	**30 - 60 days**	**60 - 90 days**	**> 90 days**	**Impaired**
Cash	**₱6,654,270,033**	₱6,654,270,033	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables	**217,588,263**	147,751,133	32,111,985	16,852,178	4,134,399	16,738,568	–
Nontrade receivables	**376,131,667**	3,545,574	131,238,851	45,097,693	30,584,571	149,928,180	15,736,798
Receivables from related parties	**117,861,994**	2,764,416	10,866,048	9,959,869	5,589,608	45,511,054	43,170,999
Others	**1,237,538**	–	1,237,538	–	–	–	–
Security deposits and construction bonds	**965,323,247**	964,444,722	–	–	–	878,525	–
Total	**₱8,332,412,742**	**₱7,772,775,878**	**₱175,454,422**	**₱71,909,740**	**₱40,308,578**	**₱213,056,327**	**₱58,907,797**

December 31, 2021

			Past due but not impaired				
	Total	Neither past due nor impaired	<30 days	30 - 60 days	60 - 90 days	> 90 days	Impaired
Cash and cash equivalents	₱7,252,867,634	₱7,252,867,634	₱–	₱–	₱–	₱–	₱–
Trade and other receivables							
Trade receivables	280,509,256	250,166,226	17,682,376	53,487	614,501	11,992,666	–
Nontrade receivables	360,674,621	101,602,364	55,298,884	28,505,855	7,173,009	152,357,711	15,736,798
Receivables from related parties	143,457,307	2,102,279	37,389,457	10,850,610	4,341,274	45,602,688	43,170,999
Others	818,574	–	818,574	–	–	–	–
Security deposits and construction bonds[1]	954,453,458	954,453,458	–	–	–	–	–
Total	₱8,992,780,850	₱8,561,191,961	₱111,189,291	₱39,409,952	₱12,128,784	₱209,953,065	₱58,907,797

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, 2022 and December 31, 2021, there has been no increase in credit risk of these financial assets since initial recognition except for amounts owed by related parties amounting to ₱23.63 million which are classified as credit impaired as of September 30, 2022 and December 31, 2021.

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 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, 2022 and December 31, 2021, nontrade receivables from principals amounting to ₱15.74 million and ₱8.34 million, respectively, 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, 2022 and year ended December 31, 2021. 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, 2022.

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, 2022 (Unaudited)		December 31, 2021 (Audited)	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets				
Loans and receivables				
Security deposits and construction bonds	**₱965,323,247**	**₱981,167,175**	₱954,453,457	₱970,297,385

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 1.66% to 2.20% were used in calculating the fair value of the Group's refundable deposits as of September 30, 2022 and December 31, 2021.

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, 2022 and December 31, 2021 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, 2022 and years ended December 31, 2021, 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, 2022 (Unaudited)	December 31, 2021 (Audited)
Balances at beginning of the year	**₱1,548,286,972**	₱2,080,088,594
Additions	**109,251**	202,391,201
Depreciation expense	**(445,548,528)**	(693,557,798)
Remeasurement/termination	**89,744**	(40,469,916)
Balances at end of the year	**₱1,102,937,439**	₱1,548,452,081

The rollforward analysis of lease liabilities follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balances at beginning of the year	**₱1,608,373,087**	₱2,147,455,989
Additions	–	202,164,134
Interest expense	**90,176,627**	132,183,930
Remeasurement/termination	–	(45,746,474)
Lease concession	–	(401,436,655)
Payments	**(517,439,745)**	(426,247,747)
Balances at end of the year	**1,181,109,969**	1,608,373,177
Less: current portion	**170,941,753**	325,273,001
Balances at end of the year	**₱1,010,168,216**	₱1,283,100,176

The Group has paid security deposits for the store outlets and office spaces with carrying amounts of ₱965.23 million and ₱954.45 million as of September 30, 2022 and December 31, 2021, 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 ₱2.91 million and ₱2.62 million, for the nine months ended September 30, 2022 and 2021, 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. Rental income recognized on these spaces amounted to ₱42.55 million and ₱18.97 million, for the nine months ended September 30, 2022 and 2021, respectively. Deposits received from tenants amounted to ₱32.02 million and ₱31.76 million as of September 30, 2022 and December 31, 2021, respectively, pertaining to deposits on the leased space.

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, 2022 and 2021 (amounts in millions):

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Net Sales		
Luxury and Bridge	**₱5,605**	₱4,117
Fast Fashion	**5,132**	2,123
Casual	**2,261**	1,419
Footwear, Accessories and Luggage	**1,018**	538
Other	**1,650**	1,150
	₱15,666	₱9,347

