COVER SHEET

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STI EDUCATION SERVICES
GROUP, INC.

(Company's Full Name)

STI ACADEMIC CENTER
ORTIGAS-CAINTA, ORTIGAS AVENUE
EXTENSION, CAINTA RIZAL 1900

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

ARSENIO C. CABRERA, JR.	(632) 8137111
Contact Person	Company Telephone Number

03	31	Preliminary Information Statement	1st Thursday of September	
Month	*Day*	FORM TYPE	*Month*	*Day*
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stocholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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SECURITIES AND EXCHANGE COMMISSION
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NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO ALL SHAREHOLDERS:

Please be informed that the Annual Stockholders' Meeting of **STI EDUCATION SERVICES GROUP, INC. ("STI ESG")** shall be held at STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal, on Wednesday, 30 October 2019, at 11 o'clock in the morning, for the following purposes:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the 26 October 2018 Stockholders' Meeting
4. Management Report
5. Approval of Audited Financial Statements as of Fiscal Year ending 31 March 2019
6. Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management, done in the ordinary course of business from 26 October 2018 up to 30 October 2019
7. Election of Directors
8. Appointment of External Auditors
9. Adjournment

The Board of Directors of STI ESG has fixed the RECORD DATE for stockholders entitled to vote at this annual meeting to be on 30 September 2019. Stockholders who will not be able to attend the meeting may designate their respective proxies and send the proxy forms to the Office of the Corporate Secretary not later than 21 October 2019.

Registration starts at 9:00 a.m. on the scheduled meeting. For your convenience in registering your attendance, please have some form of identification such as your Professional I.D., Passport, or Driver's License.

For any inquiries or concerns regarding the Annual Shareholders' Meeting, please contact Ms. Mayette Bontia at 891-3863 or e-mail her at mayette.bontia@sti.edu.

A copy of the Definitive Information Statement, Management Report and Financial Statements ("ASM Documents") may be viewed and downloaded from STI ESG website at https://www.sti.edu.

Very truly yours,

ARSENIO C. CABRERA, JR.
Corporate Secretary

Explanation and Rationale of Each Item in the Agenda

1. Call to order

   The Chairman of the Board (the "Board"), Mr. Jesli A. Lapus, will call the meeting to order.

2. Certification of notice and quorum

   The Corporate Secretary will certify the date when written notice of the meeting was sent to all stockholders of record as of 30 September 2019.

   The Corporate Secretary will further certify the presence of a quorum. The stockholders representing a majority of the outstanding voting capital stock of the Company, present in person or by proxy, shall constitute a quorum for the transaction of the business.

3. Approval of the Minutes of the Annual Stockholders Meeting held on 26 October 2019

   The minutes are available at the Company website, https://www.sti.edu and copies thereof will be posted at the venue of the meeting.

   A motion for the approval of the following resolution will be presented:

   > *"RESOLVED, That the Minutes of the Annual Stockholders' meeting held on 26 October 2018 as appearing in the Minutes Book of the Corporation be approved."*

   The affirmative vote of stockholders representing at least a majority of the outstanding voting capital stock of the Company present at the meeting is necessary to approve the resolution.

4. The Management Report

   The President, Mr. Peter K. Fernandez, shall render the Management Report, which provides the highlights of the performance of the Company for the fiscal year 1 April 2018 to 31 March 2019 and the outlook of the Company for the fiscal year 2019-2020.

   The President shall also report on the significant operational and financial performance as well as the milestones and achievements of the Company for the fiscal year ending 31 March 2019. The report will also include significant events affecting the Company's performance for the fiscal year 1 April 2018 to 31 March 2019.

A printed version of the Annual Report was posted on the Company's website, http://www.sti.edu. A resolution noting the Annual Report will be presented to the stockholders for adoption.

Below is the proposed resolution:

> *"RESOLVED, That the Management Report as of fiscal 2018-2019 be noted and approved."*

5. Approval of the Audited Financial Statements as of Fiscal Year ending 31 March 2019

The approval of the Audited Financial Statements as of fiscal year ending 31 March 2019 ("AFS"), audited by SyCip Gorres Velayo & Co., contained in the printed version of the Annual Report will presented to the stockholders. The AFS will also be embodied in the Information Statement to be sent to the Stockholders at least fifteen (15) business days prior to the meeting. The Audit Committee has recommended, and the Board has approved, the AFS.

A resolution approving the AFS will be presented to the stockholders, who will be given opportunity to ask questions on the Annual Report and the AFS.

Below is the proposed resolution:

> *"RESOLVED, That the Audited Financial Statements for the fiscal year ending 31 March 2019 as discussed in the Annual Report be noted and approved."*

The affirmative vote of stockholders constituting at least a majority of the outstanding voting capital stock of the Company present at the meeting is necessary to approve the resolution.

6. Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management since the 26 October 2018 Annual Stockholders' Meeting up to 30 October 2019

The list of acts and resolutions for approval, confirmation, and ratification is enumerated in Item 16 of SEC Form 20-IS.

A motion for the approval of the following resolution will be presented:

> *"RESOLVED, That all acts, resolutions and proceedings of the Board of Directors and of Management since the 26 October 2018 Annual Stockholders' Meeting up to 30 October 2019 be approved, confirmed and ratified."*

7. Election of directors, including independent directors

In accordance with Section 11, Article II of the Company's By-Laws and the 2017 Manual on Corporate Governance, the deadline for nominations to the Board of Directors was 9 September 2019. After the deadline, the Corporate Governance Committee evaluated the nominees to the Board and determined that all the nominees, including the nominees for independent directors, have all the qualifications of a director pursuant to the By-Laws and applicable laws. Copies of the curriculum vitae and profiles of the candidates to the Board are provided in the Information Statement.

The election of the directors shall be by plurality of votes. Every stockholder may vote the number of shares owned by him for as many persons as there are directors to be elected, or cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or distribute such votes on the same principle among as many candidates as he shall see fit. The eleven (11) directors receiving the highest number of votes will be declared elected as directors of the Company.

In evaluating the nominations to the Board, the Corporate Governance Committee was guided by its established nomination principles and procedures set forth hereafter.

8. Appointment of external auditor

A resolution for the approval of the appointment of the Company's external auditor will be presented to the stockholders. The Audit Committee has recommended, and the Board has approved the appointment of SyCip Gorres Velayo & Co. as the external auditor of the Company.

The profile of the proposed external auditors will be provided in the Information Statement.

Below is the proposed resolution:

> *"RESOLVED, to approve the appointment of the firm of SyCip Gorres Velayo & Co. as external auditor of the Corporation for the fiscal 1 April 2019 to 31 March 2020."*

The affirmative vote of stockholders representing at least a majority of the outstanding voting capital stock of the stock of the Company present at the meeting is necessary to approve the resolution.

9. Consideration of such other business as may properly come before the meeting

The Chairman will open the floor for comments and questions by the stockholders. Stockholders may raise other matters or issues that may be properly taken up at the meeting.

10. Adjournment

Upon confirmation by the Corporate Secretary that there are no other matters to be considered, and on motion by a stockholder duly seconded, the Chairman will declare the meeting adjourned.

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AGENDA OF 2019 ANNUAL STOCKHOLDERS' MEETING

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the 26 October 2018 Stockholder's Meeting
4. Management Report
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ASM Agenda 2019/ACC Clients(ACC[illegible]-2019)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [x] Preliminary Information Statement
   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter **STI Education Services Group, Inc.**

3. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **0000113156**

5. BIR Tax Identification Code **000-143-457**

6. **STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal** **1990**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(632) 812-1784**

8. **30 October 2019, 11:00 a.m. STI Academic Center, Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders **9 October 2019**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	**3,087,829,443**

11. Are any or all of registrant's securities listed on a Stock Exchange?
    Yes ________ No **X**

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
    ____

PART I

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders

Date of Meeting	:	30 October 2019
Time of Meeting	:	11:00 a.m.
Place of Meeting	:	STI Academic Center Ortigas-Cainta Ortigas Avenue Extension, Cainta, Rizal
Registrant's Mailing Address	:	STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal
Approximate Date on Which the Information Statement is First Sent Or Given to Security Holders	:	9 October 2019

The Annual Stockholders' Meeting will be held on 30 October 2019, instead of 5 September 2019, the first Thursday of September as provided in the Amended By-Laws of the Company, for purposes of attaining quorum.

Item 2. Dissenters' Right of Appraisal

There are no corporate matters or action that will entitle a stockholder to exercise a Right of Appraisal as provided in Title X of the Revised Corporation Code of the Philippines (the "Revised Corporation Code").

However, any Stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in the following instances, as provided by the Revised Corporation Code:

(1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence (Section 80);

(2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (Section. 80)

(3) In case of merger or consolidation (Section 80); and

(4) In case of investments of corporate funds for any purpose other than the primary purpose of the corporation (Section 80).

The appraisal right may be exercised by a dissenting stockholder who shall have voted against the proposed corporate action in the manner provided below:

(1) The dissenting stockholder shall make a written demand on the corporation for payment of the fair value of his shares within 30 days after the date on which the vote was taken. The failure of the stockholder to make the demand within the 30-day period shall be deemed a waiver of his appraisal right;

(2) If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of the corresponding certificate(s) of stock within 10 days after demanding payment for his shares, the fair value thereof, provided the Company has unrestricted retained earnings; and

(3) Upon payment of the agreed or awarded price, the stockholder shall transfer his shares to the corporation.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

(1) No director or officer of the Company since the beginning of the last fiscal year, nominee for election as director, or associate of the foregoing persons, have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.

(2) No director of the Company has informed it in writing that he/she intends to oppose any action to be taken by the Company at the meeting.

Market Price and Dividends of Registrant's Common Equity and Related Stockholder Matters

(1) Market Information

The Company has an Authorized Capital Stock (ACS) of Five Billion Pesos (PhP5,000,000,000.00) divided into five billion (5,000,000,000) shares with a par value of One Peso (PhP1.00) each. Out of the ACS, three billion eighty seven million eight hundred twenty nine thousand four hundred forty three (3,087,829,443) shares have been subscribed and paid-up. The common shares of the Company are not traded in any market, nor are they subject to outstanding warrants to purchase, or securities convertible into common shares of the Company.

(2) Holders

Foreign ownership limit for the Company is forty percent (40%) of the issued and outstanding common shares, equivalent to 1,232,750,868 common shares. Total shares owned by foreign shareholders as of 9 September 2019 was 7,841,118, equivalent to 0.25% of the outstanding common shares of the Company.

As of 9 September 2019, there were sixty-four (64) shareholders of the Company's outstanding capital stock. The Company has common shares only.

The following table sets forth the top 20 shareholders of the Company's common stock, the number of shares held, and the percentage of total shares outstanding held by each as of 9 September 2019:

	Name	No of Shares Owned	% Ownership
1	STI HOLDINGS	3,040,623,037	98.47
2	PRUDENT RESOURCES, INC.	13,382,275	0.43
3	GONZALES, FRANCISCO B. JR.	8,873,692	0.29
4	ROSSI, PURIFICACION G.	7,841,118	0.25
5	PRUDENCIO, TOMAS J.	3,732,400	0.12

6	SANTOS, MARIA LOURDES	1,725,000	0.06
7	YOUNG, CAROLINA	1,651,828	0.05
8	RAMOS, DULCE	1,155,447	0.04
9	BUSTOS, FELIXBERTO	792,283	0.03
10	DOMINGO, EMERITA R.	303,466	0.01
11	VALERIO, MIKAEL M.S.	241,279	0.01
12	ZARASPE, ANACLETA C.	214,038	0.01
13	MONES, REYNALDO A.	201,901	0.01
14	HEIRS OF EDGAR SARTE	148,622	0.00
15	RELLEVE, ALVIN K.	137,338	0.00
16	PUBLICO, EDGARDO	122,080	0.00
17	DUJUA, JOCELYN	115,532	0.00
18	GARCIA, NOEL B.	83,190	0.00
19	MADRIGAL, VICTORIA P.	63,384	0.00
20	LAO, ERIENE C.	63,384	0.00

**5,952,273 shares were issued to STI Education Services Group, Inc. as a result of the merger between STI Taft and STI Dagupan, resulting to 0.19% ownership of the Company.*

(3) Dividend Policy

On September 19, 2017, the BOD of the Company adopted a policy on the declaration of dividends starting with Fiscal Year 2017-2018.

The BOD approved a dividend declaration policy equivalent to 25% to 40% of the core income of the Company from the previous fiscal year, subject to compliance with the requirements of applicable laws and regulations, statutory limitations and/or restrictions, terms and conditions which may be imposed on the Company by lenders or other financial institutions, and the Company's investment plans and financial condition.

Core income is defined as consolidated net income after income tax derived from the Company's main business - education and other recurring income.

The amount of dividends will be reviewed periodically by the BOD in light of the earnings, financial conditions, cash flows, capital requirements and other considerations, while maintaining a level of capitalization that is commercially sound and sufficient to ensure that the Company can operate on a standalone basis.

Dividends shall be declared and paid out of the Company's unrestricted retained earnings which shall be payable in cash, property or stock to all shareholders on the basis of outstanding stock held by them. Unless otherwise required by law, the BOD, at its sole discretion, shall determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including:

- the level of the Company's earnings, cash flow, return on equity and retained earnings;
- its results for and its financial condition at the end of the year in respect of which the dividend is to be paid and its expected financial performance;
- the projected levels of capital expenditures and other investment programs;
- restrictions on payments of dividends that may be imposed on it by any of its financing arrangements and current or prospective debt service requirements; and

- such other factors as the BOD deems appropriate.

On 29 March 2019, the BOD amended the dividend policy to clarify that the core net income for distribution as cash dividends shall come from the core income of the Company and its subsidiaries.

Dividend History:

Declaration Date	Dividends per Share	Amount
27 September 2018	PhP0.06	PhP184.9 Million
19 September 2017	PhP0.08	PhP246.5 Million
20 September 2016	PhP0.27	PhP832.1 Million
9 September 2016	PhP0.08	PhP246.5 Million

On September 9, 2016, the Company's BOD approved the cash dividends declaration amounting to ₱246.5 million, or ₱0.08 per share, in favor of the stockholders of record as at September 9, 2016. Such dividends were paid on September 15, 2016. On September 20, 2016, the Company's BOD also approved the cash dividends declaration amounting to ₱832.1 million, or ₱0.27 per share, in favor of stockholders of record as at September 20, 2016. The Company paid P431.5 million and P400.6 million dividends to its stockholders on September 23, 2016 and November 3, 2016, respectively.

On September 19, 2017, the Company's BOD approved the cash dividends declaration of ₱0.08 per share for a total amount of ₱246.5 million, in favor of the stockholders of record as at September 30, 2017. Such dividends were paid on October 19, 2017.

On September 27, 2018, the Company's BOD approved the cash dividends declaration of ₱0.06 per share for a total amount of ₱184.9 million, in favor of the stockholders of record as at September 30, 2018. Such dividends were paid on October 10, 2018.

(4) Recent Sales of Unregistered or Exempt Securities

There is no sale of unregistered or exempt securities for the past three (3) years.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(1) Voting securities entitled to be voted at the meeting as of 9 September 2019:

Title of Each Class	No. of Shares Outstanding	No. of Votes
Common Stock	3,087,829,443	One (1) vote per share

(2) Record date

Only stockholders of record on the books of the Company at the close of business on 30 September 2019 will be entitled to vote at the Annual Meeting.

(3) Election of directors and voting rights (Cumulative Voting)

In the election of the directors, each stockholder may vote the shares registered in his name in person or by proxy for as many persons as there are directors, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

(4) Security Ownership of Certain Record/Beneficial Owners and Management

(a) Security Ownership of Certain Record/Beneficial Owners as of 9 September 2019

As of 9 September 2019, the following stockholders are the only owners of more than 5% of the Company's voting capital stock, whether directly or indirectly, as record owner or beneficial owner.

Class of Shares	**Name, Address of Record Owner and Relationship with Issuer**	**Name of Beneficial Owner**	**Nationality**	**Shares Owned**	**% Ownership**
Common	STI Education Systems Holdings, Inc.	Direct Owner	Filipino	3,040,623,037	98.7%

(b) Security Ownership of Management as of 9 September 2019

The following table sets forth as of 9 September 2019, the beneficial ownership of each director and executive officer of the Company:

Name of Beneficial Owner	Title of Class	Number of shares	Nature of ownership	Citizenship	%
Jesli A. Lapus	Common	1	(D)	Filipino	0.00%
Monico V. Jacob	Common	2	(D)	Filipino	0.00%
Eusebio H. Tanco	Common	1	(D)	Filipino	0.00%
Peter K. Fernandez	Common	1	(D)	Filipino	0.00%
Raul B. De Mesa	Common	2	(D)	Filipino	0.00%
Joseph Augustin L. Tanco	Common	2	(D)	Filipino	0.00%
Maria Vanessa Rose L. Tanco	Common	1	(D)	Filipino	0.00%
Rainerio M. Borja	Common	2	(D)	Filipino	0.00%
Paolo Martin O. Bautista	Common	1	(D)	Filipino	0.00%
Martin K. Tanco	Common	1	(D)	Filipino	0.00%

Name of Beneficial Owner	Title of Class	Number of shares	Nature of ownership	Citizenship	%
Robert G. Vergara	Common	1	(D)	Filipino	0.00%

(c) Voting Trust Holders of 5% or More

As of 9 September 2019, person holds at least 5% or more of a class under a voting trust or similar agreement.

(d) Changes in Control

There is no arrangement entered into by the Company or any of its stockholders which may result in change of control of the Company.

Item 5. Directors and Executive Officers

(1) Directors and Executive Officers

The Company's Articles of Incorporation provides for eleven (11) members of the Board.

The term of office of the directors of the Company is one (1) year and they are to serve as such until the election and qualification of their successors.

The following are the incumbent members of the Board of Directors:

(a) Jesli A. Lapus
(b) Monico V. Jacob
(c) (c)Eusebio H. Tanco
(d) Peter K. Fernandez
(e) Rainerio M. Borja
(f) Raul B. De Mesa
(g) Joseph Augustin L. Tanco
(h) Ma. Vanessa Rose L. Tanco
(i) Martin K. Tanco
(j) Paolo Martin O. Bautista
(k) Robert G. Vergara

Messrs. Jesli A. Lapus and Robert G. Vergara have been nominated as independent directors by the Corporate Governance Committee.

In accordance with Section 11, Article II of the Company's By-Laws and the 2017 Manual on Corporate Governance, the nomination of all of the members of the Company's Board of Directors, including independent directors, shall be conducted by the Corporate Governance Committee prior to the annual stockholders' meeting in accordance with the following procedure:

(1) All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity of the would-be nominees and shall be submitted to the Corporate Governance Committee and the Corporate Secretary.

(2) The Corporate Governance Committee shall pre-screen the qualifications and prepare a Final List of all Candidates.

(3) After the nomination, the Corporate Governance Committee shall prepare a Final List of Candidates to be submitted to the Board of Directors, which shall contain all the information regarding the background and experience of the nominees required to be ascertained and made known under the Securities Regulation Code and relevant rules and regulations.

(4) Said Final List of Candidates shall be disclosed in the reports required by law, rules and regulations to be submitted to the Securities Exchange Commission and all stockholders.

(5) Only nominees whose names appear on the Final List of Candidates shall be eligible for election as directors. No other nomination shall be entertained after the Final List of Candidates shall have been prepared.

The Chairman of the Corporate Governance Committee is Mr. Robert G. Vergara. Messrs. Jesli A. Lapus, Monico V. Jacob and Joseph Augustin Eusebio L. Tanco are members of the Corporate Governance Committee.

The following are the Final List of Candidates for directors as determined by the Company's Corporate Governance Committee:

Candidate for Nomination as Director	Nominating Stockholder	Relationship	Citizenship
Monico V. Jacob	Prudent Resources, Inc.	None	Filipino
Eusebio H. Tanco	Prudent Resources, Inc.	Chairman and President	Filipino
Peter K. Fernandez	Prudent Resources, Inc.	None	Filipino
Raul B. De Mesa	Prudent Resources, Inc.	None	Filipino
Maria Vanessa Rose L. Tanco	Prudent Resources, Inc.	None	Filipino
Joseph Augustin Eusebio L. Tanco	Prudent Resources, Inc.	None	Filipino
Martin K. Tanco	Prudent Resources, Inc.	None	Filipino
Rainerio M. Borja	Prudent Resources, Inc.	None	Filipino
Paolo Martin O. Bautista	Prudent Resources, Inc.	Director	Filipino
Jesli A. Lapus	Prudent Resources, Inc.	None	Filipino
Robert G. Vergara	Prudent Resources, Inc.	None	Filipino

The corresponding ages, citizenships, business experiences and directorships held for the past five (5) years of the incumbent directors who have been nominated to the Board for the ensuing year are set forth below:

Jesli A. Lapus, 70, Filipino, Independent Director

Mr. Lapus is currently the Chairman and Independent Director of STI ESG. He is also a member of the Executive Committee and Nomination Committee and the Chairman of the Audit Committee of STI ESG. He was first elected as Chairman and Independent Director on September 25, 2013.

Mr. Lapus is also an Independent Director of STI Education Systems Holdings, Inc. (STI Holdings), Metropolitan Bank & Trust Company and Philippine Life Financial Assurance Corporation (PhilLife). He is a Governor of Information and Communications Technology Inc. (iACADEMY); Chairman of the Trust Banking Group of Metropolitan Bank and Trust Company, LBP Service Corporation, and Asian Institute of Management–Center for Tourism. He is also a Member of the Investment Committee of PhilPlans First, Inc. (PhilPlans) and Advisory Board Member of Radiowealth Finance Company, Inc.

A multi-awarded executive in the private sector (i.e., manufacturing, financial services and international trade), Mr. Lapus has successfully managed and turned around firms and a universal bank in attaining industry leaderships. He was Managing Director of Triumph International (Phils.) Inc., President of Pacific Products, Inc., CFO of the RAMCAR Group of Companies and formerly connected with Sycip Gorres Velayo & Co.

With a solid track record as a prominent professional executive in the private sector behind him, Mr. Lapus has the distinction of having served in the cabinets of three (3) Philippine Presidents namely: President Gloria Macapagal-Arroyo, President Fidel Ramos and President Corazon Aquino in the following capacities: Secretary, Department of Trade and Industry (2010); Secretary, Department of Education (2006-2010); President and CEO, The Land Bank of the Philippines (1992-1998); Undersecretary, Department of Agrarian Reform (1987-89).

The Polytechnic University of the Philippines conferred Mr. Lapus the Doctor of Public Administration (honoris causa); Mr. Lapus also earned his Master in Business Management from the Asian Institute of Management; Investment Appraisal and Management from Harvard University, USA; Management of Transfer of Technology from INSEAD, France; Project Management from BITS, Sweden and Personal Financial Planning in UCLA, USA.

Monico V. Jacob, 74, Filipino, Director

Mr. Jacob is the Vice Chairman and CEO of STI ESG and a member of the Executive Committee, Compensation Committee, Nomination Committee and Retirement Committee.

Mr. Jacob is also the President and CEO of STI Holdings, and a member of its Executive, Compensation and Compliance Committees.

Mr. Jacob is the President of STI West Negros University (STI WNU), Eximious Holdings, Inc. (Formerly, Capital Managers and Advisors, Inc.), Maestro Holdings, Inc. (Maestro Holdings), formerly STI Investments, Inc. and Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.)

Mr. Jacob is the Chairman of PhilLife, Philhealthcare, Inc. (PhilCare), Total Consolidated Asset Management, Inc., Global Resource for Outsourced Workers, Inc. (GROW), GROW Vite Staffing Services, Inc., and Rosehills Memorial Phils., Inc.

Mr. Jacob is also a non-Executive Director in Asian Terminals, Inc., and an Independent Director in Jollibee Foods Corp., Rockwell Land Corp., Phoenix Petroleum Philippines, Inc., and Lopez Holdings Corp., all publicly-listed companies. He also serves as a member of the board of directors of De Los Santos Medical Center and iACADEMY.

Prior to his present positions, Mr. Jacob was the Chairman and CEO of Petron Corporation, and the Philippine National Oil Company (PNOC) and all of its subsidiaries. He also served as the General Manager of the National Housing Authority (NHA), and Chief Executive Officer of the Home

Development Mutual Fund. He was also an Associate Commissioner for the Securities and Exchange Commission in 1986.

Prior to government, he was a Partner of the law firm Jacob Acaban Corvera Valdez and Del Castillo and was an active trial lawyer. Today, he is a partner in the law firm of Jacob & Jacob. His areas of specialization are energy, corporate law, corporate recovery and rehabilitation work, including receivership and restructuring advisory for companies.

Mr. Jacob is a member of the Management Association of the Philippines (MAP) of which he was President for 1998. He is also a member of the Integrated Bar of the Philippines.

Mr. Jacob finished his Bachelor of Arts degree with a Major in Liberal Arts from the Ateneo de Naga University in 1966 and his Bachelor of Laws degree from the Ateneo de Manila University in 1971.

Eusebio H. Tanco, 70, Filipino, Director

Mr. Tanco is the Chairman of the Executive Committee, and Compensation Committee, and is a Director of STI ESG. He is also a member of the Audit Committee and the Retirement Committee.

Mr. Tanco is also Chairman of STI Holdings, and the Chairman of its Executive, Nomination and Compensation Committees.

Mr. Tanco is Chairman of the Board and President of Prudent Resources, Inc., and Prime Power Holdings Corporation. He is the Chairman of Mactan Electric Company, Philippines First Insurance Co. Inc.(PhilsFirst), Venture Securities Inc., GROW Vite, Inc., Delos Santos-STI College, STI WNU, and Eximious Holdings, Inc. He is Vice-Chairman and President of Asian Terminals, Inc.

Mr. Tanco is President of Total Consolidated Asset Management, Inc., EujoPhils, Inc., Cement Center Inc., First Optima Realty Corp, Biolim Holdings and Management Corp (formerly Rescom Developers Inc.), Tantivy Holdings, Inc., Bloom with Looms Logistics, Inc. (formerly Southern Textiles Mills, Inc.), Marbay Homes Inc., Global Resource for Outsourced Workers, Inc., Amina, Inc., International Hardwood & Veneer Corp., and CEO of Classic Finance Inc.

Mr. Tanco is also a director in PhilPlans, Maestro Holdings, PhilLife, Manila Bay Spinning Mills, Inc., United Coconut Chemicals, Inc., MB Paseo, Philippine Health Educators, Inc., iACADEMY, PhilCare, Philippine Racing Club, Inc. and Leisure and Resorts World Corporation.

Mr. Tanco is a director of the Philippine Stock Exchange. He is also Chairman of the Philippine-Thailand Business Council and the Philippines-UAE Business Council. He likewise sits as a member of the Board of Trustees of Philippines, Inc. and member of the Philippine Chamber of Commerce and Industry.

Mr. Tanco earned his Master of Science in Economics degree from the London School of Economics and Political Science and his Bachelor of Science degree in Economics from the Ateneo de Manila University. The Palawan State University also conferred a Doctorate of Humanities degree, honoris causa to Mr. Tanco

Peter K. Fernandez, 55, Filipino, President and Chief Operating Officer

Mr. Fernandez is the President and Chief Operating Officer of STI ESG. Prior to this appointment, Mr. Fernandez served as Executive Vice President and Chief Operating Officer of STI ESG from 2004-2016. Prior to joining STI ESG, Mr. Fernandez was a member of the Asian Institute of Management faculty for four and a half years. Before joining AIM, Mr. Fernandez was a faculty member of the College of Computer Studies at the De La Salle University.

Mr. Fernandez earned his Bachelor of Science degree in Electronics and Communications Engineering and Master of Business Administration degree from the De La Salle University.

Rainerio M. Borja, 55, Filipino, Director

Mr. Borja serves as a Director of STI ESG and a member of the Executive Committee and Retirement Committee.

He is also a Director of STI Holdings and a member of its Executive and Nomination Committees. Mr. Borja is also a Director of PhilPlans. and Total Consolidated Asset Management Inc. He is also Chairman of the Board of Techzone Inc. and 88Gren Inc.

Mr. Borja is the President of the Asia region for Alorica, comprising more than 34,0000 people in the Philippines, as well as delivery centers in Australia and China Japan, for a total of 25 sites. Under Mr. Borja's leadership, the Asia teams provide distinct capabilities to offer low-cost, high quality solutions to clients across the globe.

Prior to this role, Mr. Borja was President of the Philippines and Australia for Expert Global Solutions, Inc. (EGS) for four years prior to EGS' acquisition by Alorica in June 2016.

Before joining EGS in 2012, he spent 12 years as President of Aegis PeopleSupport Philippines, a start-up company that he helped grow to more than 13,000 employees. In 2004, People Support achieved a major milestone by doing an Initial Public Offering (IPO) in the United States, and being listed in NASDAQ as the only Business Process Outsourcing (BPO) company with its entire operations handled in the Philippines. Mr. Borja also established the expansion of BPO to Philippine provinces, as well as to other regions, such as San Jose, Costa Rica.

Often credited as the "man behind the success of the call center and BPO industry" in the country, Mr. Borja is one of the founders and former chairman of the Information Technology and Business Process Association of the Philippines (IBPAP), formerly the Business Processing Association of the Philippines (BPA/P). He continues to support the industry by taking on leadership roles and sitting on the Board of Directors for both IBPAP and the Contact Center Association of the Philippines (CCAP). His opinions and contributions are highly valued by government and industry officials in the formulation of legislations and policies that govern the country's Information and Communications Technology (ICT) and BPO industry. Being one of the country's BPO industry ambassadors who supported the industry's phenomenal growth to now being one of the country's major economic contributors, Mr. Borja was the first recipient of the Individual ICT Contributor Award in the Philippines in 2007.

Mr. Borja obtained his Bachelor's degree at the De La Salle University and Masters of Science in Economics units from the De La Salle Graduate School of Business and Economics.

Raul B. De Mesa, 77, Filipino, Director

Mr. De Mesa is a Director of STI ESG and a member of the Compensation and Audit Committees.

Mr. De Mesa served as the President and Chief Executive Officer of Bank of Commerce. Mr. De Mesa is a distinguished banker with substantial years of experience in the financial industry. Prior to Bank of Commerce, he has 37 years of banking experience, having occupied various positions in several banking institutions such as Security Bank, Manila Banking Corporation, Far East Bank & Trust Company. Mr. De Mesa is a Director at CAP Life Insurance Corporation. He served as a Director of Bank of Commerce.

Mr. De Mesa is presently the Chairman of the boards of Abacore Capital Holdings, Inc. and Prime Star Development Bank; and Chairman and President of RBM Holdings, Inc. and Pampanga Auto Sales, Inc. He is an independent director of Pride Resources Infrastructure Development Corporation, and Montemaria Asia Pilgrims, Inc. He is a Director of Bancommerce Investment Corporation.

Joseph Augustin L. Tanco, 38, Filipino

Mr. Tanco is a Director and a member of the Nomination Committee and Executive Committee of STI ESG.

Mr. Tanco is a Director of STI Holdings since October 27, 2010. He is likewise the Vice President for Investor Relations and a member of the Compensation Committee.

Mr. Tanco is currently the President and Chief Executive Officer of Maestro Holdings, PhilLife, PhilCare, and Comm&Sense, Inc. He founded Comm&Sense, Inc., an integrated marketing and communications agency offering comprehensive services in the areas of creative design, event conceptualization and management, public relations and promotions, in 2005.

Mr. Tanco serves as the Director and Treasurer of PhilPlans, Director and Director and Vice President of Eujo Phils. Inc., Director of Maestro Holdings, iACADEMY, PhilsFirst Insurance Corporation, STI WNU, Capital Managers and Advisors, Inc., Prime Power Holdings Corporation, GROW, Venture Securities, Inc., Bloom with Looms Logistics, Inc. and Biolim Holdings & Management Corporation.

Furthermore, Mr. Tanco is an active member of the Junior Chamber International Philippines (JCI) where he was Chapter President of JCI Ortigas in 2012. He was Area Director for Individual for Metro Area 2 and National Chairman for Nothing but Nets in 2013 and National Chairman for The Outstanding Young Men (TOYM) in 2015. He also became a mentor for BS Entrepreneurship at the University of Asia and the Pacific in 2012.

Mr. Tanco is a graduate of the University of Asia and the Pacific with a Bachelor of Science degree in Entrepreneurial Management. He obtained his Master in Business Administration from the Ateneo Graduate School of Business.

Maria Vanessa Rose L. Tanco, 41, Filipino, Director

Ms. Tanco is a Director and a member Executive Committee of STI ESG.
Ms. Tanco is also a Director and a member of the Nomination Committee of STI Holdings.

She also holds directorships at STI WNU, PhilPlans, and PhilCare. Currently, she is the President and CEO of iACADEMY.

Ms. Tanco obtained her Master in Business Administration degree at the University of Southern California, and her Bachelor of Science degree in Legal Management at Ateneo de Manila University.

Martin K. Tanco, 53, Filipino, Director

Mr. Tanco is a Director of STI ESG.

He is also a Director of STI Holdings and is likewise a member of its Executive Committee and Audit Committees.

Mr. Tanco is the Director for Investment of PhilPlans. He is the President of the Philfirst Condominium Association. Mr. Tanco is also the Vice-President of Manila Bay Thread Corporation (Formerly: Coats Manila Bay). He is also the Vice-President of TechZone Condominium Corporation.

Mr. Tanco also holds directorships in Techglobal Data Center, Inc. TechZone Philippines Inc. and Philippine Life Financial Assurance Corporation.

Mr. Tanco earned his Bachelor of Science Degree in Electrical Engineering from the University of Southern California. He obtained his Master of Science degree in Electrical Engineering and Master in Business Administration from the University of Southern California.

Paolo Martin O. Bautista, 50, Filipino, Executive Director

Mr. Bautista was elected as an Independent Director of STI ESG on May 23, 2018.

He is likewise a Director of STI Holdings since December 2012. Mr. Bautista is also the Chief Investment Officer, Head of Corporate Strategy and a member of the Audit Committee of STI Holdings.

Mr. Bautista is an advisor to the Investment Committee of PhilPlans. He has over 20-year experience in the areas of corporate finance, mergers and acquisition, debt and equity capital markets, credit risk management and securities law. Prior to joining STI Holdings, he was a director at Citigroup Global Markets and a Vice President at Investment Banking Division of Credit Suisse.

Mr. Bautista obtained his Bachelor of Arts degree, Bachelor of Laws degree and Juris Doctor from the Ateneo de Manila University and obtained his Master of Science degree in Management from the Arthur D. Little School of Management, Cambridge, MA.

Robert G. Vergara, 58, Filipino, Independent Director

Mr. Vergara was elected as an Independent Director of STI ESG on July 27, 2017.

He served as the President and General Manager and Vice-Chairman of the Board of Trustees of the Government Service Insurance System (GSIS) from September 2010 to October 2016. As President and General Manager of GSIS, Mr. Vergara also served as Vice Chairman and Director of National Reinsurance Corporation of the Philippines, Manila Hotel Corporation, and Member of the Board of Directors of Philippine Stock Exchange, Philippine Health Insurance Corporation, Philippine National Construction Corporation and Housing and Urban Development Coordinating Council. Currently, he is a Director of Cabanatuan Electric Corporation and SEA Crest Master Fund Ltd.

Prior to his stint in GSIS, he was the Managing Director and Founding Partner of Cannizaro (Hong Kong) Limited and was a Limited Partner at Cannizaro Capital Partners LLP (United Kingdom) from 2006 to 2010. From 2002 to 2006, he was a Director of Lionhart (Hong Kong) Ltd. He previously served as a Principal at Morgan Stanley Asia Ltd from 1997 to 2001 and was Managing Director of IFM Asia Ltd from 1990.

Mr. Vergara obtained his Master in Business Administration from the Harvard Business School in 1986. He graduated Magna Cum Laude with a Bachelor of Science in Management Engineering and Mathematics degree from Ateneo de Manila University in 1982.

Yolanda M. Bautista, 67, Filipino, Treasurer

Ms. Bautista has served as the Chief Finance Officer and Treasurer of STI ESG since 2003. She is likewise a member of the Compensation and Retirement Committees of STI ESG.

Ms. Bautista is also the Treasurer of STI Holdings and a member of its Executive, Compensation and Compliance Committees.

Ms. Bautista is the Chairman and President of Corporate Reference, Inc., Lakeview Realty, Inc. and Yellow Meadows Business Ventures, Inc.

Ms. Bautista serves as Director and Treasurer of Eximious Holdings, Inc., Banclife Insurance Co., Inc., Tantivy Holdings, Inc., DLS-STI College, Inc., and iACADEMY. She is also the Group Chief Finance Officer of PhilLife and PhilCare as well as the Chief Finance Officer and Treasurer of STI WNU and Maestro Holdings. Ms. Bautista is a Director of Attenborough Holdings Corp., Philippine Healthcare Educators, Inc., GROW Inc., Grow Vite Staffing Services, Inc. and Bloom with Looms Logistics, Inc. She serves as Treasurer of PhilPlans, Aberlour Holding Company, Daven Holdings, Inc., Harbourside Holding Corporation, Morray Holdings, Inc., Kusang Loob Foundation, Inc., SG Holdings, Inc., Philippines First Condominium Corporation, Quantum Analytix, Inc., P & O Management Services Phils., Inc., TechGlobal Data Center, Inc., Techzone Condominium Corporation and Techzone Philippines, Inc.. She is also Assistant Treasurer of Total Consolidated Asset Management, Inc.

Ms. Bautista is a Certified Public Accountant. She graduated Magna Cum Laude from the University of Sto. Tomas with a Bachelor of Science degree in Commerce, major in Accounting.

Arsenio C. Cabrera, Jr., 59, Filipino, Corporate Secretary, General Counsel, and Corporate Information Officer

Atty. Arsenio C. Cabrera, Jr. is the Corporate Secretary, General Counsel, and Corporate Information Officer of STI ESG.

He also serves as the Corporate Secretary and Member of the Corporate Governance Committee of STI Holdings and is also its current Corporate Information Officer.

Atty. Cabrera is a Managing Partner of Herrera Teehankee & Cabrera Law Offices. He also serves as Corporate Secretary of Agustin Tanco Foundation, Inc., Amina, Inc., Arani Realty Corporation, Asiateleservices, Inc., BOIE Drug, Inc., BOIE, Incorporated, BOIE Prime, Inc., Bountiful Geomines, Inc., Calatagan Bay Realty, Inc., Canlubang Golf and Country Club, Inc., Cement Center, Inc., Classic Finance, Inc., Comm & Sense, Inc., Digitalme Services, Inc., Drysor, Inc., DLS-STI Colleges, Inc., DLS-STI College Quezon Avenue, Inc., Eximious Holdings, Inc., EUJO Phils. Incorporated, First Optima Realty Corporation, GEOGRACE Resources Philippines, Inc., Gurango Software Corporation, Heritage Park

Management, Inc., iACADEMY, International Hardwood & Veneer Company of the Philippines, Juska, Inc., Lasik Surgery, Inc., Lorenzo Shipping Corporation, Maestro Holdings, Inc., Manila Bay Hosiery Mills, Inc., Masbate13 Philippines, Inc., Metropolitan City Train Systems, Inc., Mina Tierra Gracia, Inc., NiHAO Mineral Resources International, Inc., Oregalore, Inc., Palisades Condominium Corporation, Pay Philexchange, Inc., Philippine American Drug Company, Philippine First Condominium Corporation, PhilsFirst, PhilLife, PhilCare, Inc., Philplans., Renaissance Condominium Corporation, Rosehills Memorial Management Philippines, Inc., Sinoma Energy Conservation (Philippines) Waste Heat Recovery Co., Inc., Sinoma Energy Conservation (Cebu) Waste Heat Recovery Co., Inc., Sonak Holdings, Inc., STI WNU, Tantivy Holdings, Inc., Techglobal Data Center, Inc., TechZone Philippines, Inc., Total Consolidated Asset Management, Inc., Trend Developers, Inc., Venture Securities, Inc., Villa Development Corporation, Vital Ventures Management Corp. and WVC Development Corporation.

Atty. Cabrera holds degrees in Bachelor of Laws (Second Honors) and Bachelor of Science in Legal Management from the Ateneo De Manila University.

Ana Carmina S. Herrera, 44, Filipino, Assistant Corporate Secretary

Atty. Herrera is a Senior Associate of Herrera Teehankee and Cabrera Law Offices. She also performs the role of Corporate Secretary of Dunes and Eagle Land Development Corporation, STI College Batangas, Inc., STI College of Kalookan, Inc., STI Dagupan, Inc., STI Diamond College, Inc. and STI Tuguegarao, Inc. She also serves as Assistant Corporate Secretary in a number of other corporations: Amica Corporation, Banclife Insurance Co., Inc., Coastal Bay Chemicals, Inc., Palisades Condominium Corporation, PhilCare, PhilsFirst, Philippine First Condominium Corporation, PhilLife, STI Holdings and Venture Securities, Inc.

Atty. Herrera received her Bachelor of Laws degree from the University of the Philippines in 2000.

(2) Significant Employees

In general, the Company values its human resources. It expects the employees to do their share in achieving the Company's set objectives. There is no person in the Company who is not an executive officer but is expected to make significant contribution in the business of the Company.

(3) Family Relationships

Ms. Maria Vanessa Rose L. Tanco is the daughter of Mr. Eusebio H. Tanco. Mr. Joseph Augustin L. Tanco is the son of Mr. Eusebio H. Tanco.

Mr. Martin K. Tanco and Mr. Eusebio H. Tanco are cousins.

There are no other family relationships up to the 4th civil degree, either by consanguinity or affinity among the current Directors other than those already disclosed in this report.

(4) Involvement in Certain Legal Proceedings

None of the above named directors and executive officers of the Company have been involved in any of the following events for the past five (5) years and up to the date of this SEC Form 20-IS:

(a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(b) any conviction by final judgment;

(c) being subject to any order, judgment, or decree not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting involvement in any type of business, securities, commodities or banking activities;

(d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

(5) Certain Relationships and Related Transactions

The Company has the following major transactions with related parties:

Consultancy Agreement with STI Holdings

The Company entered into an agreement with STI Holdings on the rendering of advisory services starting January 01, 2013.

Contract of Lease

STI ESG entered into a Contract of Lease with First Optima Realty Corporation on January 7, 2014. The contract covers lease of three (3) parcels of land in Poblacion, Lucena City, Quezon for a period of 25 years commencing on January 1, 2014 and expiring on January 1, 2039 for ₱2.1 million per annum, exclusive of taxes.

Conversion of advances to equity
STI Taft

On December 1, 2015, the BOD of STI Taft approved the application for an increase in authorized capital stock from 5,000 shares with ₱100 par value per share to 750,000 shares with ₱100 par value per share. Subsequently, STI Taft and the Company agreed to convert a portion of STI Taft's advances from STI ESG amounting to ₱49.0 million to deposit for future stock subscriptions. On April 4, 2016, the SEC approved STI Taft's increase in authorized capital stock to ₱75.0 million. As at September 30, 2016, STI Taft became a 99.9%-owned subsidiary of STI ESG. On August 30, 2017, the SEC approved the application for merger of STI Taft with STI ESG, with STI ESG as the surviving entity. In December 2017, STI ESG subscribed to 5,287,836 shares and issued a total of 4,446 of its own shares to minority holders with par value of ₱1.0 per share, at a price of ₱1.82 per share or an aggregate cost of ₱9.6 million.

STI Dagupan

On February 27, 2015, the BOD of STI Dagupan approved the application for an increase in authorized capital stock from ₱0.5 million to ₱35.0 million and the opening for subscription of 72,000 common shares with an aggregate par value of ₱7.2 million. Subsequently, STI ESG subscribed to 32,000 shares or an aggregate par value of ₱3.2 million. The BOD of STI Dagupan also approved the equity conversion of STI Dagupan's advances from STI ESG amounting to ₱19.8 million. As at March 31, 2017, STI ESG's ownership over STI Dagupan increased from 77% to 99.9%. On August 30, 2017, the SEC approved the application for merger of STI Dagupan with STI ESG, with STI ESG as the surviving entity. In December 2017, STI ESG subscribed to 664,437 shares and issued a total of 865 of its own shares to minority holders with par value of ₱1.0 per share, at a price of ₱ 1.82 per share or an aggregate cost of ₱1.2 million.

Deed of Assignment of net assets

On August 16, 2016, STI Diamond entered into a Deed of Assignment with STI Novaliches whereby STI Diamond assigned, transferred and conveyed in a manner absolute and irrevocable, and free and clear of all liens and encumbrances, unto STI Novaliches all their rights, title and interest in its assets and liabilities for a consideration of ₱75.7 million, payable quarterly over five years. Consequently, the management contract between STI ESG and STI Diamond was terminated and as a result, the latter was derecognized as a subsidiary of STI ESG (see Note 19).

Deed of Assignment of net assets

On May 18, 2016, STI ESG entered into a Memorandum of Agreement to acquire for ₱20.0 million the net assets of an STI franchised school located in Santa Maria, Bulacan. On May 31, 2016, STI ESG made an initial deposit of ₱10.0 million for the planned acquisition. On February 8, 2017, STI ESG made an additional deposit of ₱8.0 million.

On April 4, 2017, STI ESG established STI College of Santa Maria, Inc. (STI Sta. Maria). On May 23, 2017, STI Sta. Maria entered into a Deed of Assignment with Halili Reyes Educational Institution, Inc. (HREI) where HREI assigned, transferred and conveyed in a manner absolute and irrevocable, and free and clear of all liens and encumbrances, to STI Sta. Maria all its rights, title and interest in its assets and liabilities for a price of ₱20.0 million. The assignment of the net assets shall retroact to April 1, 2017. On the same date, STI Sta. Maria paid the remaining balance of ₱2.0 million (see Note 36).

Joint Venture Agreement

On April 21, 2017, STI ESG, Mr. Tony Tan Caktiong (TTC), STI Tanauan, and Injap Investments, Inc. (Injap), referred collectively as the Joint Venture Parties, entered into an agreement to transform STI Tanauan into a Joint Venture Company which shall operate as a farm-to-table school that offers courses ranging from farm production to food services.

The Joint Venture Parties also agreed to increase STI Tanauan's authorized capital stock to be formalized on a separate agreement. As agreed by the Joint Venture Parties, the increase in the authorized capital stock will be made through STI Tanauan's declaration of stock dividends to STI ESG based on STI Tanauan's unrestricted retained earnings as of March 31, 2017 and cash payments by the Joint Venture Parties.

The equity sharing of the Joint Venture Company will be 60%, 25% and 15% for STI ESG, TTC and Injap, respectively.

On June 21, 2017, in separate meetings, the stockholders and the BOD of STI Tanauan approved the increase in the authorized capital stock of the corporation from ₱1.0 million divided into 10,000 shares with a par value of ₱100 to ₱75.0 million divided into 750,000 shares with a par value of

₱100. The increase will be funded through the declaration of stock dividends and cash subscriptions by the shareholders. In the same meeting, the stockholders and the BOD approved the declaration of 150,000 shares as stock dividends with an aggregate par value of ₱15.0 million to be distributed to stockholders of record as of March 31, 2017 based on the unrestricted retained earnings of STI Tanauan as shown in its audited financial statements as of March 31, 2017.

On January 24, 2018 STI ESG subscribed to and fully paid for 35,000 shares at a subscription price of ₱495 per share for a total of ₱17.3 million.

On February 26, 2018, STI Tanauan applied with the SEC to increase its authorized capital stock from ₱1.0 million to ₱75.0 million.

On March 2, 2018, the SEC approved the increase and issued the Certificate of Approval on Increase of Capital Stock.

On March 3, 2018, STI Tanauan issued to STI ESG stock dividends of 150,000 shares and 35,000 shares as subscribed by the latter.

Contract of Lease

STI ESG entered into a Contract of Lease with Cement Center Inc. on August 15, 2017. The lease contract covers the rental of the lessor's property in Sta. Mesa with an area of 3,690.6 sqms for a period of 25 years commencing on the possession of STI ESG upon delivery of the leased premises. The term of the lease shall be renewable for another 25 years upon terms and conditions mutually agreed upon by the parties.

STI ESG shall pay a monthly rent of ₱50.0 per sqm or ₱184,000 per month, exclusive of taxes. STI ESG shall also pay an additional variable rent equivalent to 3% of the Divisible Gross Revenue (DGR), exclusive of taxes. DGR refers to Tuition and Other School Fees received by STI ESG on the school that it intends to set up on the leased premises, excluding miscellaneous and other pass-on revenues that STI ESG may receive.

Transactions with Promoters

There are no transactions with promoters in the past five (5) years.

Item 6. Compensation of Directors and Executive Officers

The directors each receive per diems amounting to ₱15,000, gross of all taxes, for their attendance to board and committee meetings. There is no arrangement for compensation of directors.

(2) The following table summarizes the aggregate compensation for the fiscal years ended March 31, 2017, 2018, and 2019. The amounts set forth in the table below have been prepared based on what the Company paid its directors and named executive officers as a group and other officers for the fiscal years ended March 31, 2017, 2018, and 2019 and what the Company expects to pay for the fiscal year ending March 31, 2020.

ANNUAL COMPENSATION

	Year Ended March 31	Salaries and Bonus	Other Compensation

Chief Executive Officer and the Top Four Highly Compensated Officers[2]	2017	₱26,955,603	None
	2018	₱31,566,845	None
	2019	₱33,196,249	None
	2020[1]	₱27,374,634	None
Board of Directors	2017	₱2,178,869	None
	2018	₱2,267,941	None
	2019	₱2,371,868	None

The compensation for board members comprises per diems.

Notes:

[1] Figure is an estimated amount.

[2] Executives namely: Monico V. Jacob (Vice Chairman and CEO), Peter K. Fernandez (President and COO), Engelbert L. De Guzman (VP for Communications and MIS), Wilfred S. Racadio (VP for Legal Affairs) and Juan Luis Fausto B. Tubongbanua (VP for Corporate and Information Services).

(3) There are no actions to be taken regarding any bonus, profit sharing, or other compensation plan, contract or arrangement in which any director, nominee for election as a director, or executive officer of the Company will participate.

(4) There are no actions to be taken regarding any pension or retirement plan in which any such person will participate.

(5) There are no actions to be taken regarding the granting or extension to any such person of any option, warrant or right to purchase any securities.

Item 7. Independent Public Accountants

1. The accounting firm of Sycip Gorres Velayo & Co. (SGV) has been the Company's External Auditors for the past years. They were reappointed in the Annual Stockholders' Meeting held on October 26, 2018, as external auditors for the ensuing fiscal year.

A representative of SGV is expected to be present at the Annual Meeting of the Stockholders and will have the opportunity to make a statement if he or she so desires. The representative will also be available to respond to appropriate questions from the stockholders.

Pursuant to SRC Rule 68 (3) (b) (iv), as amended (Rotation of External Auditors), the Company has engaged Mr. Benjamin N. Villacorte of SGV as the Partner-in-charge of the Company. This is his fourth year of engagement for STI ESG.

2. There has not been any disagreement between the Company and said accounting firm with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedure.
As stated in the March 31, 2019 "Statement of Management Responsibility for Financial Statements", SGV is the appointed independent auditor of STI ESG. They have examined the financial statements of the Company in accordance with Philippine Standards on Auditing and have expressed their opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

The Company's Audit Committee reviews and approves the scope of audit work of the external auditor and the amount of audit fees for a given year. With respect to services rendered by the external auditor other than the audit of financial statements, the scope of and payment for the same are subject to review and approval by the management.

Mr. Jesli A. Lapus is currently the Chairman of the Audit Committee while Messrs. Eusebio H. Tanco, Raul B. De Mesa and Mr. Robert G. Vergara are its members.

The aggregate fees for the services rendered by SGV to the Company, particularly for the audit of the financial statements for the years ended March 31, 2019, 2018, 2017 and the six-months ended September 30, 2016 and 2015 are shown below:

March 31, 2019

	March 2019			
	Audit Fees	OPE	VAT	TOTAL
AUDIT	7,829,200	782,920	1,033,454	9,645,574
OTHERS				-
	7,829,200	782,920	1,033,454	9,645,574

** OPE for March 2019 is based on estimates*

March 31, 2018

	March 2018			
	Audit Fees	OPE	VAT	TOTAL
AUDIT	7,292,000	692,805	958,177	8,942,982
OTHERS				-
	7,292,000	692,805	958,177	8,942,982

March 31, 2017

	March 2017			
	Audit Fees	OPE	VAT	TOTAL
AUDIT	2,550,000	285,000	340,200	3,175,200
OTHERS	-	-	-	-
	2,550,000	285,000	340,200	3,175,200

September 30, 2016 and 2015

	September 2016 and 2015			
	Audit Fees	OPE	VAT	TOTAL
AUDIT	10,000,000	1,046,401	1,325,568	12,371,969
OTHERS	800,000	11,250	97,350	908,600
	10,800,000	1,057,651	1,422,918	13,280,569

The Company has no disagreements with its independent auditors on any matter relating to accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

Item 8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other Than For Exchange

No action will be taken with respect to the authorization or issuance of any securities otherwise for exchange for outstanding securities of the Company.

Item 10. Modification or Exchange of Securities

There is no action to be taken with respect to the modification of any class of securities of the Company, or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

Item 12. Mergers, Consolidation, Acquisition and Similar Matters

No action will be taken with respect to any of the following: (a) the merger or consolidation of the Company into or with any other person or of any other person into or with the Company; (b) the acquisition by the Company or any of its security holders of securities of another person; (c) the acquisition by the Company of any other ongoing business or of the assets thereof; (d) the sale or other transfer of all or substantially all of the assets of the Company; or (e) the liquidation or dissolution of the Company.

Item 13. Acquisition or Disposition of Property

No action will be taken with respect to the acquisition or disposition by the Company of any property.

Item 14. Restatement of Accounts

No action will be taken with respect to the restatement of any asset, capital or surplus account of the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The Board of Directors of the Company recommends a vote for confirmation, ratification and approval of the minutes of the 26 October 2018 Annual Stockholders' Meeting. The Minutes of the 26 October 2018 Annual Stockholders' Meeting contained the following items:

1. Call to Order
2. Certificate of Notice and Quorum
3. Approval of the Minutes of the 22 September 2017 Annual Shareholders' Meeting
4. Presentation of Management Report
5. Approval of Audited Financial Statements as of 31 March 2018
6. Ratification of Legal Acts, Proceedings and Resolutions of the Board of Directors and of Management from 22 September 2017 to 26 October 2018
7. Election of Directors
8. Appointment of External Auditor
9. Adjournment

Item 16. Matters Not Required to be Submitted

The Board of Directors and Management have the power to act as agents of the Company based on statute, charter, by-laws or in delegation of authority to an officer from the acts of the Board, formally expressed or implied from a habit or custom of doing business. In this regard, where an officer has been entrusted with the general management and control of the Company's business, that officer is considered to possess an implied authority to enter into any contract or do any other act which is necessary or appropriate for the conduct of the ordinary business of the Company.

The Board of Directors recommends a vote for approval, confirmation and ratification of all acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting on 26 October 2018 up to 30 October 2019. Said acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting held on 26 October 2018 up to 30 October 2019 include, among others: (a) the appointment of officers, Committee Heads and Members; (b) approval of audited financial statements; (c) the opening, maintaining and updating of corporate bank accounts and the appointment of signatories; (d) application for credit line facilities and/or long term loans with various financial institutions, including renewal, extension, increase, or amendment thereof; (e) execution of contracts in the ordinary course of business ; (f) approval of budget; (g) acquisition of lands and schools; (h) construction and/or renovation of school facilities; (i) application for permits to offer various CHED, DepEd and TESDA programs and courses; (j) appointment of officers to represent the Company in court cases and proceedings; (k) sale of assets; and (l) acquisition of NAMEI Polytechnic Institute Inc. and NAMEI Polytechnic Institute of Mandaluyong Inc.

Once the ratification has been given, all acts or transactions entered into by the Board of Directors and of Management since the Annual Stockholders' Meeting on 26 October 2018 up to the present become finally and absolutely binding and neither the Company nor individual stockholders nor strangers can afterwards sue to set them aside or otherwise attack their validity.

Item 17. Amendment of Charter, By-laws or Other Documents

No action will be taken at the Annual Stockholders' Meeting for any amendment of the Company's Articles of Incorporation, By-laws or other charter documents.

Item 18. Other Proposed Action

There is no action to be taken at the Annual Stockholders' Meeting with respect to any matter not specifically referred to above.

Item 19. Voting Procedures

(1) Vote required

Each common share entitles the holder to one vote. At each meeting of the stockholders, each stockholder entitled to vote on a particular question or matter shall be entitled to vote for each share of stock standing in his name in the books of the Company as of record date.

Pursuant to the By-Laws of the Company, stockholders owning a majority of all of the issued and outstanding stock of the Company present or represented by proxy and entitled to vote, shall form a quorum for the transaction of business and the vote of stockholders representing a majority of a quorum shall be required to approve any action submitted to the stockholders for approval.

(2) Method

The By-Laws provide that the voting must be by ballot or viva voce in the event no contest is raised at the sole discretion of the Chairman of the meeting.

Moreover, "every question [except the election of Director] submitted to a meeting shall be decided in the first instance by a show of hands, and in the case of an equality of votes, whether for the election of Directors, or otherwise, the same shall be decided by drawing of lots or in such other lawful manner as may be agreed upon in such meeting. Any person may demand a poll, and such poll shall be taken in such manner as the Chairman of the meeting directs."

The Secretary of the meeting, upon motion duly made and seconded, is instructed to count all votes represented at the meeting in favor of the nominees. Cumulative voting shall be followed.

The Company will seek the approval of the following:

(1) Approval of the Minutes of the Annual Stockholders' Meeting held on 26 October 2018

(2) Approval of the Audited Financial Statements as of 31 March 2019

(3) Ratification of all acts of the Board of Directors and of Management from 26 October 2018 up to 30 October 2019

(4) Election of Directors

(5) Appointment of External Auditor

Discussion on Compliance with Leading Practices on Corporate Governance

The Company adheres to the principles and practices of good corporate governance, as embodied in its Manual of Corporate Governance and related SEC Circulars.

On March 9, 2011, the Company submitted to the SEC its Amended Manual on Corporate Governance dated February 22, 2011 incorporating the directory provisions of the Revised Code of Corporate Governance in order to comply with the adopted leading practices on good corporate governance.

On July 18, 2014, the Company submitted the Amended Manual on Corporate Governance dated July 15, 2014 in compliance with SEC Memorandum Circular No. 9.

There have been no deviations from the Company's Manual of Corporate Governance.

To ensure that the Company observes good corporate governance and management practices and assure shareholders that the Company conducts its business in accordance with the highest level of accountability, transparency and integrity, the Company has undertaken the continuous improvement and monitoring of its governance and management policies. The Company submits a Certificate of Compliance with the Manual on Corporate Governance on an annual basis to the SEC. The Company likewise ensures that its officers and members of the Board of Directors attend the mandatory Corporate Governance Seminar annually in compliance with the SEC Memorandum Circular No. 20, series of 2013.

The Company ensures that it has at least two (2) independent directors, or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is higher, but in no case less than two (2). Presently, there are two (2) incumbent independent directors on the Board.

The Company, through its Corporate Governance Committee, ensures that all the nominees to the Board possess all the qualifications and none of the disqualifications provided for in the Company By-Laws and Manual, the Corporation Code, Securities Regulation Code and other relevant laws, rules and regulations.

The Company also has an Audit Committee, which is tasked to review the Audited Financial Statements of the Company. The Chairman of the Audit Committee is an independent director, and each member thereof has at least an adequate understanding or competence of most of the Company's financial management systems and environment.

The Company consistently strives to raise its financial reporting standards by adopting and implementing prescribed Philippine Financial Reporting Standards.

STI EDUCATION SERVICES GROUP, INC., AS REGISTRANT, WILL PROVIDE WITHOUT CHARGE, UPON WRITTEN REQUEST, A COPY OF THE REGISTRANT'S ANNUAL REPORT ON SEC FORM 17-A. SUCH WRITTEN REQUESTS SHOULD BE DIRECTED TO THE OFFICE OF THE CORPORATE SECRETARY, 5TH FLOOR SGV II BUILDING, 6758 AYALA AVENUE, MAKATI CITY, PHILIPPINES.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 10 September 2019.

STI EDUCATION SERVICES GROUP, INC.
Issuer

ARSENIO C. CABRERA, JR.
Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ROBERT G. VERGARA**, Filipino, of legal age, with residence address at 1489 Carissa St. Dasmariñas Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of STI Education Services Group, Inc. and have been an independent director since 27 July 2017.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organizations	Position/Relationship	Period of Service
STI Education Systems Holdings, Inc.	Independent Director	27 July 2017 to present
SM Investments Corporation	Independent Director	April 24, 2019 to present
Vergara Advisory Management, Inc.	President/Director	June 2018
Cabanatuan Electric Corporation	Director	26 June 2010
SEA CREST Fund	Director	30 March 2009

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of STI Education Services Group, Inc. as provided for in Section 38 of the Securities and Exchange Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to the directors/officers/substantial shareholders of STI Education Services Group, Inc. other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service nor affiliated with a government agency or GOCC.

7. I shall inform the Corporate Secretary of STI Education Services Group, Inc. of any changes in the abovementioned information within five (5) days from its occurrence.

IN WITNESS WHEREOF, I have executed this Certificate of Independent Directors on this 5th day of September 2019 at Makati City.

ROBERT G. VERGARA

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY)S.S.

SUBSCRIBED AND SWORN to before me this 5th day of September 2019 at Makati City, affiant personally appeared and exhibited to me his Passport No EC7612146 issued on 4 May 2016 at DFA Manila.

Doc. No. 205;
Page No. 42;
Book No. I;
Series of 2019.

RONALD LUKE T. SARTHOU, JR. NOTARY PUBLIC ROLL NO. 63690 MAKATI CITY, PHILIPPINES

RONALD LUKE T. SARTHOU, JR.
Notary Public for Makati City
Appointment No. M-425
Until 31 December 2020
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 63690
PTR No. 7333824 / Makati City / 03 January 2019
IBP No. 057617 / Pangasinan / 20 December 2018
MCLE Compliance No. VI-0017026
Pasig City / 28 December 2018

MANAGEMENT REPORT

Group History and Structure

STI Education Services Group, Inc. ("the Company")

Established on August 21, 1983, the Company began with a goal of training as many Filipinos as possible in computer programming and addressing the information technology (IT) education needs of the Philippines. Starting as a training center with only two (2) schools, the Company initially offered short-term computer programming courses that were patterned to satisfy the demand of college graduates and working professionals who wanted to learn more about the emerging computer technology.

Shortly after, the Company's campuses began to grow as it started granting franchises in other locations within Metro Manila which soon expanded to other key areas in Luzon, Visayas, and Mindanao. In the mid-1990s, the Company opened international campuses in Hong Kong, Rome, Milan, Macau, Singapore, Taiwan, and Vietnam. And in 1998, the Company had more than 100 campuses across the nation and outside the Philippines. In 2003, management decided to focus its attention on the domestic market but continued to study the possibility of going international once again.

Over the years, the Company began shifting its focus from short-term courses to college degree programs to adjust to the changing business environment. In 1995, the Company was granted a permit by the Commission on Higher Education (CHED) to operate colleges and started to roll out four-year college programs starting with the Bachelor's Degree in Computer Science. The Company then slowly diversified its programs beyond Information & Communications Technology by introducing new programs in the fields of Business and Management, Engineering, Healthcare, Hospitality Management, Tourism Management, Arts and Sciences, and Education.

The Company embarked on strengthening its geographical presence nationwide as it aggressively constructed improved facilities. More STI schools are now veering away from rented commercial complexes and have moved to bigger and better school-owned stand-alone campuses that are strategically located. All of the improved campuses house state-of-the-art facilities, spacious classrooms, top-of-the-line simulation laboratories, and recreational facilities conducive for high academic delivery. To date, there are fifteen (15) wholly-owned schools with renovated or newly built facilities. In addition, incentives were offered to franchisees to upgrade their facilities of which twelve (12) had responded so far.

The Company has centralized its efforts into academic quality and started investing in trainings on awareness, documentation, and internal quality audit to achieve the ISO 9001:2008 certification on February 5, 2015 and the ISO 9001:2015 certification on February 5, 2018. Awarded by the ISO certifying body TÜV Rheinland Philippines Inc., both certifications focus on the Company's Learning Delivery System that covers courseware development and faculty training and certification for the tertiary level. The ISO 9001:2015 certification has also been extended to senior high school and expanded to include student development program.

When the Department of Education (DepEd) announced the K to 12 program in 2013, the Company capitalized on its nationwide presence and ample facilities to implement the first-to-market approach of the Senior High School (SHS) program. In 2014, DepEd granted permit to offer early implementation of SHS to 92 private schools nationwide, 67 out of 92 schools or 73% are STI schools which made the Company the largest pioneer in Senior High School ("SHS"). The two (2) program tracks covered by the permit are the Academic and Technical-Vocational-Livelihood tracks. Under the Technical-Vocational-Livelihood Track, STI ESG offers three strands with various specializations.

In 2018, STI ESG and other educational institutions experienced another monumental change in the education landscape as the Republic Act (RA) 10931 or the "Universal Access to Quality Tertiary Education Act" (UAQTEA) was officially implemented nationwide. The law covers four (4) salient points: (1) free tuition and miscellaneous fees in state universities and colleges (SUCs) and local universities and colleges (LUCs); (2) free technical-vocational education and training in state-run technical vocational institutes; (3) student loan programs for tertiary students; and (4) Tertiary Education Subsidy (TES) in private higher education institutions (HEI).

STI ESG fully supports the government's advocacy to provide equal opportunities to the Filipino youth by making tertiary education more accessible and encourage them to pursue and complete higher learning. Thus, STI ESG signed a Memorandum of Agreement on December 17, 2018 with the Commission on Higher Education (CHED) and the implementing organization Unified Student Financial Assistance System for Tertiary Education (UniFAST) for the enactment of the tertiary education subsidy and student loan program. More than 2,000 STI students qualified to be TES grantees and therefore benefited from the partnership. According to the UniFAST data, STI Colleges Caloocan and Las Piñas were among the top 10 private HEIs with the largest number of TES grantees and both schools received a combined TES subsidy amounting to ₱111.0 million, including the student grants, for SY 2018-2019.

Through the consistent efforts of management, the STI brand has been recognized as a provider of high-quality real life education.

STI ESG Network

As a testament to its growing presence nationwide, the STI network has seventy-five (75) schools spread across Luzon, Visayas, and Mindanao and is comprised of sixty-eight (68) STI-Branded Colleges and seven (7) STI-Branded Education Centers. Likewise, of these seventy-five (75) schools, thirty-six (36) college campuses and two (2) education centers are wholly-owned while thirty-two (32) college campuses and five (5) education centers are operated by franchisees.

Area	Wholly-Owned	Franchised
Metro Manila (15)	Caloocan Cubao Fairview Global City Las Piñas Novaliches Pasay-EDSA Sta. Mesa Quezon Ave.	Alabang Marikina Muñoz-EDSA Parañaque Recto Pasay
Northern Luzon (18)	Baguio Dagupan Laoag Meycauayan San Jose del Monte Sta. Maria Tuguegarao	Angeles Balagtas Baliuag La Union Malolos San Fernando San Jose Tarlac Vigan

		Alaminos
		Cauayan
Southern Luzon (19)	Batangas	Bacoor
	Calamba	Balayan
	Carmona	Dasmariñas
	Legazpi	Rosario
	Lipa	Sta. Rosa
	Lucena	Tagaytay
	Naga	Tanay
	Ortigas-Cainta	
	Puerto Princesa	
	San Pablo	
	Sta. Cruz	
	Tanauan	
Visayas (8)	Cebu	Bohol
	Iloilo	Dumaguete
	Kalibo	Ormoc
		Calbayog
		Maasin
Mindanao (15)	Cagayan De Oro	Cotabato
	Davao	Dipolog
	Iligan	General Santos
	Malaybalay	Koronadal
	Valencia	San Francisco
	Pagadian	Surigao
	Tagum	Tacurong
		Zamboanga

Corporate Structure

The Company has a total Authorized Capital Stock (ACS) of Five Billion Pesos (₱5,000,000,000.00) divided into five billion (5,000,000,000) shares with a par value of One Peso (₱1.00) each. Out of the ACS, three billion eighty-seven million eight hundred twenty-nine thousand four hundred forty-three (3,087,829,443) shares have been subscribed and paid-up. Of the total subscribed and paid-up capital stock, seven million eight hundred forty-one thousand one hundred eighteen (7,841,118) shares are foreign-owned.

In September 2012, the Company became a subsidiary of the STI Education Systems Holdings, Inc. (STI Holdings) through a share-for-share swap agreement with the shareholders of the Company. As at 15 September 2018, STI Holdings owns 98.7% of STI ESG.

Capital Market Infrastructure

The Company's ₱3.0 billion bond issue has been assigned by Philippine Rating Services Corporation (PhilRatings) an Issue Credit Rating of **PRS Aa**, in its report to the Securities and Exchange Commission (SEC) dated January 23, 2017, which meant that the Company's proposed debt issue, as of date of report, is of "high quality and is subject to very low credit risk."

According to PhilRatings, "Obligations rated **PRS Aa** are of high quality and are subject to very low credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. PRS Aa is the second highest rating category on PhilRatings' existing credit rating scale."

On March 23, 2017, the Company listed its ₱3 Billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the Philippine Dealing and Exchange Corp. (PDEx) secondary market. This is the first tranche of its ₱5 billion fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration will end on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interest payments are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on a non-banking day, of each year commencing on June 23, 2017, until and including the relevant Maturity dates. The proceeds of the bonds have been fully utilized as at March 31, 2019.

The proceeds of the first tranche of the debt securities program have been earmarked for the expansion of STI ESG campuses, refinancing of short-term loans incurred for the acquisition of land, and other general corporate requirements (see Item 2 Properties/Campus Expansion).

Business Development

The Company is the largest subsidiary of STI Education Systems Holdings, Inc. ("STI Holdings"), a publicly-listed company. The Company is engaged in establishing, maintaining, and operating educational institutions. It derives its main revenues from the tuition and other school fees of its owned schools, and from the royalties, and other fees for various educational services provided to its franchised schools.

At present, the Company offers secondary (senior high school) and tertiary (college and TESDA) programs, as well as post-graduate and associate programs. The colleges offer associate/baccalaureate degrees and technical/vocational programs in the fields of Information and Communications Technology (ICT), Business and Management, Hospitality Management, Tourism Management, Arts and Sciences, Engineering, and Education. These programs are accredited by the Commission on Higher Education (CHED) and/or the Technical Education and Skills Development Authority (TESDA), as may be applicable. Also accredited by TESDA, the education centers of the Company offer technical/vocational courses for computer programming, multimedia arts, hospitality and restaurant services, culinary, and tourism and events management, among others.

Enrollment

The education landscape in the Philippines has changed with the introduction of the K to 12 program which in summary adds two (2) years prior to tertiary education. For the schools in the Philippines that offer tertiary education, similar to the Company, this will mean two (2) academic years, that is, SY 2016-2017 and SY 2017-2018, with significantly reduced and minimal incoming college freshmen students. This threat has been constructively converted into an opportunity by the Company where STI schools sought and were granted by DepEd permit to offer Senior High School. Thus, the Company reported total enrollment of 96,279 and 96,531 at the beginning of SY 2016–2017 and SY 2017–2018, respectively.

The Company reported a total enrollment of 76,841 students at the beginning of SY 2018-2019. The STI Network had held the graduation of over 30,000 Grade 12 students who belonged to the first batch of SHS graduates under the K to 12 program of the government at the end of SY 2017-2018 and received a lower than expected turnout of college freshmen enrollees.

The average percentage of students retained in a semester in SY 2016-2017 was at 96.9% and slightly went up to 97.8% in SY 2017-2018. It steadily increased to 98.2% in SY 2018-2019. Meanwhile, the average percentage of students who migrated to the succeeding semester in SY 2016-2017, SY 2017-2018 and SY 2018-2019 were 91.1%, 92.4%, and 91.3%, respectively.

The shares of associate and baccalaureate degree programs, technical-vocational programs, and senior high school in the enrollment for SY 2016-2017 were at 55%, 6%, and 39%, respectively. Enrollment mix posted in SY 2017-2018 was 42% for associate and baccalaureate degree programs, 2% for technical-vocational programs, and 56% for senior high school tracks and specializations. Meanwhile, the enrollment mix in SY 2018–2019 was at 50%, 2%, and 48% for associate and baccalaureate degree programs, technical-vocational programs, and senior high school tracks and specializations, respectively.

Graduates

In SY 2016–2017, the Company generated 13,357 tertiary graduates for the first and second semesters, and 364 senior high school students marched to their graduation ceremony. Meanwhile, for SY 2017-2018, there were 12,638 tertiary graduates for the first and second semesters. Concurrently, the network also witnessed the graduation of 31,386 Grade 12 students who belonged to the first batch of senior high school graduates under the K to 12 program following the nationwide implementation of DepEd in 2016. In SY 2018-2019, tertiary graduates for both the first and second semesters reached 13,270, while 17,514 students graduated from senior high school.

Tuition Fee Increases

There was an average of 5% increase in the tuition fees and other school fees in SY 2016–2017 and SY 2017-2018. No increases in tuition fees and other school fees were implemented in SY 2018-2019 for both college and senior high school.

New Programs/Majors and Revised Curricula

The Company regularly conducts market studies to determine what programs, both degree and technical vocational, are needed by the industry and the market. Moreover, revisions to existing programs are implemented to meet changes in the identified needs, as well as changes in government regulatory requirements.

Existing course offerings are likewise reviewed as needed. The streamlining of program curricula in response to the needs of the market and developments in the industry drives the rationalization of STI course offerings. There were no revised programs in SY 2016–17. Meanwhile, for SY 2017-18, 13 programs were revised and five new programs were developed. In SY 2018-2019, four new programs were developed and one program was revised.

STI ESG's Standardized Courseware

The Company develops courseware to ensure the standard delivery of courses across all campuses in the STI network. These are sets of teaching materials used by the instructors which include the course syllabus with the course outline that sets the general objectives of the course, presentation slides, the class hand-outs and other materials for use throughout the duration of the course, with accompanying instructors' guides. The instructors' guides identify the specific objectives of each class session, the appropriate teaching methodologies to be used, and how the provided materials are to be used to achieve the set objectives. The courseware suited for delivery using LCD technology and other multimedia devices.

As of this writing, the Company has developed courseware for over 500 courses and new courseware materials are being developed as new courses and programs are offered. Moreover, existing courseware are regularly revised and updated to keep up with recent developments in the target industries.

In SY 2018–2019, 63 courseware materials were developed and revised for Arts and Sciences, IT and Engineering, Business and Management, Tourism Management, and Hospitality Management, while 14 courseware materials were developed and updated for Senior High School. These courseware materials were embedded with activities leading toward the attainment of the STI 4Cs — Character, being Change-adept, being a good Communicator, and being a Critical Thinker — the required skills and attitude of top industries worldwide. The materials were also Outcome-Based Education (OBE)-aligned with assessment tools, rubric, and performance tasks. In addition, 14 courseware materials for SHS were uploaded on the eLearning Management System or eLMS in time for the Summer Remedial Program 2019. These are self-paced study versions of the regular SHS subjects with minimal teacher intervention.

Standardized Periodical Examination

The Standardized Periodical Examination for the preliminary, midterms, pre-finals, and finals period, which used to be outsourced to a third party, is being developed by the Company's Academic Research Group or ARG starting in SY 2015–16. In SY 2016-2017, the group developed 646 exams in the first semester and 538 exams in the second semester. The following year, the group prepared 810 exams in the first semester and 749 exams in the second semester. The number of exams crafted by ARG continued to increase in SY 2018-2019 with 1,119 for the first semester and 682 for the second semester, especially with the development of the STI Test Bank System.

Milestones

The Company remains steadfast in its commitment to strive for academic excellence that is directed towards the development of the institution and the improvement of the quality of its students and graduates.

(a) International Organization for Standardization 9001:2015 (ISO 9001:2015)

STI ESG is one of the pioneer institutions that was awarded with the ISO 9001:2015 Quality Management System (QMS) Certification in SY 2017-2018. This is a certification upgrade for its Learning Delivery System (LDS) with emphasis on risk-based thinking, improved applicability for services, and increased leadership requirements. The scope of the LDS was likewise extended to the Senior High School Level and was expanded with the inclusion of the Student Program Development.

The certificate was granted a year ahead of the required transition period. The transition plan started in 2016 wherein a series of activities was conducted to ensure successful fulfillment of requirements such as intensive gap analysis, brainstorming sessions, process reviews, process mapping, risk identification, assessment, and treatment planning, among others.

(b) International Organization for Standardization 9001:2008 (ISO 9001:2008)

In SY 2014–2015, STI ESG received its ISO 9001:2008 certification for its Learning Delivery System. This system covers development of tertiary level courseware and curriculum, faculty training, and faculty certification. The network worked to fulfill the requirements that included extensive research; training sessions on proper documentation and internal quality audit; documentation of policies, processes, and work instructions; and orientations given to STI ESG employees.

The ISO 9001:2008 is an international certification that indicates an institution's effectiveness and consistency in managing and carrying out its system regulation. The ISO certification has likewise verified the institution's world-class performance in its education delivery.

(c) 54th Anvil Awards

STI ESG and STI Foundation won the highly-coveted Grand Anvil Award and two Gold Anvils for the mobile school program known as Computer Lab on Wheels: Driving Education Where IT Matters. The Grand Anvil was awarded to Mobile School for being an outstanding PR program, while the Gold Anvils were under the specialized PR program advocacy campaign and PR program on a sustained basis (education/literacy) categories.

Presented annually by the Public Relations Society of the Philippines (PRSP), the premier organization of PR professionals in the country, the Anvil Award recognizes remarkable PR programs, tools, and practitioners. The awarding ceremony was held at the Marriot Hotel Manila in Pasay City on January 30, 2019.

(d) ASEAN PR Excellence Awards 2019

STI ESG and STI Foundation were likewise recognized in the ASEAN PR Excellence Awards for their mobile school program known as the Computer Lab on Wheels: Driving Education Where IT Matters on April 29, 2019 at Hilton Kuching Hotel, Malaysia.

The STI Mobile School won Best PR Programme in Southeast Asia after being nominated by the Public Relations Society of the Philippines (PRSP) and having gone through a series of judging from a panel of jury across ASEAN countries.

The award-giving body was led by the ASEAN Public Relations Network (APRN) in collaboration with Institute PR Malaysia, and supported by Sarawak State, and Global Alliance for Public Relations and Communication Management — the confederation of the world's major PR and communication management associations and institutions around the world.

(e) Education Centers Upgraded to Colleges

STI Colleges San Francisco, Iligan, Malaybalay, and Valencia were granted college status by CHED effective SY 2018-2019.

(f) iLearn and Share

STI ESG introduced iLearn and Share (iLS) to its senior high school students. These are performance tasks wherein students are assessed based on their products and/or performance, which also serve as proof of how well they understood and learned the task. Students can then apply their learnings to real life situations.

In SY 2018-2019, Grade 12 Science, Technology, Engineering & Mathematics (STEM) and Humanities & Social Sciences (HUMSS) students, among other academic and TVL strands across STI's network of campuses exhibited their innovative products or services and inventions through the SHS-iLS Expo. The expo's culminating activity is a simulation exercise of the real world which allows the Grade 12 students to become not only employees but also employers and entrepreneurs. Also present during the expo were representatives from the academe and industry sectors, STI alumni, business owners, government agencies, parents, and fellow students, many of whom acted as "potential investors." These "potential investors" then voted for the best student exhibits, startup enterprises, products, and services.

Some of the standout projects were: STI College San Fernando's electronic biogas digester, solar-powered grass cutter, solar-powered automated watering system and seed-sowing machine, plastic-recycling and brick-manufacturing machine, solar-powered animal and insect repellant, floodwater filtration system, canal waste collector, and charcoal made from water lilies; STI College Global City's survival hiking bag with water filtration system, sewage waste segregator, thermo-electric stove, solar panel lamp with charger and projector, and 360 monitoring device for classroom; STI College Cubao's portable wind turbine, flood sensor with alarm, and gold lip balm; STI College Muñoz-EDSA's chicken feathers for bioplastic, concrete cylinders with sugarcane fiber, soundwaves as power source, malunggay and piperine solution as cockroach pesticide, and curcin toxin as organic pest control against bedbugs; STI College Pasay-EDSA's neem-based mosquito repellent; STI College Ortigas-Cainta's pepper spray with flash and alarm system, water-filtering straw, scar removal cream, paper made from banana stem fiber, and magnet-powered flashlight; STI College Recto's mosquito repellent candle and coal lipstick and eyeliner; and STI College Quezon Avenue's whistle-operated anti-theft device and wooden desk organizer with sound amplifier, among many other creative ideas. Some of the projects will be included in The Mind Museum's Makerspace Pilipinas exhibit.

(g) PeopleSoft Campus Solutions (PSCS)

PSCS is a student administration system that facilitates student admission, enrollment, assessment, and grading, among others. Paired with Report Services, a web-based application hosting the reportorial requirements of STI ESG, the PSCS was launched in SY 2015–2016 to STI's network of campuses. It catered to both the college and senior high school students of STI ESG. The STI schools are able to access numerous reports that are available real time and which they can also modify according to their own requirements. The reports are categorized into four — Academics, Financials, Enrollment, and Government-mandated reports — using the SQL Server Reporting Services 2008 R2.

Now on its fourth year, the PSCS was further enhanced with these functionalities: (1) integrates Microsoft products to create utilities that increased functionality in Peoplecode application; (2) easily delivers the required development of reports such as SHS Report Card, SHS Form 9, and more; (3) improves the process of students' assessment; and (4) provides a facility for all users to have firsthand information about PSCS updates or upgrades.

(h) Records Management System

Developed in SY 2018-2019 and currently being pilot-tested, the Records Management System (RMS) is a recordkeeping application system that captures or scans, manages, and provides access to student documents. It routinely captures all records of the students from the admission and graduation to continued engagement with STI. It also organizes records and protects such from unauthorized alteration, destruction, or transfer. Moreover, the RMS provides an audit trail of the people who have created and updated the records, and at the same time, provides ready access to all relevant records. The RMS is intended to be rolled-out to all campuses within SY 2019-2020.

(i) eLearning Management System (eLMS)

In SY 2015-2016, STI ESG launched the eLMS, a software application running on Amazon cloud, to better manage the delivery of educational courses and/or training programs to its students. The curricular course materials aim to augment classroom learning while the extra-curricular course materials are prepared to further nurture student development. The eLMS features a built-in support for collaboration through various tools such as wikis, forums, and discussion groups; an internal messaging system with bidirectional support for emails and text messaging; and a built-in portfolio system which students can use to collect works to support learning and/or achievements. With eLMS, STI students can now complete their lessons at their own pace, wherever they are.

(j) One STI App

This free mobile app caters to both STI employees and students. It was initially launched on the Android platform in May 2018 for the employees and in December 2018 for the students.

For the employees, the app has been conceptualized to house major STI applications that perform coordinated functions, tasks, and activities for the network. For now, the app is running essential HR and Finance-related transactions for the Head Office.

On the other hand, the One STI Student Portal is a must-have app for the students so they will be able to access their student records such as grades and academic performance per subject, day-today class schedule with room assignments and professors, and updates on tuition fee balance, payment schedules, and assessment. In addition, students will be able to catch up on current STI news and announcements from various campuses nationwide.

(k) Leaders Convention

More than a hundred STI leaders flew to Taipei, Taiwan for the 31st Annual STI Leaders Convention. During the convention held at The Howard Plaza from July 11 to 13, 2018, two prominent speakers from Taiwan's National Yunlin University of Science and Technology were invited to share valuable insights on relevant quality education and school management in the digital age.

Dr. Vincent Yung-Hsiang Hu, Faculty Development Manager, presented strategies on how to effectively implement industry-academe collaboration for the next generation of students. He highlighted the importance of engagement between faculty members and industry, integration of real enterprise problems with teaching materials, and developing digital teaching materials to support the industry and government's programs in education and training.

Meanwhile, Dr. Hui-Yun Yu, Director of Teaching Excellence Center and Professor of Business Administration, discussed her ideas on managing quality schools in the 21st century. She further emphasized that the presence of a teacher community will be critical in the digital learning process. Dr. Yu cited their university's Massive Open Online Courses as an example that currently offers a wide variety of topics or courses.

STI’s VP for School Operations Mr. Resty Bundoc and VP for Academic Services Dr. Lloyd Bautista also shared network updates on marketing, operations, and academics.

(l) STI Test Bank System

The STI Test Bank System is a repository of test questions that will be generated during the periodical examination period for the entire STI network of schools. This web application and its database are hosted on Cloud and is seen to hold big data in watertight control.

The system ensures that pre-determined number of test questions are drawn for each level of difficulty and each item is used for a specific period to ensure that it is not repeatedly used within a term. The test bank was likewise designed to follow certain workflow so that editing, correcting, and approvals of the exam materials are controlled and aligned with procedural rules.

(m) Centralized Printing of Diploma and Transcript of Records

The Centralized Printing of Diploma and Transcript of Records (CPDT) System, now anchored on the PSCS, serves both the tertiary and senior high school graduates. The academic documents, upon request of the STI campus, are generated at the STI Head Office. These academic documents are then delivered either to the requesting school or the students’ preferred location. The documents are also printed with enhanced security features such as the use of check paper prescribed by the Philippine Clearing House Corporation which is sensitive to 36 falsifying agents, hidden fibers, and unique serial numbers, among others. This is to ensure that all information on the documents have been authenticated and to prevent fraud and proliferation of dubious documents.

Faculty Achievements

In SY 2016–2017, Accounting faculty members underwent a two-day training on the Certified Accounting Technician (CAT®) Level 3 where 10 faculty members successfully passed CAT® Level 3 examination and acquired eligibility to become Certified Accounting Technicians. The CAT® examination continued in SY 2017-2018 as new faculty members took the examination for Level 1 wherein 18 passed and acquired eligibility to become Certified Bookkeeper.

Meanwhile, STI College Iloilo’s IT Program Head, Nikie Jo Deocampo, presented his research study entitled “Classification of Depression on Social Media Using Text Mining” in the Machine Learning Camp at the Jeju National University in Jeju Island, South Korea. Held from July 22 to August 7, 2018, the camp was open to graduate students who are interested in machine and deep learning, and all participants were tasked to accomplish a complete study within the 17-day period. Other participating countries were South Korea, Thailand, China, Myanmar, India, Vietnam, and Pakistan.

Another STI faculty member who made an impression was Jean Amparo Tanalega from STI College San Pablo. Her research proposal titled “Tourism Value Chain Analysis of Agritourism Destinations in CALABARZON” was chosen in the 2018 Tourism Research Grant program of the Department of Tourism (DOT) along with 12 other research proposals from 134 applications nationwide. The program selected research proposals that were aligned with the DOT Secretary Bernadette Romulo-Puyat’s policy direction to promote sustainable farm tourism and to stimulate the tourism research culture in the country.

Student Achievements

In SY 2018-2019, another STIer joined the prestigious group of admirable student leaders as he made it to the national finals of the Ten Outstanding Students of the Philippines (TOSP). Giovanni Lorenz Maglalang from STI College Baguio is the 6th STIer to qualify for the TOSP. Through the years, five other STIers qualified for the regional level: Reuben Bestre, Gilyn Abordo, Melody Daniels, Mary Grace Sayo, and Brian Gomez. Both Reuben and Giovanni went further and made it to the national level.

A dance troupe from STI College Ortigas-Cainta also made waves as it secured a spot to represent the Philippines at the High Schoolers Asian Hiphop Championships held in Hong Kong on May 19, 2018. The Bagong Sibol Dance Troupe Senior High eventually claimed the 1st runner-up prize after three grueling rounds of dance showdown that was participated in by more than 30 high schools in Asia.

A graduate of STI Maasin was crowned Miss Eco International 2018 at the Cairo Opera House in Cairo, Egypt. With an associate degree in Tourism and Events Management, Cynthia Magpatoc Thomalla joined the international pageant with the aim of marketing eco-tourism all over the world and promoting awareness through the theme, Economy & Environment.

Third and fourth year college students from various STI campuses gathered at STI College Ortigas-Cainta on November 15-16, 2018 to test their knowledge and abilities in this year's U:Hackademia, a 24-hour coding marathon powered by UnionBank of the Philippines which encourages students to solve challenges in the field of Education and Social Innovation. The said event is not just for Information Technology students but also for individuals from other courses as well. The coding marathon gave the participants an opportunity to develop a digital solution to existing problems in society such as transportation, poverty, social equality, and climate change. Team DWAP from STI College Caloocan proved that it truly deserves to be part of the competition as it claimed the Grand Winner title. The group impressed the judges as well as the crowd with its project entitled "Eye-can." The project aims to help physically challenged individuals perform computer activities through an eye tracker. STI College Cubao's RMM Team bagged the 1st Runner-up title with "Food Hack," an app that provides users with recipes they can easily make with ingredients that are available at home. CurlyTech, another team from STI College Caloocan, earned the 2nd Runner-up title. The team's project entitled "Ligtas Pinas" stunned each individual during the competition as its output allows users to find the nearest evacuation centers as well as ask for rescuers in times of floods. The winning hackathon teams also received cash prizes.

BS Tourism Management (BSTM) student Gerald Rojo of STI College Las Piñas, who bagged the Grand National Championship of STI Singing Idol 2018, brought pride to the STI community as he signed a recording contract with the multi-awarded songwriter and hitmaker Vehnee Saturno on October 10, 2018.

Accounting, Business, and Management (ABM) students from different STI campuses joined the Junior Achievement (JA) Philippines' Business Skills Program. After rigorous training and screening, teams representing three STI campuses passed the first stage of the competition: Dionysius Winery from STI College Ortigas-Cainta, Innovateam from STI College Novaliches, and Whito Matrix from STI College Caloocan. These groups advanced to the next round where they summarized and presented the achievements of their mini-companies and explained how they developed solutions to the challenges they have encountered. The JA Company of the Year awardees were announced on February 7, 2019 with STI Colleges Novaliches and Ortigas-Cainta taking home numerous awards. STI College Novaliches was recognized for the following: 1st runner-up in Financial Officer of the Year, 1st runner-up in Product of the Year, 1st runner-up in Corporate Social Responsibility of the Year, and 2nd runner-up in Annual Report of the Year. STI College Ortigas-Cainta, meanwhile, received these awards: Champion in Annual Report of the Year, Champion in Outstanding Member of the Year, 1st runner-up in Marketing Officer of the Year, 1st runner-up in Public Relations Officer of the Year, 2nd runner-up in Company of the Year, and 2nd runner-up in Corporate Social Responsibility of the Year.

Cheyanne Chua King, a 1st year BS Accounting Information System (BSAIS) student from STI College Pasay-EDSA also brought pride to the STI community when she bagged the championship title, besting over 469 college students who joined the COL Financial and Junior Achievement Philippines Stock Market Challenge Competition 2018-2019 – College Division. She impressed the judges with her skills during the panel presentation and interview where finalists acted as financial advisors and convinced institutional investors to invest in their respective companies.

STIers also grabbed top prizes in various categories in the biggest culinary event in the country, the 12th National Food Showdown held on October 26-27, 2018. STI College Caloocan's Jonathan Jigs Buenaobra won 1st place in the Cocktail Mixing Category with his mix called "Manila Potion." On the other hand, the group of Juvalin DC. Carosca, Fregin Conzon, and Patricia Cahanding, also from STI College Caloocan garnered 2nd place in the Table Setting Category for their nature inspired table setup. Meanwhile, the Silver Plate Award in the Napkin Folding Category went to Sherina Pioquid of STI College Fairview after she impressed the judges by perfectly completing the 12 basic folds and presenting 1 self-created fold within just three minutes.

Of the 800 participants from different parts of the country, STI College Caloocan's BS Information Technology (BSIT) students managed to place 1st runner-up in Decode Tomorrow: The Aboitiz Future Challenge Hackathon. The group produced Real Time Farm Data Collection System intended to gather data from animals to monitor their health status. The two-day hackathon held from November 10 to 11, 2018 attracted start-up entrepreneurs, freelancers and college students who geared up to solve hackathon challenges using various methods. Apart from cash prizes, the winners will also have the opportunity to be mentored by Aboitiz business and tech leaders.

STI College Tanay's senior high school men and women's football teams were on a winning streak as they brought home major awards from numerous football tournaments. The teams bagged the Championship title in the Girls Division and hailed 3rd runner-up in the Boys Division at the 2018 Ateneo Football Center Festival held on November 17, 2018. Another unit of the senior high school women's football team took home the 1st runner-up slot in the Under 17 Girls 5V5 Futsal Tournament hosted by the Baguio Binaddang Football Club. In addition, the teams have collected four championship titles out of the eight tournaments in which they competed since August 2018.

A group of 5th year BS Computer Engineering (BSCpE) from STI College Muñoz-EDSA won 1st runner-up in the SumoBot ICpEP NCR CpE Challenge 2018 on October 27, 2018. The team of Joshua Renz Tapalla, Marc Lester Gatus, and Randolf Jhon Palagam competed against teams from different colleges and universities in Metro Manila by designing, building, and programming an autonomous robot capable of pushing other sumo robot outside the ring.

STI College Ortigas-Cainta's Grade 12 student athletes TJ Pasquin and Cherry Lyn Donguines advanced to the regional competition of the 2019 Southern Tagalog CALABARZON Athletic Association Meet in the volleyball and chess competitions, respectively. Two teams of student chefs, on the other hand, showcased their creativity in dessert-making as they bagged the top prizes in the SUMAKA (Suman-Mangga-Kasoy) Dessert Competition during the 6th Antipolo Tourism Fair: Chefs on Parade. BS Hospitality Management (BSHM) freshmen Diana Vargas and Jasper Julia impressed the judges with their unique SUMAKA pudding recipe making them the 2018 champions. Culinary Arts

Grade 11 student Jadis Juanon and Grade 12 student Ralph Ymasa also landed 1st place with their spicy SUMAKA ice cream.

STIers from STI College Novaliches likewise copped awards from different competitions. The school's Grade 11 and 12 students left a good impression on the judges as they were declared 1st place winners in Essay Writing, 2nd placers in Speech Choir, and 5th placers in Declamation in the Inter School Academic and Athletic League (ISAAL) Literary Contest 2018. A group of 5th year BSCpE students also proved their skills by becoming the NCR Quiz Bowl Champion in the Institute of Computer Engineers of the Philippines Regional CpE Students Challenge – National Capital Region Chapter.

Meanwhile, a group of 12th graders from STI College San Pablo swept the top shelves during the Pahiyas Festival 2018 under the Kiping Culinary Competition held on May 6, 2018 in Lucban, Quezon. The duo of Louise Pagal and Brent Salamat was declared champions. In 2nd place were Melven Hernandez, Billjay Angeles, and Paul Vergara; while the group of Carmelo Padayao, Joshua Soriano, and Monique Nicdao rounded up the top 3. A Lucban Longganisa Cook-off Competition was also staged during the same festival in which Jayser Manilay, Daniella Sabit, and Monique Nicdao grabbed the 3rd spot.

STI College Kalibo's Grade 12 students from the STEM strand won 1st place at the Robotics and Intelligent Machine category in the 2018 Division Scilympics hosted by the Department of Education on September 28, 2018. The team of Dustine M-Rhys Fontano, Von Allen De Pedro, and Edwin Ismael, Jr. presented a prototype of Numerical Control Machine grounded on the research entitled "NC Machine: A Simulation of Real-Life Drilling Process." The group also represented the Division of Aklan in the regional level of the competition.

Students from STI College Bacoor also brought pride to their school as they won medals in two competitions. Glanz Alyson de Torres, a Grade 12 Tourism Operations student, won 1st place in the Travel Photography category of the 5th National Inter-Collegiate Tourism Skills Olympics on December 6, 2018. And in another event, the group of 4th year BSIT student Avegin Mendoza, 3rd year BSIT student Alvin Langamin, and 1st year BS Computer Science (BSCS) student Jaybert Ranmel Bautista claimed the 2nd runner-up title in the International Group of Noble Information Technology Enthusiasts (IGNITE), Inc. Programming Competition on October 15, 2018.

STI College Baguio conquered two events with its students' exemplary knowledge and skills in various fields. With the guidance of their coach, Grade 12 IT in Mobile App and Web Development students Maricon Clyde Liwan, Kobe Bryan Cayabyab, and Mishael Valdez landed 1st place in the Quiz Bee Competition of the Bureau of Fisheries and Aquatic Resources – Cordillera Administrative Region (BFAR–CAR) Fish Conservation Month; while 1st year BSHM students Jan Michael Ancheta and Joshelle Marie de Guzman dominated the BFAR-CAR's Cooking Contest and reigned as champions. In a different event, STIers also participated in Chef Wars during the 14th Annual Hotel, Restaurant, and Tourism Week from October 4 to 6, 2018. Jared Kaenne Pablo and Marfle Dalmacio won Bronze in the Pasta and Sauce Category whereas the group of Edmar Bingao, Jezza Mae Lawaguey, and Honey Mae Navida claimed the Diploma in Wine and Dine.

BS Business Administration (BSBA) students Ruby Eden Dimol, Prince Marcial Cunanan III, and John Mark Villanueva from STI College General Santos introduced a new concept of street food made from okra through their business plan titled "Okraze." This business plan won 2nd runner-up in the 16th Yaman Gensan Business Plan Competition: Micro Category.

A Grade 11 IT in Mobile App & Web Development student from STI College Iligan also showcased his photography skills as was announced as the champion in the photography contest of the 13th YAPIS Literary Festival. Al Matthew Idul competed against participants from various public and private schools in Iligan on August 13, 2018.

STIers from STI College Calamba also bagged awards from different competitions. A group of Grade 11 students from the STEM strand were declared as champions in the Poster Making Contest of Calamba Medical Center in relation to the Breast Cancer Awareness Month. Two STIers likewise participated in Agrokonomiya 2018, a competition that aims to promote agricultural and applied economics, and won. Chicky Quijano, Grade 12 ABM student, took home the 1st place slot in the Extemporaneous Speech Competition while Grade 11 STEM student Kenneth Gonzales placed 3rd in the Essay Writing Competition.

STI College Laoag raised the bar high in the month-long event, October Best, as its students bagged two major awards. The band composed of Grade 11 Culinary Arts student Natan Juan, Grade 12 Culinary Arts students Prince Jake Ragadi and Reighnier Gundran, and Grade 12 ABM student Marc Rolan Ventura took home the championship title in the Battle of the Bands competition whereas Krenz Carlo Pascua, another Grade 12 student, won 1st place in the Essay Writing Contest – English Category.

School Achievements

STI College Las Piñas proved its commitment to excellence as it received a commendation from DepEd Las Piñas City. DepEd awarded the campus with plaques in appreciation of its partnership in producing responsible and well-rounded individuals as well as delivering quality education to the city during the 2018 Gawad Suhay ng Pas-asa: A Stakeholders' Convergence on September 21, 2018.

The Manila Police District (MPD) honored STI College Caloocan with a commemorative plaque of recognition for the development of the software system titled Enhanced Managing Patrol and Deployment System (EMPD). This is a real-time monitoring system of the police deployments with a crime clock that is related to crime trends that occurred within Manila City.

Faculty Development and Certification

STI ESG provides its faculty members development programs that are designed as a system of services, opportunities, and projects that assist faculty members in acquiring competencies necessary in performing their respective functions effectively.

The Courseware-based trainings (CBT) are training programs held during semestral and summer breaks for all faculty members from wholly-owned and franchised schools that aim to improve the teaching methodologies and content knowledge for specific courses. Courses offered for training vary from year-to-year depending on the results of the needs analyses of the faculty members of the whole STI ESG network.

In SY 2016–2017, 140 faculty members participated in the Faculty Capacity Development for senior high school and 128 participated in the 21st Century Life Education in an OBE System for the tertiary faculty members. Participants numbered 58 in the Core Skills Professional Development Program conducted by the British Council-Philippines and 27 in the QuickBooks training program which was in partnership with Waine's Software Technologies.

Academic Heads and Assistant Principals likewise underwent trainings to better understand and appreciate their roles within the school operations in SY 2017-2018. There were 132 participants in the said training that was conducted in May 2017. During the same school year, 154 Program Heads across the network also participated in a training aimed to strengthen and harmonize OBE implementation, and 237 faculty members attended the APTIS Advanced assessment in collaboration with the British Council. In this training, the faculty members' proficiency in speaking, writing, listening, and reading the English language was assessed. British Council also sponsored another workshop on English as Medium of Instruction that was attended by 59 faculty members from select campuses in Metro Manila.

In SY 2018-2019, the institution launched the STI aHead: Academic Heads Development Training 2018. Attended by 76 Academic Heads nationwide, this training intended to re-orient and enhance the understanding of the duties and responsibilities of an Academic Head in three (3) key areas: academic program management, faculty development, and student development. Another major training also conducted within the same school year is the Program Heads Training 2018. With 213 participants, the training focused on preparing the Program Heads for their roles in academic program management, faculty supervision and development, and student development and support. This training, moreover, aimed to sustain STI's OBE effort by building the Program Heads' skills in the areas of facilitation and use of various teaching tools.

STI ESG also administers a Faculty Competency Certification program (FCC) which serves to evaluate a faculty member's knowledge of a particular course to ascertain that he or she has the minimum level of competence needed to teach that course. Certification requirements include passing a comprehensive certification exam and garnering above average faculty evaluation ratings from superiors, peers, and students.

In SY 2016-2017, 1,740 faculty members were certified and 3,483 certificates were released. The numbers slightly decreased in SY 2017-2018 with 1,513 FCCs granted and 2,916 certificates released. On the other hand, the number of FCCs granted and certificates released increased significantly in SY 2018-2019 to 3,327 and 11,346, respectively, due to the inclusion of the SHS faculty members in the program.

STI ESG also opened the Graduate Studies Assistance Program for Master in Information Technology for part-time full-load faculty members. This assistance program features a socialized tuition scheme based on the enrollee's capacity to pay which would require the faculty member to pay only a portion of the tuition and other school fees for every semester. Twenty-three (23) faculty members enrolled during the first term of SY 2017-2018 and from this batch, eight graduated during the second term of SY 2018-2019. These graduate students presented their Capstone Project Paper at the 2nd International Conference on Technological Challenges for Better World 2019 held in Cebu City from March 27 to 29, 2019. Three graduate students were presented with the Best Student Paper Awards: Felecisimo Buensuceso, Jr. from STI College Dasmariñas for his paper titled "Healthizens: Mobile Health Tips,"; STI College Ortigas-Cainta's Salvador Gascon, Jr. for his project "BIYAYA: A Web-Based Agricultural Management System"; and Nila Santiago for "Pre-Enrollment Mobile-Based Application (PREMA)." Nila Santiago also won the Best in Presentation Award together with Jeric Lajada from STI College Dasmariñas.

Student Development

STI ESG believes that learning should not be confined within the four corners of the classroom. In an effort to ensure that its graduates will be equipped with a well-rounded education that will help them reach their highest potential, STI ESG allows students to explore, enjoy, and learn through a wide array of academic, co-curricular, and extra-curricular activities.

(a) Halalan 2019

STI ESG once again joined arms with media giant ABS-CBN to help ensure fair and honest elections on May 13, 2019 through a covenant signing held on January 18, 2019 at the Restaurant 9501 in ELJ Communications Center, Quezon City. This is STI ESG and ABS-CBN's eighth Halalan partnership, with the first dating back to 1997 when the two institutions first worked together to empower the students to be socially responsible individuals through their active participation and involvement in nation-building.

(b) The STI National Youth Convention (STI NYC)

Since 1995, the STI NYC has been an annual venue where students are provided with opportunities to learn the latest trends from industry leaders and motivate them to apply the values and information they have gained with the objective of contributing to their school and community. The theme and topics vary every school year but always focus on alternative and innovative learning to discover the latest trends in technology, acquiring the most in-demand and job-ready skills, and enhancing specific values anchored on attributes that a model citizen should exhibit.

In SY 2016–2017, there were 33,744 attendees with the convention held in select areas nationwide: San Fernando in Pampanga, Legazpi, Baguio, Cebu, Kalibo, Bacolod, Sta. Rosa in Laguna and Pasay, North EDSA. On February 21, 2017, CHED issued a memorandum on the imposition of moratorium on field trips and other similar activities covered under CHED Memorandum series order no. 17. In view of this, certain activities such as convention of the students, hotel immersion, culinary and tourism exposure, bartending seminars and educational tours were cancelled. The moratorium was lifted during SY 2017-2018. The 23rd STI NYC in SY 2018-2019 was attended by 28,511 delegates from 10 legs: Legazpi, San Fernando, Baguio, Cagayan de Oro, Davao, General Santos, Kalibo, Bacolod, Cebu, and a combined leg for Metro Manila and South Luzon at Filinvest Alabang.

(c) Tagisan ng Talino (TNT)

The TNT is an annual academic competition that tests the competencies of students on impromptu speech, essay writing, mobile app development, cooking, cake and table design, flairtending, tour guiding, and general knowledge. Over the years, specific competitions comprising the TNT have been enhanced to ensure that the competitions' objectives are met. STIers also witnessed the launch of three new competitions in SY 2017-2018 — Codefest, Travelogue, and Mix 'n Flair.

For SY 2016–2017, 958 students participated in the competitions. The number increased to 1,022 in SY 2017–2018 and surged even higher to 4,226 in SY 2018-2019.

(d) Tagisan ng Sining (TNS)

The TNS is an annual competition that aims to challenge the students' artistry, creativity, and originality in the field of photography and music video making. In SY 2016-2017, 222 students from STI campuses nationwide participated in the TNS. The number of participants significantly increased to 922 in SY 2017–2018 and to 1,079 in SY 2018-2019.

(e) Talent Search

The STI Talent Search uncovers the innate talent of STIers nationwide — from singers and musicians to dancers and up-and-coming models. Every year, all STI campuses nationwide send a total of over 100 contestants to compete in nine (9) regional sites before advancing to the National Finals in events like the STI Singing Idol competition, Battle of the Bands, Hataw Sayaw Dance competition, and the search for Mr. and Ms. STI. The talent search has likewise been shown live on the STI Official Facebook Fan Page since 2016-2017.

(f) National Basketball Tournament (NBT)

To promote sportsmanship, camaraderie, and team spirit amongst students, STI conceptualized the National Basketball Tournament, a sports program for STI basketball teams nationwide. In SY 2016-2017, STI College Santa Rosa grabbed the championship title besting 51 teams. The following year, 53 schools joined the tournament with STI West Negros University declared as champions. In SY 2018-2019, STI College Balagtas came out on top and ruled over the different teams from 53 campuses.

(g) National Volleyball League (NVL)

Following the success of the Women's Volleyball Challenge, the sports program was redeveloped and launched to include all STI-branded campuses nationwide. With the same objectives of instilling in the students the value of discipline and further strengthening their character, the first National Volleyball League was staged in SY 2017-2018 with 44 campuses joining the national tournament and STI West Negros University claiming the first NVL championship title. In SY 2018-2019, the tournament opened with 42 teams and STI West Negros University successfully defended its championship title for the second year.

(h) Leaders Enhancement of Attributes Program and Student Engagement and Educational Development

The Leaders Enhancement of Attributes Program (LEAP) is a leadership program for the senior high school students. It aims to empower the student leaders in embracing and establishing a dynamic and concrete culture of excellence in academics, extra-curricular activities, and also career planning through various sessions, and activities. In each session, the participants are tasked to do action plans in which the new information and learnings they gained must be echoed and transferred to their classmates in their homeroom class through the Student Engagement and Educational Development (SEED).

The program was piloted at STI College Ortigas-Cainta with 72 student leaders as participants. The program participants received various internal and external awards such as academic honors, leadership awards, and recognitions during their graduation. Fueled by the positive results of the pilot program, STI ESG implemented LEAP in select campuses in SY 2018-2019. Eighteen (18) SHS homeroom advisers and club moderators, also referred to as LEAP and SEED Champions, who came from Calamba, Lipa, Meycauayan, Global City, Pasay-EDSA, San Pablo, Cubao, Dagupan, and Sta. Maria were invited for a training held on July 27, 2018.

(i) Post-Graduation Report

The STI Alumni Relations, Placement, and Linkages (STI APL) department conducts a survey of the graduating class to track employment rate 12 months after graduation. This is facilitated through each STI School's Alumni and Placement Office. Based on the most recent reports, 65% of our surveyed graduates are employed within one year after they graduated.

(j) Interactive Career Assistance and Recruitment System (ICARES)

Still as part of the job placement assistance of STI, the STI APL institutionalizes partnerships locally and internationally to help increase the employability of graduates through the Interactive Career Assistance and Recruitment System.

The ICARES is an exclusive job search system for STI graduates that facilitates the easy dissemination of STI's partners for their placement opportunities and provision of candidates (STI graduates) to fill in job openings. Partners for the job placement of STI graduates are enabled to post their job openings and request for lists of graduates through www.i-cares.com or the ICARES at no cost. Registration with ICARES is required for all graduating STI students. In SY 2016-2017, 163 partners utilized the ICARES where 131 of its partners were able to post job vacancies on the ICARES website. These numbers increased in SY 2017-2018 to 297 partners with 131 partners posting job opportunities on the website. In SY 2018-2019, there were 1,348 unique job postings with 51 partner companies utilizing the ICARES website.

On-the-ground school activities such as job fairs are conducted for recruitment purposes and to provide employment preparation seminars to graduating STI ESG students. Thirty-eight (38) institutional partners participated in STI ESG job fairs in SY 2016-2017, 42 in SY 2017-2018, and 161 in SY 2018-2019. Schools nationwide also have local partnerships within their community to provide graduating students more avenues.

(k) The STI Distinguished Alumni Awards

The STI Distinguished Alumni Awards (STIDAA) was launched in 2014 in which STI campuses nationwide were encouraged to nominate their own alumni who have received distinctions and achievements in their chosen field. Since its inception up to SY 2017-2018, 28 alumni have been awarded and recognized for their outstanding accomplishments.

In SY 2018-2019, STIDAA added 13 more alumni to its list of notable national awardees. This group of alumni stood out from 126 nominees and was honored on May 1, 2019 at the Hue Hotels and Resorts Boracay. The 2019 STIDAA National Awardees were Jerist Aguilar, Donald Alforque, Rexie Angeles, Reyna Mae Bagsic, Major Erman Ryan Dalope, Gerardo Frondozo, Jr., Charlie Onio, Serjohn Panis, Maria Angelica Ponce, Mark Anthony Ponce, Brian Ramos, Cynthia Thomalla, and Julius Valles.

Institutional Linkages

The Company establishes, maintains, and promotes partnerships with the legitimate members of the industry to increase our students and graduates' employability under the institutional linkages. Through these linkages, opportunities such as on-the-job training (OJT), employment, courseware enhancements, and faculty development are made available to the Company, its students, and partners. In addition, activities such as mock interviews, employment preparation seminars, job fairs, scholarships, postings of employment opportunities, and faculty trainings are also made possible.

(a) Junior Achievement of the Philippines, Inc. (JA Philippines)

STI ESG partnered with JA Philippines, a member of the international organization Junior Achievement Worldwide, a non-profit group dedicated to educating young business minds about workforce readiness, entrepreneurship, and providing financial literacy through hands-on programs.

This collaboration will bring JA Philippines' Business Skills Pass (BSP) program to select STI campuses for the ABM students. It is divided into two programs: Be Entrepreneurial for the Grade 11 students and the JA Company of the Year Program for the Grade 12 students. For SY 2017-2018, the Be Entrepreneurial program was implemented in select STI ESG campuses. The culminating activity for the Be Entrepreneurial program is the business plan development and presentation. In the said activity, STI College Novaliches placed 2nd runner-up in the Business Plan Presentation Competition.

The program continued in SY 2018-2019 where three campuses successfully passed the first stage of the Company of the Year competition: STI Colleges Ortigas-Cainta, Novaliches, and Caloocan. In the final round, STI Colleges Ortigas-Cainta and Novaliches copped numerous awards.

(b) PTC Mil-Com Aviation Training Center, Inc.

PTC Mil-Com is a joint venture between two companies that specialize in training and human resource development — PTC Holdings Corporation, a Filipino-owned holding company, and Mil-Com Aero Trainers Pte. Ltd., a Singapore-based training company. It is the only non-airline aviation training center in the country that has an actual Airbus 319 cabin simulator with door trainer, aircraft galley, slide/raft facilities and aviation firefighting, and survival swimming facilities that is also used by airlines such as PAL Express, Pan Pacific Air, Royal Air, and Philippines Air Asia for their cabin crew training. STI ESG signed a Memorandum of Agreement with PTC Mil-Com on December 5, 2018. This partnership will give STI ESG students an opportunity to undergo 400-hour basic flight attendant training from seasoned flight attendants with at least 10 years of work experience with local and international airlines.

(c) Fasttrack Solutions, Inc.

Fasttrack Solutions, Inc. is the provider of Systems, Application, and Products (SAP) training program in the Philippines. Through STI ESG's partnership with Fasttrack Solutions that was signed on August 14, 2018, SAP will conduct a 24-hour comprehensive program and hands-on training on the SAP Business One software covering Logistics, Financial, and Customization Modules that is intended for Business Management, Accounting Technology, Computer Science, and Information Technology students. Aside from the hands-on training, the students' critical thinking skills will also be put to test as they will solve real life case studies where they will be able to practically apply gained knowledge.

(d) The Heritage Hotel Manila

In an effort to bridge the skills gap between the academe and the industry, STI ESG and The Heritage Hotel Manila signed a Memorandum of Agreement on August 29, 2018. Through the partnership, the 4-star luxury hotel, The Heritage Hotel Manila, will assist STI in designing and developing its learning content for the hospitality and tourism management programs to be at par with the industry standards. The partnership will also provide exposure to hospitality students through an on-the-job training experience and train students in order to enhance their competencies and qualifications for employment. At the same time, STI faculty members will be able to further strengthen their technical know-how through trainings and immersion in the fast-paced environment of the industry.

(e) The Ascott Limited

The Ascott Limited (TAL) is a Singapore-based company that has grown to be one of the leading international serviced residence owner-operators. It has over 43,000 operating serviced residence units in key cities of the Americas, Asia Pacific, Europe, the Middle East and Africa, as well as more than 31,000 units which are under development, making a total of more than 75,000 units in over 500 properties. STI ESG's partnership with TAL ensures that its students will undergo the latter's formal training program and let them experience working in a professional environment.

(f) Marco Polo Hotel

The partnership between STI ESG and Marco Polo Hotel in Ortigas will provide STI ESG students with on-the-job training experience that is relevant to the demands of the industry. Students will undertake extensive training in housekeeping and front office management that is at par with international standards.

(g) InterContinental Hotels Group (IHG)

The alliance between STI ESG and IHG will provide internship programs to qualified STI ESG students in any 4-year program from any campus nationwide. This program includes the following: (1) an orientation to prepare interns; (2) a formal training in a real life workplace; and (3) other activities conducted by the facilitators to help gauge the students' practical aptitude. Their performance will be monitored by industry experts through monthly and term-end evaluations. Upon the completion of the program, interns will be granted certificates to recognize their participation and accomplishment. With the promise of providing students with a memorable and unparalleled internship experience, interns can look forward to gainful learning at the Holiday Inn and Crowne Plaza.

(h) Philippine Airlines

Philippine Airlines, owned by PAL Holdings, is the flag carrier of the Philippines and is the first and oldest commercial airline in Asia. STI ESG's partnership with PAL will allow students enrolled under the BS Tourism Management program to participate in an on-the-job training program wherein they will be able to familiarize themselves with the actual office and technical operations and management to augment their formal learning.

(i) Accenture, Inc.

The partnership between Accenture and STI ESG aims to launch various collaboration activities that are intended to train and develop the new generation of information technology professionals through on-the-job training programs, campus recruitment activities, learning sessions, and workshops or seminars, among others.

(j) Department of Labor and Employment (DOLE)

DOLE exempts STI ESG schools from applying for a job fair permit provided that it will be held within the school premises. In addition, DOLE will provide a speaker to join the schools' job fair events to educate graduates on their rights and responsibilities as prospective employees to become productive members of society. In return, STI ESG extends its assistance by promoting and cascading DOLE's mandate of ensuring the jobseeker's protection in any employment facilitation related activities to its schools nationwide.

(k) The Asia Foundation

STI ESG, led by Atty. Monico V. Jacob, Chief Executive Officer, signed a Memorandum of Agreement (MOA) with Asia Foundation led by its Country Representative Dr. Steven Rood on August 19, 2015. The partnership is another milestone in STI's advocacy to empower the future through educational opportunities for public school teachers, students, and disadvantaged youths. In this collaboration, STI ESG was allocated 66 US-produced reference books for the school's library. In return, Asia Foundation matched this with another set of reference books for donation to one public high school. STI ESG schools likewise each donated $132 to Asia Foundation to ensure the continuance of this program.

Scholarships

The Company partnered with various companies to aid in scholarship programs and increase employment opportunities for STI's graduates.

(a) Gift of Knowledge

To provide educational opportunities to deserving individuals who have no means of pursuing post-secondary education, STI ESG, through the STI Foundation for Leadership in Information Technology and Education, Inc. (STI Foundation), strengthens its partnership with various TV programs from different TV networks. Fifty-three (53) scholars were registered through the TV programs in SY 2016–2017, 65 scholars in SY 2017-2018, and 28 scholars in SY 2018-2019.

(b) Sponsored Scholarship Programs

STI ESG and STI Foundation continually strengthen partnerships with corporations and government organizations to be able to provide scholarship programs to support the tertiary education of deserving individuals.

The STI Foundation and its partners were able to support 187 scholars nationwide in SY 2016-2017 and 400 scholars in SY 2017-2018. The number of scholars continued to increase, reaching 1,284 in SY 2018-2019.

Community Extension and Outreach Programs

Given the national reach of STI ESG, the company has taken it upon itself to hold socially responsible activities that aim to better the communities that individual campuses belong to, and at the same time, develop a conducive environment that will be beneficial to all stakeholders.

(a) The STI Foundation

The STI Foundation aims to contribute to the improvement of the country's educational system through programs and projects that address the digital divide and promote excellence in education.

(b) Alternative Learning System (ALS)

STI Foundation responded to the call of DepEd for the private sector's participation and support in its ALS program, a non-formal education to help learners who wish to complete their basic education. The ALS program also aims to address the problem in the growing number of students who drop out of school every year.

STI ESG then reached out to out-of-school youth aged 15 and above who still have not finished their secondary education and cannot afford to go through formal schooling. The ALS sessions are conducted every Saturday and employ blended and collaborative modes of instruction (face-to-face instructions), e-learning materials (e-Skwela), and performance-based assessment to prepare and equip the ALS learners with the knowledge required to pass the Accreditation and Equivalency (A&E) Test given by DepEd. In SY 2016–2017, out of the 94 ALS Learners who took the A&E test last October 2017, 55 passed the test and received certificates equivalent to high school diploma. Meanwhile, the A&E test in SY 2017-2018 was postponed to 2019. For SY 2018-2019, 30 ALS learners took the test on February 24, 2019. Results for this test are expected to be released in May 2019. To date, there are five STI campuses who are currently offering ALS — STI Colleges Ortigas-Cainta, Batangas, Lipa, Muñoz-EDSA, and Rosario.

(c) The STI Mobile School

The STI Mobile School is a fleet of tourist-sized buses that have been converted into roving computer laboratories. Each bus is equipped with a state-of-the-art computer laboratory with internet access, multimedia computers, LCD monitors, sound system, and other top-of-the-line computer equipment.

Since SY 2011–2012 until SY 2018–2019, the STI Mobile School has travelled to 1,213 sites and trained 171,209 participants nationwide. Today, a total of six mobile school buses travel across Luzon, Visayas, and Mindanao.

(d) Adopt-a-School Program

STI ESG received a Certificate of Appreciation from DepEd for being one of its active partners in the implementation of the Adopt-a-School program. With this alliance, STI Mobile School or the computer laboratory on wheels was utilized to provide alternative learning facilities to DepEd's high schools in far-flung communities to teach basic skills on computer concepts, GNU Image Manipulation Program (GIMP), multimedia animation, audio editing, and movie presentation through ICT-enhanced training sessions.

STI Foundation extended assistance to various special community development projects, outreach programs, and humanitarian services to help tackle the needs of the less fortunate individuals and in support to other organizations.

In support of DepEd's Brigada Eskwela progam, STI Foundation and STI ESG went to Taytay National High School in Taytay, Rizal on June 3 and 10, 2017 to assist in the clean-up and installation of computers donated by the DepEd Central Office in the computer laboratory.

(e) Community and Civic Engagements

STI Foundation collaborated with Caritas Manila's Segunda Mana Project in the latter's goal of generating in-kind donations such as clothes, toys, shoes, and others to be given away to the recipients of the Caritas Manila. Meanwhile, STI Foundation worked with the Ortigas Library Foundation and turned over English and Science books to select provincial public schools and libraries. The Foundation also donated uniforms to the beneficiaries of the Religious Missionaries of the Divine Savior, the victims of the Mayon Volcano eruption through the DepEd Central Office, and the beneficiaries of the National Youth Commission.

Through STI ESG's partnership with the National Grid Corporation of the Philippines (NGCP), a privately-owned corporation in charge of operating, maintaining, and developing the country's state-owned power grid, STI Foundation facilitated the installation and regular maintenance of computer units donated by NGCP to 34 public elementary and high schools nationwide during SY 2017-2018. Maintenance of the computer units for these public schools continued in SY 2018-2019.

On April 21, 2017, STI Foundation inked a Memorandum of Agreement with Jollibee Foods Corporation (JFC) and launched the Agroenterprise Training for Farmer Facilitators. With the help of the courseware learning materials developed by STI, Jollibee Foundation trained agroentrepreneurs facilitators so the latter will be able to organize farmer clusters that shall provide the vegetable supply to various JFC distributors, retailers, and institutional markets.

(f) One Million Lapis Campaign

STI Foundation worked with the DepEd, DSWD, Department of Interior and Local Government (DILG), and other agencies in support of the One Million Lapis campaign organized by the Council for Welfare of Children (CWC). This advocacy aims to collect one million pencils to be given to underprivileged students in elementary schools nationwide. STI Foundation along with the STI ESG network of schools turned over more than 35,000 pencils to DepEd and CWC on November 20, 2016.

Business of Issuer

The Company and its subsidiaries, as educational institutions, derive its main revenues from tuition and other school fees from its owned schools and royalties and other fees for various educational services provided to franchised schools.

The Company offers secondary (senior high school) and tertiary (college and TESDA) programs, as well as post-graduate and associate programs. The colleges of the Company offer associate/baccalaureate degree and technical/vocational programs in the fields of ICT, Business and Management, Hospitality Management, Tourism Management, Arts and Sciences, Engineering, and Education. These programs are accredited by CHED and/or TESDA, as may be applicable. The education centers of the Company offer technical/vocational courses for computer programming, multimedia arts, hospitality and restaurant services, culinary and tourism and events management, among others. The programs in the education centers are accredited by TESDA.

STI ESG School Programs

BS in Information Systems
BS in Computer Science
BS in Information Technology
BS in Information Technology major in Network Engineering*
BS in Information Technology major in Digital Arts*
BS in Accountancy
BS in Management Accounting
BS in Accounting Information System
BS in Accounting Technology*
BS in Business Administration major in Operations Management
BS in Business Management major in Operations*
BS in Office Administration*
BS in Office Administration with specialization in Customer Relations*

BS in Hospitality Management
BS in Culinary Management*
BS in Hotel and Restaurant Management*
BS in Tourism Management
BS in Travel Management*
BS in Computer Engineering
BA in Communication
Bachelor of Multimedia Arts
Bachelor of Secondary Education major in Mathematics
Bachelor of Secondary Education major in Computer Education
Master in Information Technology
3-year Hotel and Restaurant Administration*
2-year Information Technology Program
2-year Hospitality and Restaurant Services
2-year Tourism and Events Management
2-year Computer and Consumer Electronics Program*
2-year Multimedia Arts Program*
Senior High School

**These tertiary programs are offered only to 3rd year students and above.*

In 2014, DepEd granted permit to offer Senior High School to 67 STI ESG schools. In June 2014, 32 STI ESG schools were able to pilot Senior High School with a total of 1,195 students. In SY 2015-2016, four more schools started their Senior High School program and the total number of students increased to 1,577. In SY 2016-2017, all 75 schools in the STI ESG network were granted the DepEd permit to offer Senior High School. In SY 2017-2018 and SY 2018-2019, SHS students of the Group totaled to 54,193 and 36,416, respectively.

Senior High School Program

1. Academic Track
   - Accountancy, Business and Management
   - Humanities and Social Sciences
   - Science, Technology, Engineering, and Mathematics
   - General Academic Strand

2. Technical-Vocational-Livelihood Track
   - ICT Strand with specializations in:
     - Computer Programming
     - Animation
     - Illustration
     - Broadband Installation
     - Computer Hardware Servicing

   - Home Economics Strand with specializations in:

- Commercial Cooking
    - Cookery
    - Bartending
    - Food and Beverage Services
    - Tour Guiding Services
    - Travel Services
    - Tourism Promotions Services
    - Front Office Services
    - Housekeeping

- Industrial Arts Strand with specialization in:
    - Consumer Electronics Servicing

Professional Accreditations

International Organization for Standardization 9001:2008 (ISO 9001:2008)

In November 2014, the Company was recommended by the ISO certifying body TÜV Rheinland Philippines Inc. for ISO 9001:2008 certification. On February 5, 2015, the Company received the official ISO9001:2008 Certification for its Learning Delivery System. The ISO 9001:2008 certification is a milestone for the institution's thrust towards academic excellence by reaching global standards in its learning delivery system.

International Organization for Standardization 9001:2015 (ISO 9001:2015)

The Company was awarded with the ISO 9001:2015 certification on February 5, 2018 for its Learning Delivery System. It is another milestone for the Company as it became one of the pioneer institutions to be recognized as ISO 9001:2015 certified. The institution underwent another successful surveillance audit on November 9, 2018.

Employees

As of 9 September 2019, the Company had 2,089 employees, 1,395 of whom were faculty members, 460 were non-teaching personnel, and 234 employees were from the main office. The Company provides employees with development programs that assist them in effectively carrying out their jobs and prepare them for career advancement.

	Function	Number of Employees
Main Office	Senior Management Managers Staff	13 67 154
	Sub-Total	**234**
STI Schools	Teaching personnel (wholly-owned schools) Non-teaching personnel (wholly—owned schools)	1,395 460
	Sub-Total	**1,855**
	TOTAL	**2,089**

Market for Company's Common Equity and Related Stockholder Matters

(1) Market Information

The Company has a total Authorized Capital Stock (ACS) of Five Billion Pesos (PhP5,000,000,000.00) divided into five billion (5,000,000,000) shares with a par value of One Peso (PhP1.00) each. Out of the ACS, three billion eighty-seven million eight hundred twenty-nine thousand four hundred thirty-three (3,087,829,433) shares have been subscribed and paid-up. The common shares of the Company are not traded in any market, nor are they subject to outstanding warrants to purchase, or securities convertible into common shares of the Company.

(2) Holders

Foreign ownership limit for the Company is forty percent (40%) of the issued and outstanding common shares, equivalent to 1,232,750,868 common shares. Total shares owned by foreign shareholders as of 9 September 2019 was 7,841,118, equivalent to 0.25% of the outstanding common shares of the Company.

As of 9 September 2019, there were sixty-four (64) shareholders of the Company's outstanding capital stock. The Company has common shares only.

The following table sets forth the top 20 shareholders of the Company's common stock, the number of shares held, and the percentage of total shares outstanding held by each as of 9 September 2019:

	Name	No of Shares Owned	% Ownership
1	STI HOLDINGS	3,040,623,037	98.47
2	PRUDENT RESOURCES, INC.	13,382,275	0.43
3	GONZALES, FRANCISCO B. JR.	8,873,692	0.29
4	ROSSI, PURIFICACION G.	7,841,118	0.25
5	PRUDENCIO, TOMAS J.	3,732,400	0.12
6	SANTOS, MARIA LOURDES	1,725,000	0.06
7	YOUNG, CAROLINA	1,651,828	0.05
8	RAMOS, DULCE	1,155,447	0.04
9	BUSTOS, FELIXBERTO	792,283	0.03
10	DOMINGO, EMERITA R.	303,466	0.01
11	VALERIO, MIKAEL M.S.	241,279	0.01
12	ZARASPE, ANACLETA C.	214,038	0.01
13	MONES, REYNALDO A.	201,901	0.01
14	HEIRS OF EDGAR SARTE	148,622	0.00
15	RELLEVE, ALVIN K.	137,338	0.00
16	PUBLICO, EDGARDO	122,080	0.00
17	DUJUA, JOCELYN	115,532	0.00
18	GARCIA, NOEL B.	83,190	0.00
19	MADRIGAL, VICTORIA P.	63,384	0.00
20	LAO, ERIENE C.	63,384	0.00

**5,952,273 shares were issued to STI Education Services Group, Inc. as a result of the merger between STI Taft and STI Dagupan, resulting to 0.19% ownership of the Company.*

(3) Policy on Dividends Declaration

On September 19, 2017, the BOD of the Company adopted a policy on the declaration of dividends starting with Fiscal Year 2017-2018.

The BOD approved a dividend declaration policy equivalent to 25% to 40% of the core income of the Company from the previous fiscal year, subject to compliance with the requirements of applicable laws and regulations, statutory limitations and/or restrictions, terms and conditions which may be imposed on the Company by lenders or other financial institutions, and the Company's investment plans and financial condition.

Core income is defined as consolidated net income after income tax derived from the Company's main business - education and other recurring income.

The amount of dividends will be reviewed periodically by the BOD in light of the earnings, financial conditions, cash flows, capital requirements and other considerations, while maintaining a level of capitalization that is commercially sound and sufficient to ensure that the Company can operate on a standalone basis.

Dividends shall be declared and paid out of the Company's unrestricted retained earnings which shall be payable in cash, property or stock to all shareholders on the basis of outstanding stock held by them. Unless otherwise required by law, the BOD, at its sole discretion, shall determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including:

- the level of the Company's earnings, cash flow, return on equity and retained earnings;
- its results for and its financial condition at the end of the year in respect of which the dividend is to be paid and its expected financial performance;
- the projected levels of capital expenditures and other investment programs;
- restrictions on payments of dividends that may be imposed on it by any of its financing arrangements and current or prospective debt service requirements; and
- such other factors as the BOD deems appropriate.

On 29 March 2019, the Board amended the dividend policy to clarify that the core net income for distribution as cash dividends shall come from the core income of the Company and its subsidiaries.

Dividend History:

Declaration Date	Dividends per Share	Amount
27 September 2018	PhP0.06	PhP184.9 Million
19 September 2017	PhP0.08	PhP246.5 Million
20 September 2016	PhP0.27	PhP832.1 Million
9 September 2016	PhP0.08	PhP246.5 Million

On September 9, 2016, the Company's BOD approved the cash dividends declaration amounting to ₱246.5 million, or ₱0.08 per share, in favor of the stockholders of record as at September 9, 2016. Such dividends were paid on September 15, 2016. On September 20, 2016, the Company's BOD also approved the cash dividends declaration amounting to ₱832.1 million, or ₱0.27 per share, in favor of stockholders of record as at September 20, 2016. The Company paid P431.5 million and P400.6 million dividends to its stockholders on September 23, 2016 and November 3, 2016, respectively.

On September 19, 2017, the Company's BOD approved the cash dividends declaration of ₱0.08 per share for a total amount of ₱246.5 million, in favor of the stockholders of record as at September 30, 2017. Such dividends were paid on October 19, 2017.

On September 27, 2018, the Company's BOD approved the cash dividends declaration of ₱0.06 per share for a total amount of ₱184.9 million, in favor of the stockholders of record as at September 30, 2018. Such dividends were paid on October 10, 2018.

(4) Recent Sales of Unregistered or Exempt Securities

There has been no sale of unregistered or exempt securities for the past three (3) years.

Management's Discussion and Analysis of Financial Conditions and Results of Operations

This discussion summarizes the significant factors affecting the financial condition and operating results of STI Education Services Group, Inc. ("STI ESG" or the "Parent Company") and its subsidiaries (hereafter collectively referred to as the "Group") for the fiscal years ended March 31, 2019, 2018 and 2017. The following discussion should be read in conjunction with the attached audited consolidated financial statements of the Group as of and for the year ended March 31, 2019 and 2018 and for all the other periods presented.

This discussion also summarizes the significant factors affecting the operating results for the three–month periods ended June 30, 2019 and 2018 and financial condition as at June 30, 2019 and March 31, 2019 of the Group. The following discussions should be read in conjunction with the attached unaudited interim condensed consolidated financial statements of the Group as at and for the period ended June 30, 2019. All necessary adjustments have been made to present fairly the financial position, results of operations, and cash flows of the Group as at and for the period ended June 30, 2019 and for all the other periods presented.

Financial Condition

Three-month period ended June 30, 2019 vs. three-month period ended June 30, 2018

The Group's total assets as at June 30, 2019 amounted to ₱11,475.8 million, 4% or ₱417.7 million higher than the balance as at March 31, 2019 amounting to ₱11,058.1 million. This was driven by the ₱168.3 million increase in cash and cash equivalents mostly arising from collection of tuition and other school fees and ₱276.0 million increase in receivables substantially from students and from DepEd for tuition and other school fees of SHS students.

Cash and cash equivalents increased by 42% or ₱168.3 million from ₱401.2 million to ₱569.5 million representing collections for tuition and other school fees received from students enrolled in SY2019-2020.

Total receivables amounted to ₱696.9 million, up by ₱276.1 million from ₱420.8 million as at March 31, 2019, since the June 30, 2019 balance is composed mostly of amounts expected to be collected as payment for tuition and other school fees from SHS students and from DepEd for the remaining months of the school year. Students who qualified for the DepEd Voucher Program are entitled to the government subsidy in amounts ranging from ₱8,750 to ₱22,500 per student per year. The balance as at March 31, 2019 on the other hand, includes accounts receivable from CHED amounting to ₱42.1 million which was subsequently settled as at June 30, 2019 as discussed in the succeeding paragraphs.

Inventories decreased by 5% or ₱7.4 million due to decline in the inventory of tertiary and SHS uniforms and SHS textbooks resulting from the sale of uniforms and textbooks for three-month period ended June 30, 2019.

Prepaid expenses increased by ₱10.3 million or 14% from ₱73.9 million to ₱84.2 million substantially due to increase in prepaid insurance.

Property and equipment decreased by ₱29.8 million, net of acquisitions or additions, substantially due to the depreciation expense recognized for the three-month period ended June 30, 2019.

Total current liabilities increased by ₱652.3 million to ₱1,675.9 million as at June 30, 2019 from ₱1,023.6 million as at March 31, 2019, mainly due to ₱738.2 million increase in unearned tuition and other school fees. Unearned revenues will be recognized as income over the remaining months of the school year.

Total equity attributable to equity holders of the Parent Company decreased by 4% or ₱236.7 million from ₱6,560.6 million as at March 31, 2019 to ₱6,323.9 million as at June 30, 2019 resulting from the net loss recognized for the three-month period ended June 30, 2019.

March 31, 2019 vs. 2018

The Group posted consolidated total assets amounting to ₱11,058.1 million as at March 31, 2019 vs. ₱10,890.9 million as at March 31, 2018. Property and equipment increased by ₱1,472.9 million driven by the construction of the new school buildings while cash balances decreased by ₱1,216.2 million, net of collections received for the period, due to payments made to suppliers and contractors and purchase of equipment, furniture and fixtures for all construction projects.

Cash and cash equivalents decreased by 75% from ₱1,617.4 million to ₱401.2 million as at March 31, 2018 and 2019, respectively, as a result of continued capital outlays on expansion projects which were funded by the proceeds of the bond offer, as well as payment of bank loans and interest on bonds. The proceeds from bond issuance have been fully utilized as at March 31, 2019.

Receivables, which consist mainly of receivables for tuition and other school fees, increased by ₱7.6 million or 2% to ₱420.8 million, net of adjustments recognized in relation to the adoption of Philippine Financial Reporting Standards (PFRS) 9. The balance is composed mostly of amounts expected to be collected from students, DepEd and CHED, which amounted to ₱273.9 million, ₱107.9 million and nil as at March 31, 2018, respectively, and ₱275.3 million, ₱143.4 million and ₱42.1 million as at March 31, 2019, respectively. Students who qualified for the DepEd Voucher Program are entitled to the government subsidy in amounts ranging from ₱8,750 to ₱22,500 per student per year. On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG signed a memorandum of agreement to avail of the Tertiary

Education Subsidy (TES) and Student Loan Program (SLP) for its students under the "Universal Access to Quality Tertiary Education Act (UAQTEA)" and its Implementing Rules and Regulations (IRR). Republic Act No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who enroll in undergraduate and post-secondary programs of private Higher Education Institutions (HEIs). Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED recognized LUCs is ₱40,000. Students enrolled in select HEIs who are qualified to receive the TES, are entitled to ₱60,000. The subsidy is for tuition and other related school fees and should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to Persons with Disabilities (PWDs) and graduates of programs with licensure exams amounting to ₱30,000 per annum and ₱10,000, respectively. Under the Voucher and TES Programs, DepEd and CHED, respectively, pay directly the schools where these students enrolled.

Inventories increased by 13% or ₱16.9 million substantially representing the increase in new sets of tertiary uniforms, Senior High School (SHS) textbooks, educational and promotional materials in preparation for the coming School Year (SY) 2019-2020.

Prepaid expenses decreased by ₱22.6 million or 23% from ₱96.5 million to ₱73.9 million due to the decrease in prepaid license and prepaid taxes. Prepaid subscriptions and licenses decreased by ₱7.5 million as the annual Microsoft subscription of the Group was renewed after March 31, 2019 or beyond the period covered by the report. Prepaid taxes decreased by ₱14.3 million, net of input VAT recognized and subsequently charged to expense and those applied against output taxes during the year.

The noncurrent asset held for sale amounting to ₱716.6 million represents the carrying value of STI ESG's 20% ownership in Maestro Holdings, Inc (Maestro Holdings). The operating subsidiaries of Maestro Holdings are PhilPlans First, Inc. (PhilPlans), PhilhealthCare, Inc. (PhilCare) and Philippine Life Financial Assurance Corporation (PhilLife). On June 27, 2017, STI ESG's Board of Directors (BOD) approved the disposal of this 20% stake in Maestro Holdings. Negotiations for the sale are ongoing. As such, said investment account was reclassified from noncurrent to current asset. Further, with the reclassification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for the investment in Maestro Holdings as at June 30, 2017.

Property and equipment, net of accumulated depreciation, climbed by 24% or ₱1,472.9 million from ₱6,197.6 million to ₱7,670.5 million as at March 31, 2018 and 2019, respectively, driven by the expansion projects. The construction works in STI San Jose del Monte have been completed as at March 31, 2019 while the newly constructed buildings of STI Sta. Mesa and STI Pasay-EDSA have been substantially completed as at March 31, 2019. These schools are already accepting tertiary and senior high school students for the first semester of SY 2019-2020. Meanwhile, STI Lipa started operations in the new building in August 2018, specifically from the ground up to the fourth floor. The remaining works from the 5th floor up to the roof deck and the basketball gymnasium at the 7th floor were completed in March 2019.

Investment properties declined by ₱28.5 million from ₱550.2 million to ₱521.7 million representing depreciation expense recognized for the period.

Investments in and advances to associates and joint ventures decreased by ₱6.3 million from ₱514.9 million to ₱508.6 million as at March 31, 2018 and 2019, respectively, net of the share in associates' income, due to dividends received from an associate for the year ended March 31, 2019.

Equity investments in listed and non-listed companies classified as Available For Sale (AFS) financial assets as at March 31, 2018 are classified and measured as Equity instruments designated at fair value through other comprehensive income (FVOCI) beginning April 1, 2018. The Group recognized an increase in the unrealized fair value adjustment on equity instruments designated at FVOCI amounting to ₱40.2 million on April 1, 2018, as part of the transition adjustments resulting from the effect of adoption of PFRS 9. On December 12, 2018, De Los Santos-STI College, Inc. (De Los Santos-STI College) and Metro Pacific Hospital Holdings, Inc. (MPHHI) entered into a deed of absolute sale wherein De Los Santos-STI College sold its 79,399 common shares of stock in De Los Santos Medical Center, Inc. (DLSMC), formerly De Los Santos General Hospital, to MPHHI for a total consideration of ₱39.7 million. On February 7, 2019, De Los Santos-STI College and MPHHI entered into another deed of absolute sale wherein De Los Santos-STI College sold its remaining 35,674 common shares of stock in DLSMC to MPHHI for a total consideration of ₱17.8 million. At the time of sale, the fair value of the shares is equal to the total consideration. Consequently, the equity instruments designated at FVOCI declined from ₱68.1 million to ₱50.5 million as at March 31, 2019. These transactions resulted in a realized fair value gain on equity instruments designated at FVOCI amounting to ₱37.1 million which is presented as addition to Retained Earnings. The disposition of De Los Santos-STI College shares in DLSMC was made to enable the Group to focus on its core business of offering educational services.

The disposition of De Los Santos-STI College shares in DLSMC was made to enable the Group to focus on its core business of offering educational services.

Deferred tax assets (DTA) rose by ₱18.1 million substantially due to taxes applicable to remeasurement loss in pension liability, tuition and other school fees collected in advance and adjustments resulting from the adoption of PFRS 9. Following statutory regulations, tuition and other school fees which are collected in advance are subject to income tax upon receipt. Remeasurement loss, related to pension expense, is presented net of taxes, as the component of the current year's other comprehensive loss while bad debts ascertained to be worthless and uncollectible are considered as deductible for tax purposes when these receivables are written off.

Pension assets amounted to ₱53.5 million and nil as at March 2018 and 2019, respectively. This is due to the computed actuarial loss on pension assets arising from the decline in value of equity shares forming part of pension assets. The Group offsets its pension assets and liabilities on a per company basis for presentation in the consolidated statements of financial position since pension assets are restricted for the settlement of pension liabilities only.

Goodwill, intangible and other noncurrent assets decreased by ₱3.5 million from ₱514.6 million to ₱511.1 million as at March 31, 2019. In January 2018, STI ESG entered into a contract to sell with a real estate developer for the acquisition of a lot in Iloilo City with a total area of 2,615 sq. m. for a price of ₱183.0 million plus value-added tax, less other applicable taxes. STI ESG made a down payment amounting to ₱67.5 million in January 2018, net of the ₱200.0 thousand reservation fee paid on November 29, 2017. The remaining balance in the amount of ₱128.1 million is being paid without interest, in eighteen (18) equal monthly installments of ₱7.1 million starting January 2018 up to June 2019. The lot will be the future site of STI Iloilo. Also, on February 15, 2019, STI ESG and the shareholders of NAMEI Polytechnic Institute, Inc. and NAMEI Polytechnic Institute of Mandaluyong, Inc. (collectively referred to as "NAMEI"), entered into a share purchase agreement for the sale of approximately 92% of the 50,000 outstanding shares of NAMEI Polytechnic Institute, Inc. and 99% of the 10,000 outstanding shares of NAMEI Polytechnic Institute of Mandaluyong, Inc. Both shares are with par value of ₱10.0 each. In January 2019, STI ESG made a deposit of ₱14.0 million which was held in escrow with a law firm. This amount is to be treated as part of the purchase price at closing date. Another ₱36.0 million was paid on February 15, 2019. On the same date, STI ESG paid ₱10.0 million to NAMEI as deposit for future subscription in shares of NAMEI and another ₱10.0 million representing STI ESG's share in the transaction costs and all other fees and expenses to be incurred under the agreement. In relation to this, STI ESG recognized ₱70.0 million as deposit for the purchase of shares of NAMEI. On April 1, 2019, Deeds of Assignment were executed by the shareholders of NAMEI transferring and conveying ownership of 94% of NAMEI Polytechnic Institute, Inc. and 100% ownership of NAMEI Polytechnic Institute of Mandaluyong, Inc. to STI ESG. NAMEI will become a subsidiary of STI ESG effective April 1, 2019. Consequently, the deposit for asset acquisition increased by ₱155.5 million representing payments made for the acquisition of a lot in Iloilo City and deposits made for the purchase of shares of NAMEI, as discussed above. STI ESG conducts annual impairment testing of Goodwill recognized through business combinations. Impairment testing as at March 31, 2019 showed that the Group's cash-generating units' (CGUs) recoverable amounts were higher than their carrying amounts except for the Goodwill related to STI Tuguegarao and STI Pagadian. For the year ended March 31, 2019, the Group recognized impairment loss on Goodwill aggregating to ₱17.0 million related to these schools since their recoverable amounts were lower compared to their carrying amounts. Noncurrent advances to suppliers decreased by ₱145.6 million due to reclassification to "Property and Equipment" as STI ESG recognized the cost of construction works based on the percentage of completion of the projects as at March 31, 2019.

Accounts payable and other current liabilities increased by ₱297.3 million substantially due to obligations to contractors in relation to construction and repairs in various STI ESG campuses.

The noncurrent portion of interest-bearing loans and borrowings decreased by ₱240.0 million while the current portion of interest-bearing loans and borrowings, net of principal payments made aggregating to ₱134.4 million in July 2018 and January 2019, increased by ₱105.6 million to ₱240.0 million representing the amount due within one year.

Unearned tuition and other school fees increased by ₱27.4 million from ₱54.0 million to ₱81.4 million as at March 31, 2018 and 2019, respectively, substantially attributed to advance payments of tuition fees and other school fees of incoming students for SY 2019-2020 and the portion of the assessment fees of the August batch of tertiary students for SY 2018-2019 with second semester ending in May 2019. The unearned tuition and other school fees will be recognized as income over the related term.

The current and noncurrent portions of obligations under finance lease declined by ₱0.2 million and ₱2.4 million, respectively, due to payments made during the period.

Income tax payable decreased to ₱12.1 million from ₱13.7 million as at March 31, 2019 and 2018, respectively, due to lower taxable income.

STI ESG listed its ₱3.0 Billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the Philippine Dealing and Exchange Corp. (PDEx) secondary market on March 23, 2017. This is the first tranche of its ₱5,000.0 million fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration will end on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23 and March 23 or the next business day if such dates fall on a non-banking day, of each year commencing on June 23, 2017, until and including the relevant maturity date. The Bonds Payable is carried in the books at ₱2,958.0 million and ₱2,951.9 million as at March 31, 2019 and 2018, respectively, net of deferred finance charges, representing bond issue costs with carrying value of ₱42.0 million and ₱48.1 million, as at March 31, 2019 and 2018, respectively. The proceeds of the bonds have been fully utilized as at March 31, 2019.

Pension liabilities increased from ₱4.7 million to ₱33.3 million as at March 31, 2019 representing additional retirement obligations and additional liability recognized due to the impact of unrealized remeasurement loss recognized from the decline in the market value of the investment in equity securities of the pension plan assets of the Group for the year ended March 31, 2019.

Other noncurrent liabilities decreased by ₱1.7 million, net of the advance rent and security deposits received from new lease agreements, due to payments made by STI Novaliches to STI Diamond amounting to ₱8.0 million as a result of the conveyance of the latter's net assets to the former in August 2016.

STI ESG's cumulative actuarial gain decreased by ₱74.4 million, net of related tax, from ₱82.6 million to ₱8.2 million, as at March 31, 2018 and 2019, respectively, due to the impact of unrealized remeasurement loss recognized from the decline in the market value of the investment in equity securities of the pension plan assets.

STI ESG's fair value adjustment on financial assets designated at FVOCI is up by ₱2.8 million due to the increase in the fair market value of the STI ESG's shares in DLSMC.

Retained earnings increased by ₱19.9 million from ₱3,003.9 million to ₱3,023.8 million. This is due to the net income attributable to equity holders of the Group amounting to ₱254.9 million and the realized fair value gain on financial assets designated at FVOCI amounting to ₱37.1 million resulting from the sale of shares in DLSMC for the year ended March 31, 2019. Dividends amounting to ₱ 184.9 million were declared by STI ESG and adjustments on the initial application of PFRS 9 amounting to ₱87.1 million , net of tax, were recognized for the period beginning April 1, 2018.

March 31, 2018 vs. 2017

The Group's total assets as at March 31, 2018 decreased by ₱195.2 million to ₱10,890.9 million from ₱11,086.1 million as at March 31, 2017. Cash and cash equivalents declined by ₱1,262.9 million as a result of continued capital expenditures, payments of loans and interests made by STI ESG on its loans and bonds. On the other hand, property and equipment increased by ₱932.1 million as real properties are acquired and construction continued in full swing.

Cash and cash equivalents decreased by 44% from ₱2,880.3 million as at March 31, 2017 to ₱1,617.4 million as at March 31, 2018 as a result of continued capital outlays on expansion projects which were funded by the proceeds of the bond offer, as well as payment of bank loans and interests on bonds.

Receivables, which consist mainly of receivables for tuition and other school fees, increased by ₱61.7 million or 18%. The balance is composed mostly of amounts expected to be collected from students and from DepEd which amounted to ₱248.6 million and ₱50.0 million as at March 31, 2017, respectively, and ₱273.9 million and ₱107.9 million as at March 31, 2018, respectively. Students who qualified for the DepEd Voucher Program are entitled to the government subsidy in amounts ranging from ₱8,750 to ₱22,500 per student per year. Under the Voucher Program, DepEd pays directly the schools where these students enrolled.

Inventories increased by 15% or ₱17.9 million substantially due to the increase in stock of SHS uniforms in preparation for the coming SY 2018-2019.

Prepaid expenses decreased by ₱13.4 million or 12% from ₱109.9 million to ₱96.5 million. This is largely due to the reclassification of input VAT amounting to ₱46.8 million from prepaid taxes to "Land" under "Property and Equipment", thus forming part of its acquisition cost. As background, in January 2017, STI ESG purchased three parcels of land along EDSA, Pasay City with a combined land area of 3,911 square meters. This is intended to be the site of the nine-storey STI Academic Center Pasay-EDSA with roof deck, where the existing students of STI Taft, a separate corporate entity then, will eventually transfer. On August 30, 2017, SEC approved the merger of STI Taft with STI ESG, with STI ESG as the surviving entity. With the approval of the merger, the related input tax on the purchase of the said EDSA properties amounting to ₱46.8 million was reclassified as part of the acquisition cost of land. In another development, STI ESG entered into a contract to sell in January 2018 for the acquisition of a lot situated at Barangay San Rafael, Iloilo City for ₱183.05 million. STI ESG paid 30% down payment inclusive of VAT and related taxes, net of ₱0.2 million reservation fee, amounting to ₱67.5 million on the same month. STI ESG, as a result, recognized input tax amounting to ₱22.0 million. This lot is earmarked as the future site of STI Iloilo. These transactions, partially offset by real property taxes on investment properties and business taxes paid covering the period January to December 2018, brought down "Prepaid taxes" by ₱17.9 million compared to ₱91.0 million balance as at March 31, 2017. Prepaid subscriptions and licenses increased by ₱8.1 million primarily due to prepayment of Microsoft subscriptions covering the period February 2018 to January 2019.

The noncurrent asset held for sale amounting to ₱716.6 million represents the carrying value of STI ESG's 20% ownership in Maestro Holdings. This company owns the following operating companies: a) 100% of PhilPlans, b) 99.89% of PhilCare, and c) 70.6% of PhilLife. On June 27, 2017, STI ESG's BOD approved the disposal of this 20% stake in Maestro Holdings. Final negotiations for the sale are ongoing. As such, STI ESG reclassified its investments in Maestro Holdings as "Noncurrent Asset Held for Sale" in June 2017 and presented the same under the portion of the current assets in the Statements of Financial Position. Further, with the reclassification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for the investment in Maestro Holdings as at June 30, 2017. "Investments in and advances to associates and joint ventures" consequently decreased by the same amount.

Property and equipment, net of accumulated depreciation, climbed by 18% or ₱932.1 million from ₱ 5,265.5 million to ₱6,197.6 million as at March 31, 2017 and 2018, respectively. As part of the continued expansion projects, STI ESG acquired parcels of land in Lipa and Legazpi amounting to ₱ 99.0 million and ₱76.4 million, respectively, inclusive of taxes and registration fees. These acquisitions were funded by the proceeds from the bond offer. The cost of acquisition of EDSA properties increased likewise with the reclassification of input tax amounting to ₱46.8 million as part of the cost of land. The renovation costs of STI Sta. Maria and the fit-out work on a newly constructed building, which was leased to be the new site of STI Malaybalay, also contributed to the increase. Total related contract costs amounted to ₱69.0 million, inclusive of materials, equipment, furniture and fixtures, cost of labor and overhead and all other costs necessary for the completion of these projects. The construction projects in Sta. Maria and Malaybalay were completed in January 2018. The construction-in-progress account likewise increased significantly as the construction projects for the new sites of STI Lipa, STI Sta. Mesa, STI Pasay-EDSA and a green field school in San Jose del Monte continued in full swing. STI Lipa started operations in the new building in August 2018, specifically from the ground up to the fourth floor. The remaining works from the 5th floor up to the roof deck and the basketball gymnasium at the 7th floor were completed in March 2019. The rest of the buildings were substantially completed in March 2019.

Investment properties declined by ₱28.6 million from ₱578.8 million to ₱550.2 million representing depreciation expense recognized for the period.

Investments in and advances to associates and joint ventures decreased by ₱820.6 million from ₱1,335.5 million to ₱514.9 million as at March 31, 2017 and 2018, respectively, with the reclassification of the investment in Maestro Holdings amounting to ₱716.6 million to "Noncurrent Assets Held for Sale". Equity share in net losses amounting to ₱218.2 million recognized during the period April to June 2017, contributed to the decrease. Inter-company receivables are generally settled in cash.

AFS Financial Assets increased by ₱16.5 million from ₱50.9 million to ₱67.4 million as at March 31, 2017 and 2018, respectively, with the reclassification of the deposit for the purchase of proprietary shares in a development in Batangas amounting to ₱16.1 million to "AFS Financial Assets" in December 2017.

Deferred tax assets (DTA) decreased by ₱1.5 million primarily due to the deferred tax liability (DTL) on the remeasurement gains recognized as the market value of the pension plan's investment in equity shares improved significantly for the year ended March 31, 2018. DTA is presented net of DTL.

Pension assets amounted to ₱53.5 million from ₱2.8 million as at March 31, 2017 with the recognition of the remeasurement gains on the improved valuation of the equity shares which form part of the plan assets for the year ended March 31, 2018.

Goodwill, intangible and other noncurrent assets increased by ₱136.4 million from to ₱378.2 million to ₱514.6 million as at March 31, 2018 mainly due to noncurrent advances to suppliers/contractors in connection with construction activities for the period which increased by the same amount as at March 31, 2018.

On May 23, 2017, STI Sta. Maria entered into a Deed of Assignment with Halili Reyes Educational Institution, Inc. (HREI) where HREI assigned, transferred and conveyed in a manner absolute and irrevocable and free and clear of all liens and encumbrances, to STI Sta. Maria all its rights, title and interest in its school's assets and liabilities for a price of ₱20.0 million. The assignment of the net assets was effective on April 1, 2017. Consequently, the initial deposits made, which was previously recognized under "Deposits for asset acquisitions" with a total amount of ₱18.0 million were applied and STI Sta. Maria paid the remaining balance of ₱2.0 million. The purchase price consideration has been allocated to the assets and liabilities based on the fair values at the date of acquisition resulting in goodwill amounting to ₱1.8 million.

STI ESG's short-term loan balance amounted to ₱545.0 million and nil as at March 31, 2017 and 2018, respectively. STI ESG availed of loans from Bank of the Philippine Islands amounting to ₱240.0 million in October 2017 and made payments aggregating to ₱785.0 million for the year ended March 31, 2018. The loans are subject to interest rates ranging from 3.20% to 3.75%. The proceeds from these loans were used for working capital requirements.