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, 2022

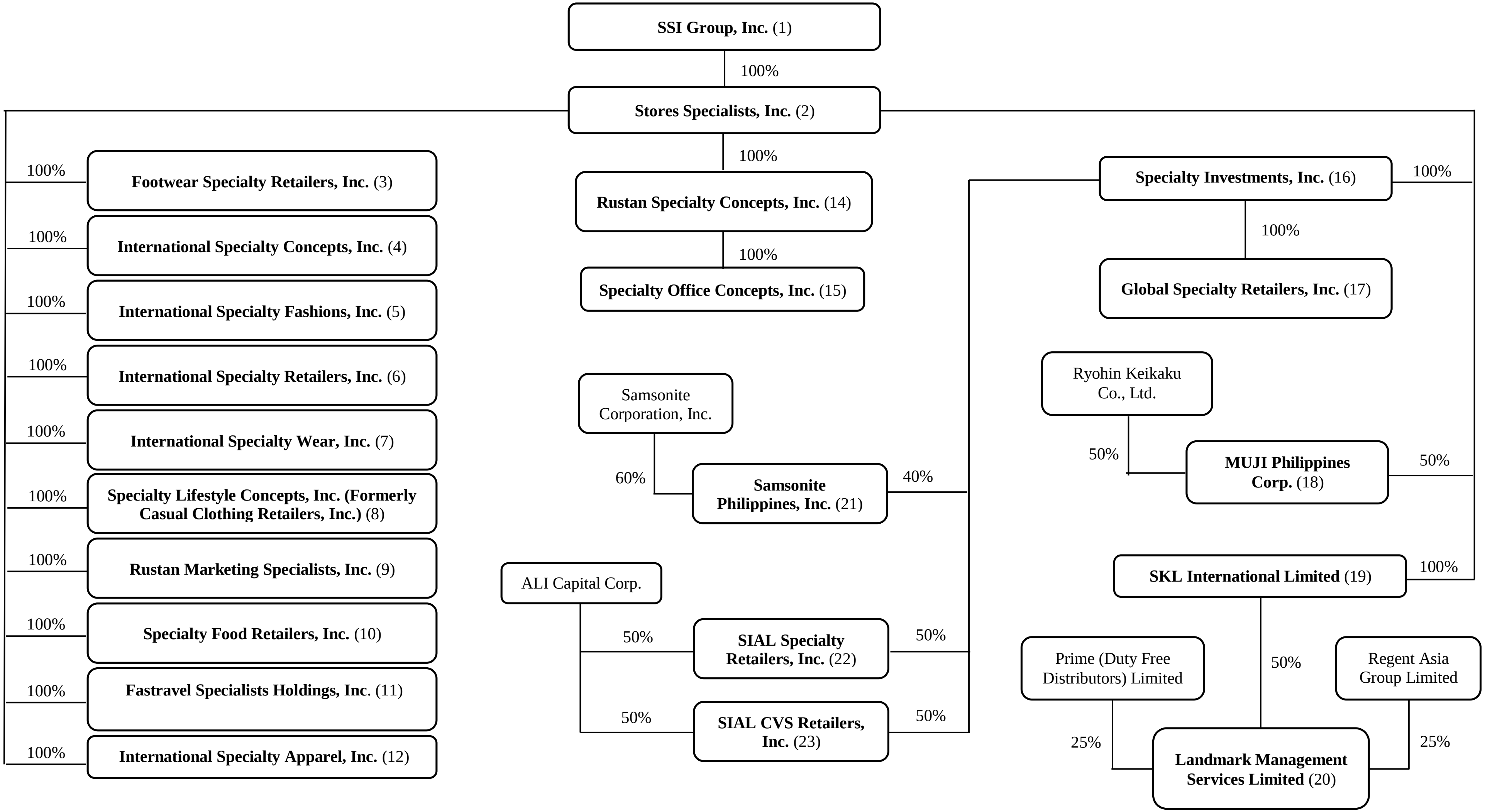

Exhibit II

SSI GROUP, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

SEPTEMBER 30, 2022

Unappropriated retained earnings, as adjusted, beginning		₱1,057,680,882
Cumulative prior year adjustments:		
Interest income from accretion of the discount on security deposits		(5,574,182)
Benefit from deferred tax		(255,112)
		1,051,851,588
Net income during the period closed to retained earnings	68,608,177	
Less: Other realized gains related to accretion of income from security deposits	–	
Deferred tax asset recognized during the year	–	
Net income during the period		68,608,177
Retained earnings available for dividend declaration		₱1,120,459,765

Exhibit III

SSI GROUP, INC.
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratios	Formula	September 30, 2022	December 31, 2021	September 30, 2021
(i) Current Ratio	Current Assets/Current Liabilities	1.98	1.76	1.72
(ii) Debt/Equity Ratio	Bank Debts/ Total Equity	0.35	0.56	0.62
(iii) Net Debt/Equity Ratio	Bank Debts-Cash & Equivalents/Total Equity	(0.23)	(0.12)	0.18
(iii) Asset to Equity Ratio	Total Assets/Total Equity	1.82	2.01	2.05
(iv) Interest Cover Ratio	EBITDA/Interest Expense	9.34	3.88	3.68
(v) Profitability Ratios				
GP Margin	Gross Profit/Revenues	42.81%	39.05%	37.24%
Net Profit (Loss) Margin	Net Income (Loss) /Revenues	5.84%	0.97%	-4.75%
EBITDA Margin	EBITDA/Revenues	16.20%	11.88%	10.39%
Return on Assets	Net Income (Loss) /Total Assets	4.38%	0.70%	-2.17%
Return on Equity	Net Income (Loss) /Total Equity	7.97%	1.41%	-4.45%

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