Accounts payable and other current liabilities increased by ₱7.4 million largely due to the additional payables recognized in relation to construction works in various STI ESG campuses.

The current portion of interest-bearing loans increased by ₱93.6 million, net of payments made during the year, while the non-current portions of borrowings decreased by ₱134.4 million, arising from the reclassification of the total amount due within the coming fiscal year.

Unearned tuition and other school fees increased by ₱24.4 million from ₱29.6 million as at March 31, 2017 to ₱54.0 million as at March 31, 2018 substantially attributed to advance payments of tuition fees and other school fees of incoming students for SY 2018-2019. The unearned revenue will be recognized as income over the incoming school term.

The current and noncurrent portions of obligations under finance lease increased by ₱1.5 million and ₱7.6 million, respectively, as at March 31, 2018 with the acquisition of property and equipment under finance lease.

Income tax payable decreased to ₱13.7 million as at March 31, 2018 from ₱14.3 million as at March 31, 2017 due to lower taxable income.

STI ESG listed its ₱3 Billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the Philippine Dealing and Exchange Corp. (PDEx) secondary market on March 23, 2017. This is the first tranche of its ₱5,000.0 million fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration will end on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23 and March 23 or the next business day if such dates fall on a non-banking day, of each year commencing on June 23, 2017, until and including the relevant maturity date. The Bonds Payable is carried in the books at ₱2,951.9 million and ₱2,947.0 million as at March 31, 2018 and 2017, respectively, net of deferred finance charges, representing bond issue costs with carrying value of ₱48.1 million and ₱53.0 million, as at March 31, 2018 and 2017, respectively.

Pension liabilities decreased by 23% to ₱4.7 million as of March 31, 2018 due to the impact of unrealized remeasurement gains recognized based on actuarial reports.

Other noncurrent liabilities decreased by ₱12.6 million as advanced rent and rental deposits amounting to ₱4.8 million were applied against receivables from former lessees as a result of pre-termination of lease contracts. In addition, STI Novaliches' other noncurrent liability to STI Diamond, as a result of the conveyance of the latter's net assets to the former in August 2016, now has a present value of ₱50.1 million, net of ₱7.1 million representing current portion as at March 31, 2018.

Relative to the merger of STI Taft and STI Dagupan with the Parent Company in August 2017, STI ESG subscribed to 5,952,273 of its own shares and issued a total of 5,311 shares to minority holders of the absorbed entities with par value of ₱1.0 per share at a price of ₱1.82 per share pursuant to the Bureau of Internal Revenue's requirement on mergers. Consequently, capital stock increased by ₱ 5.9 million from ₱3,081.9 million to ₱3,087.8 million and STI ESG recognized treasury shares amounting to ₱10.8 million. Additional paid-in capital increased by ₱7.0 million from ₱379.9 million to ₱386.9 million.

Other equity reserve changed by ₱2.1 million from ₱28.8 million to ₱30.9 million as at March 31, 2018 representing additional paid-in capital recognized on the issuance of shares related to the merger.

Other comprehensive income associated with the noncurrent asset held for sale shown in the equity side of the audited consolidated statements of financial position amounting to ₱91.9 million represents STI ESG's cumulative share in Maestro Holdings' unrealized mark-to-market gain on available-for-sale financial assets, cumulative actuarial gain on pension liabilities, remeasurement loss on life insurance reserves and other equity reserve up to June 30, 2017, which is the date of reclassification.

As at March 31, 2018, STI ESG's cumulative actuarial gain increased by ₱46.8 million from ₱35.8 million to ₱82.6 million as at March 31, 2017 and March 31, 2018, respectively, due to the impact of unrealized remeasurement gains recognized from improved market value of the investment in equity securities of the pension plan assets.

STI ESG's unrealized mark-to-market losses on its available-for-sale financial assets amounting to ₱24.6 thousand as at March 31, 2017 registered unrealized mark-to-market gains of ₱0.4 million as at March 31, 2018, due to the higher market value of the Manulife shares held by STI ESG.

The share in associates' remeasurement loss on life insurance reserves amounting to ₱18.3 million shown in the equity side of the audited consolidated statements of financial position as at March 31, 2017 was reclassified to noncurrent asset held for sale as at March 31, 2018. This represents the share of STI ESG in the restatements made by Maestro Holdings as a result of the retrospective application of the change in the valuation methodology of PhilLife's life insurance reserves for traditional products from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV) in accordance with Insurance Commission Circular Letters 2016-66 and 2017-36, "Valuation for Life Insurance Policy Reserves" effective starting January 1, 2017 (see discussions in subsequent paragraphs).

The Group's share in its associates' unrealized mark-to-market losses on available-for-sale financial assets and cumulative actuarial gain amounting to ₱16.5 million and ₱0.7 million, respectively, as at March 31, 2017 registered unrealized mark-to-market loss and cumulative actuarial gain amounting to ₱32.0 thousand and ₱0.6 million, respectively, as at March 31, 2018. The amount of ₱16.4 million which is part of the ₱16.5 million reported as at March 31, 2017 corresponds to the unrealized mark-to-market losses attributable to the 20% investment share in Maestro Holdings and is part of the reclassification made in June 2017. The balances shown as at March 31, 2018 do not include any amount pertaining to the reclassified noncurrent asset held for sale. The share in associates' other equity reserve of ₱0.7 million reported as at March 31, 2017 corresponds to the 20% investment share in Maestro Holdings and is part of the reclassification made in June 2017.

Retained earnings, net of cash dividends declared in September 2017 amounting to ₱246.5 million, increased by ₱185.5 million from ₱2,818.4 million to ₱3,003.9 million.

Results of Operations

Three-month period ended June 30, 2019 vs. three-month period ended June 30, 2018

For the three-month period ended June 30, 2019, the Group generated gross revenues of ₱227.4 million, lower by 36% or ₱129.2 million from same period last year of ₱356.6 million.

STI ESG recorded an operating loss for the three-month period ended June 30, 2019 amounting to ₱ 233.7 million compared to ₱67.4 million of the same period last year substantially because of the shift in the start of the school calendar for tertiary classes from June last school year to July 2019 for SY2019-2020. As a result, revenues from the tertiary classes will be recognized in July this year. The Group recognized a net loss amounting to ₱239.6 million this quarter as against ₱75.2 million for the same period last year due to lower revenues recognized for the three-month period ended June 30, 2019 and recognition of depreciation expense of recently completed buildings.

Earnings before interest, taxes, depreciation and amortization or EBITDA, computed as net income (loss) excluding benefit from income tax, depreciation and amortization, equity in net loss of associates and joint ventures, interest expense, interest income and nonrecurring gains (losses) such as gain on disposal of net assets decreased by ₱136.4 million to a negative ₱97.1 million from the same period last year of ₱39.3 million. EBITDA margin for the three-month period ended June 30, 2019, decreased from 11% last year to a negative 43% this year.

Years ended March 31, 2019 vs. 2018

The student enrollment of the schools under STI ESG at the start of the SY are as follows:

	SY 2018-2019	SY 2017-2018	Decrease	
			Enrollees	Percentage
STI Network				
Owned schools	44,298	54,366	(10,068)	-19%
Franchised schools	32,543	42,165	(9,622)	-23%
Total Enrollees	76,841	96,531	(19,690)	-20%

Grouping of the students in terms of government regulatory agencies supervising the programs is as follows:

CHED - students under this group are enrolled in tertiary and post-graduate programs;
Technical Education and Skills Development Authority (TESDA) - students under this group are enrolled in technical-vocational programs; and
DepEd – students under this group are enrolled in SHS programs.

	SY 2018-2019	%	SY 2017-2018	%
CHED	38,582	50%	40,147	42%
TESDA	1,843	2%	2,191	2%
DEPED	36,416	48%	54,193	56%
TOTAL	76,841	100%	96,531	100%

In line with STI ESG's thrust to continue providing an opportunity for fresh Grade 12 graduates to pursue their tertiary education, STI ESG accepted two freshmen batches this SY 2018-2019. Classes for the first and second batch started in June and August 2018, respectively. The number of students reported in the foregoing tables represents the enrollment for the June and August 2018 batches.

STI ESG's implementation of two college freshmen batches is aimed at:

- accommodating late enrollees who waited for acceptance by SUCs/LUCs in anticipation of the free college education under the Universal Access to Quality Tertiary Education Act;

- preventing the displacement of STI ESG faculty members who may not have the teaching load due to low turnout of freshmen college enrollees for the June class opening for the same reason cited above; and
- moving forward, adjusting the school calendar of STI schools nationwide to eventually align it with the calendar of public colleges as well as other private HEIs not only in the Philippines but in the ASEAN region as well.

STI ESG's implementation of two freshmen batches is in accordance with the guiding policy on the academic calendar year which is stipulated in Section 3 of Republic Act 7797 or the School Calendar Act, which states that the SY shall start on the first Monday of June but not later than the last day of August. This is also in consonance with Republic Act 7722 which provides some leeway for HEIs to establish their own academic calendars and set their opening days in order to encourage innovation and the exercise of academic freedom among institutions of higher learning.

STI ESG posted gross revenues amounting to ₱2,191.2 million for the year ended March 31, 2019, a 16% decrease from ₱2,596.0 million from the same period last year.

Tuition and other school fees reached ₱1,801.2 million for the year ended March 31, 2019, down by 16% from the same period last year. This was due to the lower than expected turnout of college freshmen enrollees. Meanwhile, SHS enrollment dipped as the STI Network held the graduation of over 30,000 Grade 12 students who belonged to the first batch of SHS graduates under the K to 12 program of the government.

Revenues from educational services and royalty fees decreased by ₱41.4 million and ₱4.8 million or by 20% and 24%, respectively. Revenues from educational services are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students and DepEd.

Sale of educational materials and supplies similarly posted a decline from ₱161.9 million to ₱149.6 million. The sale of uniforms scaled up with the entry of the freshmen college students. On the other hand, the sale of textbooks and uniforms for SHS went down due to the decline in the number of SHS enrollees. The cost of educational materials and supplies sold, decreased likewise by ₱5.4 million from ₱119.3 million to ₱113.9 million for the years ended March 31, 2018 and 2019, respectively, concomitant with the decrease on the sale of educational materials and supplies.

The cost of educational services for the year ended March 31, 2019 amounting to ₱687.8 million is lower compared to ₱694.0 million recognized on the same period last year. The cost of instructors' salaries and benefits decreased by ₱33.5 million substantially due to the reduced number of part-time faculty members concomitant with the lower turn out of enrollees as discussed in the preceding paragraphs. This was partially offset by the increase in depreciation expense which increased by ₱17.1 million due to completed renovation and construction projects. The building renovation of STI Sta. Maria and the newly constructed building which was leased to be the new site of STI Malaybalay were completed in August 2017. Meanwhile, STI Lipa started operations in the new building in August 2018, specifically from the ground up to the fourth floor. The remaining works from the 5th floor up to the roof deck and the basketball gymnasium at the 7th floor were completed in March 2019. The related depreciation on these floors was recorded during the current period and contributed to the increase in the said expense. Similarly, the cost of student activities and programs increased by 11% or ₱15.1 million from ₱113.1 million to ₱128.2 million for the year ended March 31, 2019 attributed to expenses related to convention of the students, hotel immersion, culinary and tourism exposure, bartending seminars and educational tours. In February 2017, CHED issued a memorandum on the imposition of a moratorium on field trips and other similar activities covered under CHED Memorandum series order no. 17. In view of this, the aforementioned student activities were cancelled in SY 2017-2018. The moratorium was lifted during the same school year. Direct expense ratio went up to 37% from 31% of the same period last year.

Gross profit decreased by 22% or ₱393.2 million from ₱1,782.7 million for the year ended March 31, 2018 to ₱1,389.5 million for the same period this year. Gross profit margin last year was 69% compared to 63% this year.

General and administrative expenses increased by 6% or ₱61.4 million from ₱983.4 million to ₱ 1,044.8 million for the year ended March 31, 2019. The highest increase was registered by advertising and promotion costs which increased year-on-year by ₱41.7 million as the marketing campaign for both SHS and tertiary programs were intensified in time for the opening of classes for SY 2018-2019. Salaries and benefits increased by ₱7.6 million due to filling up of vacancies and merit increases given to deserving employees. Depreciation expense likewise increased by ₱11.3 million due to depreciation expense recognized with the completion of the renovation and newly constructed buildings, as mentioned in the preceding paragraphs. Goodwill previously recognized through business combinations allocated to STI Tuguegarao and STI Pagadian aggregating to ₱17.0 million was impaired for the year ended March 31, 2019. The Group recognized estimated credit loss (ECL) resulting from the adoption of PFRS 9 based on the Group's historical credit loss experience adjusted with forward-looking information. The most recent receivables are assigned with lower loss rates. Estimated loss rates vary overtime and increase as the receivables age and as credit risks increase with the likelihood of the receivables becoming impaired. The Group recognized a provision for ECL amounting to ₱61.6 million for the year ended March 31, 2019. The Group's receivables pertaining to the recently concluded SY 2018-2019 are higher compared to the receivables from students pertaining to the previous period. Receivables pertaining to SY 2017-2018 likewise registered an improvement in 2019 due to subsequent collections received from the students. Thus, the Group recognized lower provision for ECL for the year ended March 31, 2019 compared with the provision for doubtful accounts for the year ended March 31, 2018 amounting to ₱76.9 million or an improvement of ₱15.3 million.

The Group posted an operating income, that is, income before other income and expenses and income tax, amounting to ₱344.7 million for the year ended March 31, 2019, lower than the results of the same period last year of ₱799.3 million, substantially due to lower revenues.

Equity in net losses of associates and joint ventures amounting to ₱218.2 million for the year ended March 31, 2018 pertains largely to the share of STI ESG in the loss of PhilPlans up to June 30, 2017, arising from the latter's full recognition of the mandated discount interest rate imposed by the Insurance Commission (IC) on the reserves of pre-need companies. The IC is the government regulatory agency supervising pre-need companies. In November 2012, the IC issued Circular Letter 23-2012 relating to the Valuation of Transitory Pre-need Reserves. The IC mandated a gradual decrease in the discount interest rate to be used for valuing the reserves to provide regulatory leeway for the compliance to this circular. The old basket of plans previously approved by the SEC when the pre-need companies were under its supervision were using a higher discount rate. The circular mandated that for the years 2012-2016, the discount interest rate shall be 8%; for 2017, 7.25%; for 2018, 6.5% and for 2019 onwards, 6%. In July 2017, PhilPlans opted to have an early adoption of the 6% discount interest rate starting January 2017. This means a bigger allocation to pre-need reserves from its trust funds, thus recognizing a higher expense item.

Interest expenses decreased by ₱21.0 million year-on-year, from ₱210.5 million to ₱189.5 million as short-term loans were fully settled as at March 31, 2018 and principal payments on long-term loans aggregating ₱134.4 million were made in July 2018 and January 2019.

Rental income increased by ₱9.3 million or 9% due to the substantial occupancy of the investment properties owned by STI ESG.

Interest income amounted to ₱16.1 million for the year ended March 31, 2019 mainly from interest earned on short-term placements of the proceeds of bonds. The proceeds of bonds have been fully utilized as at March 31, 2019.

Dividend income is up by ₱3.1 million representing an increase in dividends received from De Los Santos Medical Center (formerly De Los Santos General Hospital) and dividends received from STI Marikina, an associate of STI ESG, for the year ended March 31, 2019.

Equity in net earnings of associates amounting to ₱4.7 million pertains to STI ESG's share in the net earnings of associates for the year ended March 31, 2019. This amount does not include any share in the operations of PhilPlans or any of the other subsidiaries of Maestro Holdings after STI ESG's BOD approved the disposal of its 20% stake in Maestro on June 27, 2017. With this decision to dispose of the Maestro investment, STI ESG's investment in Maestro was reclassified to "Noncurrent asset held for sale" under the portion of the current assets in the Statements of Financial Position. With this, STI ESG ceased the use of the equity method of accounting for its investment in Maestro on June 30, 2017.

The gain on sale of property and equipment amounting to ₱0.7 million substantially represent disposal of fully depreciated air conditioning units of STI Global City, which were replaced by inverter air conditioners to save on the cost of electricity.

Provision for income tax amounting to ₱37.4 million was recognized as at March 31, 2019 associated with the net income recognized for the period.

STI ESG reported a lower net income amounting to ₱254.6 million for the year ended March 31, 2019 compared to ₱433.1 million of the same period last year. Also, STI ESG posted a Total Comprehensive Income of ₱179.9 million for the year ended March 31, 2019 compared to ₱606.1 million for the year ended March 31, 2018 driven primarily by the decline in operating income due to lower revenues. The report as of same period last year includes the share on STI ESG's associate's unrealized mark-to-market gain on AFS financial assets amounting to ₱125.1 million. Meanwhile, STI ESG recognized a remeasurement loss amounting to ₱74.4 million, net of taxes, for the year ended March 31, 2019 due to the decline in value of equity shares forming part of pension assets.

Earnings before interest, taxes, depreciation and amortization or EBITDA, computed as net income excluding provision for income tax, depreciation and amortization, effect of derecognition of a subsidiary, equity in net earnings (losses) of associates and joint ventures, interest expense and interest income, decreased from ₱1,219.4 million to ₱806.1 million as at March 31, 2019. EBITDA margin likewise decreased from 47% last year to 37% this year.

Core income, computed as the consolidated income after income tax derived from the Group's main business of education and other recurring income, amounted to ₱249.3 million for the year ended March 31, 2019 compared to the same period last year of ₱651.3 million.

Years ended March 31, 2018 vs. 2017

The student enrollment of the schools under STI ESG at the start of SY are as follows:

	SY 2017-2018	SY 2016-2017	Increase (Decrease)	
			Enrollees	Percentage
STI Network				
Owned schools	54,366*	52,687	1,679	3.2%
Franchised schools	42,165	43,592	(1,427)	(3.3%)
Total Enrollees	96,531	96,279	252	0.3%

**Enrollees of STI Sta. Maria are reported as part of "owned schools" effective SY 2017-2018.*

Grouping of the students in terms of government regulatory agencies supervising the programs is as follows:

	SY 2017-2018	%	SY 2016-2017	%
CHED	40,147	42%	53,016	55%
TESDA	2,191	2%	5,692	6%
DEPED	54,193	56%	37,571	39%
TOTAL	96,531	100%	96,279	100%

STI ESG's gross revenues amounted to ₱2,596.0 million for the year ended March 31, 2018, a decrease of ₱7.2 million from the same period in 2017.

Tuition and other school fees decreased by ₱72.1 million or 3% substantially due to tuition and other school fees earned by iACADEMY and consolidated with the results of STI ESG up to September 30, 2016. iACADEMY was acquired by STI Holdings in September 2016. Removing the effects of iACADEMY, STI ESG's revenue from tuition and other school fees would have been flat compared to the same period in March 2017.

Revenues from educational services and royalty fees increased by ₱9.2 million and by ₱1.4 million, respectively, or by 5% and by 7%, respectively, mainly due to the increased collections by the franchised schools. Revenues from educational services are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students and DepEd.

Sale of educational materials and supplies increased by 10% or by ₱15.0 million from ₱146.9 million to ₱161.9 million, largely due to increased sale of SHS textbooks. Cost of educational materials and supplies sold increased by ₱3.9 million, net of the rebates received from the acquisition of textbooks for sale to students amounting to ₱5.5 million, concomitant with the increase in the sale of textbooks.

Other revenues increased by 201% or ₱39.3 million substantially due to fees for the use of the enrolment and eLearning Management systems.

Cost of educational services slightly increased by 1% or ₱8.9 million from ₱685.1 million to ₱694.0 million for the year ended March 31, 2018. Faculty salaries and benefits increased by 6% or ₱16.4 million attributed to the salaries of instructors who handled the remedial classes of SHS students in April and May 2017, salary alignment of SHS teachers who passed the Licensure Examination for Teachers (LET) and tertiary instructors who earned their Master's degrees and instructors' salaries associated with the operation of STI Sta. Maria. STI Sta. Maria became a 100% subsidiary of STI ESG starting April 2017. Software maintenance cost increased by ₱4.8 million due to cloud services of PLDT for connectivity and data storage cost of the enrollment system, as the database was moved from onsite premise servers to cloud. On the other hand, the cost of student activities and programs for the year is lower by ₱8.6 million from ₱121.7 million in 2017 to ₱113.1 million for the year ended March 2018. On February 21, 2017, CHED issued a memorandum on the imposition of a moratorium on field trips and other similar activities covered under CHED Memorandum Order No. 17 Series of 2012. In view of this, certain activities like the convention of the students, hotel immersion, culinary and tourism exposure, bartending seminars and educational tours were postponed. This substantially brought the cost of student activities and convention costs down by ₱21.4 million from ₱51.7 million in 2017 to ₱30.3 million for the year ended March 31, 2018. The moratorium was lifted during SY 2017-18. Thus, STI ESG plans to bring back and continue these annual activities of the students in the coming school years. On the other hand, STI ESG also held the first K to 12 program Grade 12 graduation which increased the commencement costs from ₱16.2 million to ₱ 32.2 million or by ₱16.0 million for the year ended March 31, 2017 and 2018, respectively. Direct expense ratio remains at 31%.

Gross profit decreased by 1% or ₱20.0 million from ₱1,802.7 million to ₱1,782.7 million for the year ended March 31, 2018 and 2017, respectively. Gross profit margin remains at 69%.

General and administrative expenses, net of expenses reported by iACADEMY, increased by 6%, from ₱928.6 million to ₱983.4 million for the year ended March 31, 2018. Light and water expenses increased substantially due to the cost incurred by STI Sta. Maria and due to higher expenses recognized by the schools for the year ended March 31, 2018 compared to the same period in 2017, due to the increase in the average rate per kilowatt-hour of electricity. Professional fees increased due to expenses incurred in relation to the merger of STI Taft and STI Dagupan with STI ESG, special audit in relation to the disposal of Maestro Holdings and various legal and labor-related cases. Taxes and licenses increased due to real property taxes on investment properties. Following STI ESG's receivables impairment policy, STI Sta. Maria which is consolidated to the Group effective April 2017 recognized impairment expense amounting to ₱7.4 million on its outstanding receivables from its students as at March 31, 2018. Further, Advertising and promotions expense increased as the marketing campaign for both SHS and Tertiary programs were intensified.

Equity in net loss of associates and joint ventures amounting to ₱218.2 million for the year ended March 31, 2018 pertains largely to the share of STI ESG in the loss of Maestro Holdings up to end of June 2017. With the reclassification of the carrying value of STI ESG's 20% ownership in Maestro Holdings to noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for its investment in Maestro Holdings as at June 30, 2017. By way of explanation, this loss arose from the decision of PhilPlans to fully recognize the mandated discount interest rate imposed by the Insurance Commission (IC) on the reserves of pre-need companies. The IC is the government regulatory agency supervising pre-need companies. In November 2012, the IC issued Circular Letter 23-2012 relating to the Valuation of Transitory Pre-need Reserves. The IC mandated a gradual decrease in the discount interest rate to be used for valuing the reserves to provide regulatory leeway for the compliance to this circular. The old basket of plans previously approved by the SEC when the pre-need companies were under its supervision were using a higher discount rate. The circular mandated that for the years 2012 to 2016, the discount interest rate shall be 8%; for 2017, 7.25%; for 2018, 6.5% and for 2019 onwards 6%. In July 2017, PhilPlans opted to have an early adoption of the 6% discount interest rate starting January 2017. This means a bigger allocation to pre-need reserves from its trust funds, thus recognizing a higher expense item.

Further, Maestro Holdings has restated its prior year financial statements to reflect, among others, the following adjustments: (a) with the completion of the correction in its system process, PhilPlans has recognized the plan benefits expense pertaining to education plan contracts with maturity dates from July to December at its proper maturity dates; (b) in compliance with IC Circular Letters 2016-66 and 2017-36, PhilLife changed the methodology in the determination of legal policy reserves in its life insurance contracts from net premium valuation to gross premium valuation; (c) recognition of fair value decline below cost of certain AFS equity securities to profit or loss.

Accordingly, STI ESG has made the necessary adjustments to recognize its share in the restated net earnings and comprehensive income of Maestro Holdings. STI ESG's financial statements for the fiscal years ended March 31, 2017 and March 31, 2016 have been restated to reflect these adjustments.

Interest income increased by ₱24.3 million due to interest earned from short-term placements of the proceeds from the bonds issued while dividend income increased by ₱1.2 million representing dividends received from De Los Santos Medical Center (formerly De Los Santos General Hospital).

Interest expenses increased by ₱144.7 million from ₱65.8 million to ₱210.5 million mainly due to interest incurred on STI ESG's bond issue. This is net of total borrowing costs capitalized as part of property and equipment amounting to ₱22.9 million for the year ended March 31, 2018. The average interest capitalization rate is 5.96% for the year ended March 31, 2018.

STI Diamond and STI Novaliches executed in August 2016, a deed of assignment transferring the net assets of the former to the latter for a transfer price of ₱75.7 million payable quarterly, in five (5) years. As a result, the management contract between STI ESG and STI Diamond was terminated and residual interest has been transferred. With this, STI Diamond was derecognized as a subsidiary of STI ESG for an amount equal to the present value of the related transfer price of ₱60.8 million which is presented as "Effect of derecognition of a subsidiary" in the audited consolidated statements of comprehensive income of STI ESG for the year ended March 31, 2017.

Provision for income tax amounting to ₱67.7 million, recognized for the year ended March 31, 2018, was lower than the same period in 2017 due to lower taxable income.

Fair values of the Group's investment in available-for-sale financial assets decreased by ₱0.4 million from unrealized gain of ₱0.8 million to unrealized gain of ₱0.4 million for the year ended March 31, 2018. The unrealized mark-to-market gain of ₱0.4 million this year is substantially attributed to the higher market value of the Manulife shares held by STI ESG while the ₱0.8 million fair value adjustment last year includes unrealized gains from Manulife and other club shares held by STI ESG.

The Group, on the other hand, recognized its' share in associates' unrealized mark-to-market gain on available-for-sale financial assets of ₱125.1 million, higher by ₱273.5 million from unrealized mark-to-market loss on available-for-sale financial assets of ₱148.4 million, representing STI ESG's equity on the net changes in fair value of available-for-sale financial assets of Maestro Holdings. This also includes STI ESG's share for the period up to June 30, 2017, in the restated unrealized mark-to-market gain on available-for-sale financial assets of Maestro Holdings amounting to ₱125.0 million due to the improved market value of equity securities under profit or loss (see discussions in foregoing paragraphs).

STI ESG also recognized its share in associate's remeasurement gains (losses) on life insurance reserves of Maestro Holdings amounting to ₱0.2 million and (₱4.0) million, as at March 31, 2018 and 2017, respectively, due to change in the methodology used by PhilLife, a subsidiary of Maestro

Holdings, in the determination of legal policy reserves on its life insurance contracts from net premium valuation to gross premium valuation as required under IC Circular Letters 2016-66 and 2017-36 (see discussions in foregoing paragraphs).

The Group's share in associates' remeasurement gain (loss) on pension liability declined by ₱18.6 million from ₱19.1 million to ₱0.5 million for the year ended March 31, 2018, as an associate posted higher actuarial adjustments last year.

Similarly, the Group reported a remeasurement gain on pension liability of ₱46.8 million as at March 31, 2018 compared to remeasurement gain of ₱28.0 million in 2017, both figures net of income tax effect, largely due to the higher market value of the investment in equity securities of the pension plan assets.

Total comprehensive income increased by ₱191.1 million this year, net of interest expense recognized on bonds and loans, from ₱415.0 million to ₱606.1 million for the year ended March 31, 2018, largely due to STI ESG's share up to June 30, 2017, in the restated net earnings and comprehensive income of Maestro Holdings (see discussions in foregoing paragraphs).

Earnings before interest, taxes, depreciation and amortization or EBITDA, computed as net income excluding provision for income tax, depreciation and amortization, effect of derecognition of a subsidiary, equity in net earnings (losses) of associates and joint ventures, interest expense and interest income, decreased by ₱78.9 million to ₱1,219.4 million from ₱1,298.3 million or 6%, for the year ended March 31, 2018 and 2017, respectively. EBITDA margin likewise decreased from 50% to 47% for the year ended March 2018.

Core income, computed as the consolidated income after income tax derived from the Group's main business of education and other recurring income, amounted to ₱651.3 million for the year ended March 31, 2018 compared to the same period in 2017 of ₱822.4 million.

Key Performance Indicators

The top five key performance indicators (KPIs) of the Group include tests of profitability, liquidity and solvency. Profitability refers to the Group's earning capacity and ability to earn income for its stockholders. This is measured by profitability ratios analyzing margins and returns. Liquidity refers to the Group's ability to pay its short-term liabilities as and when they fall due. Solvency refers to the Group's ability to pay all its debts as and when they fall due, whether such liabilities are current or noncurrent.

	Three-month period ended June 30		
	2019	**2018**	**Remarks**

		Three-month period ended June 30		
		2019	2018	Remarks
EBITDA margin	EBITDA divided by total revenues.	(43%)	11%	EBITDA margin substantially declined in 2019 as compared to same period in 2018 mainly due to lower revenues in the first quarter ended June 30, 2019 arising from the shift in SY2019-2020 start of classes for tertiary students from June to July.
Gross profit margin	Gross profit divided by total revenues	14%	48%	Gross profit margin decreased as direct costs increased while revenues declined for reason cited above.
Return on equity	Net loss attributable to equity holders of the Parent company (annualized) divided by average equity attributable to equity holders of the Parent company	(15%)	(5%)	Return on equity was lower in 2019 substantially due to lower revenues and increased expenses.
Debt service cover ratio	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months	1.45	3.24	Debt service cover ratio for the periods presented has always been well above the minimum set by management and the lending bank. The bar is 1.05 of cash income (EBITDA) for every peso of loans and interest due within the next 12 months.
Debt-to-equity ratio	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.68	0.70	Debt-to-equity ratio improved due to payments of the current portion of long-term loans and the obligations to contractors and suppliers for recently completed projects.

	Three-month period ended June 30		
	2019	2018	Remarks

(1) *Debt-to-equity ratio is measured as total liabilities, net of unearned tuition and other school fees, divided by total equity.*

(2) *Current ratio is measured as current assets divided by current liabilities.*

(3) *Asset-to-equity ratio is measured as total assets divided by total equity.*

(4) *Direct costs is calculated by adding the costs of educational services and educational materials and supplies sold.*

(5) *EBITDA is net income (loss) excluding provision for income tax, interest expense, interest income, depreciation and amortization, equity in net loss (earnings) of associates and joint ventures and nonrecurring gains(losses) such as gain on disposal of net assets.*

(6) *Core income (loss) is computed as consolidated net income (loss) after tax derived from the Group's main business – education and other recurring income.*

(7) *Earnings (loss) per share is measured as net income (loss) attributable to equity holders of the parent company divided by the weighted average number of outstanding common shares*

(8) *Quick ratio is measured as current assets less inventories, prepayments and noncurrent asset held for sale divided by current liabilities.*

(9) *Cash ratio is measured as cash and cash equivalents divided by current liabilities.*

(10) *Debt service cover ratio is measured as EBITDA for the last twelve months divided by total principal and interest due in the next twelve months.*

(11) *Interest coverage ratio is measured as income (loss) before income tax and interest expense divided by interest expense.*

(12) *EBITDA margin is measured as EBITDA divided by total revenues.*

(13) *Gross profit margin is measured as gross profit divided by total revenues.*

(14) *Operating profit (loss) margin is measured as operating profit (loss) divided by total revenues.*

(15) *Net income (loss) margin is measured as net income (loss) after income tax divided by total revenues.*

(16) *Return on equity is measured as net income (loss) attributable to equity holders of the parent Company [annualized] divided by average equity attributable to equity holders of the parent company.*

(17) *Return on assets is measured as net income (loss) [annualized] divided by average total assets.*

Material Changes in Balance Sheet Accounts

Cash and cash equivalents increased by 42% or ₱168.3 million from ₱401.2 million to ₱569.5 million as at March 31, 2019 and June 30, 2019, respectively, net of payments made to suppliers and interest on bonds, driven by collection of tuition and other school fees from students enrolled in SY 2019-2020.

Receivables increased by ₱276.1 million or 66% from ₱420.8 million as at March 31, 2019 to ₱696.9 million as at June 30, 2019. Receivables from students increased by ₱114.5 million from ₱275.3 million to ₱389.8 million, largely pertaining to tuition and other school fees that are expected to be collected over the remaining months of the school year. Outstanding receivables from DepEd for the SHS qualified voucher recipients is ₱336.2 million as at June 30, 2019, posting an increase of ₱192.8 million from ₱143.4 million, as at March 31, 2019. The vouchers are expected to be collected within 8-12 weeks from date of submission of billing statements. The balance as at March 31, 2019 includes accounts receivable from CHED amounting to ₱42.1 million which was subsequently settled as at June 30, 2019. On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG signed a memorandum of agreement to avail of the Tertiary Education Subsidy (TES) and Student Loan Program (SLP) for its students under the "Universal Access to Quality Tertiary Education Act (UAQTEA)" and its Implementing Rules and Regulations (IRR). Republic Act No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED-recognized LUCs is ₱40.0 thousand. Students enrolled in select private HEIs who are qualified to receive the TES, are entitled to ₱60.0 thousand. The TES sharing agreement states that ₱40.0 thousand shall go to the TES student grantee and ₱20.0 thousand to the private HEI. The subsidy is for tuition and other related school fees and should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to Persons with Disabilities (PWDs) and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under the Voucher and TES Programs, DepEd and CHED, respectively, pay directly the schools where these students enrolled.

Inventories decreased by 5% or ₱7.4 million to ₱144.3 million, net of purchases made during the period, representing decrease in stocks of tertiary and SHS uniforms and SHS textbooks resulting from the sales recognized for the three-month period ended June 30, 2019.

Prepaid expenses increased by ₱10.3 million or 14% from ₱73.9 million to ₱84.2 million substantially due to increase in prepaid insurance. Prepaid insurance increased by ₱11.4 million from ₱0.4 million to ₱11.8 million due to renewal of fire insurance coverage on buildings, including equipment and furniture, health insurance coverage of employees and life and accident insurance of the students. These insurance payments are recognized as expense over the period of their respective insurance coverage, which is normally within one year from beginning of the school year.

Property and equipment declined by ₱29.9 million from ₱7,670.5 million to ₱7,640.6 million, net of acquisitions/additions, substantially representing increase in depreciation expense recognized for the three-month period ended June 30, 2019 for the newly completed buildings of STI Lipa, STI San Jose del Monte, STI Sta. Mesa and STI Pasay-EDSA.

Deferred tax assets (DTA) rose by ₱6.3 million from ₱32.1 million to ₱38.4 million as at March 31, 2019 and June 30, 2019, respectively, representing taxes due on tuition and other school fees collected in advance. Following statutory regulations, tuition and other school fees which are collected in advance are subject to income tax upon receipt.

Goodwill, intangible and other noncurrent assets increased slightly by ₱1.8 million from ₱511.1 million to ₱512.9 million as at March 31, 2019 and June 30, 2019, respectively. In January 2018, STI ESG entered into a contract to sell with a real estate developer for the acquisition of a lot in Iloilo City with a total area of 2,615 sq. m. for a price of ₱183.0 million plus value-added tax, less other applicable taxes. STI ESG made a down payment amounting to ₱67.5 million in January 2018, net of the ₱200.0 thousand reservation fee paid on November 29, 2017. The remaining balance in the amount of ₱128.1 million was paid without interest, in eighteen (18) equal monthly installments of ₱ 7.1 million starting January 2018 up to June 2019. Consequently, STI ESG recognized an aggregate amount of ₱21.3 million deposit for asset acquisitions from April to June 30, 2019. The last installment for this Iloilo property was paid in June 2019. Documents for the transfer of ownership to STI ESG are being processed. The lot will be the future site of STI Iloilo. On February 15, 2019, STI ESG and the shareholders of NAMEI Polytechnic Institute, Inc. and NAMEI Polytechnic Institute of Mandaluyong, Inc. (collectively referred to as "NAMEI"), entered into a share purchase agreement for the sale of approximately 92% of the 50,000 outstanding shares of NAMEI Polytechnic Institute, Inc. and 99% of the 10,000 outstanding shares of NAMEI Polytechnic Institute of Mandaluyong, Inc. Both shares are with par value of ₱10.0 each. In January 2019, STI ESG made a deposit of ₱14.0 million which was held in escrow with a law firm. This amount was treated as part of the purchase price at closing date. Another ₱36.0 million was paid on February 15, 2019. On the same date, STI ESG paid ₱10.0 million to NAMEI as deposit for future subscription in shares of NAMEI and another ₱10.0 million representing STI ESG's share in the transaction costs and all other fees and expenses to be incurred under the agreement. In relation to this, STI ESG recognized ₱70.0 million as deposit for the purchase of shares of NAMEI as at March 31, 2019. On April 1, 2019, Deeds of Assignment were executed by the shareholders of NAMEI transferring and conveying ownership of 94% of NAMEI Polytechnic Institute, Inc. and 100% ownership of NAMEI Polytechnic Institute of Mandaluyong, Inc. to STI ESG. NAMEI thus became a subsidiary of STI ESG effective April 1, 2019. In view of this, STI ESG started consolidating the assets, liabilities and results of operations of NAMEI beginning April 1, 2019. The purchase price consideration has been allocated to the identifiable assets and liabilities of NAMEI based on the fair values at the date of acquisition resulting in excess of consideration amounting to ₱45.0 million. Thus, the deposits for asset acquisitions pertaining to NAMEI in the amount of ₱70.0 million was reversed. The identifiable assets and liabilities recognized in the unaudited interim condensed consolidated financial statements as at June 30, 2019 were based on a provisional assessment of the fair value of these assets and liabilities at the time of acquisition. The Group is likewise assessing the valuation of the intangible assets acquired. The valuation has not been completed as at June 30, 2019. Noncurrent advances to suppliers increased by ₱7.5 million substantially attributed to payments made to contractors and suppliers for the design and construction of the basketball gymnasium and canteen in STI Sta Mesa and acquisition of equipment and furniture for the recently completed school buildings.

Accounts payable and other current liabilities significantly decreased by ₱74.0 million or 11% from ₱ 683.9 million to ₱609.9 million as at March 31, 2019 and June 30, 2019, respectively, substantially due to payments to contractors for obligations related to construction works in various STI ESG campuses.

Unearned tuition and other school fees increased substantially by ₱738.2 million from ₱81.4 million as at March 31, 2019 to ₱819.6 million as June 30, 2019. This will be recognized as income over the remaining months of the school year.

Income tax payable decreased by ₱11.8 million from ₱12.1 million to ₱0.3 million as at March 31, 2019 and June 30, 2019, respectively, due to decline in the taxable income.

Current and Noncurrent portion of obligations under finance lease declined by ₱71.0 thousand and ₱ 1.5 million, respectively, due to payments made during the three-month period ended June 30, 2019.

STI ESG listed its ₱3.0 Billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the Philippine Dealing and Exchange Corp. (PDEx) secondary market on March 23, 2017. This is the first tranche of its ₱5,000.0 million fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration will end on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23 and March 23 or the next business day if such dates fall on a non-banking day, of each year commencing on June 23, 2017, until and including the relevant maturity date. The Bonds Payable is carried in the books at ₱2,959.5 million and ₱2,958.0 million as at June 30, 2019 and March 31, 2019, respectively, net of deferred finance charges, representing bond issue costs with carrying value of ₱40.5 million and ₱42.0 million, as at June 30, 2019 and March 31, 2019, respectively. The proceeds of the bonds have been fully utilized as at March 31, 2019.

Pension liabilities increased by ₱2.9 million from ₱33.3 million to ₱36.2 million as at March 31, 2019 and June 30, 2019, respectively, representing additional retirement obligations recognized by the Group for the three-month period ended June 30, 2019.

Retained earnings decreased by ₱236.4 million from ₱3,023.8 million to ₱2,787.4 million due to the net loss attributable to equity holders of the Parent Company recognized by the Group for the three-month period ended June 30, 2019.

Material Changes in Income Statement Accounts

Total revenues reached ₱227.4 million during the three-month period ended June 30, 2019, a decrease of ₱129.2 million from same period last year.

Tuition and other school fees amounted to ₱98.1 million for the three-month period ended June 30, 2019, a decline of ₱113.7 million or 54% from same period last year substantially due to the shift in the start of the school calendar for tertiary classes from June of each year to July this year. The revenue stream of the Group, which is mainly from tuition and other school fees, is recognized as income over the corresponding school term to which they pertain. Accordingly, revenues related to the tertiary enrollees will be recognized beginning July 2019 compared to last year when both SHS and Tertiary classes commenced in June 2018 and thus related revenues were recognized beginning June 2018.

Revenues from educational services and royalty fees decreased by 10% and 8%, respectively. Revenues from educational services are derived as a percentage of the tuition and other school fees actually collected by the franchised schools from their students, DepEd and CHED.

Sale of educational materials and supplies decreased compared to same period last year from ₱81.6 million to ₱71.4 million or by ₱10.2 million or 13% for the three-month period ended June 30, 2019. The Group reported a decline in the sale of the students' school uniform partly due to timing difference and because of the decline in the SHS enrollees. The cost of educational materials and supplies sold, decreased likewise by ₱7.1 million or 11% concomitant with the decrease on the sale of education materials and supplies.

The cost of educational services for the three-month period ended June 30, 2019 is higher by ₱19.2 million from ₱121.0 million to ₱140.2 million for the three-month periods ended June 30, 2018 and 2019, respectively. The cost of instructors' salaries and benefits increased by ₱6.0 million due to the costs related to NAMEI and STI San Jose del Monte which were consolidated to the Group beginning April 1, 2019 and due to costs of faculty members which were extended due to extension of classes up to April 15, 2019. Depreciation expense likewise increased by ₱18.4 million representing direct expense portion of depreciation expense recognized for the newly completed buildings of STI Lipa, STI San Jose del Monte, STI Sta. Mesa and STI Pasay-EDSA. Rent expense decreased by ₱3.8 million due to the transfer of STI Shaw to STI Sta. Mesa, and STI Taft and STI Makati to STI Pasay-EDSA.

General and administrative expenses increased by 10% or ₱25.0 million from ₱239.5 million to ₱ 264.5 million for the three-month periods ended June 30, 2018 and 2019, respectively. Light and water increased by ₱4.2 million due to the costs of NAMEI and STI San Jose del Monte which were consolidated to the Group beginning April 1, 2019 and increase in kilowatt consumption of schools substantially those with newly constructed buildings namely STI Sta Mesa, STI Pasay-EDSA and STI Lipa. Costs of security, janitorial and other outside services increased by ₱3.4 million due to the costs of NAMEI and STI San Jose del Monte which were consolidated to the Group beginning April 1, 2019 and increase in security and janitorial personnel in some schools. Depreciation expense likewise increased by ₱10.4 million due to depreciation expense recognized for the newly completed buildings of STI Lipa, STI San Jose del Monte, STI Sta. Mesa and STI Pasay-EDSA. Provision for doubtful accounts increased by ₱8.9 million representing estimated expected credit losses for the three-month period ended June 30, 2019 in accordance with PFRS 9.

The Group's operating loss increased by ₱166.3 million for the three-month period ended June 30, 2019 from same period last year's loss of ₱67.4 million, substantially due to lower revenues.

Equity in net loss of associates amounted to ₱1.1 million and ₱0.5 million for the three-month periods ended June 30, 2018 and 2019, respectively.

Interest expenses increased by ₱5.1 million year-on-year, from ₱51.4 million to ₱56.5 million due to increase in interest rate on long term loans, inclusive of gross receipts tax, from 4.54% to 7.89%.

Interest income decreased from ₱8.9 million to ₱1.3 million for the three-month period ended June 30, 2019. Last year's interest income is mainly from interest earned on short-term placements of the proceeds of bonds. The proceeds of bonds have been fully utilized as at March 31, 2019.

Rental income increased from ₱24.5 million to ₱27.2 million for the three-month period ended June 30, 2019 attributed to the rental income generated from STI ESG's investment properties.

Dividend income amounting to ₱2.3 million recognized for the three-month period ended June 30, 2018 represent dividends received from Delos Santos Medical Center.

On March 27, 2019, STI ESG and STI College Tagum, Inc., the assignee, entered into a deed of assignment to assign, sell, transfer and set over unto the assignee, the assets of STI Tagum, a former branch of STI ESG for a sum of ₱7.0 million. The sale is effective April 1, 2019. In relation to this, a gain on sale amounting to ₱4.4 million was recognized for the three-month period ended June 30, 2019.

Benefit from income tax amounting to ₱18.2 million was recognized as at June 30, 2019 associated with the net loss recognized for the period.

Fair values of the Group's investment in available-for-sale financial assets declined by ₱0.2 million for the three-month period ended June 30, 2018. The unrealized fair value adjustments on equity instruments designated at FVOCI amounted to ₱0.2 million for the three-month period ended June

30, 2019. This represents fair value adjustments resulting from lower market value of the quoted equity shares held by STI ESG.

STI ESG recognized a remeasurement loss amounting to ₱61.5 thousand for the three-month period ended June 30, 2019 due to the decline in value of equity shares forming part of pension assets.

STI ESG reported a net loss of ₱239.6 million for the three-month period ended June 30, 2019 compared to ₱75.2 million for the same period last year. Also, STI ESG posted a Total Comprehensive loss of ₱239.8 million for the three-month period ended June 30, 2019 compared to ₱96.2 million for the three-month period ended June 30, 2018 driven primarily by the decline in revenues arising from the slide in the start of the school calendar for tertiary classes from June in 2018 to July this 2019.

EBITDA decreased from ₱39.3 million to a negative of ₱97.1 million for the three-month period ended June 30, 2019. EBITDA margin likewise decreased from 11% last year to a negative of 43% this year.

Core income, computed as the consolidated income after income tax derived from the Group's main business of education and other recurring income, amounted to negative ₱238.7 million for the three-month period ended June 30, 2019 compared to the same period last year of negative ₱ 74.1 million.

<u>Financial Risk Disclosure</u>

The Group's present activities expose it to liquidity risk, credit risk, interest rate risk and capital risk.

<u>Liquidity risk</u> –Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet its currently maturing commitments. The Group's liquidity profile is managed to be able to finance its operations and capital expenditures and other financial obligations. To cover its financing requirements, the Group uses internally-generated funds and interest-bearing loans and borrowings. As part of its liquidity risk management program, the Group regularly evaluates the projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives.

Any excess funds are primarily invested in short-dated and principal-protected bank products that provide the flexibility of withdrawing the funds anytime. The Group regularly evaluates available financial products and monitors market conditions for opportunities to enhance yields at acceptable risk levels.

The Group's current liabilities are mostly made up of trade liabilities with 30 to 60-day payment terms and current portion of interest-bearing loans and borrowings that are expected to mature within one year after reporting date. On the other hand, the biggest components of the Group's current assets are cash and cash equivalents, receivables from students and DepEd and advances to associates and joint ventures with credit terms of 30 days.

In relation to the Group's interest-bearing loans and borrowings, the debt service cover ratio is also monitored on a regular basis. The debt service cover ratio is equivalent to the consolidated EBITDA for the last twelve months divided by total principal and interests due in the next twelve months. The Group monitors its debt service cover ratio to keep it at a level acceptable to the Group, the lender bank and its bondholders. The Group's policy is to keep the debt service cover ratio not lower than 1.05:1.00.

As at June 30, 2019 and 2018, the Group's debt service cover ratios are 1.45:1.00 and 3.24:1.00, respectively. As at March 31, 2019, the Group's debt service cover ratio is 1.74:1.00.

Credit risk – Credit risk is the risk that the Group will incur a loss arising from students, franchisees or counterparties that fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk that the Group is willing to accept for each counterparty and by monitoring expenses in relation to such limits.

It is the Group's policy to require the students to pay all their tuition and other school fees before they can get their report cards and other credentials. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Interest rate risk - Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing loans and bonds. While the Group's long term debt has a floating interest rate, the Group elected to have the interest rate repriced every year, thus minimizing the exposure to market changes in interest rates. The interest rates for the STI ESG bonds are, however, fixed for the 7-year bonds and the 10-year bonds.

The Group's exposure to interest rate risk also includes its cash and cash equivalents balance. Interest rates for the Group's cash deposits are at prevailing interest rates. Due to the magnitude of the deposits, a significant change in interest rate may also affect the unaudited interim condensed consolidated statements of comprehensive income.

Capital Risk- The Group's objectives when managing capital are to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group is not subject to externally imposed capital requirements.

The Group monitors capital using the debt-to-equity ratio which is computed as the total of current and noncurrent liabilities, net of unearned tuition and other school fees, divided by total equity. The Group monitors its debt-to-equity ratio to keep it at a level acceptable to the Group, the lender bank and its bondholders. The Group's policy is to keep the debt-to-equity ratio at a level not exceeding 1.50:1.00.

As at June 30, 2019 and 2018, the Group's debt-to-equity ratios are 0.68:1.00 and 0.70:1.00, respectively. As at March 31, 2019, the Group's debt-to-equity ratio is 0.67:1.00.

Agreements/Commitments and Contingencies/Other Matters

(a) There are no changes in accounting estimates used in the preparation of the audited consolidated financial statements for the current and prior financial periods.

(b) Except as provided in Note 33 of the Notes to Audited Consolidated Financial Statements attached as part of “Exhibits and schedules” the Group has no other financial and capital commitments.

Except as provided in Note 26 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as parts of “Exhibits and schedules” the Group has no other financial and capital commitments.

(c) On June 3, 2013, STI ESG executed a deed of pledge on all of its shares in De Los Santos Medical Center in favor of Neptune Stroika Holdings, Inc., a wholly-owned subsidiary of Metro Pacific Investments Corporation (MPIC), to cover the indemnity obligations of STI ESG enumerated in its investment agreement entered into in 2013 with MPIC. The book value of the investment in De Los Santos Medical Center amounted to ₱29.0 million and ₱25.9 million as at March 31, 2019 and 2018, respectively. The carrying value of the investment in De Los Santos Medical Center amounted to ₱29.0 as at June 30, 2019.

Material Event/s and Uncertainties Known to Management That Would Address the Past and Would Have an Impact on Future Operations

(a) There are no material events and uncertainties known to management that would address the past and would have an impact on future operations of STI ESG.

(b) There are no known trends, demands, commitments, events of uncertainties that will have an impact on STI ESG’s liquidity except for the contingencies and commitments enumerated in Note 33 of the Notes to Consolidated Financial Statements attached as part of “Exhibits and schedules” and the contingencies and commitments enumerated in Note 26 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as part of “Exhibits and schedules”.

(c) There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

(d) The various loan agreements entered into by STI ESG and the issuance of fixed-rate bonds provide certain restrictions and conditions with respect to, among others, change in majority ownership and management and maintenance of financial ratios. STI ESG is fully compliant with all the covenants of the respective loan agreements. See Notes 17, 18 and 34 of the Notes to Audited Consolidated Financial Statements of the Company attached as part of “Exhibits and schedules” for a more detailed discussion. See also Notes 16 and 17 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as part of “Exhibits and schedules”. There are no other events that will trigger direct or contingent financial obligations that are material to the Group, including any default or acceleration of an obligation.

(e) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net revenues/sales/income from continuing operations except for the contingencies and commitments enumerated in Note 33 of the Notes to Audited Consolidated Financial Statements attached as part of “Exhibits and schedules” and in Note 26 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as part of “Exhibits and schedules”.

(f) There are no significant elements of income or loss that did not arise from the Group's continuing operations.

(g) The Group's business is linked to the academic cycle. The academic cycle, which is one academic year, starting in the month of June and ending in the month of March except for the second batch of college freshmen enrollees that started classes in August 2018. The start of the school calendar of tertiary students for SY 2019-2020 of STI ESG has been shifted to mid-July 2019 with the school year ending in April 2020. As discussed in Note 1 of the Notes to Audited Condensed Consolidated Financial Statements attached as part of "Exhibits and schedules", STI ESG has notified CHED of its change in its school calendar. The core business and revenues of the Group, which are mainly from tuition and other school fees, are recognized as income over the corresponding academic year to which they pertain. Accordingly, revenue is expected to be lower during the first quarter of its fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group.

(h) On April 21, 2017, STI ESG, Mr. Tony Tan Caktiong (TTC), STI Tanauan and Injap Investments, Inc. (Injap), referred collectively as the Joint Venture Parties, entered into an agreement to transform STI Tanauan into a Joint Venture Company which shall operate a farm-to-table school that offers courses ranging from farm production to food services.

The Joint Venture Parties also agreed to increase STI Tanauan's authorized capital stock to an amount that will be agreed by the Joint Venture Parties in a separate agreement. As agreed by the Joint Venture Parties, the increase in the authorized capital stock will be made through STI Tanauan's declaration of stock dividends to STI ESG based on STI Tanauan's unrestricted retained earnings as of March 31, 2017 and cash payments by the Joint Venture Parties.

The equity sharing in the Joint Venture Company will be 60%, 25% and 15% for STI ESG, TTC and Injap, respectively.

On June 21, 2017, in separate meetings, the stockholders and the BOD of STI Tanauan approved the increase in the authorized capital stock of the corporation from ₱1.0 million divided into 10,000 shares have a par value of ₱100.0 to ₱75.0 million divided into 750,000 shares with a par value of ₱100.0. The increase will be funded through the declaration of stock dividends and cash subscriptions by the shareholders. In the same meeting, the stockholders and the BOD approved the declaration of 150,000 shares as stock dividends with an aggregate par value of ₱15.0 million to be distributed to stockholders of record as of March 31, 2017 based on the unrestricted retained earnings of STI Tanauan as shown in its audited financial statements as of March 31, 2017.

On January 24, 2018 STI ESG subscribed to and fully paid for 35,000 shares at a subscription price of ₱495.0 per share for a total of ₱17.3 million.

On February 26, 2018, STI Tanauan applied with the SEC to increase its authorized capital stock from ₱1.0 million to ₱75.0 million.

On March 2, 2018, the SEC approved the increase and issued the Certificate of Approval on Increase of Capital Stock.

On March 3, 2018, STI Tanauan issued to STI ESG stock dividends of 150,000 shares and 35,000 shares as subscribed by the latter (see Note 33 of the Notes to Audited Consolidated Financial Statements attached as part of "Exhibits and schedules").

(i) On September 19, 2017, the BOD of STI ESG adopted a policy on the declaration of dividends starting with Fiscal Year 2017-2018. The BOD approved a dividend declaration policy equivalent to 25% to 40% of the core income of the Company from the previous fiscal year, subject to compliance with the requirements of applicable laws and regulations, statutory limitations and/ or restrictions, terms and conditions which may be imposed on the Company by lenders or other financial institutions and the Company's investment plans and financial condition (see Note 20 of the Notes to Audited Consolidated Financial Statements attached as part of "Exhibits and schedules").

(j) In January 2018, STI ESG entered into a contract to sell with Heva Management and Development Corporation for the acquisition of a lot in Iloilo City with a total area of 2,615 square meters for a price of ₱183.0 million plus value-added tax, less applicable taxes. STI ESG made a down payment amounting to ₱67.5 million in January 2018, net of the ₱200.0 thousand reservation fee paid on November 29, 2017. The remaining balance in the amount of ₱128.1 million shall be paid in eighteen equal monthly installments without interest, of ₱ 7.1 million starting January 2018 up to June 2019. The lot will be the future site of STI Iloilo (see Notes 15 and 33 of the Notes to Audited Consolidated Financial Statements attached as part of "Exhibits and schedules").

(k) On December 17, 2018, the CHED, UniFAST and STI ESG signed a memorandum of agreement to avail of the TES and SLP for its students under the UAQTEA and its IRR. Republic Act No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED recognized LUCs is ₱40,000. Students enrolled in select HEIs who are qualified to receive the TES, are entitled to ₱60,000. The TES sharing agreement states that ₱40,000 goes to the TES student grantee and ₱20,000 to the private HEI. The subsidy is for tuition and other related school fees and should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to PWDs and graduates of programs with licensure exams amounting to ₱ 30,000 per annum and ₱10,000, respectively. Under the Voucher and TES Programs, DepEd and CHED, respectively, pay directly the schools where these students enrolled.

(l) On February 15, 2019, STI ESG and the shareholders of NAMEI Polytechnic Institute, Inc. and NAMEI Polytechnic Institute of Mandaluyong, Inc. (collectively referred to as "NAMEI"), entered into a share purchase agreement for the sale of approximately 92% of the 50,000 outstanding shares of NAMEI Polytechnic Institute, Inc. and 99% of the 10,000 outstanding shares of NAMEI Polytechnic Institute of Mandaluyong, Inc. Both shares are with par value of ₱10.0 each. In January 2019, STI ESG made a deposit of ₱14.0 million which was held in escrow with a law firm. This amount is to be treated as part of the purchase price at closing date. Another ₱36.0 million was paid on February 15, 2019. On the same date, STI ESG paid ₱10.0 million to NAMEI as deposit for future subscription in shares of NAMEI and another ₱ 10.0 million representing STI ESG's share in the transaction costs and all other fees and expenses to be incurred under the agreement. In relation to this, STI ESG recognized ₱70.0 million as deposit for the purchase of shares of NAMEI. On April 1, 2019, Deeds of Assignment were executed by the shareholders of NAMEI transferring and conveying ownership of 94% of NAMEI Polytechnic Institute, Inc. and 100% ownership of NAMEI Polytechnic Institute of Mandaluyong, Inc. to STI ESG. NAMEI will become a subsidiary of STI ESG effective April 1, 2019.

(m) On May 7, 2019, STI ESG and China Bank entered into a seven-year term loan agreement up to the amount of ₱1,200.0 million. The credit facility is available for a period of one year from May 7, 2019, the date of signing of the loan agreement. The proceeds of this loan shall be used for the (i) financing of campus expansion projects (ii) acquisition of schools (iii) refinancing of short-term loans incurred for projects and (iv) other general corporate purposes. As of August 14, 2019, STI ESG has not made any drawdown from the facility.

SEC FORM 17-A

A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A WILL BE PROVIDED, WITHOUT ANY CHARGE, TO ANY STOCKHOLDER OF THE COMPANY UPON WRITTEN REQUEST ADDRESSED TO: ATTY. ARSENIO C. CABRERA, JR., CORPORATE SECRETARY AND CORPORATE INFORMATION OFFICER, 5th FLOOR SGV II BUILDING, 6758 AYALA AVENUE, MAKATI CITY, METRO MANILA, PHILIPPINES 1229.

SIGNATURE

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

STI EDUCATION SERVICES GROUP, INC.
Issuer

ARSENIO C. CABRERA, JR.
Corporate Secretary

Date: 10 September 2019

SECRETARY'S CERTIFICATE

I, **ARSENIO C. CABRERA, JR.**, Filipino, of legal age, with office address at 5/F SGV II Building, 6758 Ayala Avenue, Makati City, after having sworn in accordance with law, hereby depose and state that:

1. I am the Corporate Secretary of **STI EDUCATION SERVICES GROUP, INC.** (the "Corporation"), a corporation duly organized and existing, under and by virtue of Philippine laws with office address at the STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal.

2. I hereby certify that no director or officer of the Corporation is connected with any government agency or government instrumentalities.

3. The foregoing is in accordance with the records of the Corporation in my possession.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 10th day of September 2019 at Makati City.

ARSENIO C. CABRERA, JR.
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY)S.S.

SUBSCRIBED AND SWORN to before me this 10th day of September 2019 in Makati City, affiant exhibiting to me his Philippine Passport No. P0055009A issued on 26 August 2016 at DFA NCR South.

Doc. No. 496;
Page No. 101;
Book No. III;
Series of 2019.

FELIPPE MART E. CLOSA
NOTARY PUBLIC
ROLL NO. 58673
MAKATI CITY, PHILIPPINES

FELIPPE MART E. CLOSA
Notary Public for Makati City
Appointment No. M-195
Until 31 December 2020
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 58673
PTR No. 7333573 / Makati / 03 January 2019
IBP No. 057614 / Batangas / 26 December 2018
MCLE Compliance No. VI-0017934/
Pasig City/ 28 December 2018

www.sti.edu

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **STI Education Services Group, Inc.** and its subsidiaries (collectively referred to as "the Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended March 31, 2019 and 2018 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group, or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

JESLI A. LAPUS	**MONICO V. JACOB**	**YOLANDA M. BAUTISTA**
Chairman of the Board	*Vice Chairman and CEO*	*Chief Finance Officer*

Subscribed and Sworn to before me this JUL 12 2019, affiant(s) exhibiting to me their SSS ID/Passport, as follows:

Mr. Jesli A. Lapus	Passport No. P6589685A	28 Mar 2018, DFA Manila
Mr. Monico V. Jacob	Passport No. EC7728486	17 May 2016 DFA NCR East
Ms. Yolanda M. Bautista	SSS No. 03-2678038-9	

ATTY. ROGELIO J. BOLIVAR
NOTARY PUBLIC IN QUEZON CITY

Doc. No. 23
Page No. 6
Book No. XX
Series of 2019

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

STI EDUCATION SERVICES GROUP, INC. (A Private Educational Institution) AND SUBSIDIARIES

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

STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
–	(632) 812-1784	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
64	1st Thursday of September	March 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Arsenio C. Cabrera Jr.	accabrera@htc-law.com.ph	(632) 813-7111	–

CONTACT PERSON's ADDRESS

5/F, SGV II Building, 6758 Ayala Avenue, Makati City

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

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

SGVFS037620

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
STI Education Services Group, Inc.
STI Academic Center Ortigas - Cainta
Ortigas Avenue Extension
Cainta, Rizal

Opinion

We have audited the consolidated financial statements of STI Education Services Group, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at March 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended March 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended March 31, 2019 in accordance with accounting principles generally accepted in the Philippines as described in Note 2 to the consolidated financial statements.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment of Goodwill

Under PFRS, the Group is required to annually test the amount of goodwill for impairment. As at March 31, 2019, the Group's goodwill attributable to each of the Group's cash-generating units (CGUs) that are expected to benefit from the business combination (i.e., each school operation) amounted to ₱208.5 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgments and is based on assumptions, specifically discount rate, forecasted revenue growth, earnings before interest, taxes, depreciation and amortization (EBITDA) margins and long-term growth rate.

The Group's disclosures on goodwill are included in Notes 4 and 15 to the consolidated financial statements.

Audit response

We involved our internal specialist in evaluating the methodology and assumptions used. These assumptions include discount rate, forecasted revenue growth, EBITDA margins and long-term growth rate. We compared the key assumptions used, such as forecasted revenue growth, EBITDA margins, and long-term growth rate against the historical performance of the CGUs and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of the goodwill.

Adoption of PFRS 9, Financial Instruments

On April 1, 2018, the Group adopted Philippine Financial Reporting Standards (PFRS) 9, *Financial Instruments*. PFRS 9, which replaced PAS 39, *Financial Instruments: Recognition and Measurement*, introduces a forward-looking expected credit loss (ECL) model to assess impairment on debt financial assets not measured at fair value through profit or loss. The Group adopted the modified retrospective approach in adopting PFRS 9.

The Group's adoption of the ECL model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures, defining default, determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts and incorporating forward-looking information (called overlays) in calculating ECL.

The application of the ECL model increased the allowance for credit losses by ₱96.8 million and decreased retained earnings by ₱87.1 million as at April 1, 2018. Provision for credit losses for the year ended March 31, 2019 amounted to ₱61.6 million.

The disclosures on the transition adjustments and details of the allowance for credit losses are included in Notes 2, 4 and 6 to the consolidated financial statements

Audit response

We obtained an understanding of the methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, the time value of money, and the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (c) tested historical loss rates by inspecting historical recoveries and write-offs; (d) checked the classification of outstanding exposures to their corresponding aging buckets; and (e) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios.

Further, we checked the data used in the ECL models, such as the historical aging analysis and default and recovery data, by reconciling data from source system reports to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis.

We recalculated impairment provisions on a sample basis. We checked the transition adjustments and reviewed the disclosures made in the financial statements based on the requirements of PFRS 9.

Adoption of PFRS 15, Revenue from Contracts with Customers

Effective April 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under the modified retrospective approach.

The adoption of PFRS 15 is significant to our audit because this involves application of significant management judgments in determining whether the criteria for the recognition of revenue from tuition and other school fees, educational services, royalty fees, sales of educational materials and supplies and other revenues are met, determining whether there are other promises in the contract that are separate performance obligations and determining the timing of satisfaction of performance obligation.

The disclosures related to the adoption of PFRS 15 are included in Notes 2, 4 and 21 to the consolidated financial statements.

Audit Response

We reviewed the PFRS 15 adoption papers and accounting policies prepared by management which includes analysis of contracts.

We obtained sample contracts and reviewed whether the accounting policies appropriately considered the five-step model and cost requirements of PFRS 15.

We reviewed sample contracts and checked whether the revenue from tuition and other school fees, educational services, royalty fees, sales of educational materials and supplies and other revenues meet the criteria for recognition as revenue from contracts with customers and whether the performance obligations within the contracts have been identified. We reviewed sample contracts and checked whether the Group's timing of revenue recognition is based on when performance occurs or when control of the related goods and services is transferred to the customer.

We reviewed the application of the accounting policy in relation to the adoption of the new standard. We also reviewed the disclosures related to the transition based on the requirements of PFRS 15.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended March 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) for the year ended March 31, 2019 which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Benjamin N. Villacorte.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

Benjamin N. Villacorte
Partner
CPA Certificate No. 111562
SEC Accreditation No. 1539-AR-1 (Group A),
March 26, 2019, valid until March 25, 2022
Tax Identification No. 242-917-987
BIR Accreditation No. 08-001998-120-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 7332630, January 3, 2019, Makati City

July 11, 2019

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱401,238,061**	₱1,617,391,465
Receivables (Note 6)	**420,843,658**	413,284,908
Inventories (Note 7)	**151,758,784**	134,865,713
Prepaid expenses and other current assets (Note 8)	**73,913,098**	96,528,454
	1,047,753,601	2,262,070,540
Noncurrent asset held for sale (Notes 9 and 12)	**716,586,558**	716,586,558
Total Current Assets	**1,764,340,159**	2,978,657,098
Noncurrent Assets		
Property and equipment - net (Note 10)	**7,670,479,466**	6,197,605,958
Investment properties - net (Note 11)	**521,697,012**	550,225,012
Investments in and advances to associates and joint ventures (Notes 12 and 13)	**508,609,775**	514,904,349
Equity instruments designated at fair value through other comprehensive income (FVOCI)/available-for-sale financial assets (AFS) (Note 14)	**49,777,643**	67,399,715
Deferred tax assets - net (Note 29)	**32,117,933**	14,063,366
Pension assets - net (Note 27)	**–**	53,474,883
Goodwill, intangible and other noncurrent assets (Note 15)	**511,096,656**	514,578,321
Total Noncurrent Assets	**9,293,778,485**	7,912,251,604
TOTAL ASSETS	**₱11,058,118,644**	₱10,890,908,702
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 16)	**₱683,892,234**	₱386,574,998
Current portion of interest-bearing loans and borrowings (Note 17)	**240,000,000**	134,400,000
Unearned tuition and other school fees (Note 21)	**81,379,657**	53,985,019
Current portion of obligations under finance lease (Note 28)	**6,208,432**	6,360,503
Income tax payable	**12,087,573**	13,736,650
Total Current Liabilities	**1,023,567,896**	595,057,170
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Note 17)	**360,000,000**	600,000,000
Bonds payable (Note 18)	**2,957,954,254**	2,951,879,134
Pension liabilities - net (Note 27)	**33,341,457**	4,661,347
Obligations under finance lease - net of current portion (Note 28)	**11,643,614**	14,079,817
Other noncurrent liabilities (Note 19)	**101,903,936**	103,571,888
Total Noncurrent Liabilities	**3,464,843,261**	3,674,192,186
Total Liabilities *(Carried Forward)*	**4,488,411,157**	4,269,249,356

	March 31	
	2019	2018
Total Liabilities *(Brought Forward)*	**₱4,488,411,157**	₱4,269,249,356
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Notes 1 and 20)	**3,087,829,443**	3,087,829,443
Additional paid-in capital (Note 20)	**386,916,479**	386,916,479
Treasury stock (Note 20)	**(10,833,137)**	(10,833,137)
Cumulative actuarial gain (Note 27)	**8,190,682**	82,577,422
Other comprehensive income associated with noncurrent asset held for sale (Note 20)	**91,876,446**	91,876,446
Unrealized fair value adjustment on equity instruments designated at FVOCI/unrealized mark-to-market gain on AFS (Note 14)	**3,185,170**	404,391
Other equity reserve (Note 20)	**(30,941,455)**	(30,941,455)
Share in associates':		
Cumulative actuarial gain (Note 12)	**536,478**	551,296
Unrealized fair value loss on equity instruments designated at FVOCI/unrealized mark-to-market loss on AFS (Note 12)	**(30,429)**	(32,023)
Retained earnings (Note 20)	**3,023,825,683**	3,003,879,555
Total Equity Attributable to Equity Holders of the Parent Company	**6,560,555,360**	6,612,228,417
Equity Attributable to Non-Controlling Interests	**9,152,127**	9,430,929
Total Equity	**6,569,707,487**	6,621,659,346
TOTAL LIABILITIES AND EQUITY	**₱11,058,118,644**	₱10,890,908,702

See accompanying Notes to the Consolidated Financial Statements.

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31		
	2019	2018	2017
REVENUES (Note 21**)**			
Sale of services:			
Tuition and other school fees	**₱1,801,197,426**	₱2,146,448,575	₱2,218,526,769
Educational services	**166,922,124**	208,333,217	199,155,782
Royalty fees	**15,717,540**	20,545,886	19,148,926
Others	**57,762,040**	58,819,746	19,547,436
Sale of goods:			
Sale of educational materials and supplies	**149,644,539**	161,870,856	146,855,223
	2,191,243,669	2,596,018,280	2,603,234,136
COSTS AND EXPENSES			
Cost of educational services (Note 23)	**687,847,290**	694,025,004	685,074,007
Cost of educational materials and supplies sold (Note 24)	**113,869,136**	119,292,191	115,422,737
General and administrative expenses (Note 25)	**1,044,837,043**	983,427,424	928,632,504
	1,846,553,469	1,796,744,619	1,729,129,248
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**344,690,200**	799,273,661	874,104,888
OTHER INCOME (EXPENSES) - net			
Interest expense (Note 22)	**(189,520,401)**	(210,506,049)	(65,759,044)
Rental income (Note 28)	**107,769,741**	98,457,745	101,342,301
Interest income (Note 22)	**16,147,640**	27,201,134	2,926,266
Dividend income (Notes 12 and 14)	**7,549,554**	4,431,657	3,251,497
Equity in net earnings (losses) of associates and joint ventures (Note 12)	**4,716,716**	(218,245,327)	(242,075,502)
Gain (loss) on sale of:			
Property and equipment	**666,988**	14,790	(33,838)
Investment in an associate	**–**	–	154,260
Effect of derecognition of a subsidiary (Note 19)	**–**	–	(60,829,455)
Miscellaneous income	**–**	117,000	–
	(52,669,762)	(298,529,050)	(261,023,515)
INCOME BEFORE INCOME TAX	**292,020,438**	500,744,611	613,081,373
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)			
Current	**37,685,409**	71,370,917	93,582,485
Deferred	**(258,762)**	(3,694,533)	(88,803)
	37,426,647	67,676,384	93,493,682
NET INCOME *(Carried Forward)*	**254,593,791**	433,068,227	519,587,691

	Years Ended March 31		
	2019	2018	2017
NET INCOME *(Brought Forward)*	**₱254,593,791**	₱433,068,227	₱519,587,691
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent years:			
Share in associates' unrealized mark-to-market gain (loss) on AFS (Note 12)	–	125,063,735	(148,425,599)
Share in associates' remeasurement gain (loss) on life insurances reserves (Note 12)	–	226,977	(4,022,703)
Unrealized mark-to-market gain on AFS (Note 14)	–	428,960	847,120
	–	125,719,672	(151,601,182)
Items not to be reclassified to profit or loss in subsequent years:			
Remeasurement gain (loss) in pension liability (Note 27)	**(82,499,491)**	52,004,633	31,083,105
Tax effect on remeasurement gain (loss) in pension liability (Note 29)	**8,112,751**	(5,198,835)	(3,108,311)
Unrealized fair value adjustment on equity instruments designated at FVOCI (Note 14)	**(261,920)**	–	–
Share in associates' remeasurement gain (loss) on pension liabilities (Note 12)	**(14,818)**	523,527	19,065,456
Share in associates' unrealized fair value adjustment on equity instruments designated at FVOCI (Note 12)	**1,594**	–	–
	(74,661,884)	47,329,325	47,040,250
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(74,661,884)**	173,048,997	(104,560,932)
TOTAL COMPREHENSIVE INCOME	**₱179,931,907**	₱606,117,224	₱415,026,759
Net Income (Loss) Attributable To			
Equity holders of the Parent Company	**₱254,872,593**	₱432,057,214	₱518,282,758
Non-controlling interests	**(278,802)**	1,011,013	1,304,933
	₱254,593,791	₱433,068,227	₱519,587,691
Total Comprehensive Income (Loss) Attributable To			
Equity holders of the Parent Company	**₱180,210,709**	₱605,106,211	₱413,721,826
Non-controlling interests	**(278,802)**	1,011,013	1,304,933
	₱179,931,907	₱606,117,224	₱415,026,759
Basic/Diluted Earnings Per Share (EPS) on Net Income Attributable to Equity Holders of the Parent Company (Note 31)	**₱0.08**	₱0.14	₱0.17

See accompanying Notes to the Consolidated Financial Statements.

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Treasury Stock (Note 20)	Cumulative Actuarial Gain (Note 27)	Unrealized Fair Value Adjustment on Equity Instruments designated at FVOCI/Unrealized Mark-to-market Gain (Loss) on Available-for-sale Financial Assets (Note 14)	Other Equity Reserve (Note 20)	Share in Associates' Unrealized Fair Value Adjustment on Equity Instruments designated at FVOCI/Unrealized Mark-to-market Loss on Available-for-sale Financial Assets (Note 12)	Share in Associates' Cumulative Actuarial Gain (Note 12)	Share in Associates' Other Equity Reserves (Note 12)	Share in Associates' Remeasurement Gain (Loss) on Life Insurance Reserves (Note 12)	Other Comprehensive Income associated with Noncurrent Asset Held for Sale (Note 20)	Retained Earnings (Note 20)	Total	Equity Attributable to Non-Controlling Interest	Total Equity
Balance at April 1, 2018, as previously stated	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**₱82,577,422**	**₱404,391**	**(₱30,941,455)**	**(₱32,023)**	**₱551,296**	**₱–**	**₱–**	**₱91,876,446**	**₱3,003,879,555**	**₱6,612,228,417**	**₱9,430,929**	**₱6,621,659,346**
Effect of adoption of PFRS 9 (Note 2)	**–**	**–**	**–**	**–**	**40,176,348**	**–**	**–**	**–**	**–**	**–**	**–**	**(87,147,484)**	**(46,971,136)**	**–**	**(46,971,136)**
Balance at April 1, 2018, as restated	**3,087,829,443**	**386,916,479**	**(10,833,137)**	**82,577,422**	**40,580,739**	**(30,941,455)**	**(32,023)**	**551,296**	**–**	**–**	**91,876,446**	**2,916,732,071**	**6,565,257,281**	**9,430,929**	**6,574,688,210**
Net Income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**254,872,593**	**254,872,593**	**(278,802)**	**254,593,791**
Other comprehensive income (loss)	**–**	**–**	**–**	**(74,386,740)**	**(261,920)**	**–**	**1,594**	**(14,818)**	**–**	**–**	**–**	**–**	**(74,661,884)**	**–**	**(74,661,884)**
Total comprehensive income (loss)	**–**	**–**	**–**	**(74,386,740)**	**(261,920)**	**–**	**1,594**	**(14,818)**	**–**	**–**	**–**	**254,872,593**	**180,210,709**	**(278,802)**	**179,931,907**
Dividend declaration (Note 20)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(184,912,630)**	**(184,912,630)**	**–**	**(184,912,630)**
Realized fair value adjustment on disposal of equity instruments designated at FVOCI (Note 14)	**–**	**–**	**–**	**–**	**(37,133,649)**	**–**	**–**	**–**	**–**	**–**	**–**	**37,133,649**	**–**	**–**	**–**
Balance at March 31, 2019	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**₱8,190,682**	**₱3,185,170**	**(₱30,941,455)**	**(₱30,429)**	**₱536,478**	**₱–**	**₱–**	**₱91,876,446**	**₱3,023,825,683**	**₱6,560,555,360**	**₱9,152,127**	**₱6,569,707,487**
Balance at April 1, 2017	₱3,081,871,859	₱379,937,290	₱–	₱35,771,624	(₱24,569)	(₱28,837,819)	(₱16,537,137)	₱713,619	₱728,649	(₱18,323,651)	₱–	₱2,818,372,090	₱6,253,671,955	₱8,419,916	₱6,262,091,871
Net income	–	–	–	–	–	–	–	–	–	–	–	432,057,214	432,057,214	1,011,013	433,068,227
Other comprehensive income	–	–	–	46,805,798	428,960	–	125,063,735	523,527	–	226,977	–	–	173,048,997	–	173,048,997
Total comprehensive income	–	–	–	46,805,798	428,960	–	125,063,735	523,527	–	226,977	–	432,057,214	605,106,211	1,011,013	606,117,224
Dividend declaration (Note 20)	–	–	–	–	–	–	–	–	–	–	–	(246,549,749)	(246,549,749)	–	(246,549,749)
Reclassification to noncurrent asset held for sale (Note 20)	–	–	–	–	–	–	(108,558,621)	(685,850)	(728,649)	18,096,674	91,876,446	–	–	–	–
Issuance of shares as a result of the merger (see Note 20)	5,957,584	6,979,189	(10,833,137)	–	–	(2,103,636)	–	–	–	–	–	–	–	–	–
Balance at March 31, 2018	₱3,087,829,443	₱386,916,479	(₱10,833,137)	₱82,577,422	₱404,391	(₱30,941,455)	(₱32,023)	₱551,296	₱–	₱–	₱91,876,446	₱3,003,879,555	₱6,612,228,417	₱9,430,929	₱6,621,659,346
Balance at April 1, 2016	₱3,081,871,859	₱379,937,290	₱–	₱7,796,830	(₱871,689)	(₱6,738,707)	₱131,888,462	(₱18,351,837)	₱–	(₱14,300,948)	₱–	₱3,378,744,482	₱6,939,975,742	(₱4,221,815)	₱6,935,753,927
Net income	–	–	–	–	–	–	–	–	–	–	–	518,282,758	518,282,758	1,304,933	519,587,691
Other comprehensive income (loss)	–	–	–	27,974,794	847,120	–	(148,425,599)	19,065,456	–	(4,022,703)	–	–	(104,560,932)	–	(104,560,932)
Total comprehensive income (loss)	–	–	–	27,974,794	847,120	–	(148,425,599)	19,065,456	–	(4,022,703)	–	518,282,758	413,721,826	1,304,933	415,026,759
Dividend declaration	–	–	–	–	–	–	–	–	–	–	–	(1,078,655,150)	(1,078,655,150)	–	(1,078,655,150)
Effect of derecognition of a subsidiary under common control (Note 20)	–	–	–	–	–	(10,762,314)	–	–	–	–	–	–	(10,762,314)	–	(10,762,314)
Share in associates' other equity reserves (Note 20)	–	–	–	–	–	–	–	–	728,649	–	–	–	728,649	–	728,649
Acquisition of non-controlling interest through dilution (Note 20)	–	–	–	–	–	(11,336,798)	–	–	–	–	–	–	(11,336,798)	11,336,798	–
Balance at March 31, 2017	₱3,081,871,859	₱379,937,290	₱–	₱35,771,624	(₱24,569)	(₱28,837,819)	(₱16,537,137)	₱713,619	₱728,649	(₱18,323,651)	₱–	₱2,818,372,090	₱6,253,671,955	₱8,419,916	₱6,262,091,871

See accompanying Notes to the Consolidated Financial Statements.

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended March 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱292,020,438**	₱500,744,611	₱613,081,373
Adjustments to reconcile income before income tax to net cash flows:			
Depreciation and amortization (Notes 10, 11 and 15)	**345,435,321**	317,087,840	319,508,317
Interest expense (Note 22)	**189,520,401**	210,506,049	65,759,044
Impairment loss on goodwill (Note 15)	**17,035,240**	–	–
Interest income (Note 22)	**(16,147,640)**	(27,201,134)	(2,926,266)
Dividend income (Notes 12 and 14)	**(7,549,554)**	(4,431,657)	(3,251,497)
Equity in net losses (earnings) of associates and joint ventures (Note 12)	**(4,716,716)**	218,245,327	242,075,502
Movements in pension (Note 27)	**1,031,024**	162,938	3,890,928
Loss (gain) on:			
Sale of property and equipment	**(666,988)**	(14,790)	33,838
Sale of investment in an associate	**–**	–	(154,260)
Provision for impairment loss on investments in and advances to associates and joint ventures (Note 12)	**–**	591,839	1,643,844
Effect of derecognition of a subsidiary (Note 19)	**–**	–	60,829,455
Operating income before working capital changes	**815,961,526**	1,215,691,023	1,300,490,278
Decrease (increase) in:			
Receivables	**(102,697,350)**	(53,218,948)	(111,270,588)
Inventories	**(16,893,071)**	(17,194,516)	(80,779,629)
Prepaid expenses and other current assets	**21,806,681**	10,135,145	(25,467,209)
Increase (decrease) in:			
Accounts payable and other current liabilities	**44,767,437**	(25,503,952)	39,358,871
Unearned tuition and other school fees	**27,394,638**	24,401,460	(23,642,337)
Other noncurrent liabilities (Note 19)	**(1,667,952)**	(12,634,744)	27,724,525
Net cash generated from operations	**788,671,909**	1,141,675,468	1,126,413,911
Interest received	**16,147,640**	27,201,134	2,926,266
Income and other taxes paid	**(38,578,982)**	(66,562,540)	(90,044,686)
Net cash from operating activities	**766,240,567**	1,102,314,062	1,039,295,491
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Notes 10 and 37)	**(1,490,963,115)**	(1,140,906,137)	(964,438,679)
Subsidiaries, net of cash received (Note 38)	**–**	5,828,110	–
Decrease (increase) in:			
Investments in and advances to associates and joint ventures (Note 12)	**–**	(548,839)	(275,461,706)
Goodwill, intangible assets and other noncurrent assets (Note 15)	**(23,312,965)**	(178,405,802)	(38,107,197)
Proceeds from:			
Sale of equity instruments designated at FVOCI (Note 14)	**57,536,500**	–	–
Sale of property and equipment (Note 10)	**666,988**	16,000	51,000
Derecognition of a subsidiary, net of cash disposed (Note 19)	**–**	–	13,752,793
Sale of investment in an associate (Note 12)	**–**	–	1,914,250
Dividends received (Notes 12 and 14)	**17,742,983**	15,976,072	15,434,470
Net cash used in investing activities	**(1,438,329,609)**	(1,298,040,596)	(1,246,855,069)

(Forward)

	Years Ended March 31		
	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Obligations under finance lease	**(₱6,607,474)**	(₱6,146,905)	(₱4,875,483)
Short-term loans under interest-bearing loans and borrowings (Note 17)	–	(785,000,000)	(1,248,000,000)
Long-term loans under interest-bearing loans and borrowings (Note 17)	**(134,400,000)**	(40,800,000)	(100,800,000)
Payment of bond issuance cost	–	(845,757)	(53,092,612)
Interest paid (Notes 17 and 18)	**(216,761,784)**	(229,270,485)	(61,905,517)
Dividend paid (Note 20)	**(186,295,104)**	(245,101,585)	(1,078,655,151)
Proceeds from:			
Stock subscription (Note 20)	–	–	100,000,000
Issuance of bonds (Note 18)	–	–	3,000,000,000
Availments of short-term loans under interest-bearing loans and borrowings (Note 17)	–	240,000,000	1,993,000,000
Net cash from (used in) financing activities	**(544,064,362)**	(1,067,164,732)	2,545,671,237
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,216,153,404)**	(1,262,891,266)	2,338,111,659
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,617,391,465**	2,880,282,731	542,171,072
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱401,238,061**	₱1,617,391,465	₱2,880,282,731

See accompanying Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

a. General

STI Education Services Group, Inc. (STI ESG or the Parent Company) and its subsidiaries (hereafter collectively referred to as the "Group") are all incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company was incorporated on June 2, 1983 and is involved in establishing, maintaining, and operating educational institutions to provide pre-elementary, elementary, secondary and tertiary as well as post-graduate courses, post-secondary and lower tertiary non-degree programs. The Group also develops, adopts and/or acquires, entirely or in part, such curricula or academic services as may be necessary in the pursuance of its main activities, relating but not limited to information technology services, information technology-enabled services, education, hotel and restaurant management, engineering and business studies. The Group is also offering Senior High School (SHS).

The registered office address of the Parent Company is STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal.

On March 23, 2017, the Parent Company issued the first tranche amounting to ₱3,000.0 million of its ₱5,000.0 million fixed rate bonds program under its 3-year shelf registration with the SEC which was listed through the Philippine Dealing and Exchange Corp. (PDEx). The 3-year shelf registration with the SEC will end on March 9, 2020 (see Note 18).

STI ESG is 98.7%-owned by STI Education Systems Holdings, Inc. (STI Holdings) which is the ultimate parent company of the Group. STI Holdings is a company incorporated in the Philippines and is listed in the Philippine Stock Exchange (PSE).

The Parent Company has investments in several entities which own and operate STI schools. STI schools may be operated either by (a) the Parent Company; (b) its subsidiaries; or (c) independent entrepreneurs (referred to as the "franchisees") under the terms of licensing agreements with the Parent Company. Other features of the licensing agreements are as follows:

- Exclusive right to use proprietary marks and information such as but not limited to courseware programs, operational manuals, methods, standards, systems, that are used exclusively in the STI network of schools;
- Continuing programs for faculty and personnel development, including evaluation and audit of pertinent staff;
- Development and adoption of the enrollment and registration system;
- Assistance on matters pertaining to financial and accounting procedures, faculty recruitment and selection, marketing and promotion, record keeping and others.

In previous years, STI schools start the school calendar every June of each year.

On June 14, 2018, STI ESG informed the Commission on Higher Education (CHED) of the decision of its Board of Directors (BOD) to admit two batches of incoming college freshmen students for School Year (SY) 2018-2019. The Group requested CHED for endorsement of this move to accept the second batch of college freshmen enrollees that would start in August 2018. On

June 29, 2018, CHED noted the decision of STI ESG citing that the decision to move the school calendar is part of the institution's academic freedom, provided that it would not violate existing rules on the same. CHED also advised STI ESG to coordinate with the respective CHED Regional Offices on the usual guidance and procedures in implementing the planned school calendar.

With this development, STI ESG made adjustments in the school calendar of its schools. For SY 2019-2020, classes for SHS start in June and for the tertiary, classes start in July.

b. Merger with several majority- and wholly-owned subsidiaries

On December 9, 2010, STI ESG's stockholders approved the following mergers:

- Phase 1: The merger of three (3) majority-owned schools and fourteen (14) wholly-owned schools with STI ESG, with STI ESG as the surviving entity. The Phase 1 merger was approved by the CHED and the SEC on March 15, 2011 and May 6, 2011, respectively.

- Phase 2: The merger of one (1) majority-owned school and eight (8) wholly-owned pre-operating schools with STI ESG, with STI ESG as the surviving entity. The Phase 2 merger was approved by the CHED and the SEC on July 18, 2011 and August 31, 2011, respectively.

On September 25, 2013, STI ESG's BOD approved an amendment to the Phase 1 and 2 mergers whereby STI ESG would issue shares at par value, to the stockholders of the non-controlling interests. In 2014, STI ESG issued 1.9 million additional shares at par value to the stockholders of one of the merged schools. As at report date, the amendment is pending approval by the SEC.

Also on September 25, 2013, the BOD of the STI ESG approved the Phase 3 merger whereby STI College Taft, Inc. (STI Taft) and STI College Dagupan, Inc. (STI Dagupan) will be merged with STI ESG, with STI ESG as the surviving entity. On August 5, 2016, STI ESG filed its application for the merger with the SEC with the endorsement from the Department of Education (DepEd) and CHED. On August 30, 2017, the SEC approved the application for the merger of STI Taft and STI Dagupan with STI ESG. In December 2017, STI ESG subscribed to 5,952,273 of its own shares and issued a total of 5,311 shares to minority holders of the absorbed entities with a par value of ₱1.0 per share at a price of ₱1.82 per share. Consequently, STI ESG's capital stock increased by ₱5.9 million from ₱3,081.9 million to ₱3,087.8 million and STI ESG recognized treasury shares amounting to ₱10.8 million. Similarly, additional paid-in capital increased by ₱7.0 million from ₱379.9 million to ₱386.9 million.

As at report date, STI ESG's request for a confirmatory ruling on the tax-free merger from the Bureau of Internal Revenue (BIR) is still pending.

The establishment, operation, administration and management of schools are subject to the existing laws, rules and regulations, policies, and standards of the DepEd, Technical Education and Skills Development Authority (TESDA) and the CHED pursuant to Batas Pambansa Bilang 232, otherwise known as the "Education Act of 1982," Republic Act (RA) No. 7796, otherwise known as the "TESDA Act of 1994," and RA No. 7722, otherwise known as the "Higher Education Act of 1994," respectively.

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on July 11, 2019.

2. **Basis of Preparation and Summary of the Group's Significant Accounting Policies**

Basis of Preparation
The accompanying consolidated financial statements have been prepared on a historical cost basis, except for equity instruments at FVOCI and AFS financial assets which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is the Parent Company's functional and presentation currency, and all values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance
As at and for the year ended March 31, 2019, the accompanying consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the Philippines which includes all applicable Philippine Financial Reporting Standards (PFRS).

As at and for the years ended March 31, 2018 and 2017, the accompanying consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the Philippines which includes all applicable PFRS and accounting standards set forth in Pre-Need Rule 31, As Amended: Accounting Standards for Pre-Need Plans and Pre-Need Uniform Chart of Accounts, otherwise known as PNUCA, as required by the SEC for PhilPlans First, Inc. (PhilPlans). PhilPlans is a pre-need company and is a wholly-owned subsidiary of Maestro Holdings, Inc. (Maestro Holdings, formerly known as STI Investments, Inc.), an associate of the Parent Company until June 2017.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the new and amended PFRS that became effective beginning on April 1, 2018. The adoption of these new standards and amendments did not have any significant impact on the consolidated statements except otherwise stated:

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of April 1, 2018, (2) share-based payment transactions granted on or after April 1, 2018 and (3) modifications of share-based payments that occurred on or after April 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

  The Group has no share-based payment transaction. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after April 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and applies that approach retrospectively to financial assets designated on the transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issuance of insurance contracts.

- PFRS 9*, Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces Philippine Accounting Standards (PAS) 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

  The Group applied PFRS 9 using modified retrospective approach, with an initial application date of April 1, 2018. The Group chose not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:

  - Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7 will be retained for the comparative periods. Accordingly, the information presented for 2018 does not reflect the requirements of PFRS 9.
  - The Group will disclose the accounting policies for both the current period and the comparative periods, one applying PFRS 9 beginning April 1, 2018 and one applying PAS 39 as of March 31, 2018.
  - As comparative information is not restated, the Group is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with PAS 1, *Presentation of Consolidated Financial Statements*.

  As at April 1, 2018, the Group has reviewed and assessed all its existing financial assets and financial liabilities.

  The effect of adopting PFRS 9 is as follows:

	Adjustments	As at April 1, 2018
Increase (decrease) in:		
Receivables	(b)	(₱96,830,537)
Equity instruments designated at FVOCI	(a)	40,176,348
Deferred tax asset	(b)	9,683,053
Total Assets		(₱46,971,136)
Retained earnings	(b)	(₱87,147,484)
Unrealized fair value adjustment on equity instruments designated at FVOCI	(a)	40,176,348
Total Liabilities and Equity		(₱46,971,136)

The nature of these adjustments are described below:

(a) *Classification and measurement*

PFRS 9 requires the Group to classify debt instruments based on the contractual cash flow characteristics of the assets and the business model for managing those assets. These factors determine whether the financial assets are measured at amortized cost, FVOCI, or fair value through profit or loss (FVPL).

The assessment of the Group's business model was made based on the facts and circumstances that exist at the date of initial application on April 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The Group's debt financial assets consist of *Cash and cash equivalents*, *Receivables* (except for advances to officers and employees) and rental and utility deposits under *Goodwill, intangible and other noncurrent assets* account. The Group assessed that the contractual cash flows of its debt financial assets are solely payments of principal and interest (SPPI) and are expected to be held with the objective of collecting contractual cash flows until their maturity. As a result, the Group classified and measured them as financial assets at amortized cost.

The classification and measurement requirements of PFRS 9 did not have a significant impact on the Group. The following are the changes in the classification of the Group's financial assets:

- *Cash and cash equivalent, Receivables* (except for advances to officers and employees) and rental and utility deposits under *Goodwill, intangible and other noncurrent assets* classified as *Loans and receivables* as at March 31, 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as *Financial assets at amortized cost* beginning April 1, 2018.

- Equity investment in listed and non-listed companies classified as *AFS financial assets* as at March 31, 2018 are classified and measured as *Equity instruments designated at FVOCI* beginning April 1, 2018. The adoption of PFRS 9 resulted in a fair value adjustment on equity instruments designated at FVOCI amounting to ₱40.2 million. The Group elected to irrevocably classify its listed and non-listed equity investments under this category at the date of initial application as it intends to hold these instruments as strategic investments for the foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior periods.

There were no changes on the classification and measurement of financial liabilities. As at March 31, 2019 and 2018, the Group does not hold financial liabilities designated at FVPL.

A reconciliation between the carrying amounts under PAS 39 to the balances reported under PFRS 9 as at April 1, 2018, is as follows (see Notes 6 and 14):

	PAS 39 measurement		Remeasurement		PFRS 9 measurement	
Financial assets	Category	Amount	Fair Value Adjustment	ECL	Amount	Category
Cash and cash equivalents	L&R[1]	₱1,617,391,465	₱–	₱–	₱1,617,391,465	AC[2]
Receivables - net						
Tuition and other school fees	L&R	298,367,901	–	(96,830,537)	201,537,364	AC
Educational services	L&R	40,014,195	–	–	40,014,195	AC
Rent, utilities and other related receivables	L&R	32,424,706	–	–	32,424,706	AC
Other receivables	L&R	21,945,385	–	–	21,945,385	AC
Rental and utility deposits (under *Goodwill, intangible and other noncurrent assets* account)	L&R	44,272,574	–	–	44,272,574	AC
Equity instruments designated at FVOCI/AFS financial assets	AFS	67,399,715	40,176,348	–	107,576,063	FVOCI[3]

[1]L&R: Loans and receivables
[2]AC: Amortized cost
[3]FVOCI: Fair value through other comprehensive income

(b) Impairment
The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses on financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to record ECL for trade and other receivables and for other debt financial assets not classified as at FVPL, together with contract assets, loan commitments and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted using the asset's original effective interest rate, or an approximation thereof. The Group has established ECL models that are based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group has applied the simplified approach to its receivables from students. The simplified approach does not require the Group to track the changes in credit risk, but instead, requires the Group to recognize a provision on impairment based on lifetime ECLs at each reporting date.

The Group applied the general approach to the remaining financial assets which had no significant deterioration in credit risk since its initial recognition.

The Group's financial assets are considered to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is considered credit-impaired by the Group when there is no reasonable expectation of recovering the contractual cash flows. Evidence of impairment may also include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The following table reconciles the prior period's closing impairment allowance measured in accordance with PAS 39 to the opening impairment allowance determined in accordance with PFRS 9 as at April 1, 2018 (see Note 6):

	Allowance for impairment under PAS 39 as at March 31, 2018	Remeasurement	ECL under PFRS 9 as at April 1, 2018
Loans and receivables under PAS 39/ Financial assets at amortized cost under PFRS 9			
Receivables:			
Tuition and other school fees	₱83,424,295	₱96,830,537	₱180,254,832
Rent, utilities and other related receivables	58,830	–	58,830
Other receivables	2,701,620	–	2,701,620
	₱86,184,745	₱96,830,537	₱183,015,282

- PFRS 15*, Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related interpretations and applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer

  PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

  The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of April 1, 2018. Under this method, PFRS 15 can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the method only to those contracts that are not completed as at April 1, 2018. In addition, the Group applied PFRS 15 guidance to a portfolio of contracts with similar characteristics as the entity reasonably expects that the effects on the consolidated financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts within that portfolio.

  The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to significant revenue streams of the Group are set out below. Under PFRS 15, revenue is recognized when a customer obtains control of the goods or services.

Revenue stream	Nature and timing of satisfaction of performance obligation	Nature of change in accounting policy
Tuition and other school fees	Revenues from tuition and other school fees are recognized as income over the corresponding school term to which they pertain. The Group's obligation is to provide educational services to its students. Fees received pertaining to the school year commencing after the financial reporting date are recorded under the "Unearned tuition and other school fees" account in the consolidated statements of financial position. Unearned	No change under PFRS 15. Revenue is recognized over the contract period using the output method as the service is provided.

Revenue stream	Nature and timing of satisfaction of performance obligation	Nature of change in accounting policy
	tuition and other school fees also include the portion of student assessment initially recorded as a liability account at the start of the school term and recognized as earned income proportionately until the end of the related term.	
Educational services and royalty fees	Revenues from educational services and royalty fees are recognized based on a percentage of franchised schools' monthly receipts over a period of time as the fee accrued in accordance with the substance of the relevant agreements.	No change under PFRS 15. Revenue is recognized over the contract period based on a percentage of monthly franchise receipts.
Sale of educational materials and supplies	Revenues are recognized when the customer obtains control of the educational materials and supplies which is upon the customer's receipt of the goods.	No change under PFRS 15. Revenue is recognized at the point in time.
Other revenues	Other revenues substantially pertain to revenues related to the use of software such as eLearning Management System (eLMS), enrollment system, Microsoft and Adobe acrobat subscriptions of franchised schools. These revenues are recognized based on the number of ongoing students of the schools.	No change under PFRS 15. Revenue is recognized over the related school year based on a fixed rate per student.

The adoption of PFRS 15 did not have a significant impact on the consolidated financial statements as at and for the year ended March 31, 2019.

- Amendments to PAS 28*, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at FVPL. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

  The amendments did not have any material impact to the Group.

- Amendments to PAS 40*, Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

The amendments did not have impact on the Group's consolidated financial statements since the Group's current practice is in line with the clarifications issued.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) -22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or nonmonetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

  The adoption of these amendments did not have any impact on the consolidated financial statements.

Standards Issued but Not Yet Effective
The standards and interpretations that are issued but not yet effective for the year ended March 31, 2019 are listed below. The Group intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the consolidated financial statements except otherwise stated:

Effective in fiscal year 2020

- Amendments to PFRS 9, Prepayment Features with Negative Compensation

  Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are SPPI on the principal amount outstanding and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

- PFRS 16, *Leases*

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

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

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

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

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group is currently assessing the impact of adopting PFRS 16.

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

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

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

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

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

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

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the ECL model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

- Philippine Interpretation IFRIC-23*, Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application, permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective in fiscal year 2021

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective in fiscal year 2022

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issuance of insurance contracts.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28*, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council (FRSC) postponed the original effective date of April 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group has not early adopted the previously mentioned standards. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to March 31, 2019 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current/noncurrent classification. An asset is current when:

- It is expected to be realized or intended to be sold or consumed in the normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realized within twelve months after the reporting period, or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement
The Group measures certain financial instruments, such as equity instruments designated at FVOCI, at fair value at each reporting date. Also, the fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 35 to the consolidated financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Management determines the policies and procedures for both recurring fair value measurement and non-recurring measurement.

External valuers are involved in the valuation of significant assets, such as investment property. Every year, the Group decides whether to involve an external valuer in determining the fair value of these assets. The current practice of the Group is to involve external valuers every two to three years depending on the circumstances including market conditions and requirements. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing on the information in the valuation computation to contracts and other relevant documents.

Management, in conjunction with the Group's external valuers, also compares each change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries.

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 Parent Company controls an investee, if and only if, the Parent Company has:

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

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company 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 Parent Company's voting rights and potential voting rights

The consolidated financial statements include the accounts of STI College of Kalookan, Inc. (STI Caloocan) as at March 31, 2019 and 2018 and for the years ended March 31, 2019, 2018 and 2017 and STI Diamond College, Inc. (STI Diamond) as at and for the five-month period ended August 31, 2016. Both STI Caloocan and STI Diamond are non-stock corporations and controlled by the Parent Company by virtue of management contracts. STI Diamond was deconsolidated in September 2016.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the unrealized OCI deferred in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

The subsidiaries of the Parent Company, which are all incorporated in the Philippines, are as follows:

		Effective Percentage of Ownership					
		2019		2018		2017	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
STI College Tuguegarao, Inc. (STI Tuguegarao)	Educational Institution	**100**	**–**	100	–	100	–
STI Caloocan[(a)]	Educational Institution	**100**	**–**	100	–	100	–
STI College Batangas, Inc. (STI Batangas)	Educational Institution	**100**	**–**	100	–	100	–
STI College Iloilo, Inc. (STI Iloilo)	Educational Institution	**100**	**–**	100	–	100	–
STI College Tanauan, Inc. (STI Tanauan)	Educational Institution	**100**	**–**	100	–	100	–
STI Lipa, Inc. (STI Lipa)	Educational Institution	**100**	**–**	100	–	100	–
STI College Pagadian, Inc. (STI Pagadian)	Educational Institution	**100**	**–**	100	–	100	–
STI College Novaliches, Inc. (STI Novaliches)	Educational Institution	**100**	**–**	100	–	100	–

Subsidiaries	Principal Activities	Effective Percentage of Ownership					
		2019		2018		2017	
		Direct	**Indirect**	Direct	Indirect	Direct	Indirect
STI College of Santa Maria, Inc. (STI Sta. Maria) (b)	Educational Institution	**100**	**–**	100	–	**–**	**–**
De Los Santos-STI College, Inc. (De Los Santos-STI College) (c)	Educational Institution	**52**	**–**	52	–	52	–
STI College Quezon Avenue, Inc. (STI QA) (d)	Educational Institution	**–**	**52**	–	52	–	52
STI Dagupan (e)	Educational Institution	–	–	–	–	100	–
STI Taft (e)	Educational Institution	–	–	–	–	100	–

(a) A subsidiary through a management contract (see Note 4)
(b) A subsidiary starting April 2017 (see Note 38)
(c) On June 28, 2016, De Los Santos-STI College wrote the CHED advising the latter of the suspension of its operations for school years 2016-2017 and 2017-2018 as a result of the implementation of the Government's K to 12 program. In the same letter, De Los Santos-STI College requested that it be allowed to keep all of its existing permits and licenses for its academic programs. It also mentioned that the grant of such request would allow De Los Santos-STI College to immediately resume offering its academic programs to incoming freshmen students for its planned resumption of operation in SY 2018-2019. These academic programs are: BS Nursing, BS Radiologic Technology, BS Psychology, BS Physical Therapy, BS Hotel and Restaurant Management and BS Tourism. CHED, in a letter reply dated July 1, 2016, said that De Los Santos-STI College may apply again for initial permits if it intends to offer the said programs in SY 2018-2019. De Los Santos-STI College shall request CHED for a reconsideration.
(d) A wholly-owned subsidiary of De Los Santos-STI College.
(e) The SEC approved the merger of STI Taft and STI Dagupan with STI ESG, with STI ESG as the surviving entity on August 30, 2017 (see Note 20).

Accounting Policies of Subsidiaries. The separate financial statements of the subsidiaries are prepared using uniform accounting policies for similar transactions and other events in similar circumstances.

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at March 31 of each year, except for the accounts of STI Tuguegarao, STI Diamond (consolidated until August 2016), STI Caloocan and STI Iloilo, whose financial reporting dates end on December 31. Adjustments are made for the effects of significant transactions or events that occur between the financial reporting date of the above-mentioned subsidiaries and the financial reporting date of the Group's consolidated financial statements.

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

On transactions with non-controlling interests without loss of control, the difference between the fair value of the consideration and the book value of the share in the net assets acquired or disposed of is treated as an equity transaction and is presented as "Other equity reserve" within the equity section of the consolidated statements of financial position.

Other equity reserves are derecognized when the related asset or liability where they arise are derecognized.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share in the acquiree's identifiable net assets. Acquisition-related costs are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with the changes in fair value recognized in profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill acquired in a business combination is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating unit (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of up to three months or less from date of acquisition and are subject to an insignificant risk of change in value.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial assets

   Effective beginning April 1, 2018

   Initial Recognition and Measurement
   Financial assets are classified at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. It is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

<u>Subsequent Measurement</u>
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include *Cash and cash equivalents*, *Receivables* (except for advances to officers and employees) and rental and utility deposits under *Goodwill, intangible and other noncurrent assets*.

Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading nor are contingent consideration recognized in a business combination in accordance with PFRS 3. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed and non-listed equity investments under this category.

<u>Impairment of Financial Assets</u>
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade', or when the exposure is less than 30 days past due. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses external credit ratings both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECL. For exposures without external credit ratings, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Determining the stage for impairment
The Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of a default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

For receivable from students, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. As for the other financial assets, the Group applied a general approach in the calculation since these accounts had no significant deterioration in credit risk since their initial recognition.

<u>Modification of Financial Assets</u>
Where possible, the Group seeks to modify or re-negotiate the terms of its receivables from other parties. This may involve extending payment due dates, changing interest rates and agreeing to new payment conditions. The Group continuously reviews such accounts after modification of terms to ensure that payments are still likely to occur. The Group may also subsequently determine that the credit risk on such assets has significantly improved after modification, depending on the credit performance of the assets.

<u>Write-off Policy</u>
The Group writes off a financial asset after a certain period since the time the receivable has been determined to be impaired. Receivables are written off when the bad debts are likely to be irrecoverable and or it is uneconomic to pursue further the collection of the receivable after efforts made by the Group.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Reclassification of Financial Assets
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Derecognition *(applicable prior to and upon adoption on April 1, 2018)*
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;
- The Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Effective Prior to April 1, 2018

Initial Recognition
Financial assets are classified as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates the designation of such assets at each financial year-end.

Financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way purchases) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

As at March 31, 2018, the Group does not have financial assets at FVPL, HTM investments or derivatives.

Subsequent Measurement

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate, or EIR, method. This method uses an EIR that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognized in the consolidated statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest earned is recognized as “Interest income” in consolidated statements of comprehensive income. Assets in the category are included in the current assets except for maturities greater than 12 months after the end of the reporting period, which are classified as noncurrent assets.

The Group’s cash and cash equivalents, receivables, and deposits (included under the “Goodwill, intangible and other noncurrent assets” account) are classified in this category.

AFS Financial Assets. AFS financial assets are those non-derivative financial assets that are not classified as financial assets at FVPL, loans and receivables or HTM investments. They are purchased and held indefinitely, and maybe sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses being recognized under “Unrealized mark-to-market gain (loss) on available-for-sale financial assets” account in OCI until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recorded in OCI is included in profit or loss. Interest earned on the investments is reported as interest income using the effective interest rate method. Dividends earned on investments are recognized in the consolidated statements of comprehensive income when the right to receive payment has been established. AFS financial assets are classified as noncurrent assets unless the intention is to dispose of such assets within 12 months from the financial reporting date.

The fair value of AFS financial assets consisting of any investments that are actively traded in organized financial markets is determined by reference to market closing quotes as at financial reporting date. The Group’s investments in club and ordinary shares are classified in this category.

Unlisted investments in shares of stock, for which no quoted market prices and no other reliable sources of their fair values are available, are carried at cost.

Impairment of Financial Assets

Financial Assets Carried at Amortized Cost. The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has/have occurred since the initial recognition of the asset (an incurred ‘loss event’), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the consolidated statements of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, any amounts formerly charged are credited to profit or loss.

Quoted AFS Financial Assets. In the case of equity investments classified as AFS financial assets, an objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in OCI under the "Unrealized mark-to-market gain (loss) on available-for-sale financial assets" account, is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed in profit or loss; increases in fair value after impairment are recognized directly in OCI.

Unquoted AFS Financial Assets. If there is objective evidence that an impairment loss has been incurred in an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

b. Financial liabilities

<u>Initial Recognition</u>
Financial liabilities are classified as financial liabilities at FVPL, or as other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and in the case of other financial liabilities, net of directly attributable transaction costs which include the Parent Company's bond issuance costs, such as, taxes and various fees paid to investment banks, law firms, auditors, regulators, and so on.

The Group does not have financial liabilities at FVPL. The Group's financial liabilities as at March 31, 2019 and 2018 are measured at amortized cost.

Subsequent Measurement
Other Financial Liabilities. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the consolidated statements of comprehensive income.

Other financial liabilities include interest-bearing loans and borrowings, bonds payable, accounts payable and other current liabilities (excluding government and other statutory liabilities), obligations under finance lease, and other noncurrent liabilities (excluding advance rent and deferred lease liability).

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of Financial Instruments
Financial assets and liabilities are offset with the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories
Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value of educational materials is the selling price in the ordinary course of business, less estimated costs necessary to make the sale. Net realizable value of promotional and school materials and supplies is the current replacement cost.

Prepaid Expenses
Prepaid expenses are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months or within the normal operating cycle.

Creditable Withholding Taxes (CWT). CWT represents the amount of tax withheld by counterparties from the Group. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by Philippine taxation laws and regulations. CWT is presented as part of "Prepaid taxes" under the "Prepaid expenses and other current assets" account in the consolidated statements of financial position. CWT is stated at its estimated net realizable value.

Noncurrent Asset Held for Sale

The Group classifies a noncurrent asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such noncurrent asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale.

The criteria for held for sale classification are regarded as met only when the asset is available for immediate sale in its present condition and the sale is highly probable. Management must be committed to a plan to sell, which is expected to be completed within one year from the date of the classification, and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Actions required to complete the plan to sell should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Equity method of accounting for investment in shares of an associate ceases upon classification of the investment as a noncurrent asset held for sale. Noncurrent asset held for sale is presented separately as part of current assets in the consolidated statements of financial position.

Property and Equipment

Property and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment in value, excluding the costs of day-to-day servicing. The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred and the recognition criteria are met. Land is stated at cost less any impairment in value.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income in the year the asset is derecognized.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Buildings	20 to 25 years
Office and school equipment	5 years
Office furniture and fixtures	5 years
Leasehold improvements	5 years or terms of the lease agreement, whichever is shorter
Transportation equipment	5 years or terms of the lease agreement, whichever is shorter
Computer equipment and peripherals	3 years
Library holdings	5 years

The estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the periods and depreciation and amortization method are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation or amortization is charged to current operations.

Construction-in-progress represents structures under construction and is stated at cost less any impairment in value. This includes the cost of construction and other direct costs, including any interest on borrowed funds during the construction period. Construction-in-progress is not depreciated until the relevant assets are completed and become available for operational use.

Investment Properties

Investment properties include land and buildings held by the Group for capital appreciation and rental purposes. Buildings are carried at cost less accumulated depreciation and any impairment in value, while land is carried at cost less any impairment in value. The carrying amount includes the cost of constructing a significant portion of an existing investment property if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property.

Depreciation of buildings is computed on a straight-line basis over 20 to 25 years. The asset's useful life and method of depreciation are reviewed and adjusted, if appropriate, at each financial year-end.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statements of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of the property for subsequent accounting is its carrying value at the date of the change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Construction-in-progress represents structures under construction and is stated at cost less any impairment in value. This includes the cost of construction and other direct costs, including any interest on borrowed funds during the construction period. Construction-in-progress is not depreciated until the relevant assets are completed and become available for use, capital appreciation and or rental purposes.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the year less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalizable rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during the year shall not exceed the amount of borrowing costs incurred during that year.

Capitalization of borrowing costs commences when the activities necessary to prepare the asset for intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects, to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are expensed as incurred in the year in which they occur.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

The Group has interests in Philippine Healthcare Educators, Inc. (PHEI) and STI-PHNS Outsourcing Corporation (STI-PHNS), both joint ventures. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.
The Group's interests in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statements of comprehensive income reflect the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there is a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statements of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial reporting dates of the associates, joint ventures and the Parent Company are identical, except for Synergia Human Capital Solutions, Inc. (Synergia), Global Resource for Outsourced Workers, Inc. (GROW) and Maestro Holdings which have December 31 as their financial reporting date, and the associates' and joint ventures' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. Adjustments are made for the Group's share in the effects of significant transactions or events that occur between the financial reporting date of the above-mentioned associates and joint ventures and the financial reporting date of the Group's financial statements.

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss on its investment in associates and joint ventures. The Group determines at each financial reporting date whether there is any objective evidence that the investment in associates and joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and joint venture and its carrying value and recognizes the amount in profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The associates of the Group, which are all incorporated in the Philippines, are as follows:

		Effective Percentage of Ownership					
		2019		2018		2017	
Associate	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
Accent Healthcare/STI-Banawe, Inc. (STI Accent) [(a)]	Medical and related services	**49**	**–**	49	–	49	–
STI College Alabang, Inc. (STI Alabang)	Educational Institution	**40**	**–**	40	–	40	–
Synergia [(a)]	Management Consulting Services	**30**	**–**	30	–	30	–
STI Marikina	Educational Institution	**24**	**–**	24	–	24	–
Maestro Holdings [(b)]	Holding Company	**20**	**–**	20	–	20	–
GROW	Recruitment Agency	**17**	**3**	17	3	17	3
STI Holdings (see Note 4)	Holding Company	**5**	**–**	5	–	5	–

[(a)] Dormant entities
[(b)] Reclassified as asset held for sale on June 30, 2017.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization in the case of intangible assets with finite lives, and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Group has assessed the intangible assets as having a finite useful life which is the shorter of its contractual term or economic life. Amortization is on a straight-line basis over the estimated useful lives of three years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of comprehensive income when the asset is derecognized.

Impairment of Nonfinancial Assets

The carrying values of investments in and advances to associates and joint ventures, property and equipment, investment properties, intangible assets and advances to suppliers are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded securities or other available fair value indicators.

Impairment losses are recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset, except for assets previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognized in equity up to the amount of any previous revaluation.

For nonfinancial assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization (in the case of property and equipment, investment properties and intangible assets), had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the CGUs to which the goodwill relates. Where the recoverable amount of the

CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which the goodwill has been allocated, an impairment loss is recognized in the consolidated statements of comprehensive income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as at March 31 of each year.

Unearned Tuition and Other School Fees

Unearned tuition and other school fees represent contract liabilities which refer to the portion of student assessment initially recorded as a liability account at the start of the school term and recognized to earned income proportionately until the end of the related school term. This also includes advance payment for tuition and other school fees for the school year commencing after the financial reporting date.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects a provision to be reimbursed, such as under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as “Interest expense”.

Capital Stock and Additional Paid-in Capital

Common stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of the consideration received in excess of par value are recognized as additional paid-in capital.

Treasury Shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in capital.

Retained Earnings and Dividend on Common Stock of the Parent Company

The amount included in retained earnings includes profit attributable to the Parent Company’s equity holders and reduced by dividends on capital stocks. Dividends on capital stocks are recognized as a liability and deducted from equity when approved by the BOD of the Parent Company. Dividends that are approved after the financial reporting date are dealt with as an event after the financial reporting period.

Earnings per Share (EPS) Attributable to the Equity Holders of the Parent Company

EPS is computed by dividing net income attributed to equity holders of the Parent Company for the year by the weighted average number of shares issued and outstanding after giving retroactive effect to any stock split and stock dividend declaration, if any.

Diluted EPS is calculated by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive convertible common shares.

Revenue

Effective beginning April 1, 2018

Revenue is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses whether it is acting as a principal or an agent in every revenue arrangement. It is acting as a principal when it has the primary responsibility for providing the goods or services. The Group also acts as a principal when it has the discretion in establishing the prices and bears inventory and credit risk. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and value-added tax (VAT).

Following are contract balances relative to the adoption of PFRS 15:

Receivables
Receivables represent the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized. Contract liabilities are recognized as revenue when the Group performs under the contract. The Group's *Unearned tuition and other school fees* account represents contract liabilities which will be recognized as revenue when the related educational services are rendered.

Effective prior to April 1, 2018

The Group recognizes revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow into the entity, and specific criteria have been met for each of the Group's activities described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

There were no changes in the recognition of the Group's revenue upon adoption of PFRS 15.

The following specific recognition criteria must also be met before revenue is recognized:

Tuition and Other School Fees. Revenue from tuition and other school fees is satisfied over time using the output method and is recognized as income over the corresponding school term to which they pertain on the basis of the time lapsed over the service period. Fees received pertaining to the school year commencing after the financial reporting date are recorded under the "Unearned tuition and other school fees" account in the consolidated statements of financial position. Unearned tuition and other school fees are amortized over the related school term.

Educational Services and Royalty Fees. Revenue from educational services and royalty fees is satisfied over time based on a percentage of monthly franchise receipts and is recognized in accordance with the terms of the licensing agreements.

Sale of Educational Materials and Supplies. Revenue is satisfied at a point in time and is recognized at the time of sale when control of the goods or services are transferred to the customer.

Other Revenues. Other revenues mainly pertain to the revenue related to the use of software licenses by franchised schools. These are recognized over the related school year based on the number of ongoing students of the schools and a fixed rate per student.

Following are the revenue streams outside the scope of PFRS 15:

Rental Income. Rental income is recognized on a straight-line basis over the term of the lease agreement.

Dividend Income. Revenue is recognized when the Group's right to receive the payment is established.

Interest Income. Interest income is recognized as the interest accrues considering the effective yield on the asset.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in profit or loss in the year these are incurred.

Pension Cost

The Group has the following pension plans (Plan) covering substantially all of its regular and permanent employees:

Entity	Type of Plan
Parent Company	Funded, noncontributory defined benefit plan
Subsidiaries (except De Los Santos-STI College and STI QA)	Unfunded, noncontributory defined benefit plan
De Los Santos-STI College and STI QA	Funded, defined contribution plan

Defined Benefit Plans. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as an expense in the consolidated statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Defined Contribution Plan. De Los Santos-STI College and STI QA are members of the Catholic Educational Association of the Philippines Retirement Plan (CEAP). CEAP is a funded, noncontributory, defined contribution plan covering De Los Santos-STI College's and STI QA's qualified employees under which De Los Santos-STI College and STI QA pay fixed contributions based on the employees' monthly salaries. De Los Santos-STI College and STI QA, however, are covered under Republic Act (RA) No. 7641, the Philippine Retirement Law, which provides for its qualified employees a defined benefit (DB) minimum guarantee. The DB minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641.

Accordingly, De Los Santos-STI College and STI QA account for their retirement obligations under the higher of the DB obligation relating to the minimum guarantee and the obligation arising from the defined contribution (DC) plan. For the DB minimum guarantee plan, the liability is determined based on the present value of the excess of the projected DB obligation over the projected DC obligation at the end of the reporting period. The DB obligation is calculated annually by a qualified independent actuary using the projected unit credit method. De Los Santos-STI College and STI QA determine the net interest expense (income) on the net DB liability (asset) for the period by applying the discount rate used to measure the DB obligation at the beginning of the annual period to the then net DB liability (asset), taking into account any changes in the net DB liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB plan are recognized in profit or loss.

The DC liability, on the other hand, is measured at the fair value of the DC assets upon which the DC benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the DC benefits. Remeasurements of the net DB liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in the benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. De Los Santos-STI College and STI QA recognize gains or losses on the settlement of a DB plan when the settlement occurs.

Leases
The determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset.

Group as a Lessee. Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against profit or loss.

Capitalized leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases, where the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term.

Group as a Lessor. Leases, where the Group retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the financial reporting date.

Deferred Tax. Deferred tax is provided using the liability method on temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefit of net operating loss carryover (NOLCO), and to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of NOLCO can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the financial reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transactions either in OCI or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

VAT. Revenue, expenses and assets are recognized net of the amount of VAT, except:

- when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; or
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the “Prepaid expenses and other current assets” or “Accounts payable and other current liabilities” accounts in the consolidated statements of financial position.

Operating Segment

For management purposes, the Group is organized into business units based on the geographical location of the students and assets. Financial information about operating segments is presented in Note 3.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period
Post-year-end events that provide additional information about the Group's financial position at the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. Segment Information

For management purposes, the Group is organized into business units based on the geographical location of the students and assets, and has five reportable segments as follows:

a. Metro Manila
b. Northern Luzon
c. Southern Luzon
d. Visayas
e. Mindanao

Management monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with profit and loss in the consolidated financial statements.

On a consolidated basis, the Group's performance is evaluated based on net income for the year and EBITDA, defined as earnings before interest expense, interest income, provision for income tax, depreciation and amortization, equity in net losses (earnings) of associates and joint ventures and nonrecurring gains or losses such as effect of derecognition of a subsidiary.

The following table shows the reconciliation of the consolidated net income to consolidated EBITDA:

	2019	2018	2017
Consolidated net income	**₱254,593,791**	₱433,068,227	₱519,587,691
Depreciation and amortization	**345,435,321**	317,087,840	319,508,317
Interest expense	**189,520,401**	210,506,049	65,759,044
Provision for income tax	**37,426,647**	67,676,384	93,493,682
Interest income	**(16,147,640)**	(27,201,134)	(2,926,266)
Effect of derecognition of a subsidiary	–	–	60,829,455
Equity in net losses (earnings) of associates and joint ventures	**(4,716,716)**	218,245,327	242,075,502
Consolidated EBITDA	**₱806,111,804**	₱1,219,382,693	₱1,298,327,425

Inter-Segment Transactions
Segment revenue, segment expenses and operating results include transfers among geographical segments. The transfers are accounted for at market prices charged to unrelated customers for similar services. Such transfers are eliminated upon consolidation.

Geographical Segment Data

The following tables present revenue and income information and certain assets and liabilities information regarding geographical segments:

	2019					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱1,333,203,275	₱114,476,219	₱629,889,898	₱39,566,194	₱74,108,083	₱2,191,243,669
Results						
Income (loss) before other income (expenses) and income tax	149,390,959	(2,696,212)	211,826,170	183,215	(14,013,932)	344,690,200
Equity in net earnings of associates and joint ventures	4,716,716	–	–	–	–	4,716,716
Interest expense	(189,520,280)	–	(121)	–	–	(189,520,401)
Interest income	15,518,125	51,912	539,087	15,024	23,492	16,147,640
Other income	114,488,957	128,000	1,192,602	369,548	(192,824)	115,986,283
Provision for income tax	(37,426,647)	–	–	–	–	(37,426,647)
Net Income (Loss)	₱57,167,830	(₱2,516,300)	₱213,557,738	₱567,787	(₱14,183,264)	₱254,593,791
EBITDA						₱806,111,804
Assets and Liabilities						
Segment assets[(a)]	₱8,350,197,108	₱108,113,352	₱933,535,224	₱60,021,003	₱140,418,589	₱9,592,285,276
Goodwill	208,519,102	–	–	–	–	208,519,102
Investments in and advances to associates and joint ventures (see Note 12)	508,609,775	–	–	–	–	508,609,775
Noncurrent asset held for sale	716,586,558	–	–	–	–	716,586,558
Deferred tax assets - net	30,181,272	894,713	843,452	156,654	41,842	32,117,933
Total Assets	₱9,814,093,815	₱109,008,065	₱934,378,676	₱60,177,657	₱140,460,431	₱11,058,118,644
Segment liabilities[(b)]	₱716,370,432	₱31,643,191	₱86,971,535	₱11,879,740	₱32,398,502	₱879,263,400
Interest-bearing loans and borrowings	600,000,000	–	–	–	–	600,000,000
Bonds payable	2,957,954,254	–	–	–	–	2,957,954,254
Pension liabilities	14,794,481	5,614,191	10,616,437	84,403	2,231,945	33,341,457
Obligations under finance lease	17,852,046	–	–	–	–	17,852,046
Total Liabilities	₱4,306,971,213	₱37,257,382	₱97,587,972	₱11,964,143	₱34,630,447	₱4,488,411,157
Other Segment Information						
Capital expenditures for property and equipment						₱1,780,021,439
Depreciation and amortization						345,435,321
Noncash expenses other than depreciation and amortization						84,966,128

[(a)] *Segment assets exclude goodwill, investments in and advances to associates and joint ventures, noncurrent asset held for sale and net deferred tax assets.*
[(b)] *Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, pension liabilities and obligations under finance lease.*

	2018					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱1,644,220,234	₱137,130,546	₱682,081,346	₱44,627,481	₱87,958,673	₱2,596,018,280
Results						
Income (loss) before other income (expenses) and income tax	526,114,822	17,897,080	257,182,223	2,990,272	(4,910,736)	799,273,661
Equity in net loss of associates and joint ventures	(218,245,327)	–	–	–	–	(218,245,327)
Interest expense	(210,496,885)	–	(9,164)	–	–	(210,506,049)
Interest income	26,906,076	71,317	167,874	28,518	27,349	27,201,134
Other income	101,534,100	60,000	1,243,528	61,060	122,504	103,021,192
Provision for income tax	(67,676,384)	–	–	–	–	(67,676,384)
Net Income (Loss)	₱158,136,402	₱18,028,397	₱258,584,461	₱3,079,850	(₱4,760,883)	₱433,068,227
EBITDA						₱1,219,382,693

	2018					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[(a)]	₱8,106,603,160	₱132,951,846	₱922,464,706	₱52,590,632	₱151,714,860	₱9,366,325,204
Goodwill	225,554,342	–	–	–	–	225,554,342
Investments in and advances to associates and joint ventures (see Note 12)	514,904,349	–	–	–	–	514,904,349
Pension assets - net	53,474,883	–	–	–	–	53,474,883
Noncurrent asset held for sale	716,586,558	–	–	–	–	716,586,558
Deferred tax assets - net	12,652,738	916,408	345,862	105,387	42,971	14,063,366
Total Assets	9,629,776,030	133,868,254	922,810,568	52,696,019	151,757,831	10,890,908,702
Segment liabilities[(b)]	360,051,353	50,474,180	100,258,912	9,541,223	37,542,887	557,868,555
Interest-bearing loans and borrowings	734,400,000	–	–	–	–	734,400,000
Bonds payable	2,951,879,134	–	–	–	–	2,951,879,134
Pension liabilities	4,157,813	39,293	400,120	53,514	10,607	4,661,347
Obligations under finance lease	20,440,320	–	–	–	–	20,440,320
Total Liabilities	₱4,070,928,620	₱50,513,473	₱100,659,032	₱9,594,737	₱37,553,494	₱4,269,249,356
Other Segment Information						
Capital expenditures for property and equipment						₱1,209,647,204
Depreciation and amortization						317,087,840
Noncash expenses other than depreciation and amortization						89,749,101

(a) Segment assets exclude goodwill, investments in and advances to associates and joint ventures, net pension assets, noncurrent asset held for sale and net deferred tax assets.
(b)Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, pension liabilities and obligations under finance lease.

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	2017					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱1,734,939,538	₱97,241,868	₱634,017,925	₱43,147,661	₱93,887,144	₱2,603,234,136
Results						
Income before other income (expenses) and income tax	581,025,420	26,150,744	247,047,951	5,785,167	14,095,606	874,104,888
Equity in net loss of associates and joint ventures	(242,075,502)	–	–	–	–	(242,075,502)
Interest expense	(65,724,096)	–	(24,993)	(9,955)	–	(65,759,044)
Effect of derecognition of a subsidiary	(60,829,455)	–	–	–	–	(60,829,455)
Interest income	2,646,792	72,610	145,047	23,551	38,266	2,926,266
Other income	103,820,586	78,310	766,625	20,536	28,163	104,714,220
Provision for income tax	(93,493,682)	–	–	–	–	(93,493,682)
Net Income	₱225,370,063	₱26,301,664	₱247,934,630	₱5,819,299	₱14,162,035	₱519,587,691
EBITDA						₱1,298,327,425

	2017					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[(a)]	₱8,385,870,648	₱49,589,935	₱900,604,541	₱51,206,683	₱121,181,045	₱9,508,452,852
Goodwill	223,777,646	–	–	–	–	223,777,646
Investments in and advances to associates and joint ventures (see Note 12)	1,335,509,410	–	–	–	–	1,335,509,410
Pension assets - net	2,763,398	–	–	–	–	2,763,398
Deferred tax assets - net	14,806,095	316,278	342,397	47,851	55,047	15,567,668
Total Assets	₱9,962,727,197	₱49,906,213	₱900,946,938	₱51,254,534	₱121,236,092	₱11,086,070,974
Segment liabilities[(b)]	450,172,483	17,560,937	42,558,090	5,501,049	23,483,285	539,275,844
Interest-bearing loans and borrowings	1,320,200,000	–	–	–	–	1,320,200,000
Bonds payable	2,947,028,638	–	–	–	–	2,947,028,638
Pension liabilities	4,801,402	666,374	429,565	149,779	40,833	6,087,953
Obligations under finance lease	11,214,647	–	172,021	–	–	11,386,668
Total Liabilities	₱4,733,417,170	₱18,227,311	₱43,159,676	₱5,650,828	₱23,524,118	₱4,823,979,103
Other Segment Information						
Capital expenditures for property and equipment						₱983,453,678
Depreciation and amortization						319,508,317
Noncash expenses other than depreciation and amortization						80,718,164

[(a)] *Segment assets exclude goodwill, investments in and advances to associates and joint ventures, net pension assets and net deferred tax assets.*
[(b)] *Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, pension liabilities and obligations under finance lease.*

4. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes. The estimates used are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements, giving due consideration to materiality. Actual results could differ from such estimates.

The Group believes the following represents a summary of these significant judgments, estimates an assumptions and related impact and associated risks in its consolidated financial statements.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Determination of Control Arising from Management Contracts. The Parent Company has management contracts with STI Diamond and STI Caloocan. Management has concluded that the Parent Company, in substance, has the power to direct their relevant activities and has the means to obtain the majority of the benefits of STI Diamond and STI Caloocan, both non-stock corporations, through the management contracts. Management has assessed that it has control of STI Diamond and STI Caloocan and accordingly, consolidates the two entities effective from the date control was obtained.

In August 2016, the management contract between the Parent Company and STI Diamond was terminated. Any rights to the residual interest in STI Diamond were transferred to STI Novaliches resulting in the deconsolidation of STI Diamond (see Note 19).

Classification and Measurement of Financial Assets (Upon Adoption of PFRS 9)

a. *Contractual Cash Flows Assessment*

For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset if there are payments of principal or amortization of the premium/discount. "Interest" is defined as the compensation for the time value of money and credit risk although it can also include compensation for other lending risks such as liquidity, administrative costs and profit margin.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

b. *Evaluation of Business Model in Managing Financial Instruments*

The Group determines its business model at the level that best reflects how it manages financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis but at a higher level of aggregated portfolios.

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group, various risks and the expected frequency, value, timing, as well as the manner of compensation for them.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Estimating Allowance for Doubtful Account

Upon Adoption of PFRS 9

a. *Measurement of ECL*

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the credit-adjusted effective interest rate.

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of default*
  The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD.

- *Loss given default*
  LGD represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money.

- *Exposure at default*
  EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

Receivables, net of ECL, amounted to ₱420.8 million as at March 31, 2019 (see Note 6). Provision for ECL on receivables recognized in the consolidated financial statements amounted to ₱61.6 million in 2019 (see Notes 6 and 25).

b. *Simplified approach for receivables from students*

The Group applies the simplified approach to receivables from students. The Group develops loss rates based on days past due for each grouping of receivables based on school term. The methodology is initially based on the Group's historical observed default rates. The Group will then adjust the historical credit loss experience using forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The Group's impairment calculations are outputs of statistical models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the impairment models that are considered accounting judgments and estimates include:

- The Group's criteria for defining default and for assessing if there has been a significant increase in credit risk;
- The segmentation of financial assets when impairment is assessed on a collective basis;
- The choice of inputs and the various formulas used in the impairment calculation;
- Determination of relationships between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the impairment models.

It is the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. There have been no significant changes in estimation techniques or significant assumptions used in the ECL models.

c. *Incorporation of forward-looking information*

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: unemployment and inflation rates. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of a default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

Prior to PFRS 9 Adoption

The Group reviews its receivables and advances to associates and joint ventures and other related parties at each reporting date to assess whether an allowance for impairment loss should be recorded in the consolidated statement of financial position. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant receivables and advances, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the receivables and advances since it was granted or acquired.

Receivables, net of allowance for doubtful accounts, amounted to ₱413.3 million as at March 31, 2018 (see Note 6). Provision for doubtful accounts recognized in the consolidated financial statements amounted to ₱76.9 million and ₱66.1 million in 2018 and 2017, respectively (see Notes 6 and 25).

Revenue Recognition Upon Adoption of PFRS 15

a. *Tuition and other school fees, educational services and royalty fees over time*

   The Group concluded that tuition and other school fees educational services, and royalty fees are to be recognized over time using the output method on the basis of time lapsed over the service period as it provides a representation of the Group's performance in transferring control of the services to the students and franchisees, respectively because the benefits are simultaneously received and consumed as the services are provided by the Group.

b. *Sale of educational materials and supplies at point in time*

   Revenue from the sale of educational materials and supplies is recognized at the point in time when the control of the asset is transferred to the customer, generally upon receipt of the goods by franchisees and students. It is also the point in which the customer has a present right to payment for the asset and the Group has transferred physical possession of the asset.

Significant Influence on an Associate. The Parent Company has an equity interest of 5.05% in STI Holdings (see Note 12). Management has assessed that it has significant influence by virtue of its pooling agreement with other stockholders of STI Holdings owning 31.12% of the voting stock of STI Holdings resulting in a total voting power of 36.19%. Under this agreement, the Parent Company and the stockholder will pool their shares in STI Holdings and vote as a block in all matters that would require a vote of the shareholders and the BOD. Accordingly, the Parent Company has the power to participate in the financial and operating policy decisions of STI Holdings and accounts for the said investment as an associate.

Noncurrent Asset Held for Sale. On June 27, 2017, STI ESG's BOD approved the disposition of STI ESG's shares in Maestro Holdings to enable STI ESG to focus on its core business of offering educational services. Management considered the investment in the shares of Maestro Holdings to meet the criteria to be classified as held for sale for the following reasons:

- The BOD approved the disposition of the shares in Maestro Holdings
- The investment in the shares of Maestro Holdings is available for immediate sale in its present condition
- The shares will be sold at a price approximating its current fair value
- Actions to locate a buyer and complete the sale have been initiated
- Management expects to complete the sale within one year from the date of classification

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if there is sufficient evidence that the Group remains committed to its plan to sell the asset.

As a result of the classification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for the investment in Maestro Holdings. The carrying value as at June 30, 2017, which is the date of reclassification of the noncurrent asset held for sale, amounted ₱716.6 million (see Notes 9 and 12).

As at March 21, 2019, management reassessed the classification of its investment in Maestro Holdings and still assessed it to be held for sale. Management has ongoing discussions with potential buyers and expects to complete the sale within one year from March 31, 2019 (see Note 9).

As at March 31, 2019 and 2018, there was no write-down of the noncurrent asset held for sale as the carrying amount did not fall below its fair value less costs to sell. Condensed financial information of Maestro Holdings as at and for the three months ended June 30, 2017 are disclosed in Note 12.

Contingencies. The Group is currently a party in a number of cases involving claims and disputes related to the collection of receivables and labor cases. The Group's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside legal counsels handling defense in these matters and is based upon an analysis of potential results. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and are of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the consolidated financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 33).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating Useful Lives of Nonfinancial Assets. Management determines the estimated useful lives and the related depreciation and amortization charges for its property and equipment, investment properties, excluding land, and intangible assets based on the period over which the property and equipment, investment properties and intangible assets are expected to provide economic benefits. Management's estimation of the useful lives of property and equipment, investment properties and intangible assets is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets while for intangible assets with a finite life, estimated useful life is based on the economic useful benefit of the intangible assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. A reduction in the estimated useful lives of property and equipment, investment properties and intangible assets would increase recorded expenses and decrease noncurrent assets.

There was no change in the estimated useful lives of the Group's property and equipment, investment properties and intangible assets in 2019 and 2018.

The carrying values of nonfinancial assets subject to depreciation and amortization are as follows:

	2019	2018
Property and equipment (see Note 10)	**₱4,849,841,742**	₱3,137,685,997
Investment properties (see Note 11)	**497,710,588**	526,238,588
Intangible assets (see Note 15)	**3,332,089**	12,965,479

Impairment of Nonfinancial Assets. PFRS requires nonfinancial assets to be tested for impairment when certain impairment indicators are present, irrespective of whether there are any indications of impairment. Nonfinancial assets include property and equipment, investment properties, investment in and advances to associates and joint ventures and intangible assets and other noncurrent assets.

Management is required to make estimates and assumptions to determine the future cash flows to be generated from the continued use and ultimate disposition of these assets in order to determine the value of these assets. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. Future adverse events may cause management to conclude that the affected assets are impaired and may have a material impact on the financial condition and results of operations of the Group. The carrying value of property and equipment, investment properties, investment in and advances to associates and joint ventures and intangible assets and other noncurrent assets are disclosed in Notes 10, 11, 12 and 15, respectively. There were no impairment losses in 2019, 2018 and 2017.

Goodwill. Acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date. It also requires the acquirer to recognize any goodwill as the excess of the acquisition cost over the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The Group's business acquisitions have resulted in goodwill which is subject to an annual impairment testing. This requires an estimation of the value in use of the CGUs to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The recoverable amounts of CGUs have been determined based on the value in use calculations using cash flow projections covering a five-year period based on long-range plans approved by management.

Management used an appropriate discount rate for cash flows equal to the prevailing rates of return for a group having substantially the same risks and characteristics. Management used the weighted average cost of capital wherein the source of the costs of equity and debt financing are weighted. The weighted average cost of capital is the overall required return on the Group. Pre-tax discount rates of 11.55% to 12.29% were used in 2019 and 11.50% to 12.30% in 2018. The growth rate used in extrapolating cash flows beyond the period covered by the Group's recent budgets was 5%.

Impairment testing as at March 31, 2019 and 2018 showed that the CGUs' recoverable amounts were higher than their carrying amounts except for the Goodwill related to STI Tuguegarao and STI Pagadian. For the year ended March 31, 2019, the Group recognized impairment loss on Goodwill related to these CGUs since their recoverable amounts were lower compared to their carrying amounts. These were assessed as impaired due to recurring losses. Hence, provision for impairment in value was recognized for the goodwill assigned to STI Tuguegarao and STI Pagadian aggregating to ₱17.0 million and nil for the years ended March 31, 2019 and 2018, respectively. Goodwill amounted to ₱208.5 million and ₱225.6 million as at March 31, 2019 and 2018, respectively (see Note 15).

Realizability of Deferred Tax Assets. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of NOLCO to the extent that it is probable that taxable profit will be available against which deductible temporary differences and carryforward benefits of NOLCO can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Deferred tax assets recognized as at March 31, 2019 and 2018 are disclosed in Note 29 to the consolidated financial statements. Unrecognized deferred tax assets on NOLCO and other losses of certain subsidiaries amounted to ₱94.7 million and ₱81.4 million as at March 31, 2019 and 2018, respectively.

Pension Cost. The determination of the obligation and cost for pension benefits is dependent on the selection of certain assumptions provided by the Group to its actuaries in calculating such amounts. Those assumptions were described in Note 27 and included among others, discount rate and future salary increases. In accordance with Revised PAS 19, *Employee Benefits*, actual results that differ from the Group's assumptions are included in OCI and are not reclassified to profit or loss in subsequent periods. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other pension obligations.

The carrying value of net pension assets amounted to nil and ₱53.5 million as at March 31, 2019 and 2018, respectively. The carrying value of net pension liabilities amounted to ₱33.3 million and ₱4.7 million as at March 31, 2019 and 2018, respectively (see Note 27).

5. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand and in banks	**₱321,478,088**	₱593,902,397
Cash equivalents	**79,759,973**	1,023,489,068
	₱401,238,061	₱1,617,391,465

Cash in banks earn interest at their respective deposit rates. Cash equivalents are short-term investments which are made for varying periods of up to three months, depending on the immediate cash requirements of the Group, and earn interest at their respective short-term investment rates.

Interest earned from cash in banks and cash equivalents amounted to ₱15.9 million, ₱26.5 million and ₱1.4 million in 2019, 2018 and 2017, respectively (see Note 22).

6. **Receivables**

This account consists of:

	2019	2018
Tuition and other school fees	**₱460,896,259**	₱381,792,196
Educational services	**54,755,086**	40,014,195
Rent, utilities and other related receivables	**31,226,307**	32,483,536
Advances to officers and employees (see Note 30)	**17,540,523**	20,389,150
Dividends receivable (see Note 37)	**804,637**	–
Current portion of advances to associates, joint ventures and other related parties (see Note 30)	**–**	143,571
Others	**18,822,102**	24,647,005
	584,044,914	499,469,653
Less allowance for ECL/doubtful accounts	**163,201,256**	86,184,745
	₱420,843,658	₱413,284,908

The terms and conditions of the receivables are as follows:

a. Tuition and other school fees include receivables from students, DepEd and CHED. These receivables are noninterest-bearing and are normally collected on or before the date of major examinations while receivables from DepEd and CHED are expected to be collected within the next reporting period.

b. Educational services receivables pertain to receivables from franchisees arising from educational services, royalty fees and other charges. These receivables are generally noninterest-bearing and are normally collected within 30 days. Interest is charged on past due accounts.

   Interest earned from past due accounts amounted to ₱0.3 million, ₱0.6 million and ₱1.5 million in 2019, 2018 and 2017, respectively (see Note 22).

c. Rent, utilities and other related receivables are normally collected within 30 days.

d. Advances to officers and employees are normally liquidated within one month.

e. For terms and conditions relating to advances to associates, joint ventures and other related parties, refer to Note 30.

f. Other receivables mainly include receivables from a former franchisee, vendors and SSS amounting to ₱1.6 million, ₱5.4 million and ₱3.0 million, respectively, as at March 31, 2019 and amounting to ₱1.6 million, ₱4.4 million and ₱2.8 million, respectively, as at March 31, 2018. These receivables are expected to be collected within the next reporting period.

The movements in the allowance for ECL/doubtful accounts are as follows:

	2019		
	Tuition and Other School Fees	**Others**	**Total**
Balance at beginning of year, as previously stated	**₱83,424,295**	**₱2,760,450**	**₱86,184,745**
Effect of adoption of PFRS 9 (see Note 2)	**96,830,537**	**–**	**96,830,537**
Balance at beginning of the year, as restated	**180,254,832**	**2,760,450**	**183,015,282**
Provisions (see Note 25)	**61,448,754**	**115,513**	**61,564,267**
Write-off	**(81,378,293)**	**–**	**(81,378,293)**
	₱160,325,293	**₱2,875,963**	**₱163,201,256**

	2018		
	Tuition and Other School Fees	Others	Total
Balance at beginning of year	₱76,886,691	₱2,647,537	₱79,534,228
Provisions (see Note 25)	76,800,914	112,913	76,913,827
Write-off	(70,263,310)	–	(70,263,310)
	₱83,424,295	₱2,760,450	₱86,184,745

7. Inventories

This account consists of:

	2019	2018
At net realizable values:		
Educational materials	**₱135,586,473**	₱122,417,691
Promotional materials	**14,530,577**	11,048,596
School materials and supplies	**1,641,734**	1,399,426
	₱151,758,784	₱134,865,713

The cost of inventories amounted to ₱162.7 million and ₱145.8 million as at March 31, 2019 and 2018, respectively. Allowance for inventory obsolescence amounted to ₱10.9 million as at March 31, 2019 and 2018. Provision for inventory obsolescence resulting from the excess of cost over the net realizable value of inventories amounted to ₱0.04 million, ₱1.1 million and nil in 2019, 2018 and 2017, respectively (see Note 25).

Inventory items amounting to nil, ₱0.8 million and nil were written-off in 2019, 2018 and 2017, respectively.

Inventories charged to cost of educational materials and supplies sold amounted to ₱113.9 million, ₱119.3 million and ₱115.4 million in 2019, 2018 and 2017, respectively (see Note 24).

Educational materials include the inventory of school uniforms amounting to ₱124.4 million and ₱113.0 million as at March 31, 2019 and 2018, respectively. This also includes textbooks and other educational-related materials amounting to ₱11.2 million and ₱9.4 million as at March 31, 2019 and 2018, respectively.

Promotional materials primarily pertain to marketing materials and proware materials amounting to ₱5.7 million and ₱8.8 million, respectively, as at March 31, 2019 and ₱3.6 million and ₱7.4 million, respectively, as at March 31, 2018.

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2019	2018
Prepaid taxes	**₱58,773,831**	₱73,111,195
Prepaid rent	**5,782,887**	6,383,872
Excess contributions to CEAP (see Note 27)	**3,102,625**	3,518,596
Software maintenance cost	**2,273,472**	2,205,737
Prepaid subscriptions and licenses	**1,549,762**	9,006,827
Prepaid insurance	**462,781**	514,357
Others	**1,967,740**	1,787,870
	₱73,913,098	₱96,528,454

Prepaid taxes represent input Value-Added Tax (VAT), prepaid business and real property taxes. Most of the input VAT are from the purchase of uniforms and acquisition of a lot in Iloilo City. STI ESG entered into a contract to sell in January 2018 for the acquisition of a lot situated at Barangay San Rafael, Iloilo City from which STI ESG recognized input VAT amounting to ₱22.0 million. This lot will be the future site of STI Iloilo. Prepaid business and real property taxes are recognized as expense over the period of coverage.

Prepaid rent represents advance rent paid for the lease of land and building spaces which are applied to the monthly rental in accordance with the terms of the lease agreements.

Excess contributions to Catholic Education Association of the Philippines Retirement Plan (CEAP) pertain to contributions made by De Los Santos-STI College and STI QA to CEAP which are already considered forfeited pension benefits of those employees who can no longer avail their pension benefits either because they did not meet the required tenure of 10 years or they did not reach the retirement age of 60 when they left the service or when De Los Santos-STI College or STI QA has already advanced the benefits of qualified employees. The excess contributions will be offset against De Los Santos-STI College's and STI QA's future required contributions to CEAP.

Software maintenance cost includes annual support and maintenance charges for the use of accounting and enrollment systems which are amortized in accordance with the terms of the agreements.

Prepaid subscriptions and licenses as at March 31, 2019 primarily pertain to Adobe Acrobat license subscriptions, while the March 31, 2018 balance includes Microsoft license subscriptions. Both subscriptions are recognized as expense over the period of coverage.

Prepaid insurance includes fire insurance coverage on buildings, including equipment and furniture, health coverage of employees and life and accident insurance of the students which were paid in advance and are recognized as expense over the period of the coverage, which is normally within the next reporting period.

9. Noncurrent Asset Held for Sale

Maestro Holdings

Noncurrent asset held for sale amounting to ₱716.6 million, as at March 31, 2019 and 2018, represents the carrying value of STI ESG's 20% ownership in Maestro Holdings. Maestro Holdings owns 100% of PhilPlans, 99.89% of PhilhealthCare, Inc. (PhilCare), 70.6% of Philippine Life Financial Assurance Corporation (PhilLife) and 100% of Banclife Insurance Co. Inc. (Banclife). On June 27, 2017, STI ESG's BOD approved the disposal of its 20% stake in Maestro Holdings to enable the Group to focus on its core business of offering educational services. Management has ongoing discussions with potential buyers and expects to complete the sale within one year from March 31, 2019.

With the classification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for its investment in Maestro Holdings on June 30, 2017 (see Note 12).

As at March 31, 2019 and 2018, there was no write-down of the non-current asset held for sale as the carrying amount did not fall below its fair value less cost to sell.

Condensed financial information of Maestro Holdings as at and for the three months ended June 30, 2017 are disclosed in Note 12.

STI College Tagum, Inc.

On March 27, 2019, STI ESG and STI College Tagum, Inc., the assignee, entered into a deed of assignment to assign, sell, transfer and set over unto the assignee, the assets of STI Tagum, a branch of STI ESG for a sum of ₱7.0 million. The sale is effective on April 1, 2019.

10. **Property and Equipment**

The rollforward analyses of this account are as follows:

	2019									
	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Construction-in-Progress	Total
Cost, Net of Accumulated Depreciation and Amortization										
Balance at beginning of year	₱2,303,062,317	₱2,833,240,358	₱98,294,053	₱53,362,705	₱65,679,119	₱21,375,401	₱52,702,795	₱13,031,566	₱756,857,644	₱6,197,605,958
Additions (see Note 37)	–	950,514,215	186,837,611	45,616,395	18,850,215	3,306,898	46,207,970	11,112,727	517,575,408	1,780,021,439
Reclassification	–	752,621,578	(19,634)	233,814	4,252,593	–	(258,317)	27,611	(756,857,645)	–
Depreciation and amortization (see Notes 23 and 25)	–	(167,528,524)	(47,752,013)	(26,480,830)	(18,966,037)	(8,093,369)	(32,227,094)	(6,100,064)	–	(307,147,931)
Balance at end of year	₱2,303,062,317	₱4,368,847,627	₱237,360,017	₱72,732,084	₱69,815,890	₱16,588,930	₱66,425,354	₱18,071,840	₱517,575,407	₱7,670,479,466
At March 31, 2019										
Cost	₱2,303,062,317	₱5,371,408,503	₱640,109,483	₱289,100,454	₱329,391,421	₱62,247,061	₱384,068,469	₱118,963,802	₱517,575,407	₱10,015,926,917
Accumulated depreciation and amortization	–	1,002,560,876	402,749,466	216,368,370	259,575,531	45,658,131	317,643,115	100,891,962	–	2,345,447,451
Net book value	₱2,303,062,317	₱4,368,847,627	₱237,360,017	₱72,732,084	₱69,815,890	₱16,588,930	₱66,425,354	₱18,071,840	₱517,575,407	₱7,670,479,466

	2018									
	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Construction-in-Progress	Total
Cost, Net of Accumulated Depreciation and Amortization										
Balance at beginning of year	₱2,083,048,682	₱2,890,942,852	₱107,761,154	₱67,315,803	₱21,512,031	₱10,655,437	₱39,605,444	₱14,217,122	₱30,414,181	₱5,265,472,706
Additions (see Note 37)	220,013,635	69,549,139	33,460,371	12,826,325	53,110,899	18,602,166	39,725,156	5,501,869	756,857,644	1,209,647,204
Disposal	–	–	(1,205)	–	–	(330,000)	(5)	–	–	(331,210)
Addition as a result of business combination (see Note 38)	–	–	462,403	14,750	–	–	923,020	129,718	–	1,529,891
Reclassification	–	27,976,631	291,650	–	2,171,867	–	16,200	(42,167)	(30,414,181)	–
Depreciation and amortization (see Notes 23 and 25)	–	(155,228,264)	(43,680,320)	(26,794,173)	(11,115,678)	(7,552,202)	(27,567,020)	(6,774,976)	–	(278,712,633)
Balance at end of year	₱2,303,062,317	₱2,833,240,358	₱98,294,053	₱53,362,705	₱65,679,119	₱21,375,401	₱52,702,795	₱13,031,566	₱756,857,644	₱6,197,605,958
At March 31, 2018										
Cost	₱2,303,062,317	₱3,668,272,709	₱457,341,957	₱243,371,160	₱322,430,354	₱65,142,560	₱338,926,996	₱107,851,076	₱756,857,644	₱8,263,256,773
Accumulated depreciation and amortization	–	835,032,351	359,047,904	190,008,455	256,751,235	43,767,159	286,224,201	94,819,510	–	2,065,650,815
Net book value	₱2,303,062,317	₱2,833,240,358	₱98,294,053	₱53,362,705	₱65,679,119	₱21,375,401	₱52,702,795	₱13,031,566	₱756,857,644	₱6,197,605,958

The cost of fully depreciated property and equipment still being used by the Group amounted to ₱851.7 million and ₱781.4 million as at March 31, 2019 and 2018, respectively. There were no idle assets as at March 31, 2019 and 2018.

Additions

Acquisitions. In January 2017, STI ESG purchased three parcels of land in P. Celle corner EDSA, Pasay City with a combined land area of 3,911 square meters for a total cost of ₱552.4 million. As at March 31, 2019 and 2018, the aggregate cost of the land amounted to ₱601.8 million inclusive of taxes, registration and other fees related to the acquisition. This will be the site of the nine-storey STI Academic Center Pasay-EDSA, with roof deck, which is expected to accommodate up to 6,500 senior high school and college students.

On July 5, 2017, STI ESG executed a Deed of Absolute Sale with Abacus Global Technovisions, Inc. for the purchase of a parcel of land with an area of 2,873 square meters situated at Poblacion, City of Lipa, Province of Batangas for a total consideration of ₱86.2 million. On the same date, STI ESG executed Deeds of Absolute Sale with Asean Commodity Enterprises for the purchase of land aggregating to 349 square meters at Poblacion, City of Lipa, Province of Batangas for a total consideration of ₱10.5 million. As at March 31, 2019 and 2018, the aggregate cost of the land amounted to ₱99.0 million inclusive of taxes, registration and other fees related to the acquisition. This is the current site of STI Lipa.

On September 30, 2017, STI ESG purchased a parcel of land located along Rizal Street, Legazpi City with an area of 4,149 square meters for a total cost of ₱74.7 million. As at March 31, 2019 and 2018, the aggregate cost of the land amounted to ₱76.4 million inclusive of taxes, registration and other fees related to the acquisition. This will be the future site of STI Academic Center Legazpi.

Property and Equipment under Construction. As at March 31, 2018, the construction-in-progress account includes costs related to the construction of school buildings which will be the new sites of STI Lipa, STI Sta. Mesa, STI Pasay-EDSA and STI San Jose del Monte. The related contract costs amounted to ₱2,676.8 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects. STI Lipa started operations in the new building in August 2018, specifically from the ground up to the fourth floor. The remaining works from the fifth floor up to the roof deck and the basketball gymnasium at the seventh floor were completed in March 2019. The school building for STI San Jose del Monte was completed in March 2019.

The newly constructed buildings of STI Sta. Mesa and STI Pasay-EDSA have been substantially completed as at March 31, 2019. The construction-in-progress account as at March 31, 2019 is substantially attributed to the portions of the school buildings of STI Sta. Mesa and STI Pasay-EDSA with remaining ongoing works. These schools are already accepting tertiary and senior high school students for the first semester of SY 2019-2020.

Capitalized Borrowing Costs. Total borrowing costs capitalized as part of property and equipment amounted to ₱35.5 million and ₱22.9 million in 2019 and 2018, respectively. The average interest capitalization rate in 2019 and 2018 is 5.96% which was the effective rate of the borrowings.

Finance Leases
Certain transportation equipment were acquired under finance lease agreements. The net book value of these equipment amounted to ₱14.7 million and ₱18.8 million as at March 31, 2019 and 2018, respectively (see Note 28).

Collaterals
Transportation equipment, which were acquired under finance lease, are mortgaged as security for the related finance lease liabilities as at March 31, 2019 and 2018.

11. **Investment Properties**

The rollforward analyses of this account are as follows:

	2019		
	Land	**Condominium Units and Buildings**	**Total**
Cost:			
Balance at beginning and end of year	**₱23,986,424**	**₱636,233,550**	**₱660,219,974**
Accumulated depreciation:			
Balance at beginning of year	**–**	**109,994,962**	**109,994,962**
Depreciation (see Note 25)	–	**28,528,000**	**28,528,000**
Balance at end of year	–	**138,522,962**	**138,522,962**
Net book value	**₱23,986,424**	**₱497,710,588**	**₱521,697,012**

	2018		
	Land	Condominium Units and Buildings	Total
Cost:			
Balance at beginning and end of year	₱23,986,424	₱636,233,550	₱660,219,974
Accumulated depreciation:			
Balance at beginning of year	–	81,364,835	81,364,835
Depreciation	–	28,630,127	28,630,127
Balance at end of year	–	109,994,962	109,994,962
Net book value	₱23,986,424	₱526,238,588	₱550,225,012

The fair values of investment properties were determined by an independent professionally qualified appraiser accredited by the SEC. The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Land

Level 3 fair value of land was derived using the market approach. The market approach is a comparative approach to value which considers the sales of similar or substitute properties and related market data and establishes a value estimate by process involving comparison. Listings and offerings may also be considered. Sales prices of comparable land in close proximity (external factor) are adjusted for differences in key attributes (internal factors) such as location and size.

Using the latest available valuation report as at March 31, 2018, the following shows the valuation techniques used in measuring the fair value of the land, as well as the significant unobservable inputs used:

Fair value	₱118,072,000
Valuation technique	Market approach
Unobservable input	Net price per square meter
Relationship of unobservable inputs to fair value	The higher the price per square meter, the higher the fair value

The highest and best use of the land is commercial utility.

Condominium Units and Buildings
Level 3 fair values of condominium units and buildings have also been derived using the market approach. Using the latest available valuation report as at March 31, 2018, the following shows the valuation techniques used in measuring the fair value of the condominium units and buildings, as well as the significant unobservable inputs used:

Fair value	₱1,252,842,000
Valuation technique	Market approach
Unobservable input	Net price per square meter
Relationship of unobservable inputs to fair value	The higher the price per square meter, the higher the fair value

The highest and best use of the condominium units and buildings is commercial utility.

Rental
Rental income earned from investment properties amounted to ₱101.5 million, ₱93.2 million and ₱83.9 million in 2019, 2018 and 2017, respectively (see Note 28). Direct operating expenses, including real property taxes, insurance, janitorial, security services and repairs and maintenance, arising from investment properties amounted to ₱4.6 million, ₱14.4 million and ₱0.8 million in 2019, 2018 and 2017, respectively.

12. Investments in and Advances to Associates and Joint Ventures

The details and movements of this account are as follows:

	2019	2018
Investments at Equity		
Acquisition cost:		
Balance at beginning of year	**₱549,867,252**	₱723,985,378
Reversal	**–**	(43,000)
Reclassification to noncurrent asset held for sale (see Note 9)	**–**	(174,075,126)
Balance at end of year	**549,867,252**	549,867,252

(Forward)

	2019	2018
Accumulated equity in net earnings (losses):		
Balance at beginning of year	**(₱35,482,176)**	₱644,942,552
Equity in net earnings (losses)	**4,716,716**	(218,245,327)
Reclassification to noncurrent asset held for sale (see Note 9)	**–**	(450,634,986)
Dividends received	**(10,998,066)**	(11,544,415)
Balance at end of year	**(41,763,526)**	(35,482,176)
Accumulated share in associates' other comprehensive income (loss):		
Balance at beginning of year	**519,273**	(34,147,169)
Unrealized fair value adjustment on equity investments designated at FVOCI/unrealized mark-to-market gain on AFS financial assets	**1,594**	125,063,735
Remeasurement gain (loss) on pension liability	**(14,818)**	523,527
Remeasurement gain on life insurance reserves	**–**	226,977
Reclassification to noncurrent asset held for sale (see Notes 9 and 20)	**–**	(91,147,797)
Balance at end of year	**506,049**	519,273
Share in associates' other equity reserves:		
Balance at beginning of year	**–**	728,649
Reclassification to noncurrent asset held for sale (see Notes 9 and 20)	**–**	(728,649)
Balance at end of year	**–**	–
	508,609,775	514,904,349
Advances (see Note 30)	**37,868,986**	37,868,986
Less allowance for impairment loss	**37,868,986**	37,868,986
	–	–
	₱508,609,775	₱514,904,349

Movements in the allowance for impairment of investments and advances are as follows:

	2019	2018
Balance at beginning of year	**₱37,868,986**	₱37,277,147
Provision for impairment (see Note 25)	**–**	591,839
Balance at end of year	**₱37,868,986**	₱37,868,986

The equity in net losses amounting to ₱218.2 million for the year ended March 31, 2018 pertains substantially to the share of STI ESG in the loss of PhilPlans for the three-month period ended June 30, 2017, arising from the latter's full recognition of the mandated discount interest rate imposed by the Insurance Commission (IC) on the reserves of pre-need companies. IC is the government regulatory agency supervising pre-need companies. In November 2012, the IC issued Circular Letter 23-2012 relating to the Valuation of Transitory Pre-need Reserves. The circular mandated that for the years 2012-2016, the discount interest rate shall be 8%; for 2017, 7.25%; for 2018, 6.5% and for 2019 onwards, 6%. The purpose of this Circular is to provide regulatory leeway for the old basket of plans previously approved by the SEC when the pre-need companies were under its supervision. In July 2017, PhilPlans opted to have an early adoption of the 6% discount interest rate starting January 2017. This means higher allocation to pre-need reserves from its trust funds, thus recognizing a bigger expense item (see Note 9).

The associates and joint ventures of the Group are all incorporated in the Philippines.

The carrying values of the Group's investments in and advances to associates and joint ventures are as follows:

	2019	2018
Associates:		
STI Holdings	**₱464,431,383**	₱473,032,695
STI Accent	**37,868,986**	37,868,986
STI Alabang	**24,873,546**	23,225,758
GROW	**16,248,742**	15,199,031
Joint venture:		
PHEI	**3,056,104**	3,446,865
	546,478,761	552,773,335
Allowance for impairment	**37,868,986**	37,868,986
	₱508,609,775	₱514,904,349

As at March 31, 2019 and 2018, the carrying amount of the investments in STI Marikina, Synergia, STI Accent and PHNS amounted to nil. The Group received dividends from STI Marikina which was recognized as income amounting to ₱2.0 million and nil in 2019 and 2018, respectively.

Information about associates and indirect associates and their major transactions are discussed below:
Maestro Holdings. Maestro Holdings is a holding company that holds investments in PhilPlans, PhilCare, PhilLife and Banclife. PhilPlans is a leading pre-need company, providing innovative pension, education and life plans. It owns 65% of Rosehills Memorial Management, Inc. (RMMI), a company engaged in the operation and management of a memorial park, memorial and interment services and sale of memorial products. PhilCare is a Health Maintenance Organization (HMO) that provides effective and quality health services and operates through its own clinics and through nationwide accredited clinics and hospitals. PhilLife provides financial services, such as individual, family and group life insurance, investment plans and loan privilege programs. Banclife is formerly engaged in the life insurance business in the Philippines. It ceased operations in March 2013.

Condensed financial information of Maestro Holdings is as follows:

	June 30, 2017	March 31, 2017
Current assets	₱5,324,841,521	₱5,359,021,990
Noncurrent assets	38,954,994,859	39,365,900,062
Current liabilities	(3,822,814,937)	(4,699,748,798)
Noncurrent liabilities	(36,416,273,771)	(35,593,250,762)
Total equity	4,040,747,672	4,431,922,492
Less equity attributable to holders of noncontrolling interests	458,421,345	358,379,894
Equity attributable to equity holders of the parent company	3,582,326,327	4,073,542,598
Proportion of the Group's ownership	20%	20%
Carrying amount of the investment	₱716,586,558	₱814,846,444

	June 30, 2017 (Three months)	March 31, 2017
Revenues	₱1,530,208,762	₱9,074,321,307
Expenses	(2,538,092,480)	(9,301,746,619)
Provision for income tax	(4,384,215)	(991,651,559)
Loss from operation	(1,012,267,933)	(1,219,076,871)
Other comprehensive income (loss)	624,885,148	(665,834,942)
Total comprehensive loss	(387,382,785)	(1,884,911,813)
Less total comprehensive income attributable to equity holders of noncontrolling interests	103,625,679	36,996,581
Total comprehensive loss attributable to equity holders of the parent company	(491,008,464)	(1,921,908,394)
Proportion of the Group's ownership	20%	20%
Share in total income comprehensive income	(₱98,201,693)	(₱384,381,679)

STI Holdings. STI Holdings is a holding company whose primary purpose is to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, pledge, exchange, or otherwise dispose of real properties as well as personal and movable property of any kind and description, including shares of stock, bonds, debentures, notes, evidence of indebtedness and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock, so owned, but not to act as dealer in securities and to invest in and manage any company or institution. STI Holdings aims to focus on education and education-related activities and investments.

In 2017, the Group disposed of a portion of its investment in STI Holdings, or 0.02% interest, resulting in a gain of ₱0.2 million. Condensed financial information of STI Holdings is as follows:

	March 31		
	2019	2018	2017
Current assets	**₱2,258,792,211**	₱3,378,708,853	₱3,914,385,487
Noncurrent assets	**12,516,396,609**	11,045,334,618	10,147,320,903
Current liabilities	**(1,447,858,004)**	(1,190,253,558)	(1,465,466,905)
Noncurrent liabilities	**(4,602,708,217)**	(4,422,644,311)	(4,274,552,054)
Total equity	**8,724,622,599**	8,811,145,602	8,321,687,431
Less:			
Equity attributable to holders of noncontrolling interests	**(7,272,646)**	(100,648,270)	(94,444,400)
STI ESG's cumulative total comprehensive income taken up by STI Holdings	**(4,065,618,985)**	(3,888,525,411)	(3,290,964,411)
Total equity, net of cumulative total comprehensive income taken up by STI Holdings	**4,651,730,968**	4,821,971,921	4,936,278,620
Proportion of the Group's ownership	**5.05%**	5.05%	5.05%
Equity attributable to equity holders of the parent company	**235,025,666**	243,626,978	249,402,250
Excess of acquisition cost over carrying value of net assets	**229,405,717**	229,405,717	229,405,717
Carrying amount of the investment	**₱464,431,383**	₱473,032,695	₱478,807,967

	For Years Ended March 31		
	2019	2018	2017
Revenues	**₱2,752,389,510**	₱3,082,670,946	₱2,932,959,957
Expenses	**(2,317,234,268)**	(2,518,930,204)	(2,341,852,213)
Income from operations	**435,155,242**	563,740,742	591,107,744
Other comprehensive income (loss)	**(69,351,858)**	125,622,640	(151,498,733)
Total comprehensive income	**365,803,384**	689,363,382	439,879,011
Less:			
Comprehensive income attributable to equity holders of non-controlling interest	**(2,129,655)**	(8,013,337)	(7,702,140)
STI ESG's total comprehensive income taken up by STI Holdings	**(335,818,938)**	(597,561,000)	(392,479,257)
Total comprehensive income attributable to equity holders of the parent company net of ESG's total comprehensive income taken up by STI Holdings	**27,854,791**	83,789,045	39,697,614
Proportion of the Group's ownership	**5.05%**	5.05%	5.05%
Share in total income comprehensive income	**₱1,407,345**	₱4,233,387	₱2,005,696

Others. The carrying amount of the Group's investments in STI Alabang, GROW and STI Marikina represents the aggregate carrying values of individually immaterial associates.

The aggregate financial information of individually immaterial associates follows:

	March 31		
	2019	2018	2017
Current assets	**₱168,750,426**	₱151,461,875	₱124,099,948
Noncurrent assets	**48,214,696**	37,978,667	34,475,792
Current liabilities	**(144,719,686)**	(132,038,222)	(112,396,042)
Noncurrent liabilities	**(11,647,634)**	(10,022,871)	(5,400,271)
	₱60,597,802	₱47,379,449	₱40,779,427

	For Years Ended March 31		
	2019	2018	2017
Revenues	**₱459,885,883**	₱393,216,180	₱331,404,510
Expenses	**404,747,328**	391,963,354	303,618,688
Total comprehensive income	**55,138,555**	1,252,826	27,785,822
Share in comprehensive income	**₱3,296,146**	₱457,389	₱6,519,408

STI Accent is engaged in providing medical and other related services. It ceased operations on June 20, 2012 after the contract of usufruct between STI Accent and Dr. Fe Del Mundo Medical Center Foundation Philippines, Inc. to operate the hospital and its related healthcare service businesses was rescinded in May 2012. As at March 31, 2019 and 2018, allowance for impairment loss on the Parent Company's investment in STI Accent and related advances amounted to ₱37.9 million.

For terms and conditions relating to advances to associates and joint ventures, refer to Note 30.

13. **Interest in Joint Ventures**

PHEI

On March 19, 2004, the Parent Company, together with the University of Makati (UMak) and another shareholder, incorporated PHEI in the Philippines. The Parent Company and UMak each owns 40.00% of the equity of PHEI with the balance owned by another shareholder. PHEI is envisioned as the College of Nursing of UMak.

The following are certain key terms under the agreement signed in 2003 by the Parent Company and UMak:

a. The Parent Company shall be primarily responsible for the design of the curriculum for the Bachelor's Degree in Nursing (BSN) and Master's Degree in Nursing Informatics with such curriculum duly approved by the University Council of UMak;

b. UMak will allow the use of its premises as a campus of BSN while the premises of iACADEMY will be the campus of the post graduate degree.

c. Parent Company will recruit the nursing faculty while UMak will provide the faculty for basic courses that are non-technical in nature.

STI-PHNS

On September 16, 2005, GROW and PHNS International Holdings, Inc., a company incorporated in Dallas, Texas, USA, entered into a Joint Venture Agreement (JVA). Under the JVA, the parties have agreed to incorporate a joint venture company in the Philippines and set certain terms with regard to capitalization, organization, conduct of business and the extent of their participation in the management of affairs of the joint venture company for the primary purpose of engaging, directly or indirectly, in the business of medical transcription and other related business in the Philippines. As a result of the JVA, the parties incorporated STI-PHNS where each has a 50.00% ownership of the outstanding capital stock of STI-PHNS.

A Deed of Assignment between GROW and STI ESG was executed on May 5, 2006, to transfer all the rights of GROW in the JVA to the latter.

STI-PHNS ceased operations in 2014. On April 7, 2016, the BOD of STI-PHNS ratified the resolution approving the cessation of the business activities of STI-PHNS effective March 1, 2013 and approved the resolution to shorten the corporate term of STI-PHNS until June 30, 2017. On the same date, the BOD of Summit Technologies, Inc. (Summit) ratified the resolution approving the cessation of operations and closure of the business of Summit effective February 28, 2013 and March 1, 2013, respectively, and approved the resolution to shorten the corporate term of Summit until June 30, 2017. Summit is an 89.51%- subsidiary of STI-PHNS. Summit is primarily engaged in encoding, transcribing, translating or converting information, data, documents, files and records of whatever form into usable electronic information or database for use with software programs or other information or database application. The amendment to the STI-PHNS and Summit's Articles of Incorporation for shortening of the corporate term were approved by the SEC on July 12, 2016 and June 7, 2016, respectively.

The allowance for impairment loss on STI ESG's investment in STI-PHNS amounted to ₱5.6 million as at March 31, 2019 and 2018.

The Group's share in the net losses of its joint ventures amounted to ₱0.4 million and ₱2.2 million for the years ended March 31, 2019 and 2018, respectively, and the share in net earnings amounted to ₱0.5 million for the year ended March 31, 2017, which are all individually immaterial.

14. **Equity Instruments designated at Fair Value through Other Comprehensive Income (FVOCI)/Available-for-sale Financial Assets (AFS)**

This account consists of:

	2019	2018
Quoted equity shares	**₱3,975,280**	₱4,237,200
Unquoted equity shares	**45,802,363**	63,162,515
	₱49,777,643	₱67,399,715

a. Quoted Equity Shares

The quoted equity shares above pertain to listed shares in the PSE, as well as traded club shares. These are carried at fair value with the cumulative changes in fair values presented as a separate component of equity under the "Unrealized fair value adjustment on equity instruments designated at FVOCI/unrealized mark-to-market gain on AFS" account in the consolidated statements of financial position. The fair values of these shares are based on the quoted market price as at the financial reporting date.

Unquoted Equity Shares
Unquoted equity shares pertain to shares which are not listed in a stock exchange.

The Group recognized an increase in the unrealized fair value adjustment on these equity instruments designated at FVOCI amounting to ₱40.2 million on April 1, 2018 as part of the transition adjustments resulting from the effect of adoption of PFRS 9 (see Note 2). On December 12, 2018, De Los Santos-STI College and Metro Pacific Hospital Holdings, Inc. (MPHHI) entered into a deed of absolute sale wherein De Los Santos-STI College sold its 79,399 common shares of stock in De Los Santos Medical Center, Inc. (DLSMC), formerly De Los Santos General Hospital, to MPHHI for a total consideration of ₱39.7 million. Similarly, on February 7, 2019, De Los Santos-STI College and MPHHI entered into another deed of absolute sale wherein De Los Santos-STI College sold its remaining 35,674 common shares of stock in DLSMC to MPHHI for a total consideration of ₱17.8 million. At the date of sale, the fair value of the shares is equal to the total consideration. These transactions resulted in realized fair value gain on financial assets designated at FVOCI amounting to ₱37.1 million which was directly recognized to Retained Earnings.

Dividend income earned from DLSMC shares as equity instruments designated at FVOCI/AFS financial assets amounted to ₱5.5 million, ₱4.4 million and ₱3.3 million in 2019, 2018 and 2017, respectively.

The roll forward analysis of the "Unrealized fair value adjustment on equity instruments designated at FVOCI/unrealized mark-to-market gain on AFS" account as shown in the equity section of the consolidated statements of financial position follows:

	2019	2018
Balance at beginning of year as previously stated	**₱404,391**	(₱24,569)
Effect of adoption of PFRS 9 (see Note 2)	**40,176,348**	–
Balance at beginning of your, as restated	**40,580,739**	(24,569)
Unrealized fair value adjustment on equity instruments designated at FVOCI	**(261,920)**	–
Unrealized mark-to-market gain on AFS financial assets	**–**	428,960
Realized fair value adjustment on disposal of equity instruments designated at FVOCI	**(37,133,649)**	–
Balance at end of year	**₱3,185,170**	₱404,391

b. Pledged Shares

On June 3, 2013, the Parent Company executed a deed of pledge on all of its DLSMC shares in favor of Neptune Stroika Holdings, Inc., a wholly-owned subsidiary of Metro Pacific Investments Corporation (MPIC), to cover the indemnity obligations of the Parent Company enumerated in the investment agreement entered into in 2013 with MPIC. The completion of MPIC's subscription resulted in the cessation of De Los Santos-STI Megaclinic and DLSMC as associates of the Group effective June 2013. Consequently, the Parent Company's effective percentage ownership in DLSMC and De Los Santos - STI Megaclinic was diluted and such was reclassified to equity instruments designated at FVOCI. The carrying value of the pledged investment in DLSMC amounted to ₱29.0 million and ₱25.9 million as at March 31, 2019 and 2018, respectively.

15. Goodwill, Intangible and Other Noncurrent Assets

This account consists of:

	2019	2018
Goodwill	**₱208,519,102**	₱225,554,342
Deposits for asset acquisitions	**231,735,901**	76,270,833
Rental and utility deposits	**55,696,369**	44,272,574
Advances to suppliers	**7,907,102**	153,539,908
Intangible assets	**3,332,089**	12,965,479
Others	**3,906,093**	1,975,185
	₱511,096,656	₱514,578,321

Goodwill
Goodwill acquired through business combinations have been allocated to schools which are considered separate cash-generating units (CGUs).

	2019	2018
STI Caloocan	**₱64,147,877**	₱64,147,877
STI Cubao	**28,327,670**	28,327,670
STI Pasay-EDSA *(formerly STI Makati and STI Taft)*	**22,292,630**	–
STI Novaliches (see Note 19)	**21,803,322**	21,803,322
STI Global City	**11,360,085**	11,360,085
STI Sta. Mesa *(formerly STI Shaw)*	**11,213,342**	11,213,342
STI Lipa	**8,857,790**	8,857,790
STI Ortigas-Cainta	**7,476,448**	7,476,448
STI Dagupan	**6,835,818**	6,835,818
STI Meycauayan	**5,460,587**	5,460,587
STI Tanauan	**4,873,058**	4,873,058
STI Iloilo	**3,806,173**	3,806,173
STI Las Piñas	**2,922,530**	2,922,530
STI Batangas	**2,585,492**	2,585,492
STI Kalibo	**2,474,216**	2,474,216
STI Naga	**2,305,368**	2,305,368
STI Sta. Maria (see Note 38)	**1,776,696**	1,776,696
STI Taft	**–**	19,030,844
STI Tuguegarao	**–**	13,638,360
STI Pagadian	**–**	3,396,880
STI Makati	**–**	3,261,786
	₱208,519,102	₱225,554,342

As a result of the deconsolidation of STI Diamond as discussed in Note 19, the Group reallocated the associated goodwill to STI Novaliches in 2017. The assets and liabilities of STI Diamond have all been transferred to STI Novaliches.

Management performs its impairment test every March 31 for each reporting period for all the CGUs. The recoverable amounts are computed based on value-in-use calculations using cash flow projections. Future cash flows are discounted using a pre-tax discount rate of 11.55% to 12.29% in 2019 (2018: 11.50% to 12.30%). The cash flow projections are based on a five-year financial planning period as approved by senior management. The growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 5.00% in 2019 and 2018. Management used forecasted revenue growth of 3.00% to 49.00% (2018: 2.00% to 32.00%) on most CGUs while management used forecasted revenue growth of 4.00% to 125.00% (2018: 3.00% to 118.00%) on select CGUs with expansion projects in 2019. Provision for impairment on goodwill amounted to ₱17.0 million in 2019 and nil in 2018 and 2017 (see Note 25).

Key assumptions used in the value-in-use calculations
The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

- Forecasted revenue growth - Revenue forecasts are management's best estimates considering factors such as historical/industry trend, target market analysis, government regulations and other economic factors.

- EBITDA margin - It is a measure of a firm's profit that includes all expenses except interest and income tax expenses. It is the difference between operating revenues and operating expenses. Earnings before tax differ for each CGU and are based on historical data and future plans for each CGU which may be affected by expected capital expenditures and number of projected students.

- Discount rate - Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The Group used the WACC rate as affected by the beta of companies with similar activities and capital structure with the CGUs. WACC is also affected by costs of debt and capital based on average lending rates for a 10-year term due to the assumption that the CGUs will exist beyond 10 years.

- Long-term growth rate - Rates are based on published industry research.

Sensitivity to changes in assumptions
With regard to the assessment of value-in-use of the cash-generating units, management believes that a reasonably possible change in the assumptions would not cause the carrying values of the cash-generating units to materially exceed their recoverable amounts.

Deposits for Asset Acquisitions
This account consists of deposits for the purchase of a property in Iloilo and shares of NAMEI.

The property in Iloilo has been identified as the future site of STI Academic Center Iloilo and is the subject of a Contract to Sell. As discussed in Note 33, monthly installments of ₱7.1 million are being made up to June 2019. The rights, title and interest in the property shall be conveyed to STI ESG upon full payment of the purchase price and upon full compliance with all the obligations as stipulated in the Contract to Sell.

On February 15, 2019, STI ESG and the shareholders of NAMEI Polytechnic Institute, Inc. and NAMEI Polytechnic Institute of Mandaluyong, Inc. (collectively referred to as “NAMEI”), entered into a share purchase agreement for the sale of approximately 92% of the 50,000 outstanding shares of NAMEI Polytechnic Institute, Inc. and 99% of the 10,000 outstanding shares of NAMEI Polytechnic Institute of Mandaluyong, Inc. Both shares are with par value of ₱10.0 each. In January 2019, STI ESG made a deposit of ₱14.0 million which was held in escrow with a law firm. This amount is to be treated as part of the purchase price at closing date. Another ₱36.0 million was paid on February 15, 2019. On the same date, STI ESG paid ₱10.0 million to NAMEI as deposit for future subscription in shares of NAMEI and another ₱10.0 million representing STI ESG’s share in the transaction costs and all other fees and expenses to be incurred under the agreement. In relation to this, STI ESG recognized ₱70.0 million as deposit for the purchase of shares of NAMEI. On April 1, 2019, Deeds of Assignment were executed by the shareholders of NAMEI transferring and conveying ownership of 94% of NAMEI Polytechnic Institute, Inc. and 100% ownership of NAMEI Polytechnic Institute of Mandaluyong, Inc. to STI ESG. NAMEI will become a subsidiary of STI ESG effective April 1, 2019.

Rental and Utility Deposits
This account includes security deposits paid to utility companies and for school and office space rentals to be applied against future lease payments in accordance with the respective lease agreements.

Advances to Suppliers
Advances to suppliers primarily pertain to advance payments made in relation to the acquisition of property and equipment and construction of buildings (see Note 10). These will be reclassified to the "Property and equipment" account when the goods are received or the services are rendered.

Intangible Assets
Intangible assets pertain to the cost of the Group's accounting and school management software which are being amortized over their estimated useful lives.

The roll forward analyses of this account follow:

	2019	2018
Cost, net of accumulated amortization:		
Balance at beginning of year	**₱12,965,479**	₱22,395,838
Additions	**126,000**	314,721
Amortization (see Notes 23 and 25)	**(9,759,390)**	(9,745,080)
	₱3,332,089	₱12,965,479
Cost	**₱39,000,083**	₱38,874,083
Accumulated amortization	**(35,667,994)**	(25,908,604)
Net carrying amount	**₱3,332,089**	₱12,965,479

16. Accounts Payable and Other Current Liabilities

This account consists of:

	2019	2018
Accounts payable (see Note 30)	**₱481,162,236**	₱175,383,459
Accrued expenses:		
School-related expenses	**39,896,759**	41,154,594
Rent	**30,093,370**	34,956,490
Contracted services	**27,635,392**	22,052,704
Salaries, wages and benefits	**15,129,693**	16,610,057
Interest	**11,435,922**	9,283,548
Utilities	**5,320,924**	5,133,738
Advertising and promotion	**2,984,643**	3,537,635
Others	**3,406,086**	6,159,565
Statutory payables	**21,363,074**	20,737,780
Dividends payable	**12,431,266**	13,813,740
Current portion of payable to STI Diamond (see Note 19)	**11,727,550**	7,053,619
Network events fund	**7,514,345**	9,756,557
Student organization fund	**6,575,662**	5,398,120
Current portion of refundable deposits (see Note 19)	**5,508,189**	5,432,332
Others	**1,707,123**	10,111,060
	₱683,892,234	₱386,574,998

The terms and conditions of the liabilities are as follows:

a. Accounts payable are noninterest-bearing and are normally settled within a 30 to 60-day term.

b. Accrued expenses, network events fund, student organization fund, and other payables are expected to be settled within the year.

c. Statutory payables primarily include taxes and other payables to government agencies. These are normally settled within 30 days.

d. Dividends payable pertains to dividend declared and are due on demand.

e. Refundable deposits pertain to security deposits received from existing lease agreements and are expected to be settled in accordance with the terms of the lease agreements.

f. For terms and conditions of payables to related parties, refer to Note 30.

17. **Interest-bearing Loans and Borrowings**

This account consists of:

	2019	2018
Corporate Notes Facility:		
Current portion	**₱240,000,000**	₱134,400,000
Noncurrent portion	**360,000,000**	600,000,000
	₱600,000,000	₱734,400,000

Corporate Notes Facility
On March 20, 2014, STI ESG entered into a Corporate Notes Facility Agreement (Credit Facility Agreement) with China Banking Corporation (China Bank) granting STI ESG a credit facility amounting to ₱3,000.0 million with a term of either five or seven years. The facility is available in two tranches of ₱1,500.0 million each. The net proceeds from the issuance of the notes were used for capital expenditures and other general corporate purposes.

On May 9, 2014, the first drawdown date, STI ESG elected to have a seven-year term loan with floating interest based on the 1-year PDST-F plus a margin of two percent (2.00%) per annum, which interest rate shall in no case be lower than the BSP overnight rate plus a margin of three-fourths percent (0.75%) per annum, which is subject to repricing.

In 2015, the Parent Company availed a total of ₱1,200.0 million loans with interest ranging from 4.34% to 4.75%. The Parent Company has made payments totaling to ₱134.4 million, ₱40.8 million and ₱100.8 million in 2019, 2018 and 2017, respectively.

These loans are unsecured and are due based on the following schedule:

Fiscal Year	Amount
2020	₱240,000,000
2021	240,000,000
2022	120,000,000
	₱600,000,000

An Accession Agreement to the Credit Facility Agreement was executed on December 16, 2014 among STI ESG, STI West Negros University, Inc. (STI WNU), a company under common control of STI Holdings and China Bank whereby STI WNU acceded to the Credit Facility entered into by STI ESG with China Bank in March 2014. In addition, an Amendment and Supplemental Agreement was also executed by the parties on the same date. The Amendment and Supplemental Agreement allowed STI WNU to draw up to ₱300.0 million from the facility.

On December 19, 2014, STI ESG advised China Bank that it will not be availing of tranche 2 of the Credit Facility Agreement thus limiting the facility available to STI ESG to ₱1,500 million.

The Credit Facility Agreement, together with the Accession Agreement, contains, among others, covenants regarding incurring additional debt and declaration of dividends, to the extent that such will not result in a breach of the required debt-to-equity and debt service cover ratios. The Parent Company was required to maintain a debt-to-equity ratio of not more than 1.00:1.00 and debt service cover ratio of not less than 1.10:1.00.

Breakdown of the Group's Credit Facility Agreement are as follows:

	2019	2018
Balance at beginning of year	**₱734,400,000**	₱775,200,000
Repayments	**134,400,000**	40,800,000
Balance at end of year	**600,000,000**	734,400,000
Less current portion	**240,000,000**	134,400,000
Noncurrent portion	**₱360,000,000**	₱600,000,000

On January 19, 2017, STI ESG and China Bank executed a Second Amendment and Supplemental Agreement to the Corporate Notes Facility Agreement. Significant amendments are as follows:

a) change in interest rate of either (1) the 1-year Benchmark Rate (PDST-R2) plus a margin of 1.50% per annum which interest rate shall in no case be lower than 3.75% per annum or (2) the three-month Benchmark Rate plus a margin of 1.50% per annum which interest rate shall in no case be lower than 3.50% per annum.
b) amendments on the required financial ratios, whereby STI ESG shall maintain the following ratios which shall be computed based on the consolidated financial statements:
   (1) Debt-to-equity ratio of not more than 1.50x, computed by dividing total debt by total equity. For the purpose of this computation, total debt shall exclude unearned tuition and other school fees;
   (2) Debt service cover ratio of a minimum of 1.05x.

As at March 31, 2019 and 2018, STI ESG complied with the above covenants (see Note 18).

Seven-year Term Loan
On May 7, 2019, STI ESG and China Bank entered into a seven-year term loan agreement up to the amount of ₱1,200.0 million. The credit facility is available for a period of one year from May 7, 2019, the date of signing of the loan agreement. The proceeds of this loan shall be used for the (i) financing of campus expansion projects (ii) acquisition of schools (iii) refinancing of short-term loans incurred for projects and (iv) other general corporate purposes. As at July 11, 2019, STI ESG has not made any drawdown from the facility.

Interest Expense
Starting February 1, 2016, the one-year PDST-F on the Credit Facility Agreement was changed to PDST-R2 as the basis for determining the interest rate.

On January 31, 2017, STI ESG elected to adopt the interest rate based on the 1-year Benchmark Rate plus a margin of 1.50% per annum which interest rate shall in no case be lower than 3.75% payable every January 31 and July 31 of each year.

On October 29, 2018, the Bankers Association of the Philippines launched the PHP Bloomberg Valuation Service (BVAL) Reference Rates replacing the set of PDST Reference Rates (PDST-R1 & PDST-R2). Hence, starting the interest period January 31, 2019, the benchmark rate for the loans of STI ESG is the BVAL reference rate for one-year tenor.

Interest incurred on the loans amounted to ₱35.4 million, ₱46.0 million and ₱58.8 million in 2019, 2018 and 2017, respectively (see Note 22).

18. **Bonds Payable**

This account consists of:

	2019	2018
Principal:		
Fixed rate bonds due 2024	**₱2,180,000,000**	₱2,180,000,000
Fixed rate bonds due 2027	**820,000,000**	820,000,000
	3,000,000,000	3,000,000,000
Less unamortized debt issuance costs	**42,045,746**	48,120,866
	₱2,957,954,254	₱2,951,879,134

On March 23, 2017, the Parent Company issued the first tranche of its ₱5,000.0 million fixed rate bonds program under its 3-year shelf registration with the SEC which will end on March 9, 2020. The bonds, amounting to an aggregate of ₱3,000.0 million was listed through the PDEx, with interest payable quarterly and were issued with a fixed rate of 5.8085% for the 7-year series, due 2024, and 6.3756% for the 10-year series, due 2027. The bonds were rated 'PRS Aa' by Philippine Rating Services Corporation (PhilRatings) in 2017. Proceeds of the issuance were used to finance the campus expansion projects, refinancing of the short-term loans incurred for the acquisition of land, and for other general corporate requirements of the Group.

The bonds include an embedded derivative in the form of an early redemption option that gives the Parent Company the option, but not the obligation, to redeem in whole (and not in part), the outstanding bonds before the relevant maturity date, based on a certain price depending on the fixed early redemption option dates. Management has assessed that the early redemption option is closely related to the bonds and would not require to be separated from the value of the bonds and accounted for as a derivative under PAS 39, *Financial Instruments: Recognition and Measurement.* Under PFRS 9, *Financial Instruments,* subsequent reassessment is required when there has been a change in the terms of the contract that significantly modifies the cash flows.

A summary of the terms of the Parent Company's issued bonds is as follows:

Year Issued	Interest Payable	Term	Interest Rate	Principal Amount	**Carrying Value as at March 31, 2019**	Carrying Value as at March 31, 2018	Features
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	**₱2,150,449,125**	₱2,145,524,770	Callable on the 3rd month after the 5th anniversary of Issue Date and on the 6th anniversary of Issue Date
2017	Quarterly	10 years	6.3756%	820,000,000	**807,505,129**	806,354,364	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	**₱2,957,954,254**	₱2,951,879,134	

Covenants
The bonds provide certain restrictions and requirements with respect to, among others, change in majority ownership and management, merger or consolidation with other corporation resulting in loss of control over the overall resulting entity and sale, lease, transfer or otherwise disposal of all or substantially all of its assets. The Credit Facility Agreement also contains, among others, covenants regarding incurring additional debt and declaration of dividends. The Parent Company is required to maintain a debt-to-equity ratio of not more than 1.50:1.00 and debt service cover ratio of not less than 1.05:1.00 computed based on the consolidated financial statements. As at March 31, 2019 and 2018, the Group complied with these covenants.

The Group's debt-to-equity and debt service cover ratios as at March 31, 2019 and 2018 are as follows:

	2019	2018
Total liabilities*	**₱4,407,031,500**	₱4,215,264,337
Total equity	**6,569,707,487**	6,621,659,346
Debt-to-equity	**0.67:1.00**	0.64:1.00

**Excluding unearned tuition and other school fees*

	2019	2018
EBITDA (see Note 3)**	**₱806,111,804**	₱1,219,382,693
Total interest-bearing liabilities***	**462,616,744**	353,487,492
Debt service cover	**1.74.00**	3.45:1.00

***STI ESG and subsidiaries' EBITDA for the last twelve months*
**** STI ESG and subsidiaries' total principal and interest due for the next twelve months*

Bond Issuance Cost
In 2017, the Parent Company incurred costs related to the issuance of the bonds amounting to ₱53.9 million. These costs are capitalized and amortized using the effective interest rate method. The carrying value of the unamortized bond issuance costs amounted to ₱42.0 million and ₱48.1 million as at March 31, 2019 and 2018, respectively. Amortization of bond issuance costs amounting to ₱6.1 million and ₱5.7 million for the years ended March 31, 2019 and 2018, respectively, were recognized as part of the "Interest expense" account in the consolidated statements of comprehensive income.

Interest Expense
Interest expense, (including amortization of bond issuance costs), net of amount capitalized as property and equipment, associated with the bonds payable recognized in the consolidated statements of comprehensive income amounted to ₱150.7 million, ₱162.0 million and ₱4.6 million in 2019, 2018 and 2017, respectively (see Note 22).

19. **Other Noncurrent Liabilities**

	2019	2018
Advance rent	**₱45,053,509**	₱34,999,909
Payable to STI Diamond - net of current portion (see Note 15)	**38,336,143**	50,063,693
Refundable deposit - net of current portion (see Note 15)	**16,075,752**	16,081,797
Deferred lease liability	**2,438,532**	2,426,489
	₱101,903,936	₱103,571,888

On August 16, 2016, STI Diamond entered into a Deed of Assignment with STI Novaliches where STI Diamond assigned, transferred and conveyed in a manner absolute and irrevocable, and free and clear of all liens and encumbrances, to STI Novaliches all its rights, title and interest in its assets and liabilities for a price of ₱75.7 million, payable quarterly over five years. Consequently, the management contract between the Parent Company and STI Diamond was terminated. In addition, any rights to the residual interest in STI Diamond was transferred to an entity outside of the Group. As a result, STI Diamond was derecognized as a subsidiary of the Parent Company. The impact of ₱60.8 million, shown as "Effect of derecognition of a subsidiary" in the consolidated statements of comprehensive income for the year ended March 31, 2017, represents the present value of the purchase price. The total carrying value of the unpaid purchase price amounted to ₱50.0 million and ₱57.1 million as at March 31, 2019 and 2018, respectively. The current portion of the payable amounted to ₱11.7 million and ₱7.1 million is recorded under the "Accounts payable and other current liabilities" account as at March 31, 2019 and 2018, respectively (see Note 16).

Advance rent pertains to collection received by the Group which will be earned and applied in periods more than one year after the reporting date.

Refundable deposits are held by the Group throughout the term of the lease and are refunded in full to the lessee at the end of the lease term if the lessee has performed fully and observed all of the conditions and provisions in the lease. Refundable deposits are presented in the consolidated statements of financial position at amortized cost. The difference between the fair value at initial recognition and the notional amount of the refundable deposit is charged to "Deferred lease liability" and amortized on a straight-line basis over the respective lease term.

20. **Equity**

Capital Stock

The details of the issued and outstanding number of common shares and amount are as follows:

	2019		2018	
	No. of Shares	**Amount (at par)**	No. of Shares	Amount (at par)
Authorized - ₱1 par value	**5,000,000,000**	**₱5,000,000,000**	5,000,000,000	₱5,000,000,000
Issued and outstanding:				
Issued shares at beginning of year	**3,087,829,443**	**3,087,829,443**	3,081,871,859	3,081,871,859
Issuance during the year	–	–	5,957,584	5,957,584
Issued shares at end of year	**3,087,829,443**	**3,087,829,443**	3,087,829,443	3,087,829,443
Less treasury shares	**(5,952,273)**	**(5,952,273)**	(5,952,273)	(5,952,273)
Issued and outstanding at end of year	**3,081,877,170**	**₱3,081,877,170**	3,081,877,170	₱3,081,877,170

Treasury shares
Treasury shares acquired as at March 31, 2019 and 2018 amounted to ₱10.8 million.

Other Comprehensive Income (Loss) and Other Equity Reserves associated with Noncurrent Asset Held for Sale (see Notes 9 and 12)

As at March 31, 2019 and 2018, the cumulative balance of other comprehensive income (loss) and other equity reserves associated with noncurrent asset held for sale consists of:

Share in associates':	
Unrealized fair value adjustment on equity instruments designated at FVOCI/Unrealized mark-to-market gain on AFS financial assets	₱108,558,621
Remeasurement loss on life insurance reserves	(18,096,674)
Cumulative actuarial gain	685,850
Other equity reserve	728,649
	₱91,876,446

Retained Earnings

a. On September 27, 2018, the Parent Company's BOD approved the cash dividends declaration of ₱0.06 per share for a total amount of ₱184.9 million, in favor of the stockholders of record as at September 30, 2018. Such dividends were paid on October 10, 2018.
b. On September 19, 2017, the Parent Company's BOD approved the cash dividends declaration of ₱0.08 per share for a total amount of ₱246.5 million, in favor of the stockholders of record as at September 30, 2017. Such dividends were paid on October 19, 2017.
c. On September 9, 2016, the Parent Company's BOD approved the cash dividends declaration amounting to ₱246.5 million, or ₱0.08 per share, in favor of the stockholders of record as at September 9, 2016. Such dividends were paid on September 15, 2016. On September 20, 2016, the BOD also approved the cash dividends declaration amounting to ₱832.1 million, or ₱0.27 per share, in favor of stockholders of record as at September 20, 2016. The Parent Company paid ₱431.5 million and ₱400.6 million dividends to its stockholders on September 23, 2016 and November 3, 2016, respectively.
d. STI ESG's retained earnings available for dividend declaration computed based on the guidelines provided in the SEC Memorandum Circular No. 11, amounted to ₱2,123.7 million and ₱2,058.4 million as at March 31, 2019 and 2018, respectively.

Policy on Dividends Declaration
On September 19, 2017, the BOD of STI ESG adopted a policy on the declaration of dividends starting with Fiscal Year 2017-2018.

The BOD approved a dividend declaration policy equivalent to 25% to 40% of the core income of STI ESG and its subsidiaries (hereafter collectively referred to as the "Group") from the previous fiscal year, subject to compliance with the requirements of applicable laws and regulations, statutory limitations and/or restrictions, terms and conditions which may be imposed on the Group by lenders or other financial institutions, and the Group's investment plans and financial condition.

Core income is defined as consolidated net income after tax derived from the Group's main business-education, and other recurring income.

The amount of dividends will be reviewed periodically by the BOD in light of the earnings, financial conditions, cash flows, capital requirements and other considerations, while maintaining a level of capitalization that is commercially sound and sufficient to ensure that the Group can operate on a standalone basis.

Dividends shall be declared and paid out of the Group's unrestricted retained earnings which shall be payable in cash, property or stock to all shareholders on the basis of outstanding stock held by them. Unless otherwise required by law, the BOD, at its sole discretion, shall determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including:

- the level of the Group's earnings, cash flow, return on equity and retained earnings;
- its results for and its financial condition at the end of the year in respect of which the dividend is to be paid and its expected financial performance;
- the projected levels of capital expenditures and other investment programs;
- restrictions on payments of dividends that may be imposed on it by any of its financing arrangements and current or prospective debt service requirements; and
- such other factors as the BOD deems appropriate.

<u>Additional-Paid-in-Capital/Other Equity Reserve</u>
STI Taft. On December 1, 2015, the BOD of STI Taft approved the application for an increase in authorized capital stock from 5,000 shares to 750,000 shares with a ₱100 par value per share. On the same date, the BOD of STI Taft approved the conversion of STI Taft's advances from STI ESG amounting to ₱49.0 million to deposit for future stock subscriptions. On April 4, 2016, the SEC approved STI Taft's increase in authorized capital stock to ₱75.0 million. Consequently, the deposit for future stock subscriptions was reclassified as part of the investment cost. As at March 31, 2017, STI Taft is a 99.9%-owned subsidiary of STI ESG. This transaction resulted in the dilution of the noncontrolling interest and an equity adjustment of ₱11.3 million for the year ended March 31, 2017.

On August 30, 2017, the SEC approved the application for the merger of STI Taft with STI ESG, with STI ESG as the surviving entity. In December 2017, STI ESG subscribed to 5,287,836 of its own shares and issued a total of 4,446 shares to minority holders of with par value of ₱1.0 per share, in exchange for book value per share of ₱1.82 or an aggregate cost of ₱9.6 million.

STI Dagupan. On August 30, 2017, the SEC approved the application for the merger of STI Dagupan with STI ESG, with STI ESG as the surviving entity. In December 2017, STI ESG subscribed to 664,437 of its own shares and issued a total of 865 shares to minority holders with a par value of ₱1.0 per share, in exchange for book value per share of ₱1.82 or an aggregate cost of ₱1.2 million.

Phase 2 merger. In 2018, the Parent Company recognized ₱2.1 million adjustment to "other equity reserve" account related to the issuance of shares to the non-controlling interest of the merged entity during the Phase 2 merger.

iACADEMY. On September 27, 2016, the Parent Company entered into a deed of sale with STI Holdings wherein the Parent Company sells, assigns, transfer and delivers in full its absolute title over the shares of iACADEMY. The difference between the consideration of ₱113.5 million and the carrying value of net assets of iACADEMY of ₱124.3 million, or equivalent to ₱10.8 million, is recognized under the "Other equity reserve" account in the consolidated statements of financial position as at March 31, 2017.

21. **Revenues**

Disaggregated Revenue Information

The table below shows the disaggregation of revenues of the Group by type of service or goods for the years ended March 31, 2019, 2018 and 2017:

	2019	2018	2017
Tuition and other school fees	**₱1,801,197,426**	₱2,146,448,575	₱2,218,526,769
Educational services	**166,922,124**	208,333,217	199,155,782
Sale of educational materials and supplies	**149,644,539**	161,870,856	146,855,223
Royalty fees	**15,717,540**	20,545,886	19,148,926
Other revenues	**57,762,040**	58,819,746	19,547,436
Total consolidated revenue	**₱2,191,243,669**	₱2,596,018,280	₱2,603,234,136

Timing of revenue recognition

	2019	2018	2017
Services transferred over time	**₱2,041,599,120**	₱2,434,147,424	₱2,456,378,913
Goods and services transferred at a point in time	**149,644,539**	161,870,856	146,855,223
Total consolidated revenue	**₱2,191,243,669**	₱2,596,018,280	₱2,603,234,136

Contract Balances

The Group's receivables are disclosed in Note 6 while the contract liabilities are presented as *Unearned tuition and other school fees* in the consolidated statements of financial position. Significant changes in the contract liability include the adoption of the new revenue standard and the implementation of the second batch of tertiary students that extends cash collection after the end of the reporting period.

Set out below is the amount of revenue recognized from:

	2019
Amounts included in contract liabilities at the beginning of the year	₱39,370,772
Performance obligations satisfied in previous years	–

Performance Obligations

The performance obligation related to revenue from tuition and other school fees, educational services, and royalty fees are satisfied over time since the student and the franchisees receive and consume the benefit provided by the Group's performance. The payment for these services is normally due within the related school term.

On the other hand, the performance obligations related to the sale of educational materials and supplies and other revenues are satisfied upon receipt by the customers since the control of the goods and products is transferred at this point. The payment for the sale of educational materials and supplies is generally due within 30 days from delivery.

As at March 31, 2019, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) are as follows:

	2019
Within one year	₱81,379,657
More than one year	–

The remaining performance obligations which are expected to be satisfied within one year pertains to the advance payment for tuition and other school fees for the school year commencing after the financial reporting date and will be recognized as tuition and other school fees within one year. On the other hand, STI ESG does not have any performance obligation that is expected to be satisfied in more than one year.

22. **Interest Income and Interest Expense**

Sources of interest income are as follows:

	2019	2018	2017
Cash and cash equivalent (see Note 5)	**₱15,871,714**	₱26,480,632	₱1,403,947
Past due accounts receivable	**271,068**	602,352	1,472,985
Others	**4,858**	118,150	49,334
	₱16,147,640	₱27,201,134	₱2,926,266

Sources of interest expense are as follows:

	2019	2018	2017
Bonds payable (see Note 18)	**₱150,687,700**	₱161,995,040	₱4,593,881
Interest-bearing loans and borrowings (see Note 17)	**35,426,479**	45,953,211	58,785,842
Obligations under finance lease (see Note 28)	**1,082,828**	845,252	2,036,422
Others	**2,323,394**	1,712,546	342,899
	₱189,520,401	₱210,506,049	₱65,759,044

23. **Cost of Educational Services**

This account consists of:

	2019	2018	2017
Faculty salaries and benefits (see Note 26)	**₱253,972,183**	₱287,473,573	₱271,080,196
Depreciation and amortization (see Notes 10, 11 and 15)	**185,432,820**	168,380,798	168,327,086
Student activities and programs	**128,236,784**	113,131,942	121,682,251
Rental (see Note 28)	**90,426,271**	89,784,387	93,126,841
School materials and supplies	**14,876,265**	13,577,041	14,594,294

(Forward)

	2019	2018	2017
Software maintenance	**₱9,348,599**	₱14,202,681	₱9,432,849
Courseware development costs	**2,232,736**	1,285,625	1,520,966
Others	**3,321,632**	6,188,957	5,309,524
	₱687,847,290	₱694,025,004	₱685,074,007

24. Cost of Educational Material and Supplies Sold

This account consists of:

	2019	2018	2017
Educational materials and supplies	**₱98,852,774**	₱104,733,552	₱102,029,585
Promotional materials	**14,070,716**	13,249,399	12,049,699
Others	**945,646**	1,309,240	1,343,453
	₱113,869,136	₱119,292,191	₱115,422,737

25. General and Administrative Expenses

This account consists of:

	2019	2018	2017
Salaries, wages and benefits (see Note 26)	**₱260,198,618**	₱252,625,249	₱255,378,490
Depreciation and amortization (see Notes 10, 11 and 15)	**160,002,501**	148,707,042	151,181,231
Light and water	**103,538,167**	104,473,851	98,246,671
Outside services	**81,453,441**	79,641,808	75,898,762
Provisions for:			
ECL/doubtful accounts on receivables (see Note 6)	**61,564,267**	76,913,827	66,104,129
Impairment loss on goodwill (see Note 15)	**17,035,240**	–	–
Inventory obsolescence (see Note 7)	**43,403**	1,074,439	–
Impairment loss on investments in and advances to associates and joint ventures (see Note 12)	**–**	591,839	1,643,844
Professional fees	**76,102,158**	75,864,723	60,091,566
Advertising and promotions	**63,692,095**	21,995,944	9,696,496
Rental (see Note 28)	**51,849,731**	51,548,688	49,367,253
Taxes and licenses	**36,056,790**	40,129,627	29,782,373
Transportation	**26,593,163**	25,740,842	27,405,277
Repairs and maintenance	**20,477,328**	19,293,757	19,011,030

(Forward)

	2019	2018	2017
Entertainment, amusement and recreation	**₱16,330,615**	₱16,315,646	₱15,823,078
Meetings and conferences	**17,418,023**	16,621,372	17,540,659
Office supplies	**12,720,985**	12,957,325	12,076,308
Insurance	**11,600,851**	10,725,595	9,714,872
Communication	**7,886,417**	7,893,780	9,284,957
Software maintenance	**2,706,021**	2,773,560	2,203,386
Association dues	**597,381**	560,117	235,457
Others	**16,969,848**	16,978,393	17,946,665
	₱1,044,837,043	₱983,427,424	₱928,632,504

26. **Personnel Cost**

This account consists of:

	2019	2018	2017
Salaries and wages	**₱455,370,034**	₱477,251,298	₱463,303,974
Pension expense (see Note 27)	**6,323,218**	11,168,996	12,970,192
Other employee benefits	**52,477,549**	51,678,528	50,184,520
	₱514,170,801	₱540,098,822	₱526,458,686

27. **Pension Plans**

Defined Benefit Plans

The Group (except De Los Santos-STI College and STI QA) has separate, funded, noncontributory, defined benefit pension plans covering substantially all of its faculty and regular employees. The benefits are based on the faculties' and employees' salaries and length of service.

Under the existing regulatory framework, RA No. 7641 (Retirement Pay Law) requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Retirement benefits are payable in the event of termination of employment due to: (i) early, normal, or late retirement; (ii) physical disability; (iii) voluntary resignation; or (iv) involuntary separation from service. For plan members retiring under normal, early or late terms, the retirement benefit is equal to a percentage of final monthly salary for every year of credited service.

In case of involuntary separation from service, the benefit is determined in accordance with the Termination Pay provision under the Philippine Labor Code or similar legislation on involuntary termination.

The funds are administered by a trustee bank under the supervision of the Board of Trustees of the plan. The Board of Trustees is responsible for the investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (Investment policy). The Board of Trustees implements the Investment policy in accordance with the investment strategy, as well as various principles and objectives.

The following tables summarize the components of the Group's net pension expense recognized in the consolidated statements of comprehensive income and the pension asset/liability recognized in the consolidated statements of financial position as at March 31:

	2019	2018	2017
Pension expense (recognized under the "Salaries, wages and benefits" account):			
Current service cost	**₱9,600,156**	₱11,309,240	₱11,079,632
Net interest cost (income)	**(3,406,208)**	(436,686)	1,652,579
	₱6,193,948	₱10,872,554	₱12,732,211

	2019	2018	2017
Net pension liabilities (assets) (recognized in the consolidated statements of financial position):			
Pension liabilities	**₱33,341,457**	₱4,661,347	₱6,087,953
Pension assets	**–**	(53,474,883)	(2,763,398)
	₱33,341,457	(₱48,813,536)	₱3,324,555
Present value of defined benefit obligations	**₱150,224,551**	₱114,079,602	₱133,237,145
Fair value of plan assets	**(116,883,094)**	(162,893,138)	(129,912,590)
	₱33,341,457	(₱48,813,536)	₱3,324,555

The Group offsets its pension assets and liabilities on a per company basis for presentation in the consolidated statements of financial position since pension assets are restricted for the settlement of pension liabilities only.

	2019	2018	2017
Changes in the present value of defined benefit obligations:			
Balance at beginning of year	**₱114,079,602**	₱133,237,145	₱122,032,569
Current service cost	**9,600,156**	11,309,240	11,079,632
Interest cost	**7,610,995**	6,062,572	6,258,996
Benefits paid	**(2,641,809)**	(5,165,344)	(2,156,395)
Actuarial loss (gain) on pension obligation from change in:			
Deviations of experience from assumptions	**10,811,993**	(6,213,343)	2,297,605
Financial assumptions	**10,763,614**	(25,168,330)	(203,357)
Demographic assumptions	–	17,662	–
Effect of derecognition of a subsidiary (see Note 19)	–	–	(6,071,905)
Balance at end of year	**₱150,224,551**	₱114,079,602	₱133,237,145

	2019	2018	2017
Changes in the fair value of plan assets:			
Balance at beginning of year	**₱162,893,138**	₱129,912,590	₱83,889,203
Interest income	**11,017,203**	6,499,258	4,606,417
Contributions	**5,292,194**	11,006,012	10,396,012
Benefits paid	**(2,641,809)**	(5,165,344)	(2,156,395)
Actuarial gain (loss) on pension plan assets	**(59,677,632)**	20,640,622	33,177,353
Balance at end of year	**₱116,883,094**	₱162,893,138	₱129,912,590
Actual return (loss) on plan assets	**(₱48,660,429)**	₱27,139,880	₱37,783,770

The principal assumptions used in determining pension liabilities are shown below:

	March 31, 2019	March 31, 2018	March 31, 2017
Discount rate	**5.87%**	6.77%	5.00%
Future salary increases	**5.00%**	5.00%	5.00%

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The major categories of the Group's total plan assets as a percentage of the fair value of the total plan assets are as follows:

	2019	2018
Short-term fixed income	**55%**	35%
Investments in:		
Equity securities	**42%**	63%
Debt securities	**3%**	2%
	100%	100%

The plan assets of the Group are maintained by Union Bank of the Philippines and United Coconut Planters Bank.

Details of the Group's net assets available for plan benefits and their related market values are as follows:

	2019	2018
Cash and cash equivalents	**₱2,141**	₱1,257
Short-term fixed income	**63,727,326**	57,397,026
Investments in:		
Equity securities	**49,676,952**	102,011,760
Debt securities	**3,476,675**	3,483,095
	₱116,883,094	₱162,893,138

Short-term Fixed Income. Short-term fixed income investment includes time deposits and special savings deposits.

Investments in Equity Securities. Investments in equity securities pertain to investment in shares of STI Holdings, the ultimate parent company, which has a fair value of ₱0.71 and ₱1.46 per share as at March 31, 2019 and 2018, respectively.

Total unrealized gain from investments in equity securities of related parties amounted to ₱14.7 million and ₱67.1 million as at March 31, 2019 and 2018, respectively.

The plan may expose the Group to a concentration of equity market risk since the STI ESG's plan assets are primarily composed of investments in listed equity securities.

Investments in Government Securities. Investments in government securities include treasury bills and fixed-term treasury notes with maturities ranging from one to thirteen years and bear interest rates ranging from 3.25% to 6.25%. These securities are fully guaranteed by the Government of the Republic of the Philippines.

The expected contribution of the Group in 2020 is ₱9.4 million.

Management performs an Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans are guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans. The Group's current strategic investment consists of 42% equity instruments, 55% short-term fixed income and 3% debt instruments while cash and cash equivalents are kept at a minimum level.

The average duration of the defined benefit obligation as of March 31, 2019 is 21 years.

Shown below is the maturity analysis of the undiscounted benefit payments as of March 31:

	2019	2018
Less than one year	**₱30,483,598**	₱7,597,217
More than one year to five years	**23,736,779**	31,749,439
More than five years to 10 years	**82,265,004**	88,066,238
More than 10 years to 15 years	**142,779,528**	129,185,619
More than 15 years to 20 years	**102,365,640**	169,344,086
More than 20 years	**391,996,893**	380,560,387

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions are held constant:

	Effect on Present Value of Defined Benefit Obligation		
	2019	2018	2017
Discount rates			
Increase by 1%	**(₱12,628,005)**	(₱11,796,570)	(₱12,536,721)
Decrease by 1%	**15,071,196**	13,798,539	15,079,321
Future salary increases			
Increase by 1%	**15,031,219**	13,936,174	14,862,020
Decrease by 1%	**(13,106,047)**	(12,210,599)	(12,711,470)
Employee turnover			
Increase by 10%	**1,892,304**	1,760,831	2,083,508
Decrease by 10%	**(1,892,304)**	(1,760,831)	(2,083,508)

Defined Contribution Plans

De Los Santos-STI College and STI QA have funded, noncontributory defined contribution plan (De Los Santos Plan) covering all regular and permanent employees and is a participating employer in CEAP Retirement Plan. The De Los Santos Plan has a defined contribution format wherein the obligation is limited to specified contributions to the De Los Santos Plan and the employee's contribution is optional.

De Los Santos-STI College and STI QA's contributions consist of future service cost and past service cost. The future service cost is equal to 4.00% of employee's monthly salary from the date an employee becomes a member of CEAP. Past service cost is equal to 5.00% of the employees' average monthly salary for a 12-month period, immediately preceding the date of De Los Santos-STI College and STI QA's participation in CEAP, multiplied by the number of years of past service amortized over 10 years. Future service refers to the periods of covered employment on or after the date of De Los Santos-STI College and STI QA's participation in CEAP. Past service refers to the continuous service of an employee from the date the employee met the requirements for membership in the retirement plan to the date of acceptance of De Los Santos-STI College and STI QA as a Participating Employer in CEAP Retirement Plan. In addition, De Los Santos-STI College and STI QA give the employee an option to make a personal contribution to the fund at an amount not to exceed 4.00% of his monthly salary. De Los Santos-STI College and STI QA then provide an additional contribution of 1.00% of the employee's contribution based on the latter's years of tenure. Although the De Los Santos Plan has a defined contribution format, the Group regularly monitors compliance with RA No. 7641. As at March 31, 2019 and 2018, the Group is in compliance with the requirements of RA No. 7641.

As at March 31, 2019 and 2018, De Los Santos-STI College and STI QA have excess contributions to CEAP amounting to ₱3.1 million and ₱3.5 million, respectively. These excess contributions are classified as a prepaid expense and will be offset against De Los Santos-STI College and STI QA's future required contributions to CEAP (see Note 8).

Philippine Interpretations Committee Q&A No. 2013-03 requires De Los Santos-STI College's defined contribution plan to be accounted for as a defined benefit plan due to the minimum retirement benefits mandated under RA No. 7641. Actuarial valuation of De Los Santos-STI College's pension is performed every year-end. Based on the latest actuarial valuation, the minimum retirement benefit provided under RA No. 7641 exceeded the accumulated contribution and earnings under the Plan, however, the amount is not significant.

Pension expense recognized by De Los Santos-STI College and STI QA amounted to ₱0.1 million, ₱0.3 million and ₱0.2 million in 2019, 2018 and 2017, respectively.

Total pension expense recognized in profit or loss follows:

	2019	2018	2017
Defined benefit plans	**₱6,193,948**	₱10,872,554	₱12,732,211
Defined contribution plans	**129,270**	296,442	237,981
	₱6,323,218	₱11,168,996	₱12,970,192

28. **Leases**

a. Finance Lease

The Group acquired various transportation equipment under various finance lease arrangements. These are included as part of transportation equipment under the "Property and equipment" account in the consolidated statements of financial position.

Future minimum lease payments under the lease agreements, together with the present value of the minimum lease payments follow:

	2019	2018
Within one year	**₱7,451,034**	₱7,691,153
After one year but not more than five years	**12,845,387**	14,832,409
Total minimum lease payments	**20,296,421**	22,523,562
Less amount representing interest	**2,444,375**	2,083,242
Present value of lease payments	**17,852,046**	20,440,320
Less current portion of obligations under finance lease	**6,208,432**	6,360,503
Noncurrent portion of obligations under finance lease	**₱11,643,614**	₱14,079,817

Interest expense incurred from finance lease amounted to ₱1.1 million, ₱0.8 million and ₱2.0 million in 2019, 2018 and 2017, respectively (see Note 22).

b. Operating Lease

As Lessor
The Group entered into several lease agreements, as lessors, on their buildings and condominium units under operating lease agreements with varying terms and periods. All leases are subject to annual repricing based on a pre-agreed rate.

The Group also earns rental income from concessionaires and for the occasional use of some of the Group's properties primarily used for school operations such as gymnasiums.

Total rental income amounted to ₱107.8 million, ₱98.5 million and ₱101.3 million in 2019, 2018 and 2017, respectively (see Notes 11 and 30).

Future minimum rental receivable for the remaining lease terms as of March 31 are as follow:

	2019	2018
Within one year	**₱83,949,795**	₱87,063,780
After one year but not more than five years	**103,392,016**	158,761,490
	₱187,341,811	₱245,825,270

As Lessee
The Group leases land and building spaces where the corporate office and schools are located, under operating lease agreements with varying terms and periods. The lease rates are subject to annual repricing based on a pre-agreed rate.

On May 13, 2016, the Parent Company and BDO Unibank, Inc. (BDO Unibank) entered into an agreement for the lease of a property in Calamba, Laguna. The term of the lease is 25 years starting July 2016 with a monthly rental of ₱0.4 million. The annual rental shall be subject to a 3% escalation every three years starting on the fourth year of the lease term. Under the terms of the lease agreement, the Parent Company is required to make an upfront payment of ₱7.4 million as well as one year advance rent.

The total rental expense charged to operations amounted to ₱142.3 million, ₱141.3 million and ₱142.5 million in 2019, 2018 and 2017, respectively (see Notes 23 and 25).

Certain subsidiaries also paid their lessors rental deposits equivalent to several months of rental payments as security for its observance and faithful compliance with the terms and conditions of the agreement (see Note 15).

Future minimum rental payables under the lease agreements follow:

	March 31	
	2019	2018
Within one year	**₱102,110,073**	₱108,426,181
After one year but not more than five years	**244,092,438**	252,946,128
More than five years	**283,992,880**	303,850,519
	₱630,195,391	₱665,222,828

29. **Income Tax**

All domestic subsidiaries qualifying as private educational institutions are subject to tax under RA No. 8424, “An Act Amending the National Internal Revenue Code, as amended, and For Other Purposes” which was passed into law effective January 1, 1998. Title II Chapter IV - Tax on Corporation - Sec 27(B) of the said Act defines and provides that: a “Proprietary Educational Institution” is any private school maintained and administered by private individuals or groups with an issued permit to operate from DepEd, CHED, or TESDA, as the case may be, in accordance with the existing laws and regulations and shall pay a tax of ten percent (10.00%) on its taxable income.

In 2019, 2018 and 2017, the current income tax pertains to regular corporate income tax.

The components of recognized net deferred tax assets and deferred tax liabilities are as follows:

	2019	2018
Deferred tax assets:		
Allowance for ECL/doubtful accounts (see Note 6)	**₱16,234,248**	₱8,532,597
Unearned tuition and other school fees	**7,473,621**	5,398,502
Advance rent	**4,505,351**	3,499,990
Pension liabilities (see Note 27)	**3,309,855**	457,736
Excess of:		
Cost over net realizable value of inventories	**1,093,436**	1,089,096
Rental under operating lease computed on a straight-line basis	**874,634**	1,978,594
	33,491,145	20,956,515

(Forward)

	2019	2018
Deferred tax liabilities:		
Unamortized debt issue costs	**(₱1,164,068)**	(₱1,336,517)
Excess of fair values of net assets acquired over acquisition cost from a business combination	**(209,144)**	(209,144)
Pension assets	**–**	(5,347,488)
	(1,373,212)	(6,893,149)
Net deferred tax assets	**₱32,117,933**	₱14,063,366

Certain deferred tax assets of the Group were not recognized as at March 31, 2019 and 2018 as it is not probable that future taxable profits will be sufficient against which these can be utilized.

The following are the deductible temporary differences and unused NOLCO for which no deferred tax assets were recognized:

	2019	2018
NOLCO	**₱55,728,103**	₱42,549,795
Allowance for:		
Advances to associate (see Note 12)	**37,868,986**	37,868,986
ECL/doubtful accounts (see Note 6)	**858,771**	858,771
Pension liability (see Note 27)	**242,908**	83,985
Net deferred tax assets	**₱94,698,768**	₱81,361,537

As at March 31, 2019 and 2018, the Group also did not recognize any deferred tax assets on the provision for impairment losses on investment in associate because management does not expect to generate enough capital gains against which these capital losses can be offset.

The details of the Group's NOLCO are as follows:

Year	Availment Period	Amount	Applied	Expired	Amount
2016	2016-2019	₱22,478,694	(₱6,902,439)	(₱15,576,255)	₱–
2017	2017-2020	10,876,863	(871,047)	–	10,005,816
2018	2018-2021	9,194,238	–	–	9,194,238
2019	2019-2022	36,528,049	–	–	36,528,049
		₱79,077,844	(₱7,773,486)	(₱15,576,255)	₱55,728,103

The reconciliation of the provision for income tax on income before income tax computed at the effect of the applicable statutory income tax rate to the provision for income tax as shown in the consolidated statements of comprehensive income is summarized as follows:

	2019	2018	2017
Provision for income tax at statutory income tax rate	**₱29,202,044**	₱50,074,461	₱61,308,137
Income tax effects of:			
Nondeductible expenses	**1,732,621**	1,135,716	350,244
Nondeductible expenses pertaining to impairment loss on Goodwill	**1,703,524**	–	–

(Forward)

	2019	2018	2017
Interest income already subjected to final tax	**(₱1,587,171)**	(₱2,648,063)	(₱140,395)
Royalty fees subjected to final tax	**(1,571,754)**	(2,054,589)	(1,914,893)
Unrecognized DTA	**1,333,723**	177,571	476,405
Dividend income	**(754,955)**	(443,166)	(325,150)
Equity in net (earnings) loss of associates and joint ventures	**(471,672)**	21,824,533	24,207,550
Effect of derecognition of a subsidiary	**–**	–	6,082,946
Others	**7,840,287**	(390,079)	3,448,838
	₱37,426,647	₱67,676,384	₱93,493,682

Others pertain to the income tax effects of change in unrecognized deferred tax assets and other items.

30. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) enterprises or individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Parent Company; (b) associates; and (c) enterprises or individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the Parent Company, key management personnel, including directors and officers of the Group and close members of the family of any such enterprise or individual.

The following are the Group's transactions with its related parties:

	Amount of Transactions During the Year			Outstanding Receivable (Payable)			
Related Party	**2019**	2018	2017	**2019**	2018	**Terms**	**Conditions**
Associates							
STI Accent							
Reimbursement for various expenses and other charges	**₱–**	₱591,839	₱1,643,844	**₱37,868,986**	₱37,868,986	30 days upon receipt of billings; noninterest-bearing	Unsecured; with provision for ECL
GROW							
Rental income and other charges	**232,379**	29,025	27,418	**7,033,994**	6,931,016	30 days upon receipt of billings	Unsecured; no impairment
Reimbursement for various expenses	**–**	–	–	**–**	143,571	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Holdings							
Advisory fees	**14,400,000**	14,400,000	14,400,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Reimbursement for various expenditures	**73,123**	–	324,615	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Dividends paid	**182,437,382**	243,249,841	243,249,841	**–**	–	Due and demandable; noninterest-bearing	Unsecured
Dividend income	**10,008,658**	10,008,658	10,008,658	**–**	–	Due and demandable; noninterest-bearing	Unsecured
STI Alabang							
Educational services and sale of educational materials and supplies	**14,563,510**	19,762,175	17,015,977	**539,737**	435,759	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

(Forward)

Related Party	Amount of Transactions During the Year 2019	2018	2017	Outstanding Receivable (Payable) 2019	2018	Terms	Conditions
STI Marikina	**₱14,797,696**	₱20,889,990	₱15,003,907	**₱97,000**	₱84,956	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Educational services and sale of educational materials and supplies							
Affiliates*							
PhilCare							
Rental income and other charges	**16,240,688**	16,794,804	16,356,067	**820,496**	4,031,857	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**3,927,285**	3,180,588	2,953,343	**(20,125)**	(28,449)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposits	**–**	–	–	**(1,820,984)**	(1,820,984)	Refundable upon end of contract	Unsecured
Phil First Insurance Co., Inc.							
Utilities and other charges	**101,703**	216,552	209,416	**29,473**	27,732	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	**4,465,161**	4,541,733	4,267,966	**(60,944)**	(19,829)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation							
Association dues, utilities and other charges	**10,939,214**	11,113,310	11,137,234	**(866,327)**	(1,295,754)	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilLife							
Rental income and other charges	**170,098**	110,525	5,851,794	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
STI WNU							
Educational services and sale of educational materials and supplies	**14,922,983**	8,895,083	10,066,781	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Reimbursement for various expenses	**4,700,539**	3,051,198	2,653,983	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
iACADEMY							
Reimbursement for various expenses	**7,767,365**	9,454,076	885,035	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Officers and employees							
Reimbursement for various expenses	**13,791,819**	20,759,339	16,954,041	**17,540,523**	20,389,150	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others							
Rental income and other charges	**4,094,599**	5,356,366	3,247,121	**1,721,262**	2,043,402	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
				₱62,883,091	₱68,791,413		

**Affiliates are entities under common control of a majority Shareholder*

Related party receivables and payables are generally settled in cash.

Outstanding receivables, before any allowance for impairment, and payables arising from these transactions are summarized below:

	2019	2018
Educational services and sale of educational materials and supplies	**₱636,737**	₱520,715
Current portion of advances to associates, joint ventures and other related parties	**–**	143,571
Advances to officers and employees	**17,540,523**	20,389,150
Rent, utilities and other related receivables	**9,605,225**	13,034,007
Advances to associates and joint ventures	**37,868,986**	37,868,986
Accounts payable	**(2,768,380)**	(3,165,016)
	₱62,883,091	₱68,791,413

Outstanding balances of the Parent Company's transactions with subsidiaries which were eliminated during consolidation are as follows:

	Amount of Transactions During the Year			Outstanding Receivable (Payable)			
Related Party	**2019**	2018	2017	**2019**	2018	**Terms**	**Conditions**
Subsidiaries							
STI Caloocan							
Educational services, sale of educational materials and supplies and other charges	**₱101,007,832**	₱77,903,673	₱84,847,586	**₱–**	₱–	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Reimbursement for various expenses	**42,207,135**	41,184,083	3,942,804	**(233,089,773)**	(236,271,389)	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Rental income and other related charges	**50,289,600**	50,289,600	50,289,600	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured
*STI Dagupan**							
Educational services, sale of educational materials and supplies and other charges	**–**	1,911,850	4,554,305	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Reimbursement for various expenses	**–**	27,768	2,227,525	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured
STI Novaliches							
Educational services, sale of educational materials and supplies and other charges	**56,302,202**	54,620,643	64,313,937	**–**	5,398,721	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**8,340,336**	6,622,888	2,163,074	**(163,986,690)**	(160,495,253)	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Rental income and other related charges	**30,720,000**	30,720,000	30,720,000	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured
*STI Taft**							
Educational services, sale of educational materials and supplies and other charges	**–**	6,262,273	12,669,183	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Reimbursement for various expenses	**–**	3,890,311	895,884	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured
STI Tuguegarao							
Educational services, sale of educational materials and supplies and other charges	**950,348**	1,259,791	951,568	**12,195,755**	12,556,544	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**887,867**	668,043	1,088,769	**1,580,004**	1,328,925	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI QA							
Educational services, sale of educational materials and supplies and other charges	**9,620,184**	10,500,868	10,453,877	**205,365**	1,651,658	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**70**	–	9,600	**14,251,618**	14,251,548	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Batangas							
Educational services, sale of educational materials and supplies and other charges	**36,859,134**	23,827,583	27,652,920	**61,417**	9,259,570	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**10,774,059**	11,006,688	7,319,347	**10,118,298**	11,006,688	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**14,968,800**	14,968,800	14,968,800	**33,530,112**	23,613,620	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Iloilo							
Educational services, sale of educational materials and supplies and other charges	**3,054,565**	4,069,589	2,927,306	**6,166,856**	4,013,036	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**114,561**	635,073	277,553	**6,693,717**	7,079,156	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment

(Forward)

Related Party	Amount of Transactions During the Year 2019	2018	2017	Outstanding Receivable (Payable) 2019	2018	Terms	Conditions
STI Pagadian							
Educational services, sale of educational materials and supplies and other charges	**₱1,527,787**	₱909,367	₱1,085,334	**₱3,468,764**	₱2,451,353	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**2,260,105**	2,811,758	2,421,805	**7,238,674**	5,922,799	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Subscription of common stock	**–**	–	–	**(15,000,000)**	(15,000,000)	Due and demandable, noninterest-bearing	Unsecured
STI Tanauan							
Educational services, sale of educational materials and supplies and other charges	**8,758,427**	8,946,759	8,350,484	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Reimbursement for various expenses	**8,112,311**	4,320,101	11,474,151	**(10,517,394)**	(15,573,659)	30 days from billing or cut-off date; noninterest-bearing	Unsecured
STI Lipa							
Educational services, sale of educational materials and supplies and other charges	**10,817,829**	9,684,534	8,025,616	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Reimbursement for various expenses	**13,905,677**	686,247	547,435	**3,056,709**	711,192	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Sta. Maria							
Educational services, sale of educational materials and supplies and other charges	**17,728,653**	–	–	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Reimbursement for various expenses	**10,059,610**	145,868,951	–	**55,622,603**	58,252,912	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

**Merged with the Parent Company on August 30, 2017.*

Compensation and Benefits of Key Management Personnel

Compensation and benefits of key management personnel of the Group are as follows:

	2019	2018	2017
Short-term employee benefits	**₱49,571,260**	₱46,376,741	₱41,104,402
Post-employment benefits	**1,302,699**	2,150,526	2,053,780
	₱50,873,959	₱48,527,267	₱43,158,182

31. Basic and Diluted EPS on Net Income Attributable to Equity Holders of the Parent Company

The table below shows the summary of net income and weighted average number of common shares outstanding used in the calculation of EPS for the years ended March 31:

	2019	2018	2017
Net income attributable to equity holders of the Parent Company	**₱254,872,593**	₱432,057,214	₱518,282,758
Weighted average number of common shares outstanding:			
Weighted average outstanding common shares at beginning of the year	**3,081,877,170**	2,311,403,894	3,081,871,859
Weighted average outstanding common shares after merger (see Note 20)	**–**	770,469,293	–
	3,081,877,170	3,081,873,187	3,081,871,859
Basic and diluted EPS on net income attributable to equity holders of the Parent Company	**₱0.08**	₱0.14	₱0.17

The basic and diluted earnings per share are the same for the years ended March 31, 2019, 2018 and 2017 as there are no dilutive potential common shares.

32. STI Gift of Knowledge Certificates (GOKs)

On December 9, 2002, the BOD of the Parent Company approved the offer for sale and issue of up to ₱2.0 billion worth of GOKs.

The STI GOKs are noninterest-bearing certificates that entitle the holders or any designated scholars to redeem academic units in any member of the STI Group or equivalent academic units in any STI school on certain designated redemption dates or, to require STI Group to pay in cash the par value of the outstanding STI GOKs on designated graduation dates. The redemption date range from the SY 2004-2005 to six years from date of issue of the STI GOKs. The graduation date range from between four to ten years from issue date. A total offer size of 2,409,600 academic units for the entire STI Group or its equivalent units in any STI school will be offered at serial redemption dates at their corresponding par values.

In 2003, the SEC issued an Order of Registration and a Certificate of Permit to Sell Securities for the said STI GOKs.

The Parent Company is planning to amend the terms of the GOKs to conform with future business strategies. As at July 11, 2019, there has been no sale nor issuance of GOKs. Hence, pursuant to Section 17.2 (a) of the Securities Regulation Code (SRC), STI ESG is not required to file the reports required under Section 17 of the SRC.

33. Contingencies and Commitments

<u>Contingencies</u>

a. *Tax Assessment Case.* The Parent Company filed a petition for review with the Court of Tax Appeals (CTA) on October 12, 2009. This is to contest the Final Decision on Disputed Assessment issued by the BIR assessing the Parent Company for deficiencies on income tax, and expanded withholding tax for the year ended March 31, 2003 amounting to ₱124.3 million. On February 20, 2012, the Parent Company rested its case and its evidence has been admitted into the records.

   On June 27, 2012, the BIR rested its case and has formally offered its evidence. On April 17, 2013, the CTA issued a Decision which granted the Parent Company's petition for review and ordered the cancellation of the BIR's assessment since its right to issue an assessment for the alleged deficiency taxes had already prescribed. On May 16, 2013, the Parent Company received a copy of the Commissioner of Internal Revenue's (CIR) Motion for Reconsideration dated May 8, 2013. The Parent Company filed its Comment to CIR's Motion for Reconsideration on June 13, 2013. The CTA issued a resolution dated July 17, 2013 denying the CIR's Motion for Reconsideration. On August 22, 2013, the CIR filed its Petition for Review dated August 16, 2013, with the CTA En Banc. On October 29, 2013, the Parent Company filed its Comment to the CIR's Petition for Review. The CTA En Banc deemed the case submitted for decision on May 19, 2014, considering the CIR's failure to file its memorandum. On March 24, 2015, the CTA En Banc affirmed the decision dated April 17, 2013 and the resolution dated July 17, 2013 and granted the Parent Company's Petition for Review and ordered the cancellation of the BIR assessment for the fiscal year ended March 31, 2003. On April 21, 2015, the CIR filed a Motion for Reconsideration with the CTA En Banc. On July 3, 2015, the Parent Company filed its Comment on the Motion for Reconsideration. On September 2, 2015, the CTA En Banc denied the CIR's Motion for Reconsideration. On October 30, 2015, the CIR filed a Petition for Review with the Supreme Court. On January 26, 2016, the Parent Company received a notice from the Supreme Court requiring it to file its Comment on the Petition for Review filed by the CIR. On February 5, 2016, the Parent Company filed a Motion for Extension of Time to File Comment on the Petition for Review requesting an additional period of 20 days from February 5, 2016, or until February 25, 2016, within which to file the Comment. On February 25, 2016, the Parent Company filed another Motion for Extension of Time to File Comment on the Petition for Review requesting an additional period of 15 days from February 25, 2016, or until March 11, 2016, within which to file the Comment. On March 11, 2016, the Parent Company, through its counsel, filed its Comment on the Petition. On October 27, 2016, STI ESG received a notice from the Supreme Court in which the Court, inter alia, required the CIR to reply to STI ESG's Comment (to the Petition for Review) within 10 days from receipt of the notice. On November 25, 2016, the CIR filed its reply to the Parent Company's comment.

On October 4, 2017, the Parent Company received the decision from the Supreme Court dated July 26, 2017. In its decision, the Supreme Court denied the petition for review filed by the CIR and affirmed the Decision dated March 24, 2015 and Resolution dated September 2, 2015 of the Court of Tax Appeals En Banc in CTA EB No. 1050. The Supreme Court ruled that the Waivers of Statute of Limitations, being defective and invalid, did not extend the CIR's period to issue the subject assessments. Thus, the right of the government to assess or collect the alleged deficiency taxes is already barred by prescription. On October 25, 2017, the CIR has filed a Motion for Reconsideration of the Supreme Court's decision dated July 26, 2017.

On April 5, 2018, the Parent Company received the decision from the Supreme Court dated December 14, 2017. In its decision, the Supreme Court denied the Motion for Reconsideration filed by the CIR and affirmed the Decision dated July 26, 2017. The Supreme Court ruled that there is no substantial argument to warrant a modification of the Supreme Court's decision. Thus, the Supreme Court denied the Motion for Reconsideration with finality. The Supreme Court also resolved that no further pleadings or motions shall be entertained in the case.

Thus, the Supreme Court ordered the immediate issuance of the Entry of Judgment.

On July 2, 2018, the Parent Company received the Entry of Judgment issued by the Supreme Court dated May 7, 2018 which certified that its decision dated December 14, 2017 became final and executory and was recorded in the Book of Entries of Judgments on the said date.

b. *Labor Cases.*

i. A former employee filed a Petition with the Supreme Court after the Court of Appeals denied the former employee's claims and rendered prior decisions in favor of the Parent Company. On August 13, 2014, the Parent Company received the Supreme Court's decision dated July 9, 2014 annulling the decision of the Court of Appeals and ordered that the Parent Company reinstate the former employee to her former position and pay the exact salary, benefits, privileges and emoluments which the current holder of the position is receiving and should be paid back wages from the date of the former employee's dismissal until fully paid, with legal interest.

On November 17, 2014, the Supreme Court issued a resolution which denied with finality the Parent Company's Motion for Reconsideration.

As a result of the decision, the Parent Company recognized a provision amounting to ₱3.0 million representing the estimated compensation to be made to the former employee.

On October 20, 2015, a Bank Order to release was issued to one of Parent Company's depository banks for the release of the garnished amount of ₱2.2 million. The bank released the garnished amount to the National Labor Relations Commission (NLRC).

The garnished amount was put on hold for 15 days because of the filing of the Parent Company's Petition questioning, among others, the Writ of Execution issued by the labor arbiter, which was docketed as LER-CN-10291-15.

While the Petition was pending for resolution by the NLRC and without any injunction order being issued by the said Commission, the garnished amount of ₱2.2 million was released to the former employee.

On March 1, 2016, the former employee filed an Entry of Appearance with Manifestation/Motion for Computation dated February 24, 2016. In the said motion, the former employee sought for computation of her backwages, inclusive of monetary equivalent of leaves and 13th month pay from July 22, 2004 until the same is actually paid. In addition, the former employee waived the reinstatement aspect of the March 31, 2016 decision of labor arbiter, and sought the payment of separation pay.

As mentioned in an earlier paragraph, on October 19, 2015, the Parent Company filed a Petition with the NLRC, docketed as LER-CN-10291-15, to (1) annul the Writ of Execution issued by labor arbiter for the amount of ₱2.2 million, and (2) order the payment of separation pay in favor of the former employee instead of reinstatement as Chief Operating Officer of STI-Makati.

In the said Petition, the Parent Company asserted that the Writ of Execution was issued with undue haste when there were pending issues to be resolved by labor arbiter with respect to the computation of the judgment award of the former employee. In addition, labor arbiter cannot order the former employee to be reinstated as Chief Operating Officer of STI-Makati because said position no longer exists. The Parent Company averred that an order of separation pay in lieu of reinstatement should be issued in favor of the former employee.

On October 28, 2015, the Parent Company filed another Petition with the NLRC, which sought to inhibit the labor arbiter from continuing the execution proceedings for the former employee's judgment award. In the said Petition, the Parent Company alleged that the actions of the labor arbiter showed partiality and bias in favor of the former employee.

On October 29, 2015, the Parent Company filed a Motion to Consolidate with the NLRC. In the said Motion, the Parent Company moved that the aforesaid Petitions would be consolidated and resolved by the same Division of the NLRC.

The former employee, thru her new counsel, filed two (2) Entry of Appearance with Motion for Leave (To Admit Attached Answer with Comment/Opposition) for the two (2) Petitions of the Parent Company. In the said Comment/Opposition, the former employee averred that (a) the Writ of Execution was issued pursuant to the Supreme Court's Decision dated July 9, 2014 and (b) the acts of labor arbiter were above-board.

Before the NLRC resolved the pending Petitions filed by the Parent Company, the garnished amount was released to the former employee as partial payment for the judgment award. Based on the record of the NLRC, the amount of ₱2.2 million was released for the partial execution of the judgment award of the former employee.

On February 29, 2016, the Sixth Division of the NLRC issued a Decision wherein it, among others, nullified the Writ of Execution, and ordered the inhibition of labor arbiter. In the same Decision, the Sixth Division of the NLRC also set a guide for the enforcement of the judgment award in favor of the former employee, which provides, among others, that the computation of the backwages of the former employee shall be from May 18, 2004 until October 30, 2006.

After the denial of the former employee's Motion for Reconsideration on the aforesaid Decision, STI ESG received on September 6, 2016 the former employee's Petition for Certiorari filed with the Court of Appeals. Said Petition questioned the aforesaid decision of the NLRC.

After the filing of their respective pleadings in relation to the former employee's Petition for Certiorari, STI ESG received on June 6, 2017 the Court of Appeals' Decision wherein it determined that there is no need to resolve the issue on the nullification of the Partial Writ of Execution because both parties agreed that the funds garnished by virtue of said Writ to the former employee shall be considered as partial satisfaction of her judgment award.

The Court of Appeals likewise clarified that the issue on the former employee's waiver of reinstatement pending appeal should have been resolved by the new labor arbiter, and not the NLRC. Contrary to the former employee's assertion that the former labor arbiter resolved the said issue, the Court of Appeals took into consideration that the NLRC validly ordered the re-raffle of the case to a new labor arbiter who should resolve all pending incidents and issues.

Without making any findings and/or rulings contrary to STI ESG's claim that the former employee waived her reinstatement pending appeal in October 2006 and consequently invalidated her assertion that her backwages should be computed from May 2004 until present day, the Court of Appeals affirmed the re-raffle of the execution proceedings of the former employee's judgment award to a new labor arbiter to make an independent determination of all pending incidents and issues.

Considering the aforesaid Decision did not prejudice STI ESG's position, STI ESG decided to refer all pending issues on the execution of the judgment award of the former employee, including the waiver of backwages pending appeal, to the new labor arbiter.

On September 19, 2017, STI ESG received the former employee's Manifestation with Omnibus Motion filed with the new labor arbiter. In the said Manifestation with Omnibus Motion, the former employee sought for (a) computation of the updated judgment award, (b) resolution of the issue on waiver of reinstatement by the former employee raised by STI ESG and (c) issuance of Writ of Execution based on the updated judgment award.

The new labor arbiter set the pre-execution hearing on January 31, 2018. During the said hearing, STI ESG filed its Comment with Manifestation. In the Comment with Manifestation, STI ESG asserted that the only issues to be resolved are the computations of the (a) backwages, (b) legal interest and (c) separation pay. STI ESG further reiterated that the former employee is entitled to receive backwages from May 2004 until October 2006 and separation pay from November 1999 until February 2016. Based on said premises, STI ESG paid the former employee ₱2.0 million in January 2018.

Based on the record, STI ESG has paid the total amount of ₱4.2 million, exclusive of withholding taxes, to the former employee. STI ESG then moved to the new labor arbiter that STI ESG be deemed to have fully paid the judgment award of the former employee. While the former employee accepted the aforesaid amount, she manifested that the same is only partial payment of the judgment award, and moved that she would be given 10 days to file her reply to the Comment with Manifestation.

In the hearing on February 13, 2018, the former employee filed her Reply dated February 12, 2018. In the Reply, it was argued that the alleged waiver of reinstatement pending appeal in October 2006 did not interrupt the running of backwages until present day. She insisted that the return to work order of STI ESG was (a) vague, (b) served only through her former counsel and (c) belatedly served or after four months from STI ESG's receipt of the former labor arbiter's order to reinstate her. Based on the foregoing the former employee presented her computation of her judgment award to date, which amounted to ₱11.0 million, less payments already made by STI ESG.

On February 28, 2018, STI ESG filed and served the Rejoinder. In the Rejoinder, STI ESG reiterated that the notice to return to work was (a) clear and (b) duly received by her through her former counsel. It was asserted that the former employee was fully aware of said return to work order because she refused the same by filing a counter-manifestation with the former labor arbiter. Moreover, the belated service of said return to work order does not prevent STI ESG to choose actual reinstatement pending appeal as provided in the Labor Code.

After the parties filed their respective Rejoinder and Sur-Rejoinder, the new labor arbiter granted STI ESG's motion to submit the pending issues on the computation of the former employee's judgment award for resolution.

As at July 11, 2019, the new labor arbiter has not issued any resolution on the aforesaid computation of the former employee's judgment award.

ii. A former IT Instructor who eventually became the IT Program Head of STI College Cagayan de Oro, a school owned by STI ESG, filed an illegal dismissal case against STI College Cagayan de Oro on the ground that she was constructively dismissed when upon returning from preventive suspension, she allegedly no longer had any work to go back to because the STI ESG-owned company purportedly removed her workplace from the school premises. For its part, STI ESG countered the complainant's claim that she was dismissed by presenting the complainant's one-liner resignation letter.

The Labor Arbiter decided that there was neither an illegal dismissal nor resignation to speak of in this case, hence, the parties were ordered to return to status quo, which meant reinstatement of complainant to her former position but without backwages, separation pay, or similar benefits. Nevertheless, STI was ordered to pay complainant the amount of ₱7.4 thousand representing her unpaid salary for the period March 10-30, 2014 However, the NLRC overturned the Labor Arbiter's decision upon a dubious motion for partial reconsideration declaring complainant to have been illegally dismissed and ordering STI ESG not only to reinstate her but also to pay her full backwages computed from the time compensation was withheld up to the date of actual reinstatement. STI ESG moved to reconsider the NLRC's decision but to no avail. At present, a Petition for Certiorari questioning the decision of the NLRC is pending before the Court of Appeals.

On May 12, 2017, STI ESG received a copy of a Motion for Execution with Prayer for Payment of Separation Pay in Lieu of Reinstatement filed by Complainant-Appellant seeking the issuance of a writ of execution for the implementation of the Resolution dated June 30, 2016 issued by the Honorable Eight Division, National Labor Relations Commission, Cagayan de Oro City. On May 22, 2017, STI ESG filed its Opposition to the Motion for Execution with Prayer for Payment of Separation Pay in Lieu of Reinstatement.

Subsequently, a hearing on the motion for execution was set on June 5, 2017. In the said hearing, STI ESG reiterated that it is amenable to reinstating complainant but as a Part-time Full Load faculty member. Complainant countered that she is not interested in reinstatement but would rather be paid her back wages and separation pay. When we asked for how much is she willing to settle the matter amicably, she insisted that she be paid the total amount of her back wages and separation pay. When asked if STI ESG has any counter-offer on the payment of back wages and separation pay, STI ESG manifested that it already filed its opposition thereto and that there is still a need for the official computation of the same. At that point, the hearing officer showed STI ESG a computation of the back wages which amounted to ₱0.5 million. STI ESG then manifested that it will bring the matter to management. On the part of the complainant, she manifested that she will file her reply to our opposition. The hearing officer then said that upon submission of said reply, the motion for execution is deemed submitted for resolution.

Also, in the motion for execution, it was also alleged that the Court of Appeals already denied the Petition for Certiorari of STI ESG. However, STI ESG did not receive any copy of the said resolution by the Court of Appeals. Upon inquiry with the Court of Appeals, it appeared that the copy of the resolution dismissing the petition for certiorari was returned to sender due to "RTS-UNKNOWN ADDRESS". Apparently, the indicated address of counsel of record simply states Ortigas Ave., Extension, Cainta, Rizal. STI ESG then filed a manifestation with the Court of Appeals manifesting that it has yet to receive a copy of their minute resolution and clarifying that the complete address where a copy of the said resolution may be sent is "3rd Flr. STI Academic Center, Ortigas Avenue Extension, Cainta, Rizal 1900".

On June 2, 2017, STI ESG received a copy of the Minute Resolution dated January 12, 2017 dismissing its Petition for Certiorari based on the following grounds: a) failure to attach a copy of the Resolution dated June 30, 2017 of the NLRC; b) failure to attach the Secretary Certificate authorizing Mario Malferrari, Jr. as representative for STI ESG to file the petition for certiorari; c) failure to verify the petition; and d) failure to attach affidavit of service.

On June 21, 2017, STI ESG filed its Motion for Reconsideration.

Meanwhile, on July 12, 2017, STI ESG received an Order from the Office of the Labor Arbiter granting the Motion for Execution filed by Complainant. On July 21, 2017, STI ESG received a copy of the Writ of Execution issued by Office of the Labor Arbiter directing the payment of ₱0.5 million to Complainant and her immediate reinstatement. In compliance with the Writ of Execution, Complainant was paid the amount of ₱0.5 million and was reinstated to her former position.

On November 7, 2017, STI ESG received a copy of the Resolution of the Court of Appeals dated September 25, 2017 on its motion for reconsideration. The Court of Appeals resolved to grant the motion for reconsideration and reinstated STI ESG's petition for certiorari. The complainant was then directed to file her comment to the petition within t10 days from receipt of the said resolution and STI ESG was given 5 days to file its reply to Complainant's comment.

On January 31, 2018, STI ESG received a copy of a Minute Resolution dated January 15, 2018 issued by the Court of Appeals which resolved that Complainant is deemed to have waived her filing of a comment to the petition for certiorari and directed the parties to file their respective memorandum within 15 days from receipt of said minute resolution. Thereafter, the petition for certiorari is deemed submitted for decision.

On February 15, 2018, STI ESG filed through registered mail its Memorandum with the 22nd Division, Court of Appeals, CDO. On April 25, 2018, STI ESG received a copy of Complainant's Memorandum. In a resolution of the Court of Appeals dated April 19, 2018, with the filing of the parties' respective memorandum, the Court declared the petition submitted for decision.

On July 11, 2018, STI ESG received a copy of the Decision of the 21st Division, Court of Appeals, CDO, setting aside the resolution of the NLRC declaring complainant to have been illegally dismissed and awarding the payment of back wages. In the same decision, the Court of Appeals dismissed the charge of illegal dismissal for lack of merit. However, STI College CDO was directed to pay complainant the sum of ₱7.4 thousand representing her unpaid salary for the period March 10-30, 2014.

On September 5, 2018, STI ESG received a copy of the Motion for Reconsideration filed by the complainant with the Court of Appeals (Special Former 21st Division). On October 31, 2018, STI ESG received the resolution of the said court directing STI ESG to file its Comment to the Motion for Reconsideration filed by the complainant within 10 days from notice. On November 12, 2018, STI ESG filed its Comment to the Motion for Reconsideration of the complainant. With the filing of the Comment, the Motion for Reconsideration is deemed submitted for resolution.

On January 24, 2019, STI ESG received a copy of the Resolution of the Court of Appeals (Special Former Twenty-First [21st] Division) denying the Motion for Reconsideration filed by the complainant. On April 22, 2019, STI ESG received a copy of the Entry of Judgment of the Decision dated June 29, 2018. With this development, STI ESG will now initiate proceedings to recover the amount of ₱0.5 million, more or less given to the complainant based on the overturned decision of the NLRC.

As at July 11, 2019, STI ESG is preparing the necessary motion for the recovery of the ₱0.5 million.

iii. Former part-time faculty members of STI College Legazpi who were erroneously issued employment contracts for regular employees filed an illegal dismissal case against STI College Legazpi, a school owned by STI ESG, following their stubborn refusal to sign their respective job offers as required by CHED. The labor arbiter rendered a Decision finding the complainants as regular employees of STI ESG; declaring the Parent Company as guilty of illegal dismissal; and ordering the Parent Company to pay them separation pay of ₱0.22 million, ₱0.18 million, ₱0.15 million, respectively, plus back wages, moral and exemplary damages of ₱0.2 million each, plus 10% attorney's fees.

Upon appeal to the NLRC, the case filed by one of the faculty members was dropped, while the rest of the Decision was affirmed. Accordingly, a Motion for Reconsideration of the NLRC Decision was filed wherein it prayed for the dismissal of the complaints of Brazil and Garcera as well, invoking well-settled cases as jurisprudential authorities to persuade the NLRC to dismiss the cases against the Parent Company.

As it developed, STI ESG prevailed at the NLRC, and the complaint was dismissed. The former faculty members assailed said Decision of the NLRC at the Court of Appeals which denied the Petition.

Both parties here may have been mistaken in believing that the former faculty members have become regular faculty members by their length of service and seemingly satisfactory performance. Because of such incorrect grant of regular employment status, STI ESG, for years, have paid to complainants the salaries and benefits ought to be received by regular faculty members, which they did not deserve considering their failure to meet the qualifications set out in the MORPS and MORPHE. To punish STI ESG for such act of giving Petitioners more than what they deserve would run contrary to the basic tenets of equity and justice. In fact, STI sought to remedy its mistake by formulating its two-year compliance consideration program, wherein affected teachers such as complainants shall continue to receive the same benefits they are currently enjoying, subject to the completion of their master's degree within a period of two years. Even complainants admitted that their job offers stipulated a higher monthly salary. In spite of all these, complainants chose not to sign the said job offers.

The former faculty members filed a motion for reconsideration of the said decision of the Court of Appeals. STI ESG filed its Comment on the motion for reconsideration emphasizing the following points: (1) that the instant motion for reconsideration is pro-forma and should be denied outright; and (2) that the petitioners failed to raise any substantial argument to warrant a modification of the Court's decision considering that (a) the Court of Appeals did not err in finding that the NLRC did not commit grave abuse of discretion in dismissing petitioner's complaint for illegal constructive dismissal; and (b) the Court of Appeals did not err in upholding the NLRC's finding that petitioners were mere part-time teaching personnel of STI. In a Resolution dated June 30, 2017, the Court of Appeals denied the Motion for Reconsideration filed by the former faculty members.

On September 6, 2017, STI ESG received a copy of the Petition for Review on Certiorari of the Decision of the Court of Appeals dismissing the complaint for illegal dismissal of the former faculty members with the Supreme Court. STI ESG filed its Comment to the petition on November 10, 2017.

In a decision dated November 21, 2018, the First Division of the Supreme Court denied the petition filed by petitioners and affirmed the November 9, 2016 Decision as well as the June 30, 2017 Resolution of the Court of Appeals.

iv. This is a case for illegal dismissal (constructive), underpayment of salary/wages, non-payment of salary/wages, separation pay, moral and exemplary damages and attorney's fees filed by a former school nurse of STI College Fairview Branch.

The complainant was cited in several instances for her excessive tardiness, negligence, and other violations of the school's Code of Conduct. On January 15, 2016, she submitted her resignation letter effective immediately and processed her clearance. On the same day, she proceeded to the NLRC and filed a request for assistance.

The complainant claimed that she was forced to resign when her benefits were reduced, she was deliberately given difficult work assignments, she was cited for several violations of the Parent Company's code of conduct to build-up a case against her and was given poor working conditions.

The labor arbiter dismissed her complaint for lack of merit saying that resignation due to the enforcement of disciplinary measures for violations does not constitute unbearable working condition, hence, her resignation does not constitute constructive dismissal.

The complainant appealed the decision of the labor arbiter to the NLRC.

On April 21, 2017, STI College Fairview received the Decision dated March 31, 2017 of the 4^{th} Division, NLRC, denying her appeal and affirming the labor arbiter's decision but with modification by awarding ₱75.0 thousand as financial assistance based on the higher interest of equity, social and compassionate justice.

On May 2, 2017, STI ESG filed its Motion for Partial Reconsideration of the decision of the NLRC, particularly, on the award of financial assistance in the amount of ₱75.0 thousand on the basis that she is not entitled to any financial assistance since there was no dismissal to speak of. Moreover, her failure to comply with the 30-day notice requirement in case of resignation makes her even liable for damages instead of financial assistance.

However, on June 1, 2017, STI ESG received a copy of the resolution dated May 30, 2017 of the 4^{th} Division, NLRC denying the motion for reconsideration.

On July 28, 2017, STI ESG filed its Petition for Certiorari with prayer for the issuance of a restraining order and a writ of preliminary injunction with the Court of Appeals. On August 19, 2017, STI ESG received a copy of the resolution of the Court of Appeals dated August 9, 2017 directing complainant to comment on STI ESG's petition while holding in abeyance the action on the prayer for injunctive relief. Pending resolution of the STI ESG's prayer for the issuance of a restraining order and a writ of preliminary injunction with the Court of Appeals, on August 31, 2017, STI ESG received a copy of the Motion for Execution filed by the complainant. On September 4, 2017, a notice of pre-execution conference was received by STI ESG setting the same on September 14, 2017 before the labor arbiter. On September 11, 2017, STI ESG filed an Opposition to the Motion for Execution. STI ESG, likewise, filed an Omnibus Motion for Immediate Resolution of Application for Issuance of a Restraining Order and Writ of Preliminary Injunction. In the pre-execution conference, STI ESG reiterated its opposition to the motion for execution of complainant and manifested that it has a pending application for the issuance of a restraining order and a writ of preliminary injunction with the Court of Appeals. In a Notice of Order of Execution dated October 11, 2017, the labor arbiter issued a Writ of Execution against STI ESG since no temporary restraining order was issued by the Court of Appeals for the amount of ₱76.2 thousand. On November 2, 2017, a check in the said amount was then deposited to the account of the National Labor Relations Commission for the satisfaction of the writ of execution. As per Order dated November 17, 2017 of the labor arbiter, the said amount was released to Complainant as full satisfaction of the judgment award.

On February 28, 2018, STI ESG received a Resolution dated January 5, 2018 of the Court of Appeals noting STI ESG's Omnibus Motion for Immediate Resolution of Application for Issuance of a Restraining Order and Writ of Preliminary Injunction and informing STI ESG that its Resolution dated August 9, 2017 addressed to complainant returned to the court with the annotation "RTS-No One to Receive" and directed STI ESG to inform the court of complainant's correct and current complete address. In a manifestation of compliance dated April 12, 2018, STI ESG informed the Court of Appeals that the only record of complainant's address in its possession is that which is stated in its petition which is the same as what is found in the pleadings filed relative to the case. In a Resolution dated June 21, 2018 received by STI ESG on July 5, 2018, the Court of Appeals dismissed the petition of STI ESG on the ground that it failed to include in its petition the current address of the complainant.

A motion for reconsideration of the subject resolution of the Court of Appeals was filed by STI ESG on July 20, 2018. On October 31, 2018, STI ESG received a copy of the Resolution of the Court of Appeals (Former Eleventh Division) granting the motion for reconsideration. However, STI ESG was given a period of 10 days from notice to submit proof of actual receipt by the complainant of its petition and to furnish the court with her correct, actual and present address, otherwise, the petition will be dismissed. On November 12, 2018, STI ESG filed its manifestation with the Court of Appeals and Motion for Extension to Submit Proof of Service.

On February 20, 2019, STI ESG received a copy of the Resolution of the Court of Appeals (Fifth Division) dated January 29, 2019 granting the Motion for Extension to Submit Proof of Service. However, STI ESG was also required to show cause why its petition shall not be dismissed for failure to comply with the Resolution dated October 18, 2018. On March 4, 2019, STI ESG filed its Manifestation of Compliance manifesting that it was able to serve a copy of the petition to complainant by personal service.

On May 27, 2019, STI ESG received a copy of the Resolution dated April 29, 2019 of the Court of Appeals (Fifth Division) finding the Manifestation of Compliance filed by STI ESG to be sufficient and directed the complainant to file her comment to STI ESG's petition.

As at July 11, 2019, STI ESG has yet to receive a copy of the comment of the complainant to its petition.

c. *Specific Performance Case.* STI College Cebu, Inc. (STI Cebu) was named defendant in a case filed by certain individuals for specific performance and damages. In their Complaint, the Plaintiffs sought the execution of Deed of Absolute Sale over a parcel of land situated in Cebu City on the bases of an alleged perfected contract to sell.

On March 15, 2016, STI ESG, as the surviving corporation in the merger between STI ESG and STI Cebu, filed a Motion to Dismiss.

After the filing of their respective pleadings to the said Motion(s) to Dismiss, the Defendants received on February 28, 2017 the Resolution of the Trial Court wherein it denied the Defendants' Motion(s) to Dismiss.

On March 6, 2017, the Defendants filed their Joint Motion for Reconsideration Ad Cautelam in relation to the Resolution.

On March 14, 2017, the Defendants received the Plaintiffs' Comment/Opposition to Joint Motion Reconsideration Ad Cautelam and/or Motion to Declare Defendants in Default dated March 11, 2017 (Comment with Motion). In the Comment with Motion, Plaintiffs alleged that the Defendants should have filed their Answer instead of the Joint Motion for Reconsideration Ad Cautelam after the denial of their Motions to Dismiss. Considering that the Defendants did not file their Answer, Plaintiffs moved to declare the Defendants in default.

After due proceedings and filing of their respective responsive pleadings to the aforesaid (a) Joint Motion and (b) Motion to Declare in Default, the Trial Court issued the Resolution dated August 16, 2017, which denied the said Motions.

After seeking an extension to file the Answer to the Plaintiffs' Amended Complaint, the Defendants filed the Consolidated Answer to the Amended Complaint on August 30, 2017. In the Consolidated Answer, Defendants asserted that there is no perfected contract to sell or of sale between STI ESG and the Plaintiffs considering that (a) there is no Board approval on the sale of the Subject Property; (b) lack of definite terms and conditions thereof; and (c) Mr. Amiel Sangalang has no authority to bind STI ESG on the alleged contract to sell or sale of the Subject Property.

While Plaintiffs opposed the (a) motion for extension and (b) subsequent filing of the Consolidated Answer, the Trial Court affirmed the admission of the Consolidated Answer and set the case for pre-trial.

While both parties were referred to court-annexed mediation and judicial dispute resolution as required under the relevant rules, the parties failed to reach an amicable settlement of the case.

On August 14, 2018, Plaintiffs filed a Motion for Leave to Admit Second Amended Complaint, whereby they sought the substitution of STI ESG as one of the Defendants.

After the filing of opposition thereto, STI ESG received the Summons dated September 26, 2018, directing it to file its Answer to the Plaintiff's Second Amended Complaint.

On October 17, 2018, the Defendants filed their Amended Consolidated Answer with Compulsory Counterclaims.

On November 8, 2018, STI ESG received the Order dated October 26, 2018 of the Trial Court. In the Order, the Trial Court set the pre-trial conference on November 14, 2018. The Trial Court also required the parties to file their respective judicial affidavit(s) of their witnesses not later than five (5) days before pre-trial.

On November 9, 2018, the Defendants filed their Amended Pre-Trial Brief and Judicial Affidavit(s) of their witnesses.

On November 14, 2018, the parties attended and participated in the scheduled pre-trial conference Based on the plaintiffs' pre-trial brief and manifestation during the said hearing, the Plaintiffs intended to include in their list of witnesses (a) Mr. Peter K. Fernandez and (b) Mr. Restituto Bundoc. While there were no interrogatories sent to said adverse witnesses as required by the Rules of Court, the Defendants reserve their right to file the appropriate pleading on the said matter.

The Trial Court then gave the Plaintiffs six (6) hearing dates to present their witnesses. Within the said period, the Plaintiffs presented four (4) witnesses. Based on their respective testimonies, the said witnesses testified the discussions and/or communications between the Plaintiffs and Mr. Sangalang regarding the sale of the subject property.

During their respective cross-examination, the said witnesses failed to provide any document and/or evidence showing (a) the authority of Mr. Sangalang to bind STI ESG on said negotiations and (b) approval of the Board of Directors of STI ESG on the terms and conditions discussed during said negotiations.

After the Plaintiffs presented their fourth (4^{th}) witness, the Plaintiffs orally moved for the issuance of Subpoena to Mr. Fernandez and Mr. Bundoc.

After oral arguments on the propriety of the said request, the Trial Court required the parties to submit their Memoranda of Authorities on their respective positions on or before January 24, 2019. Upon receipt thereof, the Trial Court will issue a Resolution on the said issue before the next scheduled hearing on February 12, 2019.

On January 24, 2019, the Defendants filed the Memorandum of Authorities. In the said Memorandum, Defendants asserted, among others, that the Plaintiffs failed to comply with the Rules of Court, which requires the service of written interrogatories to adverse witnesses. In the absence of such requirement, the Plaintiffs cannot require Mr. Fernandez and Mr. Bundoc to testify as their witnesses.

On February 11, 2019, the counsel of the Defendants received the written interrogatories addressed to Mr. Fernandez and Mr. Bundoc in relation to certain communications regarding the discussion over the negotiations for the sale of the property. The counsel of the Defendants also received the Order of the Trial Court denying the request for the issuance of subpoena to Mr. Fernandez and Mr. Bundoc because the Plaintiffs failed to serve written interrogatories to said officers of STI ESG.

On February 12, 2019, the Defendants objected on the written interrogatories served by the Plaintiffs. Meanwhile, the Trial Court granted the request for written interrogatories of the Plaintiffs but allowed the Defendants to file their written cross-interrogatories and/or such appropriate pleading.

On February 19, 2019, the Defendants filed the Omnibus Motion wherein they sought for (1) the reconsideration of the February 12, 2019 Order and (2) exclusion of certain questions on the basis of objections thereto.

After the Omnibus Motion was given due course, the Trial Court issued the Order dated April 5, 2019 on the Omnibus Motion. In the Order, the Trial Court allowed the Plaintiffs to serve the Request for Written Interrogatories but excluded certain questions therein on the basis of objections of the Defendants. As provided in the Order, the Trial Court ordered Mr. Bundoc and Mr. Fernandez to file their Answer(s) to the Written Interrogatories within ten (10) days from receipt of the Request for Written Interrogatories.

Despite the filing of the Answers to the Written Interrogatories of said officers, the Plaintiffs filed Motion to Strike Out Defendants' 'Manifestation and Compliance' with Attached 'Motion to Admit Answers to Written Interrogatories and with Motion to Render Judgment on Default. In said Motion, the Plaintiffs insisted that the Defendants failed to file the Answer(s) to the Written Interrogatories within ten (10) days from receipt of Mr. Bundoc and Mr. Fernandez. As provided under the Rules of Court, the refusal to answer the Written Interrogatories warranted the issuance of a judgment by default.

After the aforesaid Motion was given due course, the Trial Court issued the Order dated May 27, 2019, which allowed the admission of the Answer(s) of Mr. Bundoc and Mr. Fernandez. The case was set for continuation of the Plaintiffs' presentation of evidence June 19, 2019.

On June 19, 2019, the Plaintiffs orally moved to be allowed to propound additional oral interrogatories to Mr. Bundoc and Mr. Fernandez. In order to expedite the proceedings, the Defendants did not object on said motion and proposed to set the examination of said witnesses for hearing.

Based on said circumstances, the Trial Court set the direct examination of Mr. Bundoc and Mr. Fernandez by the Plaintiffs on August 1, 2019.

d. *Complaint for Damages filed by GATE (formerly STI-College Santiago, Inc.)*. Global Academy of Technology and Entrepreneurship, Inc. (GATE) filed a complaint for Damages against STI ESG for its non-renewal of the Licensing Agreement despite the former's alleged compliance of the latter's audit recommendations. On the basis of such alleged invalid non-renewal of the Licensing Agreement, GATE seeks for (a) moral damages in the amount of ₱0.5 million, (b) exemplary damages in the amount of ₱0.5 million and (c) attorney's fees in the amount of 15% of the amount to be awarded and ₱3.0 thousand per court appearance.

On January 23, 2017, STI ESG filed its Motion to Dismiss Ad Cautelam. In the said Motion, STI ESG asserted that the dismissal of the case was warranted on the following grounds; (a) lack of jurisdiction over STI ESG due to improper service of Summons to a Human Relations Officer (HR Officer), and (b) failure to state a cause of action because GATE has no right for the renewal of the Licensing Agreement when (i) the same already expired and (ii) it clearly provides that it may be renewed by mutual agreement of the parties. The Motion to Dismiss Ad Cautelam was set for hearing on February 3, 2017.

On February 3, 2017, STI ESG received GATE's Comment /Opposition. In the said Comment/Opposition, GATE alleged that (a) the HR Officer was allegedly authorized by its in-house counsel to receive the Summons, and (b) the decision of STI ESG not to renew the Licensing Agreement was not based on its mutual agreement provision but the violations of GATE. Consequently, such decision of STI ESG to cancel the Licensing Agreement was allegedly in bad faith.

Upon the filing of all the pleadings in relation to the Motion to Dismiss Ad Cautelam of STI ESG, the Trial Court issued its Resolution dated May 16, 2017, which denied the said Motion. The Trial Court also required STI ESG to file its Answer to the Complaint within the non-extendible 15 days from receipt of said Resolution on May 25, 2017 or until June 9, 2017.

On June 9, 2017, STI ESG filed its Answer to the Complaint. In the Answer, STI ESG reiterated its position that GATE has no cause of action against it because its decision not to renew the Licensing Agreement is in accordance with contractual stipulations therein that its renewal is upon mutual agreement of both parties. Considering the effectivity period of the Licensing Agreement expired on March 31, 2016 without being renewed by both parties, GATE cannot claim any damages for STI ESG's lawful exercise of its rights under the Licensing Agreement.

Both parties have been required to attend and participate in the court-annexed mediation, and subsequently, the judicial dispute resolution with the Trial Court. After the aforesaid proceedings, the parties failed to reach an amicable settlement and terminated the judicial dispute resolution on October 27, 2017. As mandated by the relevant rules, the case was raffled to a new presiding judge.

The new presiding judge issued an Order setting the case for a pre-trial hearing on May 11, 2018.

The pre-trial proper was re-scheduled by the Trial Court in order for the parties to pre-mark their documentary evidence before the branch clerk of court on May 23, 2018.

On May 23, 2018, both parties attended and caused the pre-marking of their respective documentary exhibits.

Meanwhile, the pre-trial was set by the Trial Court and upon agreement of the parties on August 31, 2018.

On August 31, 2018, the pre-trial conference commenced and terminated on the same day. The Trial Court then scheduled the presentation of the testimony of the Plaintiffs' witnesses on October 9 and 30, 2018.

On October 9 and 30, 2018, the Plaintiff presented its two witnesses.

Thereafter, the Plaintiff terminated their presentation of evidence and filed their Formal Offer of Evidence.

On December 11, 2018, STI ESG filed the Comment and Objections to the said Formal Offer of Evidence.

On February 6, 2019, the Trial Court issued the Order dated January 10, 2019. In the Order, the Trial Court denied the admission of two (2) letters issued by both parties as part of the evidence of the Plaintiff.

After the Plaintiffs filed the Motion for Reconsideration, the Trial Court admitted the aforesaid two (2) letters, and set the presentation of evidence by STI ESG.

STI ESG presented three (3) witnesses in relation to its defense that the decision not to renew the Licensing Agreement is in accordance with contractual stipulations therein, and devoid of any bad faith. Moreover, STI ESG presented evidence to show the attorney's fees it incurred in the instant case.

After the presentation of the last witness, STI ESG formally offered its evidence by filing its Formal Offer of Evidence on May 22, 2019.

After the Plaintiffs filed their Comment/Objections to the Formal Offer of Evidence, the Trial Court shall (1) issue a resolution on the Plaintiffs' Comment/Objections to our Formal Offer of Evidence, and (2) submit the case for decision.

As at July 11, 2019 STI ESG has yet to receive a copy of the resolution from the Trial Court.

e. *Criminal Case.* A complaint for qualified theft was filed by the Parent Company against its former school accounting supervisor and acting school accountant (former supervisor/accountant). In the complaint, the Parent Company alleged that said former supervisor/accountant manipulated the payroll registers of STI College Global City by including the name of a former faculty member of STI College Global City in the payroll registers and placing a corresponding salary and 13th month pay beside said faculty member's name. The salary of said former faculty member was deposited in a bank account belonging to the former supervisor/accountant. The total amount deposited to the bank account of the former supervisor/accountant through this scheme amounted to ₱0.2 million.

The complaint for qualified theft was filed with Office of the City Prosecutor of Taguig City. Summons to the former supervisor/accountant was returned undelivered despite the Parent Company providing additional addresses of the former supervisor/accountant where the summons could be served.

After the former supervisor/accountant failed to appear on two preliminary investigations, the complaint was submitted for resolution.

On September 8, 2016, STI ESG filed an Ex-Parte Motion for Early Resolution to resolve the case pointing out that more than 16 months have elapsed since the matter was submitted for resolution.

As at July 11, 2019, the Office of the City Prosecutor of Taguig City has yet to issue a resolution in the instant case.

f. *Breach of contract.* STI ESG engaged the services of Mobeelity Innovations, Inc. (MOBEELITY) to deploy its digital classroom pilot, also known as e-Learning Management System (eLMS) and MOBEELITY committed to provide the necessary applications suite of the intended learning management system of STI ESG.

MOBEELITY undertook to provide STI ESG with access to the EDU 2.0 LMS (now known as NEO) and iMEET virtual classroom. MOBEELITY committed to provide STI ESG with online and on-site technical support for the implementation of the EDU 2.0 LMS and iMEET virtual classroom. Furthermore, MOBEELITY committed to provide STI ESG with all updates and modifications to EDU 2.0 LMS and iMEET virtual classroom free of charge. Out of these two platforms, STI ESG was only able to avail of and utilize the EDU 2.0 LMS under the agreement.

MOBEELITY provided STI ESG access to the EDU 2.0 LMS. EDU 2.0 LMS is a product of Cypher Learning, and MOBEELITY was an authorized reseller of this product. In accordance with the terms of the Agreement, STI ESG paid MOBEELITY the sum of ₱3.3 million as a downpayment for services to be rendered by MOBEELITY for the First Semester of SY 2016-2017 or from June to November 2016.

On June 12, 2016, it came to the attention of STI ESG that Cypher Learning had terminated its relationship with MOBEELITY due to the fraudulent acts committed by MOBEELITY against Cypher Learning.

Pursuant to the arbitration clause of the Memorandum dated September 8, 2014 (Memorandum) executed by STI ESG and MOBEELITY, STI ESG initiated the instant ad hoc arbitration to settle a dispute involving the reimbursement of ₱3.3 million by MOBEELITY due to a breach of its obligations under the Memorandum.

After due proceedings, the Arbitral Tribunal issued the arbitral award dated August 9, 2018 wherein MOBEELITY is required to pay STI ESG the amount of ₱3.3 million and arbitration cost of ₱0.9 million.

As provided by law, STI ESG has to file the appropriate petition before the Regional Trial Court for the execution of the aforesaid arbitral award.

g. Due to the nature of the Parent Company's business, it is involved in various legal proceedings, both as plaintiff and defendant, from time to time. The majority of outstanding litigation involves illegal dismissal cases under which faculty members have brought claims against the Parent Company by reason of their faculty and/or employment contracts. Management and its legal counsels believe that the Parent Company has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions and proceedings, if any, will not have a material adverse impact on the Parent Company's consolidated financial position and results of operations.

h. Other subsidiaries also stand as the defendant of various lawsuits and claims filed by their former employees. The complainants are seeking payment of damages such as back wages and attorney's fees.

As at July 11, 2019, the cases are pending before the labor arbiter.

Management and their legal counsels believe that the outcome of these cases will not have a significant impact on the consolidated financial statements.

Commitments

a. Financial Commitments
The Parent Company has domestic bills purchase lines from various local banks amounting to ₱165.0 million as at March 31, 2019, specifically for the purchase of local and regional clearing checks. Interest on drawdown from such facility is waived except when drawn against returned checks to which the interest shall be the prevailing lending rate of such local bank. This facility is on a clean basis.

b. Capital Commitments
As at March 31, 2019 and 2018, the STI ESG has contractual commitments and obligations for the construction of school buildings for STI Lipa, STI Sta. Mesa, STI Pasay-EDSA and STI San Jose del Monte with an aggregate amount of ₱1,956.6 million of which ₱1,682.4 million and ₱793.0 million have been paid as at March 31, 2019 and 2018, respectively.

c. Others
(i) On April 21, 2017, STI ESG, Mr. Tony Tan Caktiong (TTC), STI Tanauan, and Injap Investments, Inc. (Injap), referred collectively as the Joint Venture Parties, entered into an agreement to transform STI Tanauan into a Joint Venture Company which shall operate a farm-to-table school that offers courses ranging from farm production to food services.

The Joint Venture Parties also agreed to increase STI Tanauan's authorized capital stock to an amount that will be agreed by the Joint Venture Parties in a separate agreement. As agreed by the Joint Venture Parties, the increase in the authorized capital stock will be funded through STI Tanauan's declaration of stock dividends to STI ESG based on STI Tanauan's unrestricted retained earnings as at March 31, 2017 and cash payments by the Joint Venture Parties.

The equity sharing in the Joint Venture Company will be 60%, 25% and 15% for STI ESG, TTC and Injap, respectively.

On June 21, 2017, in separate meetings, the stockholders and the BOD of STI Tanauan approved the increase in the authorized capital stock of the corporation from ₱1.0 million divided into 10,000 shares with a par value of ₱100 to ₱75.0 million divided into 750,000 shares with a par value of ₱100. The increase will be funded through the declaration of stock dividends and cash subscriptions by the shareholders. In the same meeting, the stockholders and the BOD approved the declaration of 150,000 shares as stock dividends with an aggregate par value of ₱15.0 million to be distributed to stockholders of record as at March 31, 2017 based on the unrestricted retained earnings of STI Tanauan as shown in its audited financial statements as at March 31, 2017.

On January 24, 2018, STI ESG subscribed to and fully paid for 35,000 shares at a subscription price of ₱495 per share for a total of ₱17.3 million.

On February 26, 2018, STI Tanauan applied with the SEC to increase its authorized capital stock from ₱1.0 million to ₱75.0 million.

On March 2, 2018, the SEC approved the increase and issued the Certificate of Approval on Increase of Capital Stock.

On March 3, 2018, STI Tanauan issued to STI ESG stock dividends of 150,000 shares and 35,000 shares as subscribed by the latter.

(ii) In January 2018, STI ESG entered into a contract to sell with Heva Management and Development Corporation for the acquisition of a lot in Iloilo City with a total area of 2,615 sqm for a price of ₱183.0 million plus value-added tax less applicable taxes. STI ESG made a down payment amounting to ₱67.5 million in January 2018, net of the ₱200.0 thousand reservation fee paid on November 29, 2017 (see Note 15). The remaining balance in the amount of ₱128.1 million shall be paid in 18 equal monthly installments without interest, of ₱7.1 million starting January 2018 up to June 2019. The lot will be the future site of STI Iloilo.

(iii) On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG signed a memorandum of agreement to avail of the Tertiary Education Subsidy (TES) and Student Loan Program (SLP) for its students under the "Universal Access to Quality Tertiary Education Act (UAQTEA)" and its Implementing Rules and Regulations (IRR). The Republic Act No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who shall enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED recognized LUCs is ₱40,000. Students enrolled in select HEIs and are qualified to receive the TES, are entitled to ₱60,000. The subsidy is for Tuition and other related school fees and should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to PWDs and graduates of programs with licensure exams amounting to ₱30,000 per annum and ₱10,000, respectively. Under the Voucher and TES Programs, DepEd and CHED, respectively, pay directly the schools where these students enrolled.

34. Financial Risk Management Objectives and Policies

The principal financial instruments of the Group comprise cash and cash equivalents and interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise working capital and major capital investment financing for the Group's school operations. The Group has various other financial assets and liabilities such as receivables and accounts payable and other current liabilities which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Parent Company's BOD and management reviews and agrees on the policies for managing each of these risks as summarized as follows.

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet its currently maturing commitments. The Group's liquidity profile is managed to be able to finance its operations and capital expenditures and other financial obligations. To cover its financing requirements, the Group uses internally-generated funds and interest-bearing loans and borrowings. As part of its liquidity risk management program, the Group regularly evaluates the projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives.

Any excess funds are primarily invested in short-dated and principal-protected bank products that provide the flexibility of withdrawing the funds anytime. The Group regularly evaluates available financial products and monitors market conditions for opportunities to enhance yields at acceptable risk levels.

The Group's current liabilities are mostly made up of trade liabilities with 30 to 60-day payment terms, current portion of interest-bearing loans and borrowings that are expected to mature within one year after reporting date. On the other hand, the biggest components of the Group's current assets are cash and cash equivalents, receivables from tuition fee, DepEd and franchisees and advances to associates and joint ventures with credit terms of 30 days.

As at March 31, 2019 and 2018, the Group's current assets amounted to ₱1,764.3 million and ₱2,978.7 million, respectively, while current liabilities amounted to ₱1,023.6 million and ₱595.1 million, respectively.

As part of the Group's liquidity risk management program, management regularly evaluates the projected and actual cash flow information.

In relation to the Group's interest-bearing loans and borrowings, the debt service coverage ratio, based on the consolidated financial statements of the Group, is also monitored on a regular basis. The debt service coverage ratio is equivalent to the consolidated EBITDA divided by total principal and interests due for the next twelve months. The Group monitors its debt service coverage ratio to keep it at a level acceptable to the Group and the lender bank. The Group's policy is to keep the debt service coverage ratio not lower than 1.05:1.00.

The tables below summarize the maturity profile of the Group's financial assets held for liquidity purposes and other financial liabilities based on undiscounted contractual payments.

	2019				
	Due and demandable	**Less than 3 Months**	**3 to 12 Months**	**More than 1 Year**	**Total**
Financial Assets					
At amortized cost:					
Cash and cash equivalents	**₱401,238,061**	**₱–**	**₱–**	**₱–**	**₱401,238,061**
Receivables*	**378,667,040**	**24,636,095**	**–**	**–**	**403,303,135**
Rental deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	**–**	**–**	**–**	**55,696,369**	**55,696,369**
Equity investments designated at FVOCI	**–**	**–**	**–**	**49,777,643**	**49,777,643**
	₱779,905,101	**₱24,636,095**	**₱–**	**₱105,474,012**	**₱910,015,208**
Financial Liabilities					
Other financial liabilities:					
Bonds payable					
Principal	**₱–**	**₱–**	**₱–**	**₱3,000,000,000**	**₱3,000,000,000**
Interest	**–**	**–**	**178,905,220**	**872,460,640**	**1,051,365,860**
Interest-bearing loans and borrowings:					
Principal	**–**	**–**	**240,000,000**	**360,000,000**	**600,000,000**
Interest	**–**	**–**	**36,260,490**	**27,364,050**	**63,624,540**
Accounts payable and other current liabilities**	**264,916,411**	**112,840,892**	**284,771,857**	**–**	**662,529,160**
Obligations under finance lease					
Principal	**–**	**1,565,143**	**4,643,289**	**11,643,614**	**17,852,046**
Interest	**–**	**357,703**	**884,899**	**1,201,773**	**2,444,375**
Other noncurrent liabilities***	**–**	**–**	**–**	**54,411,895**	**54,411,895**
	₱264,916,411	**₱114,763,738**	**₱745,465,755**	**₱4,327,081,972**	**₱5,452,227,876**

	2018				
	Due and demandable	Less than 3 Months	3 to 12 Months	More than 1 Year	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	₱1,617,391,465	₱–	₱–	₱–	₱1,617,391,465
Receivables*	375,404,363	17,491,395	–	–	392,895,758
Rental deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	–	–	–	44,272,574	44,272,574
AFS financial assets	–	–	–	67,399,715	67,399,715
	₱1,992,795,828	₱17,491,395	₱–	₱111,672,289	₱2,121,959,512
Financial Liabilities					
Other financial liabilities:					
Bonds payable					
Principal	₱–	₱–	₱–	₱3,000,000,000	₱3,000,000,000
Interest	–	–	178,905,220	1,051,365,860	1,230,271,080
Interest-bearing loans and borrowings:					
Principal	–	–	134,400,000	600,000,000	734,400,000
Interest	–	–	32,377,044	37,426,200	69,803,244
Accounts payable and other current liabilities**	136,835,633	31,059,411	197,942,174	–	365,837,218
Obligations under finance lease					
Principal	–	1,132,147	5,228,356	14,079,817	20,440,320
Interest	–	193,739	808,541	1,080,962	2,083,242
Other noncurrent liabilities***	–	–	–	66,145,490	66,145,490
	₱136,835,633	₱32,385,297	₱549,661,335	₱4,770,098,329	₱5,488,980,594

** Excluding advances to officers and employees amounting to ₱17.5 million and ₱20.4 million as at March 31, 2019 and 2018, respectively.*
*** Excluding government and other statutory liabilities amounting to ₱21.4 million and ₱20.7 million as at March 31, 2019 and 2018, respectively.*
**** Excluding advance rent and deferred lease liability amounting to ₱47.5 million and ₱37.4 million as at March 31, 2019 and 2018, respectively.*

The Group's current ratios are as follows:

	2019	2018
Current assets	**₱1,764,340,159**	₱2,978,657,098
Current liabilities	**1,023,567,896**	595,057,170
Current ratios	**1.72:1.00**	5.01:1.00

Credit Risk

Credit risk is the risk that the Group will incur a loss arising from students, franchisees or other counterparties that fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk that the Group is willing to accept for individual counterparties and by monitoring expenses in relation to such limits.

It is the Group's policy to require the students to pay all their tuition and other school fees before they can get their report cards and other credentials. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and equity instruments designated at FVOCI/AFS financial assets, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. As at March 31, 2019 and 2018, there is no significant concentration of credit risk.

Credit Risk Exposures. The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position:

	2019		2018	
	Gross Maximum Exposure[(1)]	**Net Maximum Exposure**[(2)]	Gross Maximum Exposure[(1)]	Net Maximum Exposure[(2)]
Financial Assets at amortized cost/Loans and receivables:				
Cash and cash equivalents (excluding cash on hand)	**₱400,436,569**	**₱379,436,569**	₱1,616,589,973	₱1,600,089,973
Receivables*	**403,303,135**	**403,303,135**	392,895,758	392,895,758
Rental deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	**55,696,369**	**55,696,369**	44,272,574	44,272,574
Equity instruments designated at FVOCI/AFS financial assets	**49,777,643**	**49,777,643**	67,399,715	67,399,715
	₱909,213,716	**₱888,213,716**	₱2,121,158,020	₱2,104,658,020

* *Excluding advances to officers and employees amounting to ₱17.5 million and ₱20.4 million as at March 31, 2019 and 2018, respectively.*
(1) *Gross financial assets before taking into account any collateral held or other credit enhancements or offsetting arrangements.*
(2) *Gross financial assets after taking into account any collateral held or other credit enhancements or offsetting arrangements or insurance in case of bank deposits.*

Credit Quality per Class of Financial Asset. The tables below show the credit quality by class of financial assets based on the STI ESG's credit rating system as at March 31, 2019 and 2018:

	2019				2018
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Credit Impaired**	**Total**	Total
Class A	**₱586,823,216**	**₱ 200,689,985**	**₱–**	**₱787,513,201**	₱1,886,621,234
Class B	**–**	**203,167,029**	**–**	**203,167,029**	235,338,278
Class C	**–**	**79,660,271**	**2,875,963**	**82,536,234**	86,184,745
Gross carrying amount	**586,823,216**	**483,517,285**	**2,875,963**	**1,073,216,464**	2,208,144,257
ECL	**–**	**160,325,293**	**2,875,963**	**163,201,256**	86,184,745
Carrying amount	**₱586,823,216**	**₱323,191,992**	**₱–**	**₱910,015,208**	₱2,121,959,512

The following credit quality categories of financial assets are managed by the Group as internal credit ratings. The credit quality of the financial assets was determined as follows:

- Class A - *Cash and cash equivalent* and *Rental and utility deposits* are classified as "Class A" based on the good credit standing or rating of the counterparty. *Receivables* classified as "Class A" are those with high probability of collection and/or customer or counterparties who possess strong to very strong capacity to meet its obligations.
- Class B - these are *Receivables* from customers who settle their obligations within tolerable delays.
- Class C - these pertain to *Receivables* from customers with payment behavior normally extending beyond the credit terms and have high probability of becoming impaired.

As at March 31, 2019, the table below shows the aging analysis of receivables from students on which the amount of allowance was based on lifetime expected credit loss:

	Current	**Within the Semester**	**After the Semester but within the School Year**	**After the School Year**	**ECL**	**Total**
Receivable from students	**₱145,934,900**	**₱49,715,933**	**₱1,057,885**	**₱78,602,387**	**(₱160,325,293)**	**₱114,985,812**

The table below shows the aging analysis of financial assets that are past due but not impaired as at March 31, 2018:

	2018				
	Neither Past Due Nor Impaired	Past Due but not Impaired 31 to 60 Days	Past Due but not Impaired 61 to 360 Days	Impaired	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents (excluding cash on hand)	₱1,616,589,973	₱–	₱–	₱–	₱1,616,589,973
Receivables*	181,387,078	56,171,941	155,336,739	86,184,745	479,080,503
Rental deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	44,272,574	–	–	–	44,272,574
AFS financial assets	67,399,715	–	–	–	67,399,715
	₱1,909,649,340	₱56,171,941	₱155,336,739	₱86,184,745	₱2,207,342,765

** Excluding advances to officers and employees amounting to ₱20.4 million and ₱19.5 million as at March 31, 2018 and 2017 respectively.*

Interest Rate Risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing loans and bonds. While the Group's long-term debt has a floating interest rate, the Group elected to have the interest rate repriced every year, thus minimizing the exposure to market changes in interest rates. The interest rates for the STI ESG bonds are, however, fixed for the 7-year and the 10-year tenors.

The Group's exposure to interest rate risk also includes its cash and cash equivalents balance. Interest rates for the Group's cash deposits are at prevailing interest rates. Due to the magnitude of the deposits, a significant change in interest rate may also affect the consolidated statements of comprehensive income.

The following table demonstrates the sensitivity, to a reasonably possible change in interest rates, with all other variables held constant, of the consolidated statements of comprehensive income and statements of changes in equity for the years ended March 31:

	Effect on Income Before Income Tax		
Increase/decrease in Basis Points (bps)	**2019**	2018	2017
+100 bps	**(₱36,000,000)**	(₱37,344,000)	(₱37,752,000)
-100 bps	**36,000,000**	37,344,000	37,752,000

Capital Risk Management Policy

The Group's objectives when managing capital are to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group is not subject to externally imposed capital requirements.

The Group monitors capital using the debt-to-equity ratio which is computed as the total of current and noncurrent liabilities, net of unearned tuition and other school fees, divided by total equity. The Group monitors its debt-to-equity ratio to keep it at a level acceptable to the Group. The Group's policy is to keep the debt-to-equity ratio at a level not exceeding 1.50:1.00.

The Group considers its equity contributed by stockholders as capital.

	March 31	
	2019	2018
Capital stock	**₱3,087,829,443**	₱3,087,829,443
Additional paid-in capital	**386,916,479**	386,916,479
Retained earnings (see Note 20)	**3,023,825,683**	3,003,879,555
	₱6,498,571,605	₱6,478,625,477

The Group's debt-to-equity ratios are as follows:

	March 31	
	2019	2018
Total liabilities*	**₱4,407,031,500**	₱4,215,264,337
Total equity	**6,569,707,487**	6,621,659,346
Debt-to-equity ratio	**0.67:1.00**	0.64:1.00

**Excluding unearned tuition and other school fees*

The Group's asset-to-equity ratios are as follows:

	March 31	
	2019	2018
Total assets	**₱11,058,118,644**	₱10,890,908,702
Total equity	**6,569,707,487**	6,621,659,346
Asset-to-equity ratio	**1.68:1.00**	1.64:1.00

No changes were made in the objectives, policies or processes during the years ended March 31, 2019 and 2018.

35. Fair Value Information of Financial Instruments

The following tables set forth the carrying amounts and estimated fair values of consolidated financial assets and liabilities recognized as at March 31, 2019 and 2018. There are no material unrecognized financial assets and liabilities as at March 31, 2019 and 2018:

	2019				
	Carrying Amount	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
Rental deposits	**₱55,696,369**	**₱54,989,443**	**₱–**	**₱–**	**₱54,989,443**
Equity instruments designated at FVOCI	**49,777,643**	**49,777,643**	**3,975,280**	**45,802,363**	**–**
	₱105,474,012	**₱104,767,086**	**₱3,975,280**	**₱45,802,363**	**₱54,989,443**
Financial Liabilities					
Other financial liabilities at amortized cost :					
Obligations under finance lease	**₱17,852,046**	**₱ 16,194,197**	**₱–**	**₱–**	**₱16,194,197**
Refundable deposits	**21,778,168**	**21,120,069**	**–**	**–**	**21,120,069**
	₱39,630,214	**₱37,314,266**	**₱–**	**₱–**	**₱37,314,266**

	2018				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Loans and receivables:					
Rental deposits	₱44,272,574	₱43,195,036	₱–	₱–	₱43,195,036
AFS financial assets-quoted	4,237,200	4,237,200	4,237,200	–	–
	₱48,509,774	₱47,432,236	₱4,237,200	₱–	₱43,195,036
Financial Liabilities					
Other financial liabilities at amortized cost:					
Obligations under finance lease	₱20,440,320	₱21,503,910	₱–	₱–	₱21,503,910
Refundable deposits	21,514,129	21,170,192	–	–	21,170,192
	₱41,954,449	₱42,674,102	₱–	₱–	₱42,674,102

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Receivables and Accounts Payable and Other Current Liabilities. Due to the short-term nature of transactions, the fair values of these instruments approximate the carrying amounts as of financial reporting date.

Rental Deposits. The fair values of these instruments are computed by discounting the face amount using BVAL/PDST-R2 rate ranging from 5.70% to 6.02% and 3.29% to 7.16% as at March 31, 2019 and 2018, respectively.

Equity instruments designated at FVOCI/AFS financial assets. The fair values of publicly-traded equity instruments, classified under Level 1, are determined by reference to market bid quotes as at financial reporting date. The fair values of unquoted shares classified under Level 2 are determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions. Such techniques include using recent arm's-length market transactions; reference to the current market value of another instrument which is substantially the same.

Interest-bearing Loans and Borrowings. The carrying value approximates its fair value because of recent and regular repricing based on market conditions.

Obligations under Finance Lease. The fair values of obligations under finance lease are computed based on the discounted present value of lease payments with discount rate ranging from 5.59% to 6.18% and 3.29% to 5.24% as at March 31, 2019 and 2018, respectively.

Refundable Deposits. The fair values of the refundable deposits are computed based on the discounted present value of lease payments with discount rates ranging from 5.66% to 6.06% and 3.09% to 5.31% as at March 31, 2019 and 2018, respectively.

In 2019 and 2018, there were no transfers between Level 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

36. Changes in Liabilities Arising from Financing Activities

	April 1, 2018	Cash flows	Reversal of finance lease obligation	Interest Expense (see Note 22)	Capitalized borrowing costs (see Note 10)	Dividends Declared (see Note 20)	Reclassified as Current (see Notes 17 and 28)	New Leases (see Note 28)	March 31, 2019
Current interest-bearing loans and borrowings	**₱134,400,000**	**(₱134,400,000)**	**₱–**	**₱–**	**₱–**	**₱–**	**₱240,000,000**	**₱–**	**₱240,000,000**
Current obligations under finance leases	**6,360,503**	**(6,607,474)**	**–**	**–**	**–**	**–**	**6,455,403**	**–**	**6,208,432**
Bonds payable	**2,951,879,134**	**–**	**–**	**6,075,120**	**–**	**–**	**–**	**–**	**2,957,954,254**
Noncurrent interest-bearing loans and borrowings	**600,000,000**	**–**	**–**	**–**	**–**	**–**	**(240,000,000)**	**–**	**360,000,000**
Noncurrent obligations under finance leases	**14,079,817**	**–**	**–**	**–**	**–**	**–**	**(6,455,403)**	**4,019,200**	**11,643,614**
Dividends payable	**13,813,740**	**(186,295,104)**	**–**	**–**	**–**	**184,912,630**	**–**	**–**	**12,431,266**
Interest payable	**9,283,548**	**(216,761,784)**	**–**	**183,445,281**	**35,468,877**	**–**	**–**	**–**	**11,435,922**
Total liabilities from financing activities	**₱3,729,816,742**	**(₱544,064,362)**	**₱–**	**₱189,520,401**	**35,468,877**	**₱184,912,630**	**₱–**	**₱4,019,200**	**₱3,599,673,488**

	April 1, 2017	Cash flows	Reversal of finance lease obligation (see Note 28)	Interest Expense (see Note 22)	Capitalized borrowing costs (see Note 10)	Dividends Declared (see Note 20)	Reclassified as Current (see Notes 17 and 28)	New leases (see Note 28)	March 31, 2018
Current interest-bearing loans and borrowings	₱585,800,000	(₱585,800,000)	₱–	₱–	₱–	₱–	₱134,400,000	₱–	₱134,400,000
Current obligations under finance leases	4,912,919	(6,146,905)	–	–	–	–	7,594,489	–	6,360,503
Bonds payable	2,947,028,638	(845,757)	–	5,696,253	–	–	–	–	2,951,879,134
Non-current interest-bearing loans and borrowings	734,400,000	–	–	–	–	–	(134,400,000)	–	600,000,000
Non-current obligations under finance leases	6,473,749	–	(330,000)	–	–	–	(7,594,489)	15,530,557	14,079,817
Dividends payable	12,365,576	(245,101,585)	–	–	–	246,549,749	–	–	13,813,740
Interest payable	10,877,429	(229,270,485)	–	204,809,796	22,866,808	–	–	–	9,283,548
Total liabilities from financing activities	₱4,301,858,311	(₱1,067,164,732)	(₱330,000)	₱210,506,049	22,866,808	₱246,549,749	₱–	₱15,530,557	₱3,729,816,742

37. Notes to the Consolidated Statements of Cash Flows

The Group's material noncash investing and financing activities pertain to the following:

a. Acquisitions of property and equipment under finance lease recorded under the "Property and equipment" account in the consolidated statements of financial position amounting to ₱3.1 million, ₱15.5 million and ₱4.6 million as at March 31, 2019, 2018 and 2017 respectively.

b. Net book value of disposed transportation equipment under finance lease amounting to nil and ₱0.4 million in 2019 and 2018, respectively (see Note 10).

c. Unpaid progress billing for construction-in-progress amounting to ₱250.5 million, ₱30.3 million and ₱14.3 million as at March 31, 2019, 2018 and 2017, respectively (see Note 10).

d. Uncollected dividends from De Los Santos Medical Center amounting to ₱0.8 million as at March 31, 2019 and nil as at March 31, 2018 and 2017 (see Note 2).

38. Business Combination

On May 23, 2017, STI Sta. Maria entered into a Deed of Assignment with Halili Reyes Educational Institution, Inc. (HREI) where HREI assigned, transferred and conveyed in a manner absolute and irrevocable, and free and clear of all liens and encumbrances, to STI Sta. Maria all its rights, title and interest in the acquired school's assets and liabilities for a price of ₱20.0 million. The assignment of the net assets was retroactive to April 1, 2017.

The purchase price consideration has been allocated to the assets and liabilities based on the fair values at the date of acquisition resulting in goodwill amounting to ₱1.8 million. The carrying values of the financial assets and liabilities and other assets recognized at the date of acquisition approximate their fair values due to the short-term nature of the transactions.

The following are the identifiable assets and liabilities as of the date of acquisition:

Assets	
Cash and cash equivalents	₱7,828,110
Receivables	8,483,088
Inventories	674,354
Prepaid expenses	2,356,576
Property and equipment-net	1,529,891
	20,872,019
Liabilities	
Accounts payable and other current liabilities	2,648,715
Total identifiable net assets at fair value	18,223,304
Purchase consideration transferred	20,000,000
Goodwill	₱1,776,696

Analysis of cash flow on acquisition is as follows:

Cash paid	(₱2,000,000)
Cash acquired from the subsidiary	7,828,110
Net cash inflow on acquisition	₱5,828,110

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
STI Education Services Group, Inc.
STI Academic Center Ortigas - Cainta
Ortigas Avenue Extension
Cainta, Rizal

We have audited the accompanying financial statements of STI Education Services Group, Inc. and its subsidiaries (the Group) as at and for the year ended March 31, 2019, on which we have rendered the attached report dated July 11, 2019.

In compliance with Securities Regulation Code Rule No. 68, As Amended (2011), we are stating that the above Company has 48 stockholders owning 100 or more shares each.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte
Partner
CPA Certificate No. 111562
SEC Accreditation No. 1539-AR-1 (Group A),
March 26, 2019, valid until March 25, 2022
Tax Identification No. 242-917-987
BIR Accreditation No. 08-001998-120-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 7332630, January 3, 2019, Makati City

July 11, 2019

SGVFS037620

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November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
STI Education Services Group, Inc.
STI Academic Center Ortigas - Cainta
Ortigas Avenue Extension
Cainta, Rizal

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of STI Education Services Group, Inc. and its subsidiaries as at March 31, 2019 and 2018 and for each of the three years in the period ended March 31, 2019, included in this Form 17-A, and have issued our report thereon dated July 11, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

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July 11, 2019

SGVFS037620

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2019		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2019		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2019		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			✓
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2019		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance-No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases-Incentives			✓
Philippine Interpretation SIC-25	Income Taxes-Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets-Web Site Costs			✓

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

Schedule	Content
A	Financial Assets in Equity Securities
B	Amounts Receivable from Directors, Officers, Employees, Related Parties
C	Amounts Receivable/Payables from and to Related Parties which are eliminated during the Consolidation of Financial Statements
D	Intangible Assets – Other Assets
E	Long term debt
F	Indebtedness to Related Parties (Long Term Loans from Related Companies)
G	Guarantees of Securities of Other Issuers
H	Capital Stock
I	Reconciliation of Retained Earnings Available for Dividend Declaration
J	Map of the Relationships of the Companies within the Group
K	Schedule of All the Effective Standards and Interpretations as of March 31, 2019
L	Financial Soundness Indicators
M	Fixed Rate Bonds – Use of Proceeds

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Schedule A. Financial Assets

(e.g., Loans and Receivables, Fair Value Through Profit or Loss, Held to Maturity Investments, Available for Sale Securities). This schedule shall be filed in support of the caption of each class of Financial Assets if the greater of the aggregate cost or the aggregate market value of FVPL as of the end of reporting period constitute 5% percent or more of total current assets.

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period period	Income received and accrued
The Group has no financial assets at Fair Value Through Profit or Loss as at March 31, 2019				

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)

This schedule shall be filed with respect to each person among the directors, officers, employees, and principal stockholders (other than related parties) from whom an aggregate indebtedness of more than P100,000 or one percent of total assets, whichever is less, is owed. For the purposes of this schedule, exclude in the determination of the amount of indebtedness all amounts receivable from such persons for purchases subject to usual terms, for ordinary travel and expense advances and for other such items arising in the ordinary course of business.

Name and Designation of debtor		Balance at beginning of period	Additions	Amounts collected	Amounts Written-off	Current	Not Current	Balance at end of period
Dy, Joel Lagamayo	School Operations Manager	₱258,339	₱572,424	(₱237,171)	₱0	₱98,992	₱494,600	₱593,592
Bundoc, Restituto Odulio	VP-School Operations	569,373	54,132	(241,295)	-	193,401	188,809	382,210
Manarang, Jennifer	School Operations Manager	458,977	26,430	(153,160)	-	122,449	209,798	332,247
Jimenez, Ariel	Senior School Administrator	456,611	31,524	(170,530)	-	128,000	189,605	317,605
Ancheta, Caroline Grace	Senior School Administrator	398,068	24,699	(166,991)	-	130,384	125,392	255,776
Magano, Shiela Abad	AVP-School Management	330,830	40,930	(122,169)	-	80,985	168,606	249,591
Joson, Harry Alfonso	AVP- Learning Management	329,175	32,551	(113,237)	-	77,816	170,673	248,489
Tubongbanua, Juan Luis Fausto Bustamante	VP-CIS	367,579	30,543	(153,679)	-	100,631	143,812	244,443
De Guzman , Engelbert	VP-Communications	311,761	136,803	(207,479)	-	103,614	137,471	241,085
Ortega , Ferdie	Exceed Trainee	-	658,154	(417,916)	-	48,238	192,000	240,238
Hipolito , Ma. Isabel	AVP-Academic Research	304,829	45,640	(123,659)	-	91,107	135,703	226,810
Racadio, Wilfred	VP-Legal	354,785	39,135	(167,405)	-	76,404	150,111	226,515
Batallon, Ronalyn	Financial Planning and Control Manager	-	566,040	(343,891)	-	49,926	172,223	222,149
Bautista, Teodoro Lloydon Calma	VP-Academics	284,060	42,450	(112,708)	-	78,206	135,596	213,802
Advincula , Israel	School Director		564,776	(354,651)	-	44,719	165,406	210,125
Rodolfa Jr., Bernardo	Research Head - Tourism and Hospitality Management	-	275,428	(65,422)	-	42,576	167,430	210,006
Luza, Juven Deriquito	School Director	263,367	9,912	(64,894)	-	62,194	146,191	208,385
Robles, Reginald	School Operations Manager	-	223,847	(30,189)	-	42,102	151,556	193,658
Santos, Merliza	VP - Corporate Finance	387,873	30,989	(237,120)	-	67,032	114,709	181,742
Matira , Reina	Academic Head	222,402	22,495	(67,727)	-	56,000	121,170	177,170
Sangalang, Amiel	VP-Finance	236,885	31,088	(104,609)	-	82,408	80,956	163,364
Garrido, Armel Angelo	Events Manager	143,499	12,328	(65,011)	-	90,816	-	90,816
Sibbaluca, Brandon	Former Research Head-IT and Engineering	124,417	12,407	(58,382)	-	78,442	-	78,442
Agudo, Redjer Raneses	Senior School Administrator	107,075	81,038	(135,513)	-	52,600	-	52,600
Carbonel, Ana	Former HROD Head	116,355	252,589	(368,944)	-	-	-	-
Total		**₱6,026,260**	**₱3,818,352**	**(₱4,283,752)**	**₱0**	**₱1,999,042**	**₱3,561,817**	**₱5,560,860**

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

This schedule shall be filed with respect to each related party (e.g., subsidiary) the balances of receivable from which are eliminated during the consolidation of the financial statements.

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
STI Batangas	₱43,879,878	₱62,601,993	(₱62,772,044)	₱0	₱61,417	₱43,648,410	₱43,709,827
STI Iloilo	11,092,192	3,169,126	(1,400,745)	-	6,166,856	6,693,717	12,860,573
STI Lipa	711,192	24,723,506	(22,377,989)	-	-	3,056,709	3,056,709
STI Pagadian	8,374,152	3,787,892	(1,454,606)	-	3,468,764	7,238,674	10,707,438
STI Quezon Avenue	15,903,206	9,620,254	(11,066,477)	-	205,365	14,251,618	14,456,983
STI Sta Maria	58,252,912	27,788,263	(30,418,572)		-	55,622,603	55,622,603
STI Tuguegarao	13,885,469	1,838,215	(1,947,925)	-	12,195,755	1,580,004	13,775,759

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Schedule D. Intangible Assets - Other Assets

This schedule shall be filed in support of the caption Intangible Assets in the balance sheet

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)*	Ending balance
Goodwill	₱225,554,342	₱0	₱17,035,240	₱0	₱0	₱208,519,102
Refundable deposits	44,272,574	16,223,533	-	-	(4,799,738)	55,696,369
Deposits for asset acquisitions	76,270,833	155,465,068	-	-	-	231,735,901
Intangible assets	12,965,479	126,000	9,759,390	-	-	3,332,089
Advances to suppliers	153,539,908	100,514,109	-	(246,146,915)	-	7,907,102
Other noncurrent assets	1,975,185	1,930,908	-	-	-	3,906,093
Total	**₱514,578,321**	**₱274,259,618**	**₱26,794,630**	**(₱246,146,915)**	**(₱4,799,738)**	**₱511,096,656**

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Schedule G. Guarantees of Securities of Other Issuers

This schedule shall be filed with respect to any guarantees of securities of other issuing entities by the issuer for which the statement is filed.

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
The Group does not have guarantees of securities of other issuing entities as at March 31, 2019				

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Schedule H. Capital Stock

This schedule shall be filed in support of caption Capital Stock in the balance sheet.

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common Stock	5,000,000,000	3,081,877,170	-	3,081,877,155	15	-

Related Parties		
STI EDUCATION SYSTEMS HOLDINGS, INC.	3,040,623,037	98.66%
PRUDENT RESOURCES, INC.	13,382,275	0.43%
GONZALES, FRANSCISCO B. JR. (DECEASED)	8,873,692	0.29%
ROSSI, PURIFICACION G.	7,841,118	0.25%
PRUDENCIO, TOMAS J.	3,732,400	0.12%
SANTOS, MARIA LOURDES	1,725,000	0.06%
YOUNG, CAROLINA	1,651,828	0.05%
RAMOS, DULCE	1,155,447	0.04%
BUSTOS, FELIXBERTO	792,283	0.03%
DOMINGO, EMERITA R.	303,466	0.01%
VALERIO, MIKEL M.S.	241,279	0.01%
ZARASPE, ANACLETA C.	214,038	0.01%
MONES, REYNALDO A.	201,901	0.01%
HEIRS OF EDGAR SARTE	148,622	0.00%
RELLEVE, ALVIN K.	137,338	0.00%
PUBLICO, EDGARDO	122,080	0.00%
DUJUA, JOCELYN	115,532	0.00%
GARCIA, NOEL B.	83,190	0.00%
MADRIGAL, VICTORIA P.	63,384	0.00%
LAO, ERIENE C.	63,384	0.00%
PAULINO, MA. LUZ LOURDES M.	55,061	0.00%
ANSALDO, LYDIA V.	53,876	0.00%
CANTOS, LOLITA	53,185	0.00%
LIMJOCO, ALEX	47,603	0.00%
ZAPANTA, PRISCILLA D.	37,500	0.00%
HERBOSA, ARTURO ALFONSO J.	36,219	0.00%
NANO, ANA BELEN N.	35,288	0.00%
YU, ANNIE	30,434	0.00%
BRAVO, MELINDA C.	16,517	0.00%
DE LEON, AURORA F.	7,923	0.00%
GOPALAN, MA. LOURDES	6,155	0.00%
CAPAROS, VILMA	6,155	0.00%
PASCUA, ARNOLD F.	3,648	0.00%
BALAN, ARIEL KELLY D.	3,169	0.00%
PANTALEON, SERAFIN M.	2,117	0.00%
BASA, VIRGILIO T.	1,857	0.00%
GAMBOA, HERMAN T.	1,429	0.00%
DE LEON, MA. LOIDA	1,367	0.00%
DE LEON, ROSANO	1,367	0.00%
VILLASEÑOR, CELSO A.	1,330	0.00%
TOLENTINO, RUFINO (DECEASED)	738	0.00%
MONSOD, CHRISTIAN S.	714	0.00%
ZETA, BENJAMIN D.	688	0.00%
BALAGOT, WILFRED P.	466	0.00%
BARTOLOME, ARSENIO M., III	410	0.00%
MACHICA, RAMON G.	399	0.00%
ANGELES, BERNARD DAN F.	106	0.00%
SUAREZ, ROLANDO A.	106	0.00%
DAYCO, ROLANDO P.	30	0.00%
ABAYA, RAMON C.	1	0.00%
ALFONSO, FELIPE B. (Trustee of E.H. Tanco)	1	0.00%
CU ERNEST LAWRENCE (Trustee)	1	0.00%
VILLA, JESUS S. (Trustee for AADC)	1	0.00%
TOTAL	**3,081,877,155**	

Directors, officers and employees	
BORJA, RAINERIO M. (Trustee)	2
JACOB, MONICO V. (Trustee)	2
TANCO, JOSEPH AUGUSTIN L.	2
DE MESA, RAUL M.	2
TANCO, MARTIN K.	1
LAPUS, JESLI A.	1
TANCO, MA. VANESSA ROSE L.	1
TANCO, EUSEBIO H.	1
BAUTISTA, PAOLO MARTIN	1
FERNANDEZ, PETER K.	1
VERGARA, ROBERT G.	1
	15

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Schedule E. Long Term Debt

This schedule shall be filed in support of the caption Long-Term Debt in the balance sheet.

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
China Banking Corporation - Bank loans: Maturity Date / Interest Rate July 31, 2021 / 4.75%	₱3,000,000,000	₱240,000,000	₱360,000,000
Fixed rate bonds series 7-year bond due 2024 and series 10-year bond due 2027/Interest rates are 5.8085% and 6.3756%, respectively*	5,000,000,000	-	2,957,954,254

**presented net of bond issue costs with carrying value of ₱42.0 million in the Statements of Financial Position*

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies

This schedule shall be filed to list the total of all noncurrent Indebtedness to Related Parties included in the balance sheet. This schedule may be omitted if:

(i) The total Indebtedness to Related Parties included in such balance sheet does not exceed five percent of total assets as shown in the related balance sheet at either the beginning or end of the period; or

(ii) There have been no changes in the information required to be filed from that last previously reported.

Name of related party	Balance at beginning of period	Balance at end of period
The Group has no long-term loans from related parties as at March 31, 2019		

STI EDUCATION SERVICES GROUP, INC.

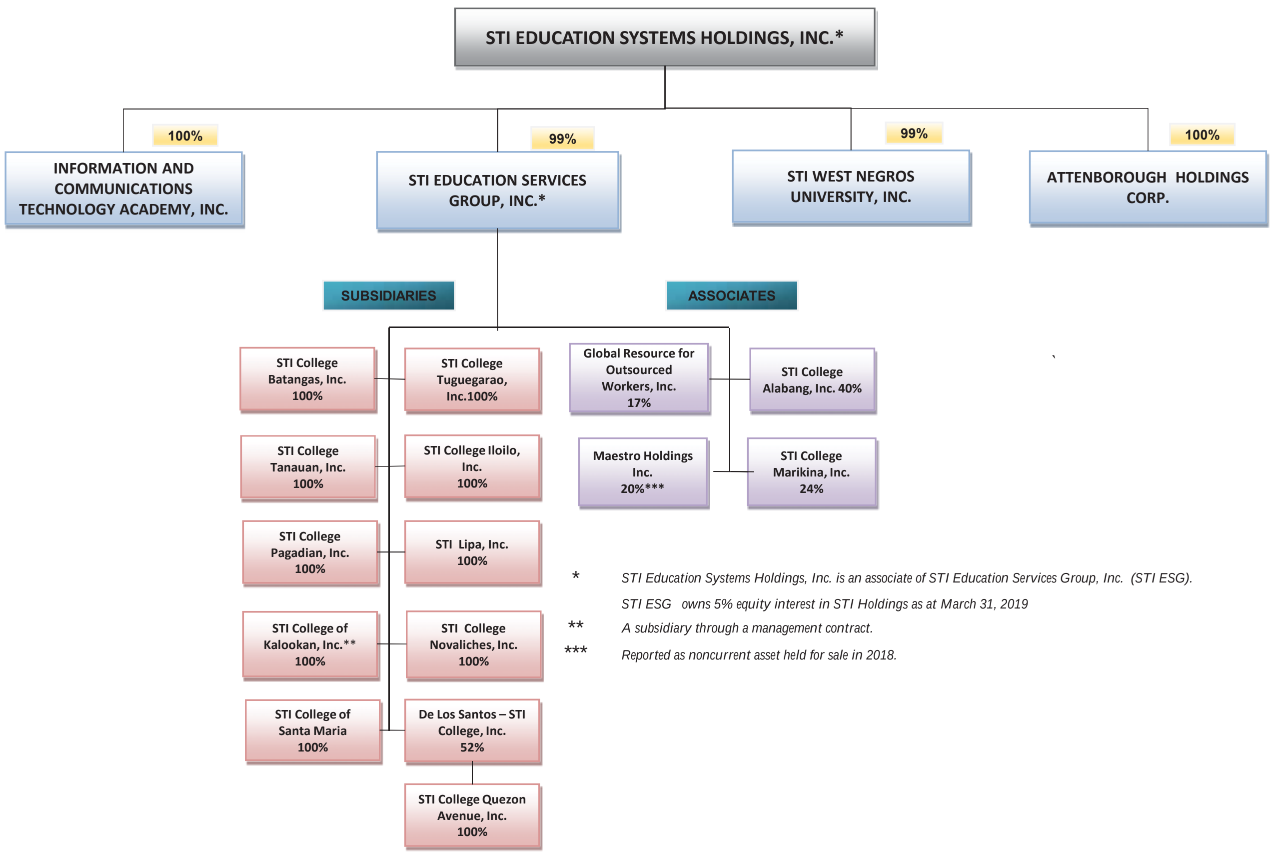
Schedule I – Retained Earnings Available For Dividend Declaration

Unappropriated Retained Earnings, beginning		₱2,086,283,233
Adjustments:		
Deferred tax assets, beginning		(8,721,398)
Unappropriated Retained Earnings, as adjusted, beginning		2,077,561,835
Net income during the period closed to Retained Earnings		244,337,725
Less: Non-actual/unrealized income, net of tax		
Movement of recognized deferred tax assets for the year		(2,480,598)
Net income actually realized during the year		241,857,127
Add (Less):		
Dividend declarations during the period	(₱184,912,630)	
Treasury shares	(10,833,137)	(195,745,767)
Retained earnings available for dividend declaration, end		2,123,673,195
Reversal of appropriations		-
Total RE, end available for dividend - Parent		**₱2,123,673,195**

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Schedule J. Map of Relationships Between and among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, and Associates

MARCH 31, 2019



* STI Education Systems Holdings, Inc. is an associate of STI Education Services Group, Inc. (STI ESG). STI ESG owns 5% equity interest in STI Holdings as at March 31, 2019

** A subsidiary through a management contract.

*** Reported as noncurrent asset held for sale in 2018.

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
(A Private Educational Institution)

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS
MARCH 31, 2019

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			✓
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance-No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases-Incentives			✓
Philippine Interpretation SIC-25	Income Taxes-Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets-Web Site Costs			✓

Financial Highlights and Key Performance Indicators

(in millions except margins, financial ratios and earnings per share)

	March 2019 (Audited)	March 31, 2018 (Audited)	Increase(Decrease) Amount	%
Condensed Statements of Financial Position				
Total assets	₱11,058.1	₱10,890.9	₱167.2	2
Current assets	1,764.3	2,978.7	(1,214.4)	(41)
Cash and cash equivalents	401.2	1,617.4	(1,216.2)	(75)
Equity attributable to equity holders of the parent company	6,560.6	6,612.2	(51.6)	(1)
Total liabilities	4,488.4	4,269.2	219.2	5
Current liabilities	1,023.6	595.1	428.5	72
Financial Ratios				
Debt to equity ratio (1)	0.67	0.64	0.03	5
Current ratio (2)	1.72	5.01	(3.29)	(66)
Asset to equity ratio (3)	1.68	1.64	0.04	2

	March 2019 (Audited)	March 31, 2018 (Audited)	Increase(Decrease) Amount	%
Condensed Statements of Income				
Revenues	₱2,191.2	₱2,596.0	(₱404.8)	(16)
Direct costs (4)	801.7	813.3	(11.6)	(1)
Gross profit	1,389.5	1,782.7	(393.2)	(22)
Operating expenses	1,044.8	983.4	61.4	6
Operating profit	344.7	799.3	(454.6)	(57)
Other income (expenses)	(52.7)	(298.5)	245.8	(82)
Income before income tax	292.0	500.8	(208.8)	(42)
Net income	254.6	433.1	(178.5)	(41)
EBITDA (5)	806.1	1,219.4	(413.3)	(34)
Core Income (6)	249.3	651.3	(402.0)	(62)
Net income attributable to equity holders of the parent company	254.9	432.1	(177.2)	(41)
Earnings per share (7)	0.083	0.140	(0.06)	(43)
Condensed Statements of Cash Flows				
Net cash from (used in) operating activities	766.2	1,102.3	(336.1)	(30)
Net cash used in investing activities	(1,438.3)	(1,298.0)	(140.3)	11
Net cash from (used in) financing activities	(544.1)	(1,067.2)	523.1	(49)

Financial Soundness Indicators

	March 31, 2019 (Audited)	March 31, 2018 (Audited)	Increase(Decrease) Amount	%
Liquidity Ratios				
Current ratio (2)	1.72	5.01	(3.29)	(66)
Quick ratio (8)	0.80	3.41	(2.61)	(77)
Cash ratio (9)	0.39	2.72	(2.33)	(86)
Solvency ratios				
Debt to equity ratio (1)	0.67	0.64	0.03	5
Asset to equity ratio (3)	1.68	1.64	0.04	2
Debt service coverage ratio (10)	1.74	3.45	(1.71)	(50)
Interest coverage ratio (11)	2.54	3.38	(0.84)	(25)
Profitability ratios				
EBITDA margin (12)	37%	47%	(10)	(21)
Gross profit margin (13)	63%	69%	(6)	(9)
Operating profit margin (14)	16%	31%	(15)	(48)
Net profit margin (15)	12%	17%	(5)	(29)
Return on equity annualized(16)	4%	7%	(3)	(43)
Return on assets(17)	2%	4%	(2)	(50)

(1) *Debt-to-equity ratio is measured as total liabilities, net of unearned tuition and other school fees, divided by total equity.*

(2) *Current ratio is measured as current assets divided by current liabilities.*

(3) *Asset to equity ratio is measured as total assets divided by total equity.*

(4) *Direct costs is calculated by adding the costs of educational services and educational materials and supplies sold.*

(5) *EBITDA is net income excluding provision for income tax, interest expense, interest income, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures and nonrecurring gains/losses such as effect of derecognition of a subsidiary.*

(6) *Core income is computed as consolidated income after tax derived from the Group's main business – education and other recurring income.*

(7) *Earnings per share is measured as net income attributable to equity holders of the Parent company divided by the weighted average number of outstanding common shares*

(8) *Quick ratio is measured as current assets less inventories, prepayments and noncurrent asset held for sale divided by current liabilities.*

(9) *Cash ratio is measured as cash and cash equivalents divided by current liabilities.*

(10) *Debt service cover ratio is measured as EBITDA for the last twelve months divided by total principal and interest due for the next twelve months.*

(11) *Interest coverage ratio is measured as net income before income tax and interest expense divided by interest expense.*

(12) *EBITDA margin is measured as EBITDA divided by total revenues.*

(13) *Gross profit margin is measured as gross profit divided by total revenues.*

(14) *Operating profit margin is measured as operating profit divided by total revenues.*

(15) *Net profit margin is measured as net income after income tax divided by total revenues.*

(16) *Return on equity is measured as net income attributable to equity holders of the parent Company [annualized] divided by average equity attributable to equity holders of the parent company.*

(17) *Return on assets is measured as net income divided by average total assets.*

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
Schedule M. - Use of Proceeds (Fixed Rate Bonds-₱3 Billion)
Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027

	Amount
Proceeds of the Fixed Rate Bonds	**₱3,000,000,000**
Disbursements:	
Documentary stamp tax on bond issuance	15,000,000
Professional fees and other expenses	19,885,128
Underwriting fees	19,151,103
Acquisition of Lipa properties including taxes, registration and other fees	99,049,582
Payment of loans used to acquire EDSA properties and payment of related taxes and other fees	387,198,505
Payment for the construction of school buildings	1,793,570,032
Acquisition of Legazpi property including taxes	76,362,695
Payment for the design and other interior and exterior works on school buildings	24,781,316
Payment for the purchase of schools' furniture and fixtures	23,952,651
Payment for the purchase of schools' equipment and supplied items	131,048,988
Payment of loans incurred for working capital requirements	410,000,000
Total Disbursements as of March 31, 2019	**3,000,000,000**
Cash Balance as of March 31, 2019	**₱0**

108142019002253

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931 to 39 Fax:(632)725-5293 Email: mis@sec.gov.ph

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Company Information

SEC Registration No.	0000113156
Company Name	STI EDUCATION SERVICES GROUP, INC.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	108142019002253
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	June 30, 2019
No. of Days Late	0
Department	CFD
Remarks	

COVER SHEET

SEC Registration Number

0	0	0	0	0	1	1	3	1	5	6

STI EDUCATION SERVICES GROUP, INC. (A Private Educational Institution) and SUBSIDIARIES

(Company's Full Name)

STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal

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

Arsenio C. Cabrera Jr.	(632) 8137111
Contact Person	Company Telephone Number

0 3 / 3 1	SEC FORM 17-Q For the Quarter ended 30 June 2019	1st Thursday of September
Month *Day* Fiscal Year	FORM TYPE	*Month* *Day* Annual Meeting

N/A

Secondary License Type, If Applicable

MSRD	N/A
Dept. Requiring this Doc.	Amended Article Number/Section

Total Amount of Borrowings

64	₱3 Billion bonds	N/A
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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	June 30, 2019
2.	SEC Identification Number	113156
3.	BIR Tax Identification Number	000-143-457-000
4.	Exact name of registrant as specified in its charter	STI EDUCATION SERVICES GROUP, INC.
5.	Province, country or other jurisdiction of incorporation or organization	Metro Manila, Philippines
6.	Industry Classification Code (SEC Use Only)	
7.	Address of Principal Office	STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta Rizal
8.	Registrant's telephone number (including area code)	(632) 812-17-84
9.	Former name, former address, former fiscal year, if changed since last report	N/A

10. Securities Registered pursuant to Sections 4 and 8 of the RSA.

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	3,081,877,170 shares Issued and Outstanding
Fixed Rate Bonds	₱ 3,000,000,000.00 Outstanding

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

Yes [√]   No [ ]

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Securities Regulations Code (SRC) and SRC Rule 17 (a) - 1 there under and Sections 26 and 141 of the Corporation

Code of the Philippines during the preceding 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 90 days.

Yes [√]   No [ ]

PART I – FINANCIAL INFORMATION

Item 1 – Financial Statements

Please refer to Annex “A”.

Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations

Please refer to Annex “B”.

PART II – OTHER INFORMATION

Not applicable

SIGNATURE PAGE

Pursuant to the requirements of Section 17 of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

STI EDUCATION SERVICES GROUP, INC.

By:

Signature and Title	**MONICO V. JACOB** Vice Chairman and CEO
Date	August 14, 2019
Signature and Title	**PETER K. FERNANDEZ** President and COO
Date	August 14, 2019
Signature and Title	**YOLANDA M. BAUTISTA** Treasurer
Date	August 14, 2019

SUBSCRIBED AND SWORN to before me this AUG 13 2019 day of at Cainta, Rizal

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PAGE NO. 49
BOOK NO. X
SERIES OF 2019

ANDREW V. FERRER
Notary Public
Until December 31, 2019
PTR No. 11120193A: 01/03/19 & IBP O.R. NO. 058312: 01/03/19
Rizal Chapter / MCLE Compliance No. V-0026182, December 27, 2017
Roll No. 39811 / Appointment No. 18-09
No. 9 A. Bonifacio Ave., Cainta, Rizal

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2019 AND MARCH 31, 2019

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱569,549,691**	₱401,238,061
Receivables (Note 6)	**696,919,118**	420,843,658
Inventories (Note 7)	**144,319,620**	151,758,784
Prepaid expenses and other current assets (Note 8)	**84,181,998**	73,913,098
	1,494,970,427	1,047,753,601
Noncurrent asset held for sale (Note 9)	**716,586,558**	716,586,558
Total Current Assets	**2,211,556,985**	1,764,340,159
Noncurrent Assets		
Property and equipment-net (Note 10)	**7,640,640,110**	7,670,479,466
Investment properties-net (Note 11)	**514,577,777**	521,697,012
Investments in and advances to associates and joint ventures (Note 12)	**508,151,622**	508,609,775
Equity instruments designated at fair value through other comprehensive income (FVOCI) (Note 13)	**49,609,483**	49,777,643
Deferred tax assets – net	**38,405,151**	32,117,933
Goodwill, intangible and other noncurrent assets (Note 14)	**512,866,146**	511,096,656
Total Noncurrent Assets	**9,264,250,289**	9,293,778,485
TOTAL ASSETS	**₱11,475,807,274**	₱11,058,118,644
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 15)	**₱609,921,903**	₱683,892,234
Current portion of interest-bearing loans and borrowings (Note 16)	**240,000,000**	240,000,000
Unearned tuition and other school fees	**819,551,978**	81,379,657
Current portion of obligations under finance lease	**6,137,463**	6,208,432
Income tax payable	**252,881**	12,087,573
Total Current Liabilities	**1,675,864,225**	1,023,567,896
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Note 16)	**360,000,000**	360,000,000
Bonds payable (Note 17)	**2,959,532,836**	2,957,954,254
Pension liabilities - net	**36,242,469**	33,341,457
Obligations under finance lease - net of current portion (Note 27)	**10,168,567**	11,643,614
Other noncurrent liabilities (Notes 18 and 27)	**104,130,045**	101,903,936
Total Noncurrent Liabilities	**3,470,073,917**	3,464,843,261
Total Liabilities *(Carried Forward)*	**5,145,938,142**	4,488,411,157

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Total Liabilities *(Brought Forward)*	**₱5,145,938,142**	₱4,488,411,157
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Notes 1 and 19)	**3,087,829,443**	3,087,829,443
Additional paid-in capital	**386,916,479**	386,916,479
Treasury stock (Note 19)	**(10,833,137)**	(10,833,137)
Cumulative actuarial gain	**8,129,189**	8,190,682
Other comprehensive income associated with noncurrent asset held for sale (Note 19)	**91,876,446**	91,876,446
Unrealized fair value adjustment on equity instruments designated at FVOCI (Note 13)	**3,017,010**	3,185,170
Other equity reserve	**(30,941,455)**	(30,941,455)
Share in associates':		
Cumulative actuarial gain (Note 12)	**536,478**	536,478
Unrealized fair value loss on equity instruments designated at FVOCI (Note 12)	**(28,290)**	(30,429)
Retained earnings	**2,787,416,216**	3,023,825,683
Total Equity Attributable to Equity Holders of the Parent Company	**6,323,918,379**	6,560,555,360
Equity Attributable to Non-Controlling Interests	**5,950,753**	9,152,127
Total Equity	**6,329,869,132**	6,569,707,487
TOTAL LIABILITIES AND EQUITY	**₱11,475,807,274**	₱11,058,118,644

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018

	Three months ended June 30	
	2019 (Unaudited)	2018 (Unaudited)
REVENUES (Note 20)		
Sale of services:		
Tuition and other school fees	**₱98,145,905**	₱211,837,095
Educational services	**40,066,908**	44,661,379
Royalty fees	**3,394,691**	3,702,022
Others	**14,451,080**	14,840,549
Sale of goods-		
Sale of educational materials and supplies	**71,367,185**	81,587,667
	227,425,769	356,628,712
COSTS AND EXPENSES		
Cost of educational services (Note 21)	**140,182,582**	120,976,343
Cost of educational materials and supplies sold (Note 22)	**56,460,490**	63,548,753
General and administrative expenses (Note 23)	**264,486,530**	239,540,264
	461,129,602	424,065,360
LOSS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**(233,703,833)**	(67,436,648)
OTHER INCOME (EXPENSES)		
Interest expense	**(56,492,264)**	(51,416,647)
Rental income	**27,197,392**	24,509,594
Gain on disposal of net assets	**4,365,123**	–
Interest income (Notes 5 and 6)	**1,321,254**	8,871,571
Equity in net loss of associates and joint ventures (Note 12)	**(460,292)**	(1,074,582)
Dividend income	–	2,334,364
	(24,068,787)	(16,775,700)
LOSS BEFORE INCOME TAX	**(257,772,620)**	(84,212,348)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**(11,859,963)**	5,388,754
Deferred	**(6,301,816)**	(14,388,323)
	(18,161,779)	(8,999,569)
NET LOSS *(Carried Forward)*	**(₱239,610,841)**	(₱75,212,779)

	Three months ended June 30	
	2019 (Unaudited)	2018 (Unaudited)
NET LOSS *(Brought Forward)*	**(₱239,610,841)**	(₱75,212,779)
OTHER COMPREHENSIVE LOSS		
Items to be reclassified to profit or loss in subsequent years:		
Unrealized mark-to-market loss on AFS (Note 13)	–	(198,560)
	–	(198,560)
Items not to be reclassified to profit or loss in subsequent years:		
Remeasurement loss in pension liability	**(68,326)**	(23,080,947)
Tax effect on remeasurement loss in pension liability	**6,833**	2,308,095
Unrealized fair value adjustment on equity instruments designated at FVOCI (Note 13)	**(168,160)**	–
Share in associates' unrealized fair value adjustment on equity instruments designated at FVOCI (Note 12)	**2,139**	–
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(227,514)**	(20,971,412)
TOTAL COMPREHENSIVE LOSS	**(₱239,838,355)**	(₱96,184,191)
Net Loss Attributable To		
Equity holders of the Parent Company	**(₱236,409,467)**	(₱73,983,083)
Non-controlling interests	**(3,201,374)**	(1,229,696)
	(₱239,610,841)	(₱75,212,779)
Total Comprehensive Loss Attributable To		
Equity holders of the Parent Company	**(₱236,636,981)**	(₱94,954,495)
Non-controlling interests	**(3,201,374)**	(1,229,696)
	(₱239,838,355)	(₱96,184,191)
Basic/Diluted Earnings (Loss) Per Share (EPS) on Net Earnings (Loss) Attributable to Equity Holders of the Parent Company (Note 25)	**(₱0.08)**	(₱0.02)

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018

	Capital Stock (Note 19)	**Additional Paid-in Capital** (Note 19)	**Treasury Stock** (Note 19)	**Cumulative Actuarial Gain**	**Unrealized Fair Value Adjustment on Equity Instruments designated at FVOCI** (Note 13)	**Other Equity Reserve**	**Share in Associates' Unrealized Fair Value Adjustment on Equity Instruments designated at FVOCI** (Note 12)	**Share in Associates' Cumulative Actuarial Gain** (Note 12)	**Other Comprehensive Income associated with Noncurrent Asset Held for Sale** (Note 19)	**Retained Earnings** (Note 19)	**Total**	**Equity Attributable to Non-Controlling Interest**	**Total Equity**
Balance at April 1, 2019	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**₱8,190,682**	**₱3,185,170**	**(₱30,941,455)**	**(₱30,429)**	**₱536,478**	**₱91,876,446**	**₱3,023,825,683**	**₱6,560,555,360**	**₱9,152,127**	**₱6,569,707,487**
Net Loss	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(236,409,467)**	**(236,409,467)**	**(3,201,374)**	**(239,610,841)**
Other Comprehensive Income (Loss)	**–**	**–**	**–**	**(61,493)**	**(168,160)**	**–**	**2,139**	**–**	**–**	**–**	**(227,514)**	**–**	**(227,514)**
Total Comprehensive Income (Loss)	**–**	**–**	**–**	**(61,493)**	**(168,160)**	**–**	**2,139**	**–**	**–**	**(236,409,467)**	**(236,636,981)**	**(3,201,374)**	**(239,838,355)**
Balance at June 30, 2019	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**₱8,129,189**	**₱3,017,010**	**(₱30,941,455)**	**(₱28,290)**	**₱536,478**	**₱91,876,446**	**₱2,787,416,216**	**₱6,323,918,379**	**₱5,950,753**	**₱6,329,869,132**

`	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Treasury Stock (Note 19)	Cumulative Actuarial Gain	Unrealized Fair Value Adjustment on Equity Instruments designated at FVOCI (Note 13)	Other Equity Reserve	Share in Associates' Unrealized Fair Value Adjustment on Equity Instruments designated at FVOCI (Note 12)	Share in Associates' Cumulative Actuarial Gain (Note 12)	Other Comprehensive Income associated with Noncurrent Asset Held for Sale (Note 19)	Retained Earnings (Note 19)	Total	Equity Attributable to Non-Controlling Interest	Total Equity
Balance at April 1, 2018	₱3,087,829,443	₱386,916,479	(₱10,833,137)	₱82,577,422	₱404,391	(₱30,941,455)	(₱32,023)	₱551,296	₱91,876,446	₱3,003,879,555	₱6,612,228,417	₱9,430,929	₱6,621,659,346
Net Loss	–	–	–	–	–	–	–	–	–	(73,983,083)	(73,983,083)	(1,229,696)	(75,212,779)
Other Comprehensive Loss	–	–	–	(20,772,852)	(198,560)	–	–	–	–	–	(20,971,412)	–	(20,971,412)
Total Comprehensive Loss	–	–	–	(20,772,852)	(198,560)	–	–	–	–	(73,983,083)	(94,954,495)	(1,229,696)	(96,184,191)
Balance at June 30, 2018	₱3,087,829,443	₱386,916,479	(₱10,833,137)	₱61,804,570	₱205,831	(₱30,941,455)	(₱32,023)	₱551,296	₱91,876,446	₱2,929,896,472	₱6,517,273,922	₱8,201,233	₱6,525,475,155

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018

	Three months ended June 30	
	2019 (Unaudited)	2018 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱257,772,620)**	(₱84,212,348)
Adjustments to reconcile loss before income tax to net cash flows:		
Depreciation and amortization (Notes 10 and 11)	**109,420,151**	79,877,705
Interest expense	**56,492,264**	51,416,647
Gain on disposal of net assets	**(4,365,123)**	–
Interest income	**(1,321,254)**	(8,871,571)
Movement in pension	**2,981,835**	1,635,210
Dividend income	–	(2,334,364)
Equity in net loss of associates and joint ventures (Note 12)	**460,292**	1,074,582
Operating income (loss) before working capital changes	**(94,104,455)**	38,585,861
Decrease (increase) in:		
Receivables	**346,671,618**	170,739,117
Inventories	**6,922,034**	(20,420,525)
Prepaid expenses and other current assets	**(10,295,584)**	(4,694,680)
Increase (decrease) in:		
Accounts payable and other current liabilities	**(109,118,903)**	(4,651,195)
Unearned income	**127,661,715**	175,562,526
Other noncurrent liabilities (Note 18)	**2,226,109**	1,705,728
Net cash generated from operations	**269,962,534**	356,826,832
Interest received	**1,321,254**	8,871,571
Income and other taxes paid	**174,335**	(3,668,802)
Net cash from operating activities	**271,458,123**	362,029,601
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 10 and 29)	**(28,009,986)**	(158,718,837)
Subsidiaries, net of cash received (Note 30)	**1,443,724**	–
Decrease (increase) in:		
Intangible assets and other noncurrent assets	**(29,907,019)**	29,466,163
Dividend received	**804,637**	–
Net cash used in investing activities	**(55,668,644)**	(129,252,674)

(Forward)

	Three months ended June 30	
	2019 (Unaudited)	2018 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of obligations under finance lease	**(₱1,546,016)**	(₱1,810,060)
Interest paid	**(45,931,833)**	(45,481,228)
Dividends paid	**–**	(1,433,159)
Net cash used in financing activities	**(47,477,849)**	(48,724,447)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**168,311,630**	184,052,480
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**401,238,061**	1,617,391,465
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱569,549,691**	₱1,801,443,945

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

a. General

STI Education Services Group, Inc. (STI ESG or the Parent Company) and its subsidiaries (hereafter collectively referred to as the "Group") are all incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company was incorporated on June 2, 1983 and is involved in establishing, maintaining, and operating educational institutions to provide pre-elementary, elementary, secondary and tertiary as well as post-graduate courses, post-secondary and lower tertiary non-degree programs. The Group also develops, adopts and/or acquires, entirely or in part, such curricula or academic services as may be necessary in the pursuance of its main activities, relating but not limited to information technology services, information technology-enabled services, education, hotel and restaurant management, engineering and business studies. The Group is also offering Senior High School (SHS).

The registered office address of the Parent Company is STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal.

As at June 30, 2019 and March 31, 2019, the subsidiaries of the Parent Company are as follows:

		Effective Percentage of Ownership			
		June 30, 2019		March 31, 2019	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect
STI College Tuguegarao, Inc. (STI Tuguegarao)	Educational Institution	**100**	–	100	–
STI College of Kalookan, Inc. (STI Caloocan) [(a)]	Educational Institution	**100**	–	100	–
STI College Batangas, Inc. (STI Batangas)	Educational Institution	**100**	–	100	–
STI College Iloilo, Inc. (STI Iloilo)	Educational Institution	**100**	–	100	–
STI College Tanauan, Inc. (STI Tanauan)	Educational Institution	**100**	–	100	–
STI Lipa, Inc. (STI Lipa)	Educational Institution	**100**	–	100	–
STI College Pagadian, Inc. (STI Pagadian)	Educational Institution	**100**	–	100	–
STI College Novaliches, Inc. (STI Novaliches)	Educational Institution	**100**	–	100	–
STI College of Santa Maria, Inc. (STI Sta. Maria)	Educational Institution	**100**	–	100	–
NAMEI Polytechnic Institute of Mandaluyong Inc. [(b)]	Educational Institution	**100**	–	–	–
NAMEI Polytechnic Institute, Inc. [(b)]	Educational Institution	**94**	–	–	–
De Los Santos-STI College, Inc. (De Los Santos-STI College) [(c)]	Educational Institution	**52**	–	52	–
STI College Quezon Avenue, Inc. (STI QA) [(d)]	Educational Institution	–	**52**	–	52

[(a)] A subsidiary through a management contract
[(b)] A subsidiary starting April 2019
[(c)] On June 28, 2016, De Los Santos-STI College advised CHED of the suspension of its operations for school years 2016-2017 and 2017-2018 as a result of the implementation of the Government's K to 12 program. CHED, in a letter reply dated July 1, 2016, said that De Los Santos-STI College may apply again for initial permits if it intends to offer the programs enumerated in its letter for SY 2018-2019. De Los Santos-STI College has not resumed its school operations to date.
[(d)] A wholly-owned subsidiary of De Los Santos-STI College

On March 23, 2017, the Parent Company issued the first tranche of its ₱5,000.0 million fixed rate bonds program under its three-year shelf registration with the SEC which will end on March 9, 2020. The bonds, amounting to an aggregate of ₱3,000.0 million was listed through the PDEx, with interest payable quarterly and were issued with a fixed rate of 5.8085% for the 7-year series, due 2024, and 6.3756% for the 10-year series, due 2027. The bonds were rated 'PRS Aa' by Philippine Rating Services Corporation (PhilRatings) in 2017. Proceeds of the issuance were used to finance the campus expansion projects, refinancing of the short-term loans incurred for the acquisition of land, and for other general corporate requirements of the Group.

STI ESG is 98.7%-owned by STI Education Systems Holdings, Inc. (STI Holdings) which is the ultimate parent company of the Group. STI Holdings is a company incorporated in the Philippines and is listed in the Philippine Stock Exchange (PSE).

The Parent Company has investments in several entities which own and operate STI schools. STI schools may be operated either by: (a) the Parent Company; (b) its subsidiaries; or (c) independent entrepreneurs (referred to as "franchisees") under the terms of licensing agreements with the Parent Company. Other features of the licensing agreements are as follows:

- Exclusive right to use proprietary marks and information such as but not limited to courseware programs, operational manuals, methods, standards, systems, that are used exclusively in the STI network of schools;
- Continuing programs for faculty and personnel development, including evaluation and audit of pertinent staff;
- Development and adoption of the enrollment and registration system;
- Assistance on matters pertaining to financial and accounting procedures, faculty recruitment and selection, marketing and promotion, record keeping and others.

In previous years, STI schools start the school calendar every June of each year.

On June 14, 2018, STI ESG informed the Commission on Higher Education (CHED) of the decision of its Board of Directors (BOD) to admit two batches of incoming college freshmen students for School Year (SY) 2018-2019. The Group requested CHED for endorsement of this move to accept the second batch of college freshmen enrollees that would start in August 2018. On June 29, 2018, CHED noted the decision of STI ESG citing that the decision to move the school calendar is part of the institution's academic freedom, provided that it would not violate existing rules on the same. CHED also advised STI ESG to coordinate with the respective CHED Regional Offices on the usual guidance and procedures in implementing the planned school calendar.

With this development, STI ESG made adjustments in the school calendar of its schools. For SY 2019-2020, classes for SHS start in June and for the tertiary, classes start in July.

Merger with Several Majority and Wholly-owned Subsidiaries

On December 9, 2010, STI ESG's stockholders approved the following mergers:

- Phase 1: The merger of three (3) majority owned schools and fourteen (14) wholly-owned schools with STI ESG, with STI ESG as the surviving entity. The Phase 1 merger was approved by the CHED and the SEC on March 15, 2011 and May 6, 2011, respectively.

- Phase 2: The merger of one (1) majority owned school and eight (8) wholly-owned pre-operating schools with STI ESG, with STI ESG as the surviving entity. The Phase 2 merger was approved by the CHED and the SEC on July 18, 2011 and August 31, 2011, respectively.

On September 25, 2013, STI ESG's BOD approved an amendment to the Phase 1 and 2 mergers whereby STI ESG would issue shares at par value, to the stockholders of the non-controlling interests. In 2014, STI ESG issued 1.9 million additional shares at par value to the stockholders of one of the merged schools. As at report date, the amendment is pending approval by the SEC.

Also on September 25, 2013, the BOD of the STI ESG approved the Phase 3 merger whereby STI College Taft, Inc. (STI Taft) and STI College Dagupan, Inc. (STI Dagupan) will be merged with STI ESG, with STI ESG as the surviving entity. On August 5, 2016, STI ESG filed its application for merger with the SEC with endorsement from the Department of Education (DepEd) and CHED. On August 30, 2017, the SEC approved the application for merger of STI Taft and STI Dagupan with STI ESG. In December 2017, STI ESG subscribed to 5,952,273 of its own shares and issued a total of 5,311 shares to minority holders of the absorbed entities with par value of ₱1.0 per share at a price of ₱1.82 per share. Consequently, STI ESG's capital stock increased by ₱5.9 million from ₱3,081.9 million to ₱3,087.8 million and STI ESG recognized treasury shares amounting to ₱10.8 million. Similarly, additional paid-in capital increased by ₱7.0 million from ₱379.9 million to ₱386.9 million.

As at report date, STI ESG's request for confirmatory ruling on the tax-free merger from the Bureau of Internal Revenue (BIR) is still pending.

The establishment, operation, administration and management of schools are subject to the existing laws, rules and regulations, policies, and standards of the DepEd, Technical Education and Skills Development Authority (TESDA) and the CHED pursuant to Batas Pambansa Bilang 232, otherwise known as the "Education Act of 1982," Republic Act (RA) No. 7796, otherwise known as the "TESDA Act of 1994," and RA No. 7722, otherwise known as the "Higher Education Act of 1994," respectively.

2. Basis of Preparation and Summary of the Group's Significant Accounting Policies

Basis of Preparation

The accompanying unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for equity instruments designated at FVOCI which have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Philippine Peso (₱), which is the Parent Company's functional and presentation currency, and all values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

The accompanying unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of STI ESG as at and for the year ended March 31, 2019.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the new and amended Philippine Financial Reporting Standards (PFRS) that became effective beginning on April 1, 2019. The adoption of these new standards and amendments did not have any significant impact on the consolidated statements except otherwise stated:

- Amendments to PFRS 9, Prepayment Features with Negative Compensation

  Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are SPPI on the principal amount outstanding and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted. These amendments have no impact on the unaudited interim condensed consolidated financial statements of the Group.

- PFRS 16, *Leases*

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

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

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

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

  Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs. The Group is currently assessing the impact of adopting PFRS 16.

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

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

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

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

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

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the ECL model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments did not have an impact on its unaudited interim condensed consolidated financial statements.

- Philippine Interpretation IFRIC-23*, Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application, permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its unaudited interim condensed consolidated financial statements upon adoption.

Standards Issued but Not Yet Effective

The standards and interpretations that are issued but not yet effective for the three-month period ended June 30, 2019 are listed below. The Group intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the unaudited interim condensed consolidated financial statements except otherwise stated:

Effective in fiscal year 2021

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective in fiscal year 2022

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issuance of insurance contracts.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council (FRSC) postponed the original effective date of April 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group has not early adopted the previously mentioned standards. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to June 30, 2019 on its unaudited interim condensed consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the unaudited interim condensed consolidated financial statements when these amendments are adopted.

3. Seasonality of Operations

The Group's business is linked to the academic cycle. The academic cycle, which is one academic year, traditionally starts in the month of June and ends in the month of March, except as discussed in Note 1, where STI ESG accepted a second batch of college freshmen enrollees for SY 2018-2019 which began in August 2018 and ended in May 2019. The start of the school calendar of tertiary students for SY 2019-2020 of STI ESG has been shifted to mid-July 2019 with the school year ending in April 2020. The revenues of the Group which are mainly from tuition and other school fees, are recognized as income over the corresponding academic year to which they pertain. Accordingly, revenue is expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group. However, management has concluded that the Group's operation is not 'highly seasonal' in accordance with PAS 34.

4. Segment Information

For management purposes, the Group is organized into business units based on the geographical location of the students and assets, and has five reportable segments as follows:

a. Metro Manila
b. Northern Luzon
c. Southern Luzon
d. Visayas
e. Mindanao

Management monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with profit and loss in the unaudited interim condensed consolidated financial statements.

On a consolidated basis, the Group's performance is evaluated based on net income for the three-month periods ended June 30, 2019 and 2018 and EBITDA, defined as earnings (loss) before interest expense, interest income, provision for income tax, depreciation and amortization, equity in net loss of associates and joint ventures and nonrecurring gains (losses) such as gain on disposal of net assets.

The following table shows the reconciliation of the consolidated net loss to consolidated EBITDA for the three-month periods ended June 30, 2019 and 2018:

	Unaudited	
	2019	2018
Consolidated net loss	**(₱239,610,841)**	(₱75,212,779)
Depreciation and amortization	**109,420,151**	79,877,705
Interest expense	**56,492,264**	51,416,647
Benefit from income tax	**(18,161,779)**	(8,999,569)
Gain on disposal of net assets	**(4,365,123)**	–
Interest income	**(1,321,254)**	(8,871,571)
Equity in net loss of associates and joint ventures	**460,292**	1,074,582
Consolidated EBITDA	**(₱97,086,290)**	₱39,285,015

Geographical Segment Data

The following tables present revenue and income information and certain assets and liabilities information regarding geographical segments for the three-month periods ended June 30, 2019 and 2018:

	June 30, 2019 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues						
External revenue	**₱146,914,794**	**₱12,227,738**	**₱60,226,780**	**₱3,918,802**	**₱4,137,655**	**₱227,425,769**
Results						
Loss before other income (expenses) and income tax	**(169,037,354)**	**(17,097,337)**	**(32,228,901)**	**(3,861,203)**	**(11,479,038)**	**(233,703,833)**
Equity in net loss of associates and joint ventures	**(460,292)**	**–**	**–**	**–**	**–**	**(460,292)**
Interest expense	**(56,492,264)**	**–**	**–**	**–**	**–**	**(56,492,264)**
Interest income	**1,288,313**	**4,161**	**27,266**	**478**	**1,036**	**1,321,254**
Other income	**31,191,053**	**91,500**	**263,891**	**16,071**	**–**	**31,562,515**
Benefit from income tax	**18,161,779**	**–**	**–**	**–**	**–**	**18,161,779**
Net Loss	**(₱175,348,765)**	**(₱17,001,676)**	**(₱31,937,744)**	**(₱3,844,654)**	**(₱11,478,002)**	**(₱239,610,841)**
EBITDA						**(97,086,290)**

	June 30, 2018 (Unaudited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱238,755,622	₱16,146,606	₱87,297,432	₱5,101,292	₱9,327,760	₱356,628,712
Results						
Income (loss) before other income (expenses) and income tax	(49,570,044)	(9,993,806)	2,935,714	(2,727,708)	(8,080,804)	(67,436,648)
Equity in net loss of associates and joint ventures	(1,074,582)	–	–	–	–	(1,074,582)
Interest expense	(51,416,526)	–	(121)	–	–	(51,416,647)
Interest income	8,827,166	7,495	25,839	3,819	7,252	8,871,571
Other income	26,674,091	–	140,313	29,554	–	26,843,958
Benefit from income tax	8,999,569	–	–	–	–	8,999,569
Net Income (Loss)	(₱57,560,326)	(₱9,986,311)	₱3,101,745	(₱2,694,335)	(₱8,073,552)	(₱75,212,779)
EBITDA						₱39,285,015

	June 30, 2019 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Assets and Liabilities						
Segment assets[(a)]	**₱8,535,780,450**	**₱147,013,199**	**₱1,086,690,294**	**₱64,426,443**	**₱125,234,212**	**₱9,959,144,598**
Goodwill	**253,519,345**	–	–	–	–	**253,519,345**
Investments in and advances to associates and joint ventures (Note 12)	**508,151,622**	–	–	–	–	**508,151,622**
Noncurrent asset held for sale	**716,586,558**	–	–	–	–	**716,586,558**
Deferred tax assets – net	**35,418,091**	**1,023,584**	**1,707,628**	**194,941**	**60,907**	**38,405,151**
Total Assets	**₱10,049,456,066**	**₱148,036,783**	**₱1,088,397,922**	**₱64,621,384**	**₱125,295,119**	**₱11,475,807,274**
Segment liabilities[(b)]	**₱999,460,578**	**₱93,706,974**	**₱374,863,654**	**₱22,610,714**	**₱43,214,887**	**₱1,533,856,807**
Interest-bearing loans and borrowings	**600,000,000**	–	–	–	–	**600,000,000**
Bonds payable	**2,959,532,836**	–	–	–	–	**2,959,532,836**
Pension liabilities	**17,062,175**	**5,785,758**	**11,054,866**	**92,594**	**2,247,076**	**36,242,469**
Obligations under finance lease	**16,306,030**	–	–	–	–	**16,306,030**
Total Liabilities	**₱4,592,361,619**	**₱99,492,732**	**₱385,918,520**	**₱22,703,308**	**₱45,461,963**	**₱5,145,938,142**
Other Segment Information						
Capital expenditures for property and equipment						**54,405,044**
Depreciation and amortization						**109,420,151**
Noncash expenses other than depreciation and amortization						**12,190,227**

	March 31, 2019 (Audited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[(a)]	₱8,350,197,108	₱108,113,352	₱933,535,224	₱60,021,003	₱140,418,589	₱9,592,285,276
Goodwill	208,519,102	–	–	–	–	208,519,102
Investments in and advances to associates and joint ventures (Note 12)	508,609,775	–	–	–	–	508,609,775
Noncurrent asset held for sale	716,586,558	–	–	–	–	716,586,558
Deferred tax assets – net	30,181,272	894,713	843,452	156,654	41,842	32,117,933
Total Assets	₱9,814,093,815	₱109,008,065	₱934,378,676	₱60,177,657	₱140,460,431	₱11,058,118,644
Segment liabilities[(b)]	₱716,370,432	₱31,643,191	₱86,971,535	₱11,879,740	₱32,398,502	₱879,263,400
Interest-bearing loans and borrowings	600,000,000	–	–	–	–	600,000,000
Bonds payable	2,957,954,254	–	–	–	–	2,957,954,254
Pension liabilities	14,794,481	5,614,191	10,616,437	84,403	2,231,945	33,341,457
Obligations under finance lease	17,852,046	–	–	–	–	17,852,046
Total Liabilities	₱4,306,971,213	₱37,257,382	₱97,587,972	₱11,964,143	₱34,630,447	₱4,488,411,157
Other Segment Information						
Capital expenditures for property and equipment						₱1,780,021,439
Depreciation and amortization						345,435,321
Noncash expenses other than depreciation and amortization						84,966,128

[(a)] *Segment assets exclude goodwill, investments in and advances to associates and joint ventures, noncurrent asset held for sale and net deferred tax assets.*

[(b)] *Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, pension liabilities and obligations under finance lease.*

5. Cash and Cash Equivalents

This account consists of:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)	June 30, 2018 (Unaudited)
Cash on hand and in banks	**₱483,620,140**	₱321,478,088	₱570,088,261
Cash equivalents	**85,929,551**	79,759,973	1,231,355,684
	₱569,549,691	₱401,238,061	₱1,801,443,945

Cash in banks earn interest at their respective deposit rates. Cash equivalents are short-term investments which are made for varying periods of up to three months, depending on the immediate cash requirements of the Group, and earn interest at their respective short-term investment rates.

Interest earned from cash in banks and cash equivalents amounted to ₱1.1 million and ₱8.8 million for the three-month periods ended June 30, 2019 and 2018, respectively.

6. Receivables

This account consists of:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Tuition and other school fees	**₱726,004,944**	₱460,896,259
Educational services	**68,994,704**	54,755,086
Rent, utilities and other related receivables	**34,688,719**	31,226,307
Advances to officers and employees (see Note 24)	**22,572,210**	17,540,523
Dividend receivable	**–**	804,637
Others	**16,422,868**	18,822,102
	868,683,445	584,044,914
Less: Allowance for expected credit loss (ECL)	**171,764,327**	163,201,256
	₱696,919,118	₱420,843,658

The terms and conditions of the receivables are as follows:

a. As at June 30, 2019, Tuition and other school fees include receivables from students and DepEd while the balance as at March 31, 2019 also includes receivables from CHED. These receivables are noninterest-bearing and are normally collected on or before the date of major examinations while receivables from DepEd and CHED are expected to be collected within the year.

b. Educational services receivables pertain to receivables from franchisees arising from educational services, royalty fees and other charges. These receivables are generally noninterest-bearing and are normally collected within 30 days. Interest is charged on past due accounts.

   Interest earned from past due accounts amounted to ₱0.3 million and ₱36.2 thousand for the three-month periods ended June 30, 2019 and 2018, respectively.

c. Rent, utilities and other related receivables are normally collected within 30 days.

d. Advances to officers and employees are normally liquidated within one month.

e. Other receivables include receivables from a former franchisee, vendors and SSS amounting to ₱1.6 million, ₱6.1 million and ₱3.3 million, respectively, as at June 30, 2019 and amounting to ₱1.6 million, ₱5.4 million and ₱3.0 million, respectively, as at March 31, 2019. These receivables are expected to be collected within the year.

7. Inventories

This account consists of:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
At net realizable value:		
Educational materials	**₱127,535,898**	₱135,586,473
Promotional materials	**14,609,684**	14,530,577
School materials and supplies	**2,174,038**	1,641,734
	₱144,319,620	₱151,758,784

The cost of inventories amounted to ₱155.2 million and ₱162.7 million as at June 30, 2019 and March 31, 2019, respectively. Allowance for inventory obsolescence amounted to ₱10.9 million as at June 30, 2019 and March 31, 2019.

Inventories charged to cost of educational materials and supplies sold amounted to ₱56.5 million, and ₱63.5 million for the three-month periods ended June 30, 2019 and 2018, respectively.

Educational materials include inventory of school uniforms amounting to ₱118.8 million and ₱124.4 million as at June 30, 2019 and March 31, 2019, respectively. This also includes textbooks and other education-related materials amounting to ₱8.7 million and ₱11.2 million as at June 30, 2019 and March 31, 2019, respectively.

Promotional materials primarily pertain to marketing materials and proware materials amounting to ₱5.8 million and ₱8.8 million, respectively, as at June 30, 2019 and ₱5.7 million and ₱8.8 million, respectively, as at March 31, 2019.

8. Prepaid Expenses and Other Current Assets

This account consists of:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Prepaid taxes	**₱54,745,686**	₱58,773,831
Prepaid insurance	**11,844,956**	462,781
Prepaid subscriptions and licenses	**5,503,231**	1,549,762
Prepaid rent	**5,480,411**	5,782,887
Forward		

Excess contributions to CEAP	**₱3,542,507**	₱3,102,625
Software maintenance cost	**1,125,141**	2,273,472
Others	**1,940,066**	1,967,740
	₱84,181,998	₱73,913,098

Prepaid taxes represent input Value-Added Tax (VAT), prepaid business and real property taxes. Most of the input VAT are from the purchase of uniforms and acquisition of a lot in Iloilo City. STI ESG entered into a contract to sell in January 2018 for the acquisition of a lot situated at Barangay San Rafael, Iloilo City from which STI ESG recognized input VAT amounting to ₱22.0 million. This lot will be the future site of STI Iloilo. Prepaid business and real property taxes are recognized as expense over the period of coverage.

Prepaid insurance includes fire insurance coverage on buildings, including equipment and furniture, health coverage of employees and life and accident insurance of students which were paid in advance and are recognized as expense over the period of the coverage, which is normally within one year.

Prepaid subscriptions and licenses include Adobe Acrobat license subscriptions and Microsoft license subscriptions as at June 30, 2019 and primarily Adobe Acrobat license subscriptions as at March 31, 2019. These subscriptions are recognized as expense over the period of coverage.

Prepaid rent represents advance rent paid for the lease of land and building spaces which are applied to the monthly rental in accordance with the terms of the lease agreements.

Excess contributions to Catholic Education Association of the Philippines Retirement Plan (CEAP) pertain to contributions made by De Los Santos-STI College and STI QA to CEAP which are already considered forfeited pension benefits of those employees who can no longer avail their pension benefits either because they did not meet the required tenure of ten years or they did not reach the retirement age of sixty when they left the service or when De Los Santos-STI College or STI QA has already advanced the benefits of qualified employees. The excess contributions will be offset against De Los Santos-STI College's and STI QA's future required contributions to CEAP.

Software maintenance cost includes annual support and maintenance charges for the use of accounting and enrollment systems which are amortized in accordance with the terms of the agreements.

9. Noncurrent Asset Held for Sale

Noncurrent asset held for sale amounting to ₱716.6 million, as at June 30, 2019 and March 31, 2019, represents the carrying value of STI ESG's 20% ownership in Maestro Holdings, Inc. (Maestro Holdings). Maestro Holdings owns 100% of PhilPlans First, Inc. (PhilPlans), 99.89% of PhilhealthCare, Inc. (PhilCare), 70.6% of Philippine Life Financial Assurance Corporation (PhilLife) and 100% of Banclife Insurance Co. Inc. (Banclife). On June 27, 2017, STI ESG's BOD approved the disposal of this 20% stake in Maestro Holdings to enable the Group to focus on its core business of offering educational services. Management has ongoing discussions with potential buyers and expects to complete the sale within one year from March 31, 2019.

With the classification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for its investment in Maestro Holdings on June 30, 2017 (see Note 12).

As at June 30, 2019 and March 31, 2019, there was no write-down of the non-current asset held for sale as the carrying amount did not fall below its fair value less cost to sell.

STI College Tagum, Inc.
On March 27, 2019, STI ESG and STI College Tagum, Inc., the assignee, entered into a deed of assignment to assign, sell, transfer and set over unto the assignee, the assets of STI Tagum, a branch of STI ESG for a sum of ₱7.0 million. The sale is effective on April 1, 2019. The transaction resulted to gain on disposal of net assets amounting to ₱4.4 million presented in the unaudited interim condensed consolidated statements of comprehensive income for the three-month period ended June 30, 2019.

10. **Property and Equipment**

The rollforward analyses of this account are as follows:

	June 30, 2019 (Unaudited)									
	Land	**Buildings**	**Office and School Equipment**	**Office Furniture and Fixtures**	**Leasehold Improvements**	**Transportation Equipment**	**Computer Equipment and Peripherals**	**Library Holdings**	**Construction in-Progress**	**Total**
Cost, Net of Accumulated Depreciation and Amortization										
Balance at beginning of period	**₱2,303,062,317**	**₱4,368,847,627**	**₱237,360,017**	**₱72,732,084**	**₱69,815,890**	**₱16,588,930**	**₱66,425,354**	**₱18,071,840**	**₱517,575,407**	**₱7,670,479,466**
Additions	–	**2,359,446**	**3,707,864**	**3,232,632**	–	–	**5,674,465**	**2,074,817**	**37,355,820**	**54,405,044**
Disposal	–	–	–	–	–	**(114,817)**	–	–	–	**(114,817)**
Effect of business combination	–	–	**10,563,539**	**1,590,200**	–	–	**1,262,266**	**2,726,126**	–	**16,142,131**
Disposal of net assets	–	–	**(243,265)**	**(136,784)**	**(207,479)**	–	**(480,792)**	**(21)**	–	**(1,068,341)**
Depreciation and amortization	–	**(54,989,791)**	**(18,686,993)**	**(7,266,781)**	**(4,980,045)**	**(1,695,127)**	**(9,924,697)**	**(1,659,939)**	–	**(99,203,373)**
Balance at end of period	**₱2,303,062,317**	**₱4,316,217,282**	**₱232,701,162**	**₱70,151,351**	**₱64,628,366**	**₱14,778,986**	**₱62,956,596**	**₱21,212,823**	**₱554,931,227**	**₱7,640,640,110**
At June 30, 2019										
Cost	**₱2,303,062,317**	**₱5,373,767,949**	**₱662,123,517**	**₱297,944,437**	**₱341,044,355**	**₱61,956,994**	**₱392,221,204**	**₱124,349,404**	**₱554,931,227**	**₱10,111,401,404**
Accumulated depreciation and amortization	–	**1,057,550,667**	**429,422,355**	**227,793,086**	**276,415,989**	**47,178,008**	**329,264,608**	**103,136,581**	–	**2,470,761,294**
Net book value	**₱2,303,062,317**	**₱4,316,217,282**	**₱232,701,162**	**₱70,151,351**	**₱64,628,366**	**₱14,778,986**	**₱62,956,596**	**₱21,212,823**	**₱554,931,227**	**₱7,640,640,110**

	March 31, 2019 (Audited)									
	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Construction in-Progress	Total
Cost, Net of Accumulated Depreciation and Amortization										
Balance at beginning of period	₱2,303,062,317	₱2,833,240,358	₱98,294,053	₱53,362,705	₱65,679,119	₱21,375,401	₱52,702,795	₱13,031,566	₱756,857,644	₱6,197,605,958
Additions	–	950,514,215	186,837,611	45,616,395	18,850,215	3,306,898	46,207,970	11,112,727	517,575,408	1,780,021,439
Reclassification	–	752,621,578	(19,634)	233,814	4,252,593	–	(258,317)	27,611	(756,857,645)	–
Depreciation and amortization	–	(167,528,524)	(47,752,013)	(26,480,830)	(18,966,037)	(8,093,369)	(32,227,094)	(6,100,064)	–	(307,147,931)
Balance at end of period	₱2,303,062,317	₱4,368,847,627	₱237,360,017	₱72,732,084	₱69,815,890	₱16,588,930	₱66,425,354	₱18,071,840	₱517,575,407	₱7,670,479,466
At March 31, 2019										
Cost	₱2,303,062,317	₱5,371,408,503	₱640,109,483	₱289,100,454	₱329,391,421	₱62,247,061	₱384,068,469	₱118,963,802	₱517,575,407	₱10,015,926,917
Accumulated depreciation and amortization	–	1,002,560,876	402,749,466	216,368,370	259,575,531	45,658,131	317,643,115	100,891,962	–	2,345,447,451
Net book value	₱2,303,062,317	₱4,368,847,627	₱237,360,017	₱72,732,084	₱69,815,890	₱16,588,930	₱66,425,354	₱18,071,840	₱517,575,407	₱7,670,479,466

The cost of fully depreciated property and equipment still being used by the Group amounted to ₱945.2 million and ₱851.7 million as at June 30, 2019 and March 31, 2019, respectively. There were no idle assets as at June 30, 2019 and March 31, 2019.

Additions

Property and Equipment under Construction. As at June 30, 2019 and March 31, 2019, the construction-in-progress account pertains substantially to the portions of the school buildings of STI Sta. Mesa and STI Pasay-EDSA with remaining ongoing works. The related contract costs amounted to ₱1,571.1 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects. The newly constructed buildings of STI Sta. Mesa and STI Pasay-EDSA have been substantially completed as at June 30, 2019. These schools held classes beginning June 2019 for senior high school students for SY 2019-2020.

Capitalized Borrowing Costs. Total borrowing costs capitalized as part of property and equipment amounted to ₱3.3 million and ₱35.5 million for the three-month period ended June 30, 2019 and for the year ended March 31, 2019, respectively. The average interest capitalization rate was 5.96% for the three-month period ended June 30, 2019 and for the year ended March 31, 2019, which was the effective rate of the borrowings.

11. **Investment Properties**

The rollforward analyses of this account are as follows:

	June 30, 2019 (Unaudited)		
	Land	**Buildings**	**Total**
Cost:			
Balance at beginning and end of period	**₱23,986,424**	**₱636,233,550**	**₱660,219,974**
Accumulated depreciation:			
Balance at beginning of period	–	**138,522,962**	**138,522,962**
Depreciation (Notes 21 and 23)	–	**7,119,235**	**7,119,235**
Balance at end of period	–	**145,642,197**	**145,642,197**
Net book value	**₱23,986,424**	**₱490,591,353**	**₱514,577,777**

	March 31, 2019 (Audited)		
	Land	Buildings	Total
Cost:			
Balance at beginning and end of period	₱23,986,424	₱636,233,550	₱660,219,974
Accumulated depreciation:			
Balance at beginning of period	–	109,994,962	109,994,962
Depreciation	–	28,528,000	28,528,000
Balance at end of period	–	138,522,962	138,522,962
Net book value	₱23,986,424	₱497,710,588	₱521,697,012

12. **Investments in and Advances to Associates and Joint Ventures**

The details and movements of this account are as follows:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Investments at Equity		
Acquisition cost:		
Balance at beginning and end of period	**₱549,867,252**	₱549,867,252
Accumulated equity in net losses:		
Balance at beginning of period	**(41,763,526)**	(35,482,176)
Equity in net gain (loss) of associates and joint ventures	**(460,292)**	4,716,716
Dividends received	–	(10,998,066)
Balance at end of period	**(42,223,818)**	(41,763,526)
Accumulated share in associates' other comprehensive income:		
Balance at beginning of period	**₱506,049**	519,273
Unrealized fair value adjustment on equity investments designated at FVOCI	**2,139**	1,594
Remeasurement loss on pension liability	–	(14,818)
Balance at end of period	**508,188**	506,049
	508,151,622	508,609,775
Advances	**37,868,986**	37,868,986
Less allowance for impairment loss	**37,868,986**	37,868,986
	–	–
	₱508,151,622	₱508,609,775

There is no movement in the allowance for impairment of investments in and advances to associates and joint ventures. The carrying values of the Group's investments in and advances to associates and joint ventures are as follows:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Associates:		
STI Holdings	**₱464,073,985**	₱464,431,383
STI Accent	**37,868,986**	37,868,986
STI Alabang	**24,873,546**	24,873,546
GROW	**16,323,992**	16,248,742
Joint venture -		
PHEI	**2,880,099**	3,056,104
	546,020,608	546,478,761
Allowance for impairment loss	**37,868,986**	37,868,986
	₱508,151,622	₱508,609,775

As at June 30, 2019 and March 31, 2019, the carrying amount of the investments in STI Marikina, Synergia, STI Accent and PHNS amounted to nil.

13. **Equity Instruments designated at Fair Value through Other Comprehensive Income (FVOCI)**

This account consists of:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Quoted equity shares	**₱3,807,120**	₱3,975,280
Unquoted equity shares	**45,802,363**	45,802,363
	₱49,609,483	₱49,777,643

a. Quoted Equity Shares
The quoted equity shares above pertain to shares listed in the PSE, as well as traded club shares. These are carried at fair value with the cumulative changes in fair values presented as a separate component of equity under the "Unrealized fair value adjustment on equity instruments designated at FVOCI" account in the unaudited interim condensed consolidated statements of financial position. The fair values of these shares are based on the quoted market price as at the financial reporting date.

b. Unquoted Equity Shares
Unquoted equity shares pertain to shares which are not listed in a stock exchange.

The Group recognized an increase in the unrealized fair value adjustment on these equity instruments designated at FVOCI amounting to ₱40.2 million on April 1, 2018 as part of the transition adjustments in the audited consolidated financial statements as at March 31, 2019 resulting from the effect of adoption of PFRS 9. On December 12, 2018, De Los Santos-STI College and Metro Pacific Hospital Holdings, Inc. (MPHHI) entered into a deed of absolute sale wherein De Los Santos-STI College sold its 79,399 common shares of stock in De Los Santos Medical Center, Inc. (DLSMC), formerly De Los Santos General Hospital, to MPHHI for a total consideration of ₱39.7 million. Similarly, on February 7, 2019, De Los Santos-STI College and MPHHI entered into another deed of absolute sale wherein De Los Santos-STI College sold its remaining 35,674 common shares of stock in DLSMC to MPHHI for a total consideration of ₱17.8 million. At the date of sale, the fair value of the shares is equal to the total consideration. These transactions resulted in realized fair value gain on financial assets designated at FVOCI amounting to ₱37.1 million which was directly recognized to retained earnings for the year ended March 31, 2019.

Dividend income earned from DLSMC shares as equity instruments designated at FVOCI/Available-for-Sale (AFS) financial assets amounted to nil and ₱2.3 million, for the three-month periods ended June 30, 2019 and 2018, respectively.

Unrealized fair value adjustment on equity instruments designated at FVOCI amounted to ₱3.0 million and ₱3.2 million as at June 30, 2019 and March 31, 2019, respectively.

c. Pledged Shares
On June 3, 2013, the Parent Company executed a deed of pledge on all of its DLSMC shares in favor of Neptune Stroika Holdings, Inc., a wholly-owned subsidiary of Metro Pacific Investments Corporation (MPIC), to cover the indemnity obligations of the Parent Company enumerated in its investment agreement entered into in 2013 with MPIC. The carrying value of the pledged investment in DLSMC amounted to ₱29.0 million as at June 30, 2019 and March 31, 2019.

14. **Goodwill, Intangible and Other Noncurrent Assets**

This account consists of:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Goodwill	**₱208,519,102**	₱208,519,102
Deposits for asset acquisitions	**183,051,796**	231,735,901
Rental and utility deposits	**53,121,086**	55,696,369
Advances to suppliers	**15,359,970**	7,907,102
Intangible assets	**4,001,882**	3,332,089
Others (see Note 30)	**48,812,310**	3,906,093
	₱512,866,146	₱511,096,656

Goodwill
Goodwill acquired through business combinations have been allocated to select schools which are considered separate cash-generating units (CGUs). Management performs its impairment test every March 31 for all the CGUs. Provision for impairment on goodwill amounted to nil for the three-month period ended June 30, 2019 and ₱17.0 million for the year ended March 2019.

Deposits for Asset Acquisitions
This account consists of deposits for the purchase of a property in Iloilo amounting to ₱183.1 million and ₱161.7 million as at June 30, 2019 and March 31, 2019, respectively. The last installment for this Iloilo property was paid in June 2019. Documents for the transfer of ownership to STI ESG are being processed. As at March 31, 2019, the deposits for asset acquisition includes the deposits made for the purchase of shares of NAMEI Polytechnic Institute, Inc. and NAMEI Polytechnic Institute of Mandaluyong, Inc. (collectively referred to as "NAMEI") amounting to₱70.0 million. This amount was reversed on April 1, 2019 upon execution of the Deeds of Assignment for the purchase of NAMEI (see Note 30).

Rental and Utility Deposits
This account includes security deposits paid to utility companies and for school and office space rentals in accordance with the respective lease agreements.

Advances to Suppliers
Advances to suppliers primarily pertain to advance payments made in relation to the acquisition of property and equipment and construction of buildings (see Note 10). These will be reclassified to the "Property and equipment" account when the goods are received or the services are rendered.

Intangible Assets
As at March 31, 2019, Intangible assets pertain to the cost of the Group's accounting and school management software which are being amortized over their estimated useful lives. As at June 30, 2019, Intangible assets pertain to the cost of additional accounting licenses acquired by the Group which is being amortized over its estimated useful life.

Others
This account includes the excess of consideration amounting to ₱45.0 million arising from the purchase of NAMEI. The identifiable assets and liabilities recognized in the unaudited interim condensed consolidated financial statements as at June 30, 2019 were based on provisional assessment of the fair value of these assets and liabilities at the time of acquisition. Further, the Group is still assessing the valuation of the intangible assets acquired. The valuation has not been completed as at June 30, 2019 (see Note 30).

15. Accounts Payable and Other Current Liabilities

This account consists of:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Accounts payable	**₱420,242,963**	₱481,162,236
Accrued expenses:		
Rent	**27,811,656**	30,093,370
Interest	**23,704,672**	11,435,922
School-related expenses	**20,334,269**	39,896,759
Contracted services	**19,996,659**	27,635,392
Salaries, wages and benefits	**19,196,986**	15,129,693
Utilities	**4,534,895**	5,320,924
Advertising and promotion	**2,273,030**	2,984,643
Others	**2,795,631**	3,406,086
Statutory payables	**21,484,791**	21,363,074
Current portion of payable to STI Diamond (see Note 18)	**12,794,761**	11,727,550
Dividends payable	**12,431,266**	12,431,266
Network events fund	**8,621,549**	7,514,345
Student organization fund	**6,990,839**	6,575,662
Current portion of refundable deposits (see Note 18)	**4,867,439**	5,508,189
Others	**1,840,497**	1,707,123
	₱609,921,903	₱683,892,234

The terms and conditions of the liabilities are as follows:

a. Accounts payable are noninterest-bearing and are normally settled within a 30 to 60-day term.

b. Accrued expenses, network events fund, student organization fund, and other payables are expected to be settled within the year.

c. Statutory payables primarily include taxes and other payables to government agencies. These are normally settled within 30 days.

d. Dividends payable pertains to dividends declared and are due on demand (see Note 19).

e. Refundable deposits pertain to security deposits received from existing lease agreements and are expected to be settled in accordance with the terms of the lease agreements.

f. Terms and conditions of payables to related parties are disclosed in Note 24.

16. **Interest-bearing Loans and Borrowings**

This account consists of:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Corporate Notes Facility:		
Current portion	**₱240,000,000**	₱240,000,000
Noncurrent portion	**360,000,000**	360,000,000
	₱600,000,000	₱600,000,000

Corporate Notes Facility
On March 20, 2014, STI ESG entered into a Corporate Notes Facility Agreement (Credit Facility Agreement) with China Banking Corporation (China Bank) granting STI ESG a credit facility amounting to ₱3,000.0 million with a term of either 5 or 7 years. The facility is available in two tranches of ₱1,500.0 million each. The net proceeds from the issuance of the notes were used for capital expenditures and other general corporate purposes.

On May 9, 2014, the first drawdown date, STI ESG elected to have a 7-year term loan with floating interest based on the 1-year PDST-F plus a margin of two percent (2.00%) per annum, which interest rate shall in no case be lower than the BSP overnight rate plus a margin of three-fourths percent (0.75%) per annum, which is subject to repricing.

In 2015, the Parent Company availed a total of ₱1,200.0 million loans with interest ranging from 4.34% to 4.75%. The Parent Company has made payments amounting to nil and aggregating to ₱134.4 million for the three-month period ended June 30, 2019 and for the year ended March 31, 2019, respectively.

These loans are unsecured and are due based on the following schedule:

Fiscal Year	Amount
2020	₱240,000,000
2021	240,000,000
2022	120,000,000
	₱600,000,000

An Accession Agreement to the Credit Facility Agreement was executed on December 16, 2014 among STI ESG, STI West Negros University, Inc. (STI WNU), a company under common control of STI Holdings and China Bank whereby STI WNU acceded to the Credit Facility entered into by STI ESG with China Bank in March 2014. In addition, an Amendment and Supplemental Agreement was also executed by the parties on the same date. The Amendment and Supplemental Agreement allowed STI WNU to draw up to ₱300.0 million from the facility.

On December 19, 2014, STI ESG advised China Bank that it will not be availing of tranche 2 of the Credit Facility Agreement thus limiting the facility available to STI ESG to ₱1,500.0 million.

The Credit Facility Agreement, together with the Accession Agreement, contains, among others, covenants regarding incurring additional debt and declaration of dividends, to the extent that such will result in a breach of the required debt-to-equity and debt service cover ratios. The Parent Company was required to maintain a debt-to-equity ratio of not more than 1.0:1 and debt service cover ratio of not less than 1.1:1.

Breakdown of the Group's Credit Facility Agreement are as follows:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Balance at beginning of period	**₱600,000,000**	₱734,400,000
Repayments	**–**	134,400,000
Balance at end of period	**₱600,000,000**	600,000,000
Less current portion	**240,000,000**	240,000,000
Noncurrent portion	**₱360,000,000**	₱360,000,000

On January 19, 2017, STI ESG and China Bank executed a Second Amendment and Supplemental Agreement to the Corporate Notes Facility Agreement. Significant amendments are as follows:

a) change in interest rate of either (1) the 1-year Benchmark Rate (PDST-R2) plus a margin of 1.5% per annum which interest rate shall in no case be lower than 3.75% per annum or (2) the 3-month Benchmark Rate plus a margin of 1.5% per annum which interest rate shall in no case be lower than 3.5% per annum.

b) amendments on the required financial ratios, whereby STI ESG shall maintain the following ratios which shall be computed based on the unaudited interim condensed consolidated financial statements:

   (1) Debt-to-equity ratio of not more than 1.5x, computed by dividing total debt by total equity. For the purpose of this computation, total debt shall exclude unearned tuition and other school fees;

   (2) Debt service cover ratio of a minimum of 1.05x.

As at June 30, 2019 and March 31, 2019, STI ESG complied with the above covenants (see Note 17).

Term Loan
On May 7, 2019, STI ESG and China Bank entered into a seven-year term loan agreement up to the amount of ₱1,200.0 million. The credit facility is available for a period of one year from May 7, 2019, the date of signing of the loan agreement. The proceeds of this loan shall be used for the (i) financing of campus expansion projects (ii) acquisition of schools (iii) refinancing of short-term loans incurred for projects and (iv) other general corporate purposes. As at August 14, 2019, STI ESG has not made any drawdown from the facility.

Interest Expense
Starting February 1, 2016, the one-year PDST-F on the Credit Facility Agreement was changed to PDST-R2 as the basis for determining the interest rate.

On January 31, 2017, STI ESG elected to adopt the interest rate based on the 1-year Benchmark Rate plus a margin of 1.5% per annum which interest rate shall in no case be lower than 3.75% payable every January 31 and July 31 of each year.

On October 29, 2018, the Bankers Association of the Philippines launched the PHP Bloomberg Valuation Service (BVAL) Reference Rates replacing the set of PDST Reference Rates (PDST-R1 & PDST-R2). Hence, starting the interest period January 31, 2019, the benchmark rate for the loans of STI ESG is the BVAL reference rate for one-year tenor.

Interest incurred on the loans amounted to ₱12.4 million and ₱8.2 million for the three-month periods ended June 30, 2019 and 2018, respectively.

17. Bonds Payable

This account consists of:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Principal:		
Fixed rate bonds due 2024	**₱2,180,000,000**	₱2,180,000,000
Fixed rate bonds due 2027	**820,000,000**	820,000,000
	3,000,000,000	3,000,000,000
Less: unamortized debt issuance costs	**40,467,164**	42,045,746
	₱2,959,532,836	₱2,957,954,254

On March 23, 2017, the Parent Company issued the first tranche of its ₱5,000.0 million fixed rate bonds program under its 3-year shelf registration with the SEC which will end on March 9, 2020. The bonds, amounting to an aggregate of ₱3,000.0 million was listed through the PDEx, with interest payable quarterly and were issued with a fixed rate of 5.8085% for the 7-year series, due 2024, and 6.3756% for the 10-year series, due 2027. The bonds were rated 'PRS Aa' by Philippine Rating Services Corporation (PhilRatings) in 2017. Proceeds of the issuance were used to finance the campus expansion projects, refinancing of the short-term loans incurred for the acquisition of land, and for other general corporate requirements of the Group.

The bonds include an embedded derivative in the form of an early redemption option that gives the Parent Company the option, but not the obligation, to redeem in whole (and not in part), the outstanding bonds before the relevant maturity date, based on a certain price depending on the fixed early redemption option dates. Management has assessed that the early redemption option is closely related to the bonds and would not require to be separated from the value of the bonds and accounted for as a derivative under PAS 39, *Financial Instruments: Recognition and Measurement.* Under PFRS 9, *Financial Instruments,* subsequent reassessment is required when there has been a change in the terms of the contract that significantly modifies the cash flows.

A summary of the terms of the Parent Company's issued bonds is as follows:

Year Issued	Interest Payable	Term	Interest Rate	Principal Amount	**Carrying Value as at June 30, 2019 (Unaudited)**	Carrying Value as at March 31, 2019 (Audited)	Features
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	**₱2,151,727,944**	₱2,150,449,125	Callable on the 3rd month after the 5th anniversary of Issue Date and on the 6th anniversary of Issue Date
2017	Quarterly	10 years	6.3756%	820,000,000	**807,804,892**	807,505,129	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	**₱2,959,532,836**	₱2,957,954,254	

Covenants

The bonds provide certain restrictions and requirements with respect to, among others, change in majority ownership and management, merger or consolidation with other corporation resulting in loss of control over the overall resulting entity and sale, lease, transfer or otherwise disposal of all or substantially all of its assets. The Credit Facility Agreement also contains, among others, covenants regarding incurring additional debt and declaration of dividends. The Parent Company is required to maintain a debt-to-equity ratio of not more than 1.5:1 and debt service cover ratio of not less than 1.05:1 computed based on the unaudited interim condensed consolidated financial statements.

The Group's debt-to-equity and debt service cover ratios as at June 30, 2019 and March 2019 are as follows:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Total liabilities*	**₱4,326,386,164**	₱4,407,031,500
Total equity	**6,329,869,132**	6,569,707,487
Debt-to-equity	**0.68:1.00**	0.67:1.00

**Excluding unearned tuition and other school fees*

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
EBITDA (Note 4)**	**₱669,740,499**	₱806,111,804
Total interest-bearing liabilities	**462,545,775**	462,616,744
Debt service cover	**1.45:1.00**	1.74.00

***EBITDA for the last twelve months*

Bond Issuance Cost

In 2017, the Parent Company incurred costs related to the issuance of the bonds amounting to ₱53.9 million. These costs are capitalized and amortized using the effective interest rate method. The carrying value of the unamortized bond issuance costs amounted to ₱40.5 million and ₱42.0 million as at June 30, 2019 and March 31, 2019, respectively. Amortization of bond issuance costs amounting to ₱1.6 million and ₱1.5 million for the three-month periods ended June 30, 2019 and 2018, respectively, were recognized as part of the "Interest expense" account in the unaudited interim condensed consolidated statements of comprehensive income.

Interest Expense
Interest expense, (including amortization of bond issuance costs), net of amount capitalized as property and equipment, associated with the bonds payable recognized in the unaudited interim condensed consolidated statements of comprehensive income amounted to ₱41.4 million and ₱41.0 million for the three-month periods ended June 30, 2019 and 2018, respectively.

18. Other Noncurrent Liabilities

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Advance rent	**₱49,512,027**	₱45,053,509
Payable to STI Diamond - net of current portion (Note 15)	**34,280,030**	38,336,143
Refundable deposit - net of current portion (Note 15)	**17,899,456**	16,075,752
Deferred lease liability	**2,438,532**	2,438,532
	₱104,130,045	₱101,903,936

19. Equity

Capital Stock
The details of the issued and outstanding number of common shares and amount as at June 30, 2019 and March 31, 2019 are as follows:

	No. of Shares	**Amount (at par)**
Authorized - ₱1 par value	**5,000,000,000**	**₱5,000,000,000**
Issued and outstanding:		
Issued shares at beginning of period	**3,087,829,443**	**3,087,829,443**
Issuance during the period	**–**	**–**
Issued shares at end of period	**3,087,829,443**	**3,087,829,443**
Less treasury shares	**(5,952,273)**	**(5,952,273)**
Issued and outstanding at end of period	**3,081,877,170**	**₱3,081,877,170**

Treasury shares
Treasury shares acquired as at June 30, 2019 and March 31, 2019 amounted to ₱10.8 million.

Other Comprehensive Income (loss) and Other Equity Reserves associated with Noncurrent Asset Held for Sale (Notes 9 and 12)

As at June 30, 2019 and March 31, 2019, the cumulative balance of other comprehensive income (loss) and other equity reserves associated with noncurrent asset held for sale consists of:

Share in associates':	
Unrealized fair value adjustment on equity instruments designated at FVOCI	₱108,558,621
Remeasurement loss on life insurance reserves	(18,096,674)
Cumulative actuarial gain	685,850
Other equity reserve	728,649
	₱91,876,446

Retained Earnings
On September 27, 2018, the Parent Company's BOD approved the cash dividends declaration of ₱0.06 per share for a total amount of ₱184.9 million, in favor of the stockholders of record as at September 30, 2018. Such dividends were paid on October 10, 2018.

Policy on Dividends Declaration
On September 19, 2017, the BOD of STI ESG adopted a policy on the declaration of dividends starting with Fiscal Year 2017-2018.

The BOD approved a dividend declaration policy equivalent to 25% to 40% of the core income of STI ESG and its subsidiaries (hereafter collectively referred to as the "Group") from the previous fiscal year, subject to compliance with the requirements of applicable laws and regulations, statutory limitations and/or restrictions, terms and conditions which may be imposed on the Group by lenders or other financial institutions, and the Group's investment plans and financial condition.

Core income is defined as consolidated net income after tax derived from the Group's main business- education, and other recurring income.

The amount of dividends will be reviewed periodically by the BOD in light of the earnings, financial conditions, cash flows, capital requirements and other considerations, while maintaining a level of capitalization that is commercially sound and sufficient to ensure that the Group can operate on a standalone basis.

Dividends shall be declared and paid out of the Parent Company's unrestricted retained earnings which shall be payable in cash, property or stock to all shareholders on the basis of outstanding stock held by them. Unless otherwise required by law, the BOD, at its sole discretion, shall determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including:

- the level of the Group's earnings, cash flow, return on equity and retained earnings;
- its results for and its financial condition at the end of the year in respect of which the dividend is to be paid and its expected financial performance;
- the projected levels of capital expenditures and other investment programs;
  restrictions on payments of dividends that may be imposed on it by any of its financing arrangements and current or prospective debt service requirements; and such other factors as the BOD deems appropriate.

20. **Revenues**

Disaggregated Revenue Information

The table below shows the disaggregation of revenues of the Group by type of service or goods for the three-month periods ended June 30, 2019 and 2018:

	June 2019	June 2018
Tuition and other school fees	**₱98,145,905**	₱211,837,095
Sale of educational materials and supplies	**71,367,185**	81,587,667
Educational services	**40,066,908**	44,661,379
Royalty fees	**3,394,691**	3,702,022
Other revenues	**14,451,080**	14,840,549
Total consolidated revenue	**₱227,425,769**	₱356,628,712

Timing of revenue recognition

	June 2019	June 2018
Services transferred over time	**₱156,058,584**	₱275,041,045
Goods and services transferred at a point in time	**71,367,185**	81,587,667
Total consolidated revenue	**₱227,425,769**	₱356,628,712

Contract Balances

The Group's receivables are disclosed in Note 6 while the contract liabilities are presented as *Unearned tuition and other school fees* in the unaudited interim condensed consolidated statements of financial position. Significant changes in the contract liability include the adoption of the new revenue standard and the implementation of the second batch of tertiary students that extends cash collection of tuition and other school fees for SY 2018-2019 after March 31, 2019.

Set out below is the amount of revenue recognized from:

	June 2019
Amounts included in contract liabilities at the beginning of the period	₱20,598,314
Performance obligations satisfied in previous years	–

Performance Obligations

The performance obligation related to revenue from tuition and other school fees, educational services, and royalty fees are satisfied over time since the student and the franchisees receive and consume the benefit provided by the Group's performance. The payment for these services is normally due within the related school term.

On the other hand, the performance obligations related to the sale of educational materials and supplies and other revenues are satisfied upon receipt by the customers since the control of the goods and products is transferred at this point. The payment for the sale of educational materials and supplies is generally due within 30 days from delivery.

As at June 30, 2019 and March 31, 2019, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) are as follows:

	June 2019	March 2019
Within one year	**₱819,551,978**	₱81,379,657
More than one year	**–**	–

The remaining performance obligations which are expected to be satisfied within one year pertains to the advance payment for tuition and other school fees for the school year commencing after the financial reporting date and will be recognized as tuition and other school fees within the school year. On the other hand, STI ESG does not have any performance obligation that is expected to be satisfied in more than one year.

21. Cost of Educational Services

This account consists of:

	June 2019	June 2018
Depreciation and amortization	**₱60,838,069**	₱43,182,438
Faculty salaries and benefits	**42,007,458**	35,946,091
Rental	**20,955,118**	24,730,017
Student activities and programs	**10,131,220**	10,834,573
School materials and supplies	**2,838,116**	2,886,839
Software maintenance	**2,784,302**	2,676,348
Courseware development costs	**43,090**	103,721
Others	**585,209**	616,316
	₱140,182,582	₱120,976,343

22. Cost of Educational Material and Supplies Sold

This account consists of:

	June 2019	June 2018
Educational materials and supplies	**₱54,604,149**	₱61,831,720
Promotional materials	**1,692,361**	1,608,184
Others	**163,980**	108,849
	₱56,460,490	₱63,548,753

23. General and Administrative Expenses

This account consists of:

	June 2019	June 2018
Salaries, wages and benefits	**₱66,655,022**	₱67,635,859
Depreciation and amortization	**48,582,082**	36,695,267
Advertising and promotions	**33,783,999**	37,273,393
Light and water	**23,524,404**	19,335,469
Outside services	**22,484,876**	19,081,774
Professional fees	**14,643,660**	14,116,039
Taxes and licenses	**10,913,465**	8,099,919
Rental	**9,762,710**	11,375,640
Provisions for ECL/doubtful accounts on receivables	**9,050,105**	123,327
Transportation	**5,528,939**	5,507,632
Meetings and conferences	**3,497,459**	3,422,355
Insurance	**3,274,163**	2,468,289
Repairs and maintenance	**3,112,143**	3,099,691
Entertainment, amusement and recreation	**2,450,811**	3,970,144
Office supplies	**1,959,591**	2,236,152
Communication	**1,890,831**	1,867,442
Software maintenance	**764,112**	640,550
Association dues	**80,266**	137,878
Others	**2,527,892**	2,453,444
	₱264,486,530	₱239,540,264

24. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) enterprises or individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Parent Company; (b) associates; and (c) enterprises or individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the Parent Company, key management personnel, including directors and officers of the Group and close members of the family of any such enterprise or individual.

The following are the Group's transactions with its related parties:

	Amount of Transactions During the Period		Outstanding Receivable (Payable)			
Related Party	**June 2019 (Unaudited)**	June 2018 (Unaudited)	**June 2019 (Unaudited)**	March 2019 (Audited)	**Terms**	**Conditions**
Associates						
STI Accent						
Reimbursement for various expenses and other charges	**₱–**	₱–	**₱37,868,986**	₱37,868,986	30 days upon receipt of billings; noninterest-bearing	Unsecured; impaired
GROW						
Rental income and other charges	**138,750**	–	**7,175,932**	7,033,994	30 days upon receipt of billings	Unsecured; no impairment
STI Holdings						
Advisory fees	**3,600,000**	3,600,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Reimbursement for various expenses and other charges	**–**	8,543	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
STI Alabang						
Educational services and sale of educational materials and supplies	**3,853,391**	5,774,736	**748,065**	539,737	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Marikina						
Educational services and sale of educational materials and supplies	**2,966,577**	4,370,322	**337,998**	97,000	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*						
PhilCare						
Rental income and other charges	**₱1,975,288**	₱4,105,777	**₱2,011,641**	₱820,496	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**3,589,121**	3,705,341	**(3,927,908)**	(20,125)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Refundable deposits	**–**	–	**(1,820,984)**	(1,820,984)	Refundable upon end of contract	Unsecured; no impairment
Phil First Insurance Co., Inc.						
Utilities and other charges	**–**	34,134	**29,473**	29,473	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	**3,891,712**	2,131,568	**(34,724)**	(60,944)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Philippines First Condominium Corporation						
Association dues, utilities and other charges	**2,476,224**	2,508,927	**(549,215)**	(866,327)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI WNU						
Educational services and sale of educational materials and supplies	**2,395,555**	6,972,443	**60,084**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**894,513**	1,140,322	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
iACADEMY						
Reimbursement for various expenses and other charges	**–**	2,855,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Officers and employees						
Advances for various expenses	**4,643,090**	2,798,175	**22,572,210**	17,540,523	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others						
Rental income and other charges	**1,770,580**	1,327,357	**2,979,230**	1,721,262	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
			₱67,450,788	₱62,883,091		

**Affiliates are entities under common control of a majority Shareholder*

Related party receivables and payables are generally settled in cash.

Outstanding receivables, before any allowance for impairment, and payables arising from these transactions are summarized below:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Advances to associates and joint ventures (see Note 12)	**₱37,868,986**	₱37,868,986
Advances to officers and employees (see Note 6)	**22,572,210**	17,540,523
Rent, utilities and other related receivables	**12,196,276**	9,605,225
Educational services and sale of educational materials and supplies	**1,146,147**	636,737
Accounts payable	**(6,332,831)**	(2,768,380)
	₱67,450,788	₱62,883,091

Outstanding balances of the Parent Company's transactions with subsidiaries which were eliminated during consolidation are as follows:

	Amount of Transactions During the Quarter		Outstanding Receivable (Payable)			
Related Party	**June 2019 (Unaudited)**	June 2018 (Unaudited)	**June 2019 (Unaudited)**	March 2019 (Audited)	**Terms**	**Conditions**
Subsidiaries						
STI Caloocan						
Educational services, sale of educational materials and supplies, management fees, and other charges	**₱30,200,767**	₱37,512,587	**₱–**	₱–	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Reimbursement for various expenses	**912,421**	2,433,133	**(240,182,275)**	(233,089,773)	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**12,572,400**	12,572,400	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured
STI Novaliches						
Educational services, sale of educational materials and supplies, management fees, and other charges	**8,130,952**	28,043,203	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Reimbursement for various expenses	**686,915**	994,307	**(172,544,242)**	(163,986,690)	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**7,680,000**	7,680,000	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured
STI Tuguegarao						
Educational services, sale of educational materials and supplies, management fees, and other charges	**216,249**	143,350	**12,384,597**	12,195,755	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**192,076**	92,678	**1,383,059**	1,580,004	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment

Forward

	Amount of Transactions During the Quarter		Outstanding Receivable (Payable)			
Related Party	**June 2019 (Unaudited)**	June 2018 (Unaudited)	**June 2019 (Unaudited)**	March 2019 (Audited)	**Terms**	**Conditions**
STI QA						
Educational services, sale of educational materials and supplies, management fees, and other charges	**1,998,260**	3,601,731	**295,702**	205,365	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	–	–	**13,540,328**	14,251,618	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Batangas						
Educational services, sale of educational materials and supplies, management fees and other charges	**₱5,998,141**	₱16,591,289	**₱5,975,617**	₱61,417	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**1,743,681**	1,835,839	**9,117,759**	10,118,298	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**3,742,200**	3,742,200	**33,530,112**	33,530,112	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Iloilo						
Educational services, sale of educational materials and supplies,	**₱412,656**	₱823,957	**₱6,503,953**	₱6,166,856	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**629,357**	22,815	**7,223,073**	6,693,717	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Pagadian						
Educational services, sale of educational materials and supplies,	**401,192**	589,726	**3,828,732**	3,468,764	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**527,027**	344,487	**6,875,460**	7,238,674	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Subscription of common stock	**–**	–	**(15,000,000)**	(15,000,000)	Due and demandable, noninterest-bearing	Unsecured; no impairment
STI Tanauan						
Educational services, sale of educational materials and supplies,	**1,917,102**	2,159,064	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Reimbursement for various expenses	**157,767**	145,479	**(15,907,397)**	(10,517,394)	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment

Forward

	Amount of Transactions During the Quarter		Outstanding Receivable (Payable)			
Related Party	**June 2019 (Unaudited)**	June 2018 (Unaudited)	**June 2019 (Unaudited)**	March 2019 (Audited)	**Terms**	**Conditions**
STI Lipa						
Educational services, sale of educational materials and supplies,	**3,668,160**	3,717,184	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Reimbursement for various expenses	**1,939,130**	426,776	**8,535,421**	3,056,709	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**11,014,452**	–	**12,336,186**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Sta. Maria						
Educational services, sale of educational materials and supplies,	**3,300,565**	6,530,185	**970,094**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**1,421,679**	17,757,622	**57,250,545**	55,622,603	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

25. Basic and Diluted EPS on Net Income (Loss) Attributable to Equity Holders of the Parent Company

The table below shows the summary of net loss and weighted average number of common shares outstanding used in the calculation of EPS for the three-month periods ended June 30, 2019 and 2018:

	For the three months ended June 30	
	2019 (Unaudited)	2018 (Unaudited)
Net loss attributable to equity holders of the Parent Company	**(₱236,409,467)**	(₱73,983,083)
Weighted average number of common shares outstanding	**3,081,877,170**	3,081,877,170
Basic and diluted EPS on net loss attributable to equity holders of the Parent Company	**(₱0.08)**	(₱0.02)

The basic and diluted EPS are the same for the three-month periods ended June 30, 2019 and 2018 as there are no dilutive potential common shares.

26. Contingencies and Commitments

Contingencies

a. *Tax Assessment Case.* The Parent Company filed a petition for review with the Court of Tax Appeals (CTA) on October 12, 2009. This is to contest the Final Decision on Disputed Assessment issued by the BIR assessing the Parent Company for deficiencies on income tax and expanded withholding tax for the year ended March 31, 2003 amounting to ₱124.3 million. On February 20, 2012, the Parent Company rested its case and its evidence has been admitted into the records.

On June 27, 2012, the BIR rested its case and has formally offered its evidence. On April 17, 2013, the CTA issued a Decision which granted the Parent Company's petition for review and ordered the cancellation of the BIR's assessment since its right to issue an assessment for the alleged deficiency taxes had already prescribed. On May 16, 2013, the Parent Company received a copy of the Commissioner of Internal Revenue's (CIR) Motion for Reconsideration dated May 8, 2013. The Parent Company filed its Comment to CIR's Motion for Reconsideration on June 13, 2013. The CTA issued a resolution dated July 17, 2013 denying the CIR's Motion for Reconsideration. On August 22, 2013, the CIR filed its Petition for Review dated August 16, 2013, with the CTA En Banc. On October 29, 2013, the Parent Company filed its Comment to the CIR's Petition for Review. The CTA En Banc deemed the case submitted for decision on May 19, 2014, considering the CIR's failure to file its memorandum. On March 24, 2015, the CTA En Banc affirmed the decision dated April 17, 2013 and the resolution dated July 17, 2013 and granted the Parent Company's Petition for Review and ordered the cancellation of the BIR assessment for the fiscal year ended March 31, 2003. On April 21, 2015, the CIR filed a Motion for Reconsideration with the CTA En Banc. On July 3, 2015, the Parent Company filed its Comment on the Motion for Reconsideration. On September 2, 2015, the CTA En Banc denied the CIR's Motion for Reconsideration. On October 30, 2015, the CIR filed a Petition for Review with the Supreme Court. On January 26, 2016, the Parent Company received a notice from the Supreme Court requiring it to file its Comment on the Petition for Review filed by the CIR. On February 5, 2016, the Parent Company filed a Motion for Extension of Time to File Comment on the Petition for Review requesting an additional period of 20 days from February 5, 2016, or until February 25, 2016, within which to file the Comment. On February 25, 2016, the Parent Company filed another Motion for Extension of Time to File Comment on the Petition for Review requesting an additional period of 15 days from February 25, 2016, or until March 11, 2016, within which to file the Comment. On March 11, 2016, the Parent Company, through its counsel, filed its Comment on the Petition. On October 27, 2016, STI ESG received a notice from the Supreme Court in which the Court, inter alia, required the CIR to reply to STI ESG's Comment (to the Petition for Review) within ten days from receipt of the notice. On November 25, 2016, the CIR filed its reply to the Parent Company's comment.

On October 4, 2017, the Parent Company received the decision from the Supreme Court dated July 26, 2017. In its decision, the Supreme Court denied the petition for review filed by the CIR and affirmed the Decision dated March 24, 2015 and Resolution dated September 2, 2015 of the Court of Tax Appeals En Banc in CTA EB No. 1050. The Supreme Court ruled that the Waivers of Statute of Limitations, being defective and invalid, did not extend the CIR's period to issue the subject assessments. Thus, the right of the government to assess or collect the alleged deficiency taxes is already barred by prescription. On October 25, 2017, the CIR has filed a Motion for Reconsideration of the Supreme Court's decision dated July 26, 2017.

On April 5, 2018, the Parent Company received the decision from the Supreme Court dated December 14, 2017. In its decision, the Supreme Court denied the Motion for Reconsideration filed by the CIR and affirmed the Decision dated July 26, 2017. The Supreme Court ruled that there is no substantial argument to warrant a modification of the Supreme Court's decision. Thus, the Supreme Court denied the Motion for Reconsideration with finality. The Supreme Court also resolved that no further pleadings or motions shall be entertained in the case.

Thus, the Supreme Court ordered the immediate issuance of the Entry of Judgment.

On July 2, 2018, the Parent Company received the Entry of Judgment issued by the Supreme Court dated May 7, 2018 which certified that its decision dated December 14, 2017 became final and executory and was recorded in the Book of Entries of Judgments on the said date.

b. *Labor Cases.*

i. A former employee filed a Petition with the Supreme Court after the Court of Appeals denied the former employee's claims and rendered prior decisions in favor of the Parent Company. On August 13, 2014, the Parent Company received the Supreme Court's decision dated July 9, 2014 annulling the decision of the Court of Appeals and ordered that the Parent Company reinstate the former employee to her former position and pay the exact salary, benefits, privileges and emoluments which the current holder of the position is receiving and should be paid back wages from the date of the former employee's dismissal until fully paid, with legal interest.

On November 17, 2014, the Supreme Court issued a resolution which denied with finality the Parent Company's Motion for Reconsideration. As a result of the decision, the Parent Company recognized a provision amounting to ₱3.0 million representing the estimated compensation to be made to the former employee.

On October 20, 2015, a Bank Order to release was issued to one of Parent Company's depository banks for the release of the garnished amount of ₱2.2 million. The bank released the garnished amount to the National Labor Relations Commission (NLRC).

The garnished amount was put on hold for 15 days because of the filing of the Parent Company's Petition questioning, among others, the Writ of Execution issued by the labor arbiter, which was docketed as LER-CN-10291-15.

While the Petition was pending for resolution by the NLRC and without any injunction order being issued by the said Commission, the garnished amount of ₱2.2 million was released to the former employee.

On March 1, 2016, the former employee filed an Entry of Appearance with Manifestation/Motion for Computation dated February 24, 2016. In the said motion, the former employee sought for computation of her backwages, inclusive of monetary equivalent of leaves and 13th month pay from July 22, 2004 until the same is actually paid. In addition, the former employee waived the reinstatement aspect of the March 31, 2016 decision of labor arbiter, and sought the payment of separation pay.

As mentioned in an earlier paragraph, on October 19, 2015, the Parent Company filed a Petition with the NLRC, docketed as LER-CN-10291-15, to (1) annul the Writ of Execution issued by labor arbiter for the amount of ₱2.2 million, and (2) order the payment of separation pay in favor of the former employee instead of reinstatement as Chief Operating Officer of STI-Makati.

In the said Petition, the Parent Company asserted that the Writ of Execution was issued with undue haste when there were pending issues to be resolved by labor arbiter with respect to the computation of the judgment award of the former employee. In addition, labor arbiter cannot order the former employee to be reinstated as Chief Operating Officer of STI-Makati because said position no longer exists. The Parent Company averred that an order of separation pay in lieu of reinstatement should be issued in favor of the former employee.

On October 28, 2015, the Parent Company filed another Petition with the NLRC, which sought to inhibit the labor arbiter from continuing the execution proceedings for the former employee's judgment award. In the said Petition, the Parent Company alleged that the actions of the labor arbiter showed partiality and bias in favor of the former employee.

On October 29, 2015, the Parent Company filed a Motion to Consolidate with the NLRC. In the said Motion, the Parent Company moved that the aforesaid Petitions would be consolidated and resolved by the same Division of the NLRC.

The former employee, thru her new counsel, filed two (2) Entry of Appearance with Motion for Leave (To Admit Attached Answer with Comment/Opposition) for the two (2) Petitions of the Parent Company. In the said Comment/Opposition, the former employee averred that (a) the Writ of Execution was issued pursuant to the Supreme Court's Decision dated July 9, 2014 and (b) the acts of labor arbiter were above-board.

Before the NLRC resolved the pending Petitions filed by the Parent Company, the garnished amount was released to the former employee as partial payment for the judgment award. Based on the record of the NLRC, the amount of ₱2.2 million was released for the partial execution of the judgment award of the former employee.

On February 29, 2016, the Sixth Division of the NLRC issued a Decision wherein it, among others, nullified the Writ of Execution, and ordered the inhibition of labor arbiter. In the same Decision, the Sixth Division of the NLRC also set a guide for the enforcement of the judgment award in favor of the former employee, which provides, among others, that the computation of the backwages of the former employee shall be from May 18, 2004 until October 30, 2006.

After the denial of the former employee's Motion for Reconsideration on the aforesaid Decision, STI ESG received on September 6, 2016 the former employee's Petition for Certiorari filed with the Court of Appeals. Said Petition questioned the aforesaid decision of the NLRC.

After the filing of their respective pleadings in relation to the former employee's Petition for Certiorari, STI ESG received on June 6, 2017 the Court of Appeals' Decision wherein it determined that there is no need to resolve the issue on the nullification of the Partial Writ of Execution because both parties agreed that the funds garnished by virtue of said Writ to the former employee shall be considered as partial satisfaction of her judgment award.

The Court of Appeals likewise clarified that the issue on the former employee's waiver of reinstatement pending appeal should have been resolved by the new labor arbiter, and not the NLRC. Contrary to the former employee's assertion that the former labor arbiter resolved the said issue, the Court of Appeals took into consideration that the NLRC validly ordered the re-raffle of the case to a new labor arbiter who should resolve all pending incidents and issues.

Without making any findings and/or rulings contrary to STI ESG's claim that the former employee waived her reinstatement pending appeal in October 2006 and consequently invalidated her assertion that her backwages should be computed from May 2004 until present day, the Court of

Appeals affirmed the re-raffle of the execution proceedings of the former employee's judgment award to a new labor arbiter to make an independent determination of all pending incidents and issues.

Considering the aforesaid Decision did not prejudice STI ESG's position, STI ESG decided to refer all pending issues on the execution of the judgment award of the former employee, including the waiver of backwages pending appeal, to the new labor arbiter.

On September 19, 2017, STI ESG received the former employee's Manifestation with Omnibus Motion filed with the new labor arbiter. In the said Manifestation with Omnibus Motion, the former employee sought for (a) computation of the updated judgment award, (b) resolution of the issue on waiver of reinstatement by the former employee raised by STI ESG and (c) issuance of Writ of Execution based on the updated judgment award.

The new labor arbiter set the pre-execution hearing on January 31, 2018. During the said hearing, STI ESG filed its Comment with Manifestation. In the Comment with Manifestation, STI ESG asserted that the only issues to be resolved are the computations of the (a) backwages, (b) legal interest and (c) separation pay. STI ESG further reiterated that the former employee is entitled to receive backwages from May 2004 until October 2006 and separation pay from November 1999 until February 2016. Based on said premises, STI ESG paid the former employee ₱2.0 million in January 2018.

Based on the record, STI ESG has paid the total amount of ₱4.2 million, exclusive of withholding taxes, to the former employee. STI ESG then moved to the new labor arbiter that STI ESG be deemed to have fully paid the judgment award of the former employee. While the former employee accepted the aforesaid amount, she manifested that the same is only partial payment of the judgment award, and moved that she would be given 10 days to file her reply to the Comment with Manifestation.

In the hearing on February 13, 2018, the former employee filed her Reply dated February 12, 2018. In the Reply, it was argued that the alleged waiver of reinstatement pending appeal in October 2006 did not interrupt the running of backwages until present day. She insisted that the return to work order of STI ESG was (a) vague, (b) served only through her former counsel and (c) belatedly served or after four months from STI ESG's receipt of the former labor arbiter's order to reinstate her. Based on the foregoing the former employee presented her computation of her judgment award to date, which amounted to ₱11.0 million, less payments already made by STI ESG.

On February 28, 2018, STI ESG filed and served the Rejoinder. In the Rejoinder, STI ESG reiterated that the notice to return to work was (a) clear and (b) duly received by her through her former counsel. It was asserted that the former employee was fully aware of said return to work order because she refused the same by filing a counter-manifestation with the former labor arbiter. Moreover, the belated service of said return to work order does not prevent STI ESG to choose actual reinstatement pending appeal as provided in the Labor Code.

After the parties filed their respective Rejoinder and Sur-Rejoinder, the new labor arbiter granted STI ESG's motion to submit the pending issues on the computation of the former employee's judgment award for resolution.

As at August 14, 2019, the new labor arbiter has not issued any resolution on the aforesaid computation of the former employee's judgment award.

ii. A former IT Instructor who eventually became the IT Program Head of STI College Cagayan de Oro, a school owned by STI ESG, filed an illegal dismissal case against STI College Cagayan de Oro on the ground that she was constructively dismissed when upon returning from preventive suspension, she allegedly no longer had any work to go back to because the STI ESG-owned company purportedly removed her workplace from the school premises. For its part, STI ESG countered the complainant's claim that she was dismissed by presenting the complainant's one-liner resignation letter.

The Labor Arbiter decided that there was neither an illegal dismissal nor resignation to speak of in this case, hence, the parties were ordered to return to status quo, which meant reinstatement of complainant to her former position but without backwages, separation pay, or similar benefits. Nevertheless, STI was ordered to pay complainant the amount of ₱7.4 thousand representing her unpaid salary for the period March 10-30, 2014. However, the NLRC overturned the Labor Arbiter's decision upon a dubious motion for partial reconsideration declaring complainant to have been illegally dismissed and ordering STI ESG not only to reinstate her but also to pay her full backwages computed from the time compensation was withheld up to the date of actual reinstatement. STI ESG moved to reconsider the NLRC's decision but to no avail. At present, a Petition for Certiorari questioning the decision of the NLRC is pending before the Court of Appeals.

On May 12, 2017, STI ESG received a copy of a Motion for Execution with Prayer for Payment of Separation Pay in Lieu of Reinstatement filed by Complainant-Appellant seeking the issuance of a writ of execution for the implementation of the Resolution dated June 30, 2016 issued by the Honorable Eight Division, National Labor Relations Commission, Cagayan de Oro City. On May 22, 2017, STI ESG filed its Opposition to the Motion for Execution with Prayer for Payment of Separation Pay in Lieu of Reinstatement.

Subsequently, a hearing on the motion for execution was set on June 5, 2017. In the said hearing, STI ESG reiterated that it is amenable to reinstating complainant but as a Part-time Full Load faculty member. Complainant countered that she is not interested in reinstatement but would rather be paid her back wages and separation pay. When we asked for how much is she willing to settle the matter amicably, she insisted that she be paid the total amount of her back wages and separation pay. When asked if STI ESG has any counter-offer on the payment of back wages and separation pay, STI ESG manifested that it already filed its opposition thereto and that there is still a need for the official computation of the same. At that point, the hearing officer showed STI ESG a computation of the back wages which amounted to ₱0.5 million. STI ESG then manifested that it will bring the matter to management. On the part of the complainant, she manifested that she will file her reply to our opposition. The hearing officer then said that upon submission of said reply, the motion for execution is deemed submitted for resolution.

Also, in the motion for execution, it was also alleged that the Court of Appeals already denied the Petition for Certiorari of STI ESG. However, STI ESG did not receive any copy of the said resolution by the Court of Appeals. Upon inquiry with the Court of Appeals, it appeared that the copy of the resolution dismissing the petition for certiorari was returned to sender due to "RTS-UNKNOWN ADDRESS". Apparently, the indicated address of counsel of record simply states

Ortigas Ave., Extension, Cainta, Rizal. STI ESG then filed a manifestation with the Court of Appeals manifesting that it has yet to receive a copy of their minute resolution and clarifying that the complete address where a copy of the said resolution may be sent is "3rd Flr. STI Academic Center, Ortigas Avenue Extension, Cainta, Rizal 1900".

On June 2, 2017, STI ESG received a copy of the Minute Resolution dated January 12, 2017 dismissing its Petition for Certiorari based on the following grounds: a) failure to attach a copy of the Resolution dated June 30, 2017 of the NLRC; b) failure to attach the Secretary Certificate authorizing Mario Malferrari, Jr. as representative for STI ESG to file the petition for certiorari; c) failure to verify the petition; and d) failure to attach affidavit of service.

On June 21, 2017, STI ESG filed its Motion for Reconsideration.

Meanwhile, on July 12, 2017, STI ESG received an Order from the Office of the Labor Arbiter granting the Motion for Execution filed by Complainant. On July 21, 2017, STI ESG received a copy of the Writ of Execution issued by Office of the Labor Arbiter directing the payment of ₱0.5 million to Complainant and her immediate reinstatement. In compliance with the Writ of Execution, Complainant was paid the amount of ₱0.5 million and was reinstated to her former position.

On November 7, 2017, STI ESG received a copy of the Resolution of the Court of Appeals dated September 25, 2017 on its motion for reconsideration. The Court of Appeals resolved to grant the motion for reconsideration and reinstated STI ESG's petition for certiorari. The complainant was then directed to file her comment to the petition within ten days from receipt of the said resolution and STI ESG was given 5 days to file its reply to Complainant's comment.

On January 31, 2018, STI ESG received a copy of a Minute Resolution dated January 15, 2018 issued by the Court of Appeals which resolved that Complainant is deemed to have waived her filing of a comment to the petition for certiorari and directed the parties to file their respective memorandum within 15 days from receipt of said minute resolution. Thereafter, the petition for certiorari is deemed submitted for decision.

On February 15, 2018, STI ESG filed through registered mail its Memorandum with the 22nd Division, Court of Appeals, CDO. On April 25, 2018, STI ESG received a copy of Complainant's Memorandum. In a resolution of the Court of Appeals dated April 19, 2018, with the filing of the parties' respective memorandum, the Court declared the petition submitted for decision.

On July 11, 2018, STI ESG received a copy of the Decision of the 21st Division, Court of Appeals, CDO, setting aside the resolution of the NLRC declaring complainant to have been illegally dismissed and awarding the payment of back wages. In the same decision, the Court of Appeals dismissed the charge of illegal dismissal for lack of merit. However, STI College CDO was directed to pay complainant the sum of ₱7.4 thousand representing her unpaid salary for the period March 10-30, 2014.

On September 5, 2018, STI ESG received a copy of the Motion for Reconsideration filed by the complainant with the Court of Appeals (Special Former 21st Division). On October 31, 2018, STI ESG received the resolution of the said court directing STI ESG to file its Comment to the Motion for Reconsideration filed by the complainant within 10 days from notice. On November 12, 2018, STI ESG filed its Comment to the Motion for Reconsideration of the complainant. With the filing of the Comment, the Motion for Reconsideration is deemed submitted for resolution.

On January 24, 2019, STI ESG received a copy of the Resolution of the Court of Appeals (Special Former Twenty-First [21st] Division) denying the Motion for Reconsideration filed by the complainant. On April 22, 2019, STI ESG received a copy of the Entry of Judgment of the Decision dated June 29, 2018. With this development, STI ESG will now initiate proceedings to recover the amount of ₱0.5 million, more or less given to the complainant based on the overturned decision of the NLRC.

As at August 14, 2019, STI ESG is preparing the necessary motion for the recovery of the ₱0.5 million.

iii. Former part-time faculty members of STI College Legazpi who were erroneously issued employment contracts for regular employees filed an illegal dismissal case against STI College Legazpi, a school owned by STI ESG, following their stubborn refusal to sign their respective job offers as required by CHED. The labor arbiter rendered a Decision finding the complainants as regular employees of STI ESG; declaring the Parent Company as guilty of illegal dismissal; and ordering the Parent Company to pay them separation pay of ₱0.22 million, ₱0.18 million, ₱0.15 million, respectively, plus back wages, moral and exemplary damages of ₱0.2 million each, plus 10% attorney's fees.

Upon appeal to the NLRC, the case filed by one of the faculty members was dropped, while the rest of the Decision was affirmed. Accordingly, a Motion for Reconsideration of the NLRC Decision was filed wherein it prayed for the dismissal of the complaints of Brazil and Garcera as well, invoking well-settled cases as jurisprudential authorities to persuade the NLRC to dismiss the cases against the Parent Company.

As it developed, STI ESG prevailed at the NLRC, and the complaint was dismissed. The former faculty members assailed said Decision of the NLRC at the Court of Appeals which denied the Petition.

Both parties here may have been mistaken in believing that the former faculty members have become regular faculty members by their length of service and seemingly satisfactory performance. Because of such incorrect grant of regular employment status, STI ESG, for years, have paid to complainants the salaries and benefits ought to be received by regular faculty members, which they did not deserve considering their failure to meet the qualifications set out in the MORPS and MORPHE. To punish STI ESG for such act of giving Petitioners more than what they deserve would run contrary to the basic tenets of equity and justice. In fact, STI sought to remedy its mistake by formulating its two-year compliance consideration program, wherein affected teachers such as complainants shall continue to receive the same benefits they are currently enjoying, subject to the completion of their master's degree within a period of two years. Even complainants admitted that their job offers stipulated a higher monthly salary. In spite of all these, complainants chose not to sign the said job offers.

The former faculty members filed a motion for reconsideration of the said decision of the Court of Appeals. STI ESG filed its Comment on the motion for reconsideration emphasizing the following points: (1) that the instant motion for reconsideration is pro-forma and should be denied outright;

and (2) that the petitioners failed to raise any substantial argument to warrant a modification of the Court's decision considering that (a) the Court of Appeals did not err in finding that the NLRC did not commit grave abuse of discretion in dismissing petitioner's complaint for illegal constructive dismissal; and (b) the Court of Appeals did not err in upholding the NLRC's finding that petitioners were mere part-time teaching personnel of STI. In a Resolution dated June 30, 2017, the Court of Appeals denied the Motion for Reconsideration filed by the former faculty members.

On September 6, 2017, STI ESG received a copy of the Petition for Review on Certiorari of the Decision of the Court of Appeals dismissing the complaint for illegal dismissal of the former faculty members with the Supreme Court. STI ESG filed its Comment to the petition on November 10, 2017.

In a decision dated November 21, 2018, the First Division of the Supreme Court denied the petition filed by petitioners and affirmed the November 9, 2016 Decision as well as the June 30, 2017 Resolution of the Court of Appeals.

iv. This is a case for illegal dismissal (constructive), underpayment of salary/wages, non-payment of salary/wages, separation pay, moral and exemplary damages and attorney's fees filed by a former school nurse of STI College Fairview Branch.

The complainant was cited in several instances for her excessive tardiness, negligence, and other violations of the school's Code of Conduct. On January 15, 2016, she submitted her resignation letter effective immediately and processed her clearance. On the same day, she proceeded to the NLRC and filed a request for assistance.

The complainant claimed that she was forced to resign when her benefits were reduced, she was deliberately given difficult work assignments, she was cited for several violations of the Parent Company's code of conduct to build-up a case against her and was given poor working conditions.

The labor arbiter dismissed her complaint for lack of merit saying that resignation due to the enforcement of disciplinary measures for violations does not constitute unbearable working condition, hence, her resignation does not constitute constructive dismissal.

The complainant appealed the decision of the labor arbiter to the NLRC.

On April 21, 2017, STI College Fairview received the Decision dated March 31, 2017 of the 4th Division, NLRC, denying her appeal and affirming the labor arbiter's decision but with modification by awarding ₱75.0 thousand as financial assistance based on the higher interest of equity, social and compassionate justice.

On May 2, 2017, STI ESG filed its Motion for Partial Reconsideration of the decision of the NLRC, particularly, on the award of financial assistance in the amount of ₱75.0 thousand on the basis that she is not entitled to any financial assistance since there was no dismissal to speak of. Moreover, her failure to comply with the 30-day notice requirement in case of resignation makes her even liable for damages instead of financial assistance.

However, on June 1, 2017, STI ESG received a copy of the resolution dated May 30, 2017 of the 4th Division, NLRC denying the motion for reconsideration.

On July 28, 2017, STI ESG filed its Petition for Certiorari with prayer for the issuance of a restraining order and a writ of preliminary injunction with the Court of Appeals. On August 19, 2017, STI ESG received a copy of the resolution of the Court of Appeals dated August 9, 2017 directing complainant to comment on STI ESG's petition while holding in abeyance the action on the prayer for injunctive relief. Pending resolution of the STI ESG's prayer for the issuance of a restraining order and a writ of preliminary injunction with the Court of Appeals, on August 31, 2017, STI ESG received a copy of the Motion for Execution filed by the complainant. On September 4, 2017, a notice of pre-execution conference was received by STI ESG setting the same on September 14, 2017 before the labor arbiter. On September 11, 2017, STI ESG filed an Opposition to the Motion for Execution. STI ESG, likewise, filed an Omnibus Motion for Immediate Resolution of Application for Issuance of a Restraining Order and Writ of Preliminary Injunction. In the pre-execution conference, STI ESG reiterated its opposition to the motion for execution of complainant and manifested that it has a pending application for the issuance of a restraining order and a writ of preliminary injunction with the Court of Appeals. In a Notice of Order of Execution dated October 11, 2017, the labor arbiter issued a Writ of Execution against STI ESG since no temporary restraining order was issued by the Court of Appeals for the amount of ₱76.2 thousand. On November 2, 2017, a check in the said amount was then deposited to the account of the National Labor Relations Commission for the satisfaction of the writ of execution. As per Order dated November 17, 2017 of the labor arbiter, the said amount was released to Complainant as full satisfaction of the judgment award.

On February 28, 2018, STI ESG received a Resolution dated January 5, 2018 of the Court of Appeals noting STI ESG's Omnibus Motion for Immediate Resolution of Application for Issuance of a Restraining Order and Writ of Preliminary Injunction and informing STI ESG that its Resolution dated August 9, 2017 addressed to complainant returned to the court with the annotation "RTS-No One to Receive" and directed STI ESG to inform the court of complainant's correct and current complete address. In a manifestation of compliance dated April 12, 2018, STI ESG informed the Court of Appeals that the only record of complainant's address in its possession is that which is stated in its petition which is the same as what is found in the pleadings filed relative to the case. In a Resolution dated June 21, 2018 received by STI ESG on July 5, 2018, the Court of Appeals dismissed the petition of STI ESG on the ground that it failed to include in its petition the current address of the complainant.

A motion for reconsideration of the subject resolution of the Court of Appeals was filed by STI ESG on July 20, 2018. On October 31, 2018, STI ESG received a copy of the Resolution of the Court of Appeals (Former Eleventh Division) granting the motion for reconsideration. However, STI ESG was given a period of 10 days from notice to submit proof of actual receipt by the complainant of its petition and to furnish the court with her correct, actual and present address, otherwise, the petition will be dismissed. On November 12, 2018, STI ESG filed its manifestation with the Court of Appeals and Motion for Extension to Submit Proof of Service.

On February 20, 2019, STI ESG received a copy of the Resolution of the Court of Appeals (Fifth Division) dated January 29, 2019 granting the Motion for Extension to Submit Proof of Service. However, STI ESG was also required to show cause why its petition shall not be dismissed for failure to comply with the Resolution dated October 18, 2018. On March 4, 2019, STI ESG filed its Manifestation of Compliance manifesting that it was able to serve a copy of the petition to complainant by personal service.

On May 27, 2019, STI ESG received a copy of the Resolution dated April 29, 2019 of the Court of Appeals (Fifth Division) finding the Manifestation of Compliance filed by STI ESG to be sufficient and directed the complainant to file her comment to STI ESG's petition.

As at August 14, 2019, STI ESG has yet to receive a copy of the comment of the complainant to its petition.

v. The case stemmed from a Complaint for illegal dismissal filed by former employees of STI Davao. They were formerly the Chief Executive Officer (CEO) and Chief Operating Officer (COO), respectively, of STI Davao, until they were separated from service effective June 23, 2009.

On September 03, 2009, STI Davao filed a Motion to Dismiss before the Labor Arbiter and prayed for the dismissal of the Complaint for illegal dismissal on the ground that the Labor Arbiter and the NLRC have no jurisdiction over the case. STI Davao argued that Complainants are not mere employees, but are rather corporate officers, of STI Davao. As such, the controversy involving their removal involves an intra-corporate dispute which falls within the jurisdiction of the regular courts.

On December 16, 2009, the Labor Arbiter issued an Order which granted the Motion to Dismiss filed by STI Davao. The Labor Arbiter ruled that Complainants are corporate officers, and are not mere employees, of STI Davao.

Not satisfied with the ruling of the Labor Arbiter, Complainants filed an appeal before the NLRC. On September 30, 2010, the NLRC issued a Resolution affirming the Labor Arbiter's Order dated December 16, 2009 finding that Complainants are corporate officers whose removal from office is not within the ambit of the jurisdiction of the NLRC. While they subsequently filed a Motion for Reconsideration, such motion was denied by the NLRC.

Complainants then elevated the case to the Court of Appeals via a Petition for Certiorari. On February 14, 2014, the Court of Appeals rendered a Decision annulling the assailed Resolutions of the NLRC and found that Complainants are not corporate officers, but are rather mere employees, of STI Davao. The case was thus ordered to be remanded to the Labor Arbiter for reception of evidence. While STI Davao filed a Motion for Reconsideration, such motion was denied by the Court of Appeals.

STI Davao eventually elevated the case to the Supreme Court via a Petition for Review on Certiorari. Unfortunately, through a Resolution dated August 19, 2015, the Supreme Court denied the Petition. STI Davao's Motion for Reconsideration was likewise denied by the Supreme Court.

On August 23, 2017, STI Davao received a Notice of Hearing from the Office of Labor Arbiter for a preliminary conference set on September 18, 2017. STI Davao attended the said setting. During the hearing, Complainants proposed for the amicable settlement of their claims the payment of their separation pay, backwages, monetary benefits, as well as damages with attorney's fees. STI Davao requested that Complainants provide the exact amount of what they are asking for the amicable settlement of their claims. Another setting was made for October 26, 2017 for the continuation of the preliminary conference.

In the October 26, 2017 hearing, Complainants provided STI Davao with a computation of what they are willing to accept for the amicable settlement of the case with total amount of ₱33.2 million.

In the December 5, 2017 hearing, considering the substantial amount being demanded by Complainants for the amicable settlement of their claims, no amicable settlement was reached by the parties, hence, they were directed to file their respective position papers within ten days from the receipt of the order from the Office of the Labor Arbiter. The last day of the ten-day period to file STI Davao's position paper was on February 5, 2018. However, a Motion for Extension of Time to File Position Paper were filed by STI Davao on February 5, 2018.

On February 19, 2018, STI ESG filed its position paper by registered mail. In the Position Paper, the following important points were raised: (1) the complainants' termination from employment is clearly legal having been grounded on just and valid causes since (a) the adoption of the Company's Basic Operations Manual and Code of Conduct providing, among others, disciplinary rules and regulations on willful disobedience of the lawful orders, instructions, policies and procedure of the Company, is well within the ambit of management prerogative, (b) complainants' willful disregard and violation of the Company's Basic Operations Manual and Code of Conduct providing guidelines and standards for employees to effectively go about their roles and prohibiting willful disobedience as well as failure to perform assigned tasks, constitute sufficient bases for termination of employment, (c) complainants' acts or omissions in willful disregard of the Company's general work policies and procedures, amounted to gross and habitual neglect of duties, (d) complainants' willful disregard of the Company's operating procedures and systems amounted to serious misconduct, and (e) the Company's evidence sufficiently established facts and incidents upon which the loss of confidence in the complainants may fairly be made to rest considering that (i) complainants held a position of trust and confidence, and (ii) complainants' termination was based on willful breach of trust and founded on clearly established facts; (2) the School observed the requirements of due process before effecting complainants' dismissal from employment; (3) complainants are not entitled to their claims for reinstatement and the payment of monetary benefits, such as allowance, as well as damages and attorney's fees; and (4) complainants have no cause of action for illegal suspension and against individual respondent Mr. Fernandez.

On March 14, 2018, STI ESG received a copy of the Position Paper of complainants. On April 5, 2018, STI ESG filed its Reply to the Position Paper of complainants. In said reply, STI ESG emphasized the following important points: (1) the Company's prerogative to terminate the complainants' employment on just and valid causes does not run afoul with the enshrined right to security of tenure; (2) complainants' termination from employment was warranted by just and valid grounds as (a) the just and valid causes were proven with substantial evidence, and (b) the penalty of dismissal is warranted under the circumstances; (3) there is no necessity to dwell on the issue of whether the respondents observed and complied with the requirements of due process before effecting complainants' dismissal from employment; and (4) complainants are not entitled to their claim for reinstatement with payment of full backwages, and other monetary claims such as damages and attorney's fees.

In a decision dated June 28, 2018, the labor arbiter dismissed the complaint for lack of merit. On August 2, 2018, STI ESG received a copy of the Memorandum of Appeal filed by complainants with the NLRC. On August 28, 2018, STI ESG filed its Answer to Appeal with the Eighth Division of the NLRC in Cagayan De Oro City where it was emphasized that the complainants had failed to show that the Arbiter a quo committed grave abuse of discretion and/or serious errors in rendering the assailed Decision, particularly in declaring that the complainants were lawfully terminated on the ground of loss of trust and confidence. In support of STI ESG's counter-arguments to the complainants' arguments, STI ESG stressed on the following important points: (a) the Appeal is just a 90% verbatim reproduction of the facts, arguments and discussion in their Position Paper; and (b) there was no such grave error shown in the case at bar considering that there is more than sufficient basis for the School to lose the trust and confidence it bestowed upon the complainants (i) as one of the complainants demonstrated, through repeated infractions, that complainant is not fit to continue undertaking the serious task and heavy responsibility of a CEO, and this holds true for the other complainant, being the COO of STI Davao, (ii) the willful act of disregarding the Operating Procedures and Systems equates to abuse of authority and, therefore, is sufficient basis for STI to lose its trust and confidence on the complainants, and (iii) the task of ensuring the integrity of the RFA by warranting the completeness and accuracy of the information and required supporting documents thereto, definitely falls within the complainants' scope of responsibilities.

In a Decision dated February 13, 2019, the Eighth Division of the NLRC in Cagayan De Oro City dismissed the Appeal filed by the complainants and hereby affirmed the earlier Decision of Labor Arbiter dated June 28, 2018. A motion for reconsideration dated March 4, 2019 was filed by the complainants. On March 25, 2019, STI ESG filed its Opposition to the Motion for Reconsideration filed by the complainants. In a Resolution dated March 26, 2019, the Eighth Division of the NLRC in Cagayan De Oro City denied the Motion for Reconsideration filed by the complainants.

On June 10, 2019, STI ESG received a copy of the Petition for Certiorari filed by complainants with the Court of Appeals in Cagayan De Oro City. On July 4, 2019, STI ESG received a copy of the Resolution dated June 25, 2019 of the Court of Appeals in Cagayan De Oro City dismissing the Petition for Certiorari filed by complainants for failure to comply with the requirements for filing said petition.

As at August 14, 2019, STI ESG has yet to receive any motion for reconsideration on the said resolution of the Court of Appeals in Cagayan De Oro City dismissing the Petition for Certiorari filed by complainants.

c. *Specific Performance Case.* STI College Cebu, Inc. (STI Cebu) was named defendant in a case filed by certain individuals for specific performance and damages. In their Complaint, the Plaintiffs sought the execution of Deed of Absolute Sale over a parcel of land situated in Cebu City on the bases of an alleged perfected contract to sell.

On March 15, 2016, STI ESG, as the surviving corporation in the merger between STI ESG and STI Cebu, filed a Motion to Dismiss.

After the filing of their respective pleadings to the said Motion(s) to Dismiss, the Defendants received on February 28, 2017 the Resolution of the Trial Court wherein it denied the Defendants' Motion(s) to Dismiss.

On March 6, 2017, the Defendants filed their Joint Motion for Reconsideration Ad Cautelam in relation to the Resolution.

On March 14, 2017, the Defendants received the Plaintiffs' Comment/Opposition to Joint Motion Reconsideration Ad Cautelam and/or Motion to Declare Defendants in Default dated March 11, 2017 (Comment with Motion). In the Comment with Motion, Plaintiffs alleged that the Defendants should have filed their Answer instead of the Joint Motion for Reconsideration Ad Cautelam after the denial of their Motions to Dismiss. Considering that the Defendants did not file their Answer, Plaintiffs moved to declare the Defendants in default.

After due proceedings and filing of their respective responsive pleadings to the aforesaid (a) Joint Motion and (b) Motion to Declare in Default, the Trial Court issued the Resolution dated August 16, 2017, which denied the said Motions.

After seeking an extension to file the Answer to the Plaintiffs' Amended Complaint, the Defendants filed the Consolidated Answer to the Amended Complaint on August 30, 2017. In the Consolidated Answer, Defendants asserted that there is no perfected contract to sell or of sale between STI ESG and the Plaintiffs considering that (a) there is no Board approval on the sale of the Subject Property; (b) lack of definite terms and conditions thereof; and (c) Mr. Amiel Sangalang has no authority to bind STI ESG on the alleged contract to sell or sale of the Subject Property.

While Plaintiffs opposed the (a) motion for extension and (b) subsequent filing of the Consolidated Answer, the Trial Court affirmed the admission of the Consolidated Answer and set the case for pre-trial.

While both parties were referred to court-annexed mediation and judicial dispute resolution as required under the relevant rules, the parties failed to reach an amicable settlement of the case.

On August 14, 2018, Plaintiffs filed a Motion for Leave to Admit Second Amended Complaint, whereby they sought the substitution of STI ESG as one of the Defendants.

After the filing of opposition thereto, STI ESG received the Summons dated September 26, 2018, directing it to file its Answer to the Plaintiff's Second Amended Complaint.

On October 17, 2018, the Defendants filed their Amended Consolidated Answer with Compulsory Counterclaims.

On November 8, 2018, STI ESG received the Order dated October 26, 2018 of the Trial Court. In the Order, the Trial Court set the pre-trial conference on November 14, 2018. The Trial Court also required the parties to file their respective judicial affidavit(s) of their witnesses not later than five (5) days before pre-trial.

On November 9, 2018, the Defendants filed their Amended Pre-Trial Brief and Judicial Affidavit(s) of their witnesses.

On November 14, 2018, the parties attended and participated in the scheduled pre-trial conference Based on the plaintiffs' pre-trial brief and manifestation during the said hearing, the Plaintiffs intended to include in their list of witnesses (a) Mr. Peter K. Fernandez and (b) Mr. Restituto Bundoc. While there were no interrogatories sent to said adverse witnesses as required by the Rules of Court, the Defendants reserve their right to file the appropriate pleading on the said matter.

The Trial Court then gave the Plaintiffs six (6) hearing dates to present their witnesses. Within the said period, the Plaintiffs presented four (4) witnesses. Based on their respective testimonies, the said witnesses testified the discussions and/or communications between the Plaintiffs and Mr. Sangalang regarding the sale of the subject property.

During their respective cross-examination, the said witnesses failed to provide any document and/or evidence showing (a) the authority of Mr. Sangalang to bind STI ESG on said negotiations and (b) approval of the Board of Directors of STI ESG on the terms and conditions discussed during said negotiations.

After the Plaintiffs presented their fourth (4^{th}) witness, the Plaintiffs orally moved for the issuance of Subpoena to Mr. Fernandez and Mr. Bundoc.

After oral arguments on the propriety of the said request, the Trial Court required the parties to submit their Memoranda of Authorities on their respective positions on or before January 24, 2019. Upon receipt thereof, the Trial Court will issue a Resolution on the said issue before the next scheduled hearing on February 12, 2019.

On January 24, 2019, the Defendants filed the Memorandum of Authorities. In the said Memorandum, Defendants asserted, among others, that the Plaintiffs failed to comply with the Rules of Court, which requires the service of written interrogatories to adverse witnesses. In the absence of such requirement, the Plaintiffs cannot require Mr. Fernandez and Mr. Bundoc to testify as their witnesses.

On February 11, 2019, the counsel of the Defendants received the written interrogatories addressed to Mr. Fernandez and Mr. Bundoc in relation to certain communications regarding the discussion over the negotiations for the sale of the property. The counsel of the Defendants also received the Order of the Trial Court denying the request for the issuance of subpoena to Mr. Fernandez and Mr. Bundoc because the Plaintiffs failed to serve written interrogatories to said officers of STI ESG.

On February 12, 2019, the Defendants objected on the written interrogatories served by the Plaintiffs. Meanwhile, the Trial Court granted the request for written interrogatories of the Plaintiffs but allowed the Defendants to file their written cross-interrogatories and/or such appropriate pleading.

On February 19, 2019, the Defendants filed the Omnibus Motion wherein they sought for (1) the reconsideration of the February 12, 2019 Order and (2) exclusion of certain questions on the basis of objections thereto.

After the Omnibus Motion was given due course, the Trial Court issued the Order dated April 5, 2019 on the Omnibus Motion. In the Order, the Trial Court allowed the Plaintiffs to serve the Request for Written Interrogatories but excluded certain questions therein on the basis of objections of the Defendants. As provided in the Order, the Trial Court ordered Mr. Bundoc and Mr. Fernandez to file their Answer(s) to the Written Interrogatories within ten (10) days from receipt of the Request for Written Interrogatories.

Despite the filing of the Answers to the Written Interrogatories of said officers, the Plaintiffs filed Motion to Strike Out Defendants' 'Manifestation and Compliance' with Attached 'Motion to Admit Answers to Written Interrogatories and with Motion to Render Judgment on Default. In said Motion, the Plaintiffs insisted that the Defendants failed to file the Answer(s) to the Written Interrogatories within ten (10) days from receipt of Mr. Bundoc and Mr. Fernandez. As provided under the Rules of Court, the refusal to answer the Written Interrogatories warranted the issuance of a judgment by default.

After the aforesaid Motion was given due course, the Trial Court issued the Order dated May 27, 2019, which allowed the admission of the Answer(s) of Mr. Bundoc and Mr. Fernandez. The case was set for continuation of the Plaintiffs' presentation of evidence June 19, 2019.

On June 19, 2019, the Plaintiffs orally moved to be allowed to propound additional oral interrogatories to Mr. Bundoc and Mr. Fernandez. In order to expedite the proceedings, the Defendants did not object on said motion.

While the Trial Court allowed said additional oral interrogatories, the Plaintiffs waived the same before the scheduled hearing. Consequently, the Trial Court required the Plaintiffs to file their Formal Offer of Evidence to terminate the presentation of their evidence. The Trial Court then ordered the Defendants to file their Comment to said Formal Offer of Evidence within ten (10) days from receipt thereof.

On August 6, 2019, the Defendants received the Formal Offer of Evidence of the Plaintiffs.

The Defendants have until August 16, 2019 to file their Comment/Objections to said Formal Offer of Evidence. Upon resolution by the Trial Court of the Comment/Objections to the Formal Offer of Evidence, the Defendants will start to present their evidence.

d. *Complaint for Damages filed by GATE (formerly STI-College Santiago, Inc.)*. Global Academy of Technology and Entrepreneurship, Inc. (GATE) filed a complaint for Damages against STI ESG for its non-renewal of the Licensing Agreement despite the former's alleged compliance of the latter's audit recommendations. On the basis of such alleged invalid non-renewal of the Licensing Agreement, GATE seeks for (a) moral damages in the amount of ₱0.5 million, (b) exemplary damages in the amount of ₱0.5 million and (c) attorney's fees in the amount of 15% of the amount to be awarded and ₱3.0 thousand per court appearance.

   On January 23, 2017, STI ESG filed its Motion to Dismiss Ad Cautelam. In the said Motion, STI ESG asserted that the dismissal of the case was warranted on the following grounds; (a) lack of jurisdiction over STI ESG due to improper service of Summons to a Human Relations Officer (HR Officer), and (b) failure to state a cause of action because GATE has no right for the renewal of the Licensing Agreement when (i) the same already expired and (ii) it clearly provides that it may be renewed by mutual agreement of the parties. The Motion to Dismiss Ad Cautelam was set for hearing on February 3, 2017.

   On February 3, 2017, STI ESG received GATE's Comment /Opposition. In the said Comment/Opposition, GATE alleged that (a) the HR Officer was allegedly authorized by its in-house counsel to receive the Summons, and (b) the decision of STI ESG not to renew the Licensing Agreement was not based on its mutual agreement provision but the violations of GATE. Consequently, such decision of STI ESG to cancel the Licensing Agreement was allegedly in bad faith.

   Upon the filing of all the pleadings in relation to the Motion to Dismiss Ad Cautelam of STI ESG, the Trial Court issued its Resolution dated May 16, 2017, which denied the said Motion. The Trial Court also required STI ESG to file its Answer to the Complaint within the non-extendible 15 days from receipt of said Resolution on May 25, 2017 or until June 9, 2017.

On June 9, 2017, STI ESG filed its Answer to the Complaint. In the Answer, STI ESG reiterated its position that GATE has no cause of action against it because its decision not to renew the Licensing Agreement is in accordance with contractual stipulations therein that its renewal is upon mutual agreement of both parties. Considering the effectivity period of the Licensing Agreement expired on March 31, 2016 without being renewed by both parties, GATE cannot claim any damages for STI ESG's lawful exercise of its rights under the Licensing Agreement.

Both parties have been required to attend and participate in the court-annexed mediation, and subsequently, the judicial dispute resolution with the Trial Court. After the aforesaid proceedings, the parties failed to reach an amicable settlement and terminated the judicial dispute resolution on October 27, 2017. As mandated by the relevant rules, the case was raffled to a new presiding judge.

The new presiding judge issued an Order setting the case for a pre-trial hearing on May 11, 2018.

The pre-trial proper was re-scheduled by the Trial Court in order for the parties to pre-mark their documentary evidence before the branch clerk of court on May 23, 2018.

On May 23, 2018, both parties attended and caused the pre-marking of their respective documentary exhibits.

Meanwhile, the pre-trial was set by the Trial Court and upon agreement of the parties on August 31, 2018.

On August 31, 2018, the pre-trial conference commenced and terminated on the same day. The Trial Court then scheduled the presentation of the testimony of the Plaintiffs' witnesses on October 9 and 30, 2018.

On October 9 and 30, 2018, the Plaintiff presented its two witnesses.

Thereafter, the Plaintiff terminated their presentation of evidence and filed their Formal Offer of Evidence.

On December 11, 2018, STI ESG filed the Comment and Objections to the said Formal Offer of Evidence.

On February 6, 2019, the Trial Court issued the Order dated January 10, 2019. In the Order, the Trial Court denied the admission of two (2) letters issued by both parties as part of the evidence of the Plaintiff.

After the Plaintiffs filed the Motion for Reconsideration, the Trial Court admitted the aforesaid two (2) letters, and set the presentation of evidence by STI ESG.

STI ESG presented three (3) witnesses in relation to its defense that the decision not to renew the Licensing Agreement is in accordance with contractual stipulations therein, and devoid of any bad faith. Moreover, STI ESG presented evidence to show the attorney's fees it incurred in the instant case.

After the presentation of the last witness, STI ESG formally offered its evidence by filing its Formal Offer of Evidence on May 22, 2019.

After the Plaintiffs filed their Comment/Objections to the Formal Offer of Evidence, the Trial Court shall (1) issue a resolution on the Plaintiffs' Comment/Objections to our Formal Offer of Evidence, and (2) submit the case for decision.

As at August 14, 2019 STI ESG has yet to receive a copy of the resolution from the Trial Court.

e. *Criminal Case.* A complaint for qualified theft was filed by the Parent Company against its former school accounting supervisor and acting school accountant (former supervisor/accountant). In the complaint, the Parent Company alleged that said former supervisor/accountant manipulated the payroll registers of STI College Global City by including the name of a former faculty member of STI College Global City in the payroll registers and placing a corresponding salary and 13th month pay beside said faculty member's name. The salary of said former faculty member was deposited in a bank account belonging to the former supervisor/accountant. The total amount deposited to the bank account of the former supervisor/accountant through this scheme amounted to ₱0.2 million.

The complaint for qualified theft was filed with Office of the City Prosecutor of Taguig City. Summons to the former supervisor/accountant was returned undelivered despite the Parent Company providing additional addresses of the former supervisor/accountant where the summons could be served.

After the former supervisor/accountant failed to appear on two preliminary investigations, the complaint was submitted for resolution.

On September 8, 2016, STI ESG filed an Ex-Parte Motion for Early Resolution to resolve the case pointing out that more than 16 months have elapsed since the matter was submitted for resolution.

As at August 14, 2019, the Office of the City Prosecutor of Taguig City has yet to issue a resolution in the instant case.

f. *Breach of contract.* STI ESG engaged the services of Mobeelity Innovations, Inc. (MOBEELITY) to deploy its digital classroom pilot, also known as e-Learning Management System (eLMS) and MOBEELITY committed to provide the necessary applications suite of the intended learning management system of STI ESG.

MOBEELITY undertook to provide STI ESG with access to the EDU 2.0 LMS (now known as NEO) and iMEET virtual classroom. MOBEELITY committed to provide STI ESG with online and on-site technical support for the implementation of the EDU 2.0 LMS and iMEET virtual classroom. Furthermore, MOBEELITY committed to provide STI ESG with all updates and modifications to EDU 2.0 LMS and iMEET virtual classroom free of charge. Out of these two platforms, STI ESG was only able to avail of and utilize the EDU 2.0 LMS under the agreement.

MOBEELITY provided STI ESG access to the EDU 2.0 LMS. EDU 2.0 LMS is a product of Cypher Learning, and MOBEELITY was an authorized reseller of this product. In accordance with the terms of the Agreement, STI ESG paid MOBEELITY the sum of ₱3.3 million as a downpayment for services to be rendered by MOBEELITY for the First Semester of SY 2016-2017 or from June to November 2016.

On June 12, 2016, it came to the attention of STI ESG that Cypher Learning had terminated its relationship with MOBEELITY due to the fraudulent acts committed by MOBEELITY against Cypher Learning.

Pursuant to the arbitration clause of the Memorandum dated September 8, 2014 (Memorandum) executed by STI ESG and MOBEELITY, STI ESG initiated the instant ad hoc arbitration to settle a dispute involving the reimbursement of ₱3.3 million by MOBEELITY due to a breach of its obligations under the Memorandum.

After due proceedings, the Arbitral Tribunal issued the arbitral award dated August 9, 2018 wherein MOBEELITY is required to pay STI ESG the amount of ₱3.3 million and arbitration cost of ₱0.9 million.

STI ESG, through counsel, will be filing the appropriate petition before the Regional Trial Court of Makati City for the execution of the aforesaid arbitral award as required by law.

g. Due to the nature of the Parent Company's business, it is involved in various legal proceedings, both as plaintiff and defendant, from time to time. The majority of outstanding litigation involves illegal dismissal cases under which faculty members have brought claims against the Parent Company by reason of their faculty and/or employment contracts. Management and its legal counsels believe that the Parent Company has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions and proceedings, if any, will not have a material adverse impact on the Parent Company's consolidated financial position and results of operations.

h. Other subsidiaries also stand as the defendant of various lawsuits and claims filed by their former employees. The complainants are seeking payment of damages such as back wages and attorney's fees.

   As at August 14, 2019, the cases are pending before the labor arbiter.

   Management and their legal counsels believe that the outcome of these cases will not have a significant impact on the unaudited interim condensed consolidated financial statements.

Commitments

a. Financial Commitments

   The Parent Company has domestic bills purchase lines from various local banks amounting to ₱65.0 million as at June 30, 2019, specifically for the purchase of local and regional clearing checks. Interest on drawdown from such facility is waived except when drawn against returned checks to which the interest shall be the prevailing lending rate of such local bank. This facility is on a clean basis.

b. Capital Commitments

As at June 30, 2019 and March 31, 2019, the Group has contractual commitments and obligations for the construction of school buildings for STI Lipa, STI Sta. Mesa, STI Pasay-EDSA and STI San Jose del Monte with an aggregate amount of ₱1,956.6 million of which ₱1,820.3 million and ₱1,682.4 million have been paid as at June 30, 2019 and March 31, 2019, respectively.

c. Others

(i) On April 21, 2017, STI ESG, Mr. Tony Tan Caktiong (TTC), STI Tanauan, and Injap Investments, Inc. (Injap), referred collectively as the Joint Venture Parties, entered into an agreement to transform STI Tanauan into a Joint Venture Company which shall operate a farm-to-table school that offers courses ranging from farm production to food services.

The Joint Venture Parties also agreed to increase STI Tanauan's authorized capital stock to an amount that will be agreed by the Joint Venture Parties in a separate agreement. As agreed by the Joint Venture Parties, the increase in the authorized capital stock will be funded through STI Tanauan's declaration of stock dividends to STI ESG based on STI Tanauan's unrestricted retained earnings as at March 31, 2017 and cash payments by the Joint Venture Parties.

The equity sharing in the Joint Venture Company will be 60%, 25% and 15% for STI ESG, TTC and Injap, respectively.

On June 21, 2017, in separate meetings, the stockholders and the BOD of STI Tanauan approved the increase in the authorized capital stock of the corporation from ₱1.0 million divided into 10,000 shares with a par value of ₱100 to ₱75.0 million divided into 750,000 shares with a par value of ₱100. The increase will be funded through the declaration of stock dividends and cash subscriptions by the shareholders. In the same meeting, the stockholders and the BOD approved the declaration of 150,000 shares as stock dividends with an aggregate par value of ₱15.0 million to be distributed to stockholders of record as at March 31, 2017 based on the unrestricted retained earnings of STI Tanauan as shown in its audited financial statements as at March 31, 2017.

On January 24, 2018, STI ESG subscribed to and fully paid for 35,000 shares at a subscription price of ₱495 per share for a total of ₱17.3 million.

On February 26, 2018, STI Tanauan applied with the SEC to increase its authorized capital stock from ₱1.0 million to ₱75.0 million.

On March 2, 2018, the SEC approved the increase and issued the Certificate of Approval on Increase of Capital Stock.

On March 3, 2018, STI Tanauan issued to STI ESG stock dividends of 150,000 shares and 35,000 shares as subscribed by the latter.

(ii) On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG signed a memorandum of agreement to avail of the Tertiary Education Subsidy (TES) and Student Loan Program (SLP) for its students under the "Universal Access to Quality Tertiary Education Act (UAQTEA)" and its Implementing Rules and Regulations (IRR). The Republic Act No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who shall enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED recognized LUCs is ₱40.0 thousand. Students enrolled in select private HEIs and are qualified to receive the TES, are entitled to ₱60.0 thousand. The TES sharing agreement states that ₱40.0 thousand shall go to the TES student grantee and ₱20.0 thousand to the private HEI. The subsidy is for Tuition and other related school fees and should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to PWDs and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under the TES program, CHED pays directly the schools where these students enrolled.

27. Fair Value Information of Financial Instruments

The Group's financial instruments consist of cash and cash equivalents, receivables, advances to associates and joint ventures, deposits, equity instruments designated at FVOCI, interest-bearing loans and borrowings, accounts payable, bonds payable and other current liabilities, obligations under finance lease and other noncurrent liabilities. The primary purpose of these financial instruments is to finance the Group's operations.

There are no material unrecognized financial assets and liabilities as at June 30, 2019 and March 31, 2019.

Cash and Cash Equivalents, Receivables and Accounts Payable and Other Current Liabilities. Due to the short-term nature of cash and cash equivalents, receivables, accounts payable and other current liabilities, their carrying values reasonably approximate their fair values as at June 30, 2019.

Equity Instruments designated at FVOCI. The fair values of publicly-traded equity instruments, classified under Level 1, are determined by reference to market bid quotes as at financial reporting date. The fair values of unquoted shares classified under Level 2 are determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions. Such techniques include using recent arm's-length market transactions; reference to the current market value of another instrument which is substantially the same.

Interest-bearing Loans and Borrowings. The carrying value approximates its fair value because of recent and regular repricing based on market conditions.

Management believes that the fair values of deposits, obligations under finance lease, bonds payable and other noncurrent liabilities as at June 30, 2019 do not significantly differ from the fair values of these financial instruments as at March 31, 2019.

28. Changes in Liabilities Arising from Financing Activities

	April 1, 2019	**Cash flows**	**Interest Expense**	**Capitalized borrowing costs (see Note 10)**	**Dividends Declared (see Note 19)**	**Reclassified as Current (see Note 16)**	**New Leases**	**June 30, 2019**
Current interest-bearing loans and borrowings	**₱240,000,000**	**₱–**	**₱–**	**₱–**	**₱–**	**₱**	**₱–**	**₱240,000,000**
Current obligations under finance leases	**6,208,432**	**(1,546,016)**	–	–	–	**1,475,047**	–	**6,137,463**
Bonds payable	**2,957,954,254**	–	**1,578,582**	–	–	–	–	**2,959,532,836**
Noncurrent interest-bearing loans and borrowings	**360,000,000**	–	–	–	–	–	–	**360,000,000**
Noncurrent obligations under finance leases	**11,643,614**	–	–	–	–	**(1,475,047)**	–	**10,168,567**
Dividends payable	**12,431,266**	–	–	–	–	–	–	**12,431,266**
Interest payable	**11,435,922**	**(45,931,833)**	**54,913,682**	**3,286,901**	–	–	–	**23,704,672**
Total liabilities from financing activities	**₱3,599,673,488**	**(₱47,477,849)**	**₱56,492,264**	**₱3,286,901**	**₱–**	**₱–**	**₱–**	**₱3,611,974,804**

	April 1, 2018	Cash flows	Interest Expense	Capitalized borrowing costs (see Note 10)	Dividends Declared (see Note 19)	Reclassified as Current (see Note 16)	New Leases	March 31, 2019
Current interest-bearing loans and borrowings	₱134,400,000	(₱134,400,000)	₱–	₱–	₱–	₱240,000,000	₱–	₱240,000,000
Current obligations under finance leases	6,360,503	(6,607,474)	–	–	–	6,455,403	–	6,208,432
Bonds payable	2,951,879,134	–	6,075,120	–	–	–	–	2,957,954,254
Noncurrent interest-bearing loans and borrowings	600,000,000	–	–	–	–	(240,000,000)	–	360,000,000
Noncurrent obligations under finance leases	14,079,817	–	–	–	–	(6,455,403)	4,019,200	11,643,614
Dividends payable	13,813,740	(186,295,104)	–	–	184,912,630	–	–	12,431,266
Interest payable	9,283,548	(216,761,784)	183,445,281	35,468,877	–	–	–	11,435,922
Total liabilities from financing activities	₱3,729,816,742	(₱544,064,362)	₱189,520,401	35,468,877	₱184,912,630	₱–	₱4,019,200	₱3,599,673,488

29. Notes to the Unaudited Interim Condensed Consolidated Statements of Cash Flows

The Group's material noncash investing and financing activities pertain to the following:

a. Unpaid progress billing for construction-in-progress amounting to ₱23.0 million and ₱318.1 million as at June 30, 2019 and 2018, respectively.

b. Uncollected dividends from De Los Santos Medical Center amounting to ₱2.3 million and ₱0.8 million, in June 2018 and March 2019, respectively, which were received in July 2018 and May 2019, respectively.

30. Business Combination

On February 15, 2019, STI ESG and the shareholders of NAMEI entered into a share purchase agreement for the sale of approximately 92% of the 50,000 outstanding shares of NAMEI Polytechnic Institute, Inc. and 99% of the 10,000 outstanding shares of NAMEI Polytechnic Institute of Mandaluyong, Inc. Both shares are with par value of ₱10.0 each. In January 2019, STI ESG made a deposit of ₱14.0 million which was held in escrow with a law firm. This amount was treated as part of the purchase price at closing date. Another ₱36.0 million was paid on February 15, 2019. On the same date, STI ESG paid ₱10.0 million to NAMEI as deposit for future subscription in shares of NAMEI and another ₱10.0 million representing STI ESG's share in the transaction costs and all other fees and expenses to be incurred under the agreement. On April 1, 2019, Deeds of Assignment were executed by the shareholders of NAMEI transferring and conveying ownership of 94% of NAMEI Polytechnic Institute, Inc. and 100% ownership of NAMEI Polytechnic Institute of Mandaluyong, Inc. to STI ESG. NAMEI is a subsidiary of STI ESG effective April 1, 2019.

The purchase price consideration has been allocated to the identifiable assets and liabilities based on the fair values at the date of acquisition resulting in excess of consideration amounting to ₱45.0 million. The identifiable assets and liabilities recognized in the unaudited interim condensed consolidated financial statements as at June 30, 2019 were based on a provisional assessment of the fair value of these assets and liabilities at the time of acquisition. The Group is likewise assessing the value of the intangible assets acquired. The valuation has not been completed as at June 30, 2019.

The following are the identifiable assets and liabilities as of the date of acquisition:

NAMEI Polytechnic Institute, Inc.

Assets	
Cash and cash equivalents	₱52,938
Receivables	8,173,081
Inventories	51,000
Prepaid expenses	158,769
Property and equipment-net	12,630,327
	21,066,115
Liabilities	
Accounts payable and other current liabilities	9,330,729
Total identifiable net assets at fair value	11,735,386
Purchase consideration transferred	56,735,628
Excess of consideration	₱45,000,242

NAMEI Polytechnic Institute of Mandaluyong, Inc.

Assets	
Cash and cash equivalents	₱1,390,786
Receivables	1,479,628
Inventories	19,563
Prepaid expenses	220,529
Property and equipment-net	3,511,803
	6,622,309
Liabilities	
Accounts payable and other current liabilities	3,357,937
Total identifiable net assets at fair value	3,264,372
Purchase consideration transferred	3,264,372
	₱–

Analysis of cash flow on acquisition is as follows:

Cash paid	₱70,040,228
Cash acquired from the subsidiary	1,443,724
Net cash inflow on acquisition	₱68,596,504

STI EDUCATION SERVICES GROUP, INC.
AGING OF ACCOUNTS RECEIVABLES
AS OF JUNE 30, 2019

TYPE OF ACCOUNTS RECEIVABLE	TOTAL	1-30 Days	31-60 days	61-90 days	over 90 days
Current Receivables	₱696,919,118	₱588,457,743	₱3,168,625	₱44,072,246	₱ 61,220,504

TYPE OF ACCOUNTS RECEIVABLE	NATURE/DESCRIPTION	NATURE/DESCRIPTION
Current Receivables	Tuition fees and other current receivables	Monthly

ANNEX "B"

STI EDUCATION SERVICES GROUP, INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

STI Education Services Group, Inc. (STI ESG or the Parent Company) and its subsidiaries (hereafter collectively referred to as the "Group") are all incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company was incorporated on June 2, 1983 and is involved in establishing, maintaining, and operating educational institutions to provide pre-elementary, elementary, secondary and tertiary as well as post-graduate courses, post-secondary and lower tertiary non-degree programs. The Group also develops, adopts and / or acquires, entirely or in part, such curricula or academic services as may be necessary in the pursuance of its main activities, relating but not limited to information technology services, information technology-enabled services, education, hotel and restaurant management, engineering and business studies. STI ESG is also offering Senior High School (SHS).

STI ESG's network of schools totals to 76 schools with 38 owned schools and 38 franchised schools comprising of 69 colleges and 7 education centers.

In recent years, STI ESG embarked on expansion and capital improvement projects as it encouraged schools to move from rented space into school-owned stand-alone campuses. A number of franchised schools likewise started their own facilities expansion programs. To date, STI ESG has 19 wholly-owned campuses with newly constructed / renovated buildings while 13 of the franchised schools constructed / renovated their own buildings and upgraded their facilities.

STI ESG has a total student capacity of 158,897 students, with 101,532 pertaining to owned schools and 57,365 for franchised schools. Student capacity increased by over 20,000 with the completion of the school buildings for STI Lipa, STI San Jose del Monte, STI Sta. Mesa and STI Pasay-EDSA.

STUDENT POPULATION

The enrollment figures at the start of the School Year (SY) are as follows:

	SY 2019-2020	SY 2018-2019	Decrease	
			Enrollees	Percentage
STI Network				
Owned schools	44,811	44,298	513	1%
Franchised schools	29,987	32,543	(2,556)	(8%)
Total Enrollees	**74,798**	**76,841**	**(2,043)**	**(3%)**

Grouping of the students in terms of government regulatory agencies supervising the programs is as follows:

- Commission on Higher Education (CHED) - students under this group are enrolled in tertiary and post-graduate programs;

- Technical Education and Skills Development Authority (TESDA) - students under this group are enrolled in technical-vocational programs; and
- Department of Education (DepEd) – pertains to primary and secondary education including SHS.

	SY 2019-2020	%	SY 2018-2019	%
CHED	40,737	54%	38,582	50%
TESDA	2,152	3%	1,843	2%
DEPED*	31,909	43%	36,416	48%
TOTAL	**74,798**	100%	**76,841**	100%

**DepEd count includes SHS students and 454 students of NAMEI who are enrolled in basic education in SY2019-2020.*

In previous years, the schools in the STI Network start the school calendar every June of each year.

On June 14, 2018, STI ESG informed CHED of the decision of its Board of Directors (BOD) to admit two batches of incoming college freshmen students for SY2018-2019. The Group requested CHED for endorsement of this move to accept the second batch of college freshmen enrollees. On June 29, 2018, CHED noted the decision of STI ESG citing that the decision to move the school calendar is part of the institution's academic freedom, provided that it would not violate existing rules on the same. CHED also advised STI ESG to coordinate with the respective CHED Regional Offices on the usual guidance and procedures in implementing the planned school calendar.

This decision is in line with STI ESG's thrust to continue providing an opportunity for fresh Grade 12 graduates to pursue their tertiary education. Classes for the first and second batch started in June and August 2018, respectively. The number of students in SY2018-2019 which is reported in the foregoing tables represents the total enrollment for the June and August 2018 batches.

STI ESG's implementation of two college freshmen batches is aimed at:

- accommodating late enrollees who waited for acceptance by State Universities and Colleges (SUCs)and Local Universities and Colleges (LUCs) in anticipation of the free college education under the Universal Access to Quality Tertiary Education Act (UAQTEA);
- preventing the displacement of STI ESG faculty members who may not have the teaching load due to low turnout of freshmen college enrollees for the June 2018 class opening for the same reason cited above; and
- moving forward, adjusting the school calendar of STI schools nationwide to eventually align it with the calendar of public colleges as well as other private Higher Education Institutions (HEIs) not only in the Philippines but in the Association of South East Asian Nations (ASEAN) region as well.

In February 2019, the BOD of STI ESG approved the shift in the school calendar for tertiary classes from the usual June of each year to mid of July beginning SY2019-2020 while opening of SHS classes remained in June.

STI ESG's implementation of two freshmen batches in SY2018-2019 and the shift in the tertiary school calendar in SY2019-2020 of its schools are in accordance with the guiding policy on the academic calendar year which is stipulated in Section 3 of Republic Act 7797 or the School Calendar Act, which states that the SY shall start on the first Monday of June but not later than the last day of August. This is also in consonance with Republic Act 7722 which provides some leeway for HEIs to establish their own academic calendars and set their opening days in order to encourage innovation and the exercise of academic freedom among institutions of higher learning.

FINANCIAL REVIEW

This discussion summarizes the significant factors affecting the operating results for the three–month periods ended June 30, 2019 and 2018 and financial condition as at June 30, 2019 and March 31, 2019 of the Group. The following discussions should be read in conjunction with the attached unaudited interim condensed consolidated financial statements of the Group as at and for the period ended June 30, 2019. All necessary adjustments have been made to present fairly the financial position, results of operations, and cash flows of the Group as at and for the period ended June 30, 2019 and for all the other periods presented.

I. RESULTS OF OPERATIONS

Three-month period ended June 30, 2019 vs. three-month period ended June 30, 2018

For the three-month period ended June 30, 2019, the Group generated gross revenues of ₱227.4 million, lower by 36% or ₱129.2 million from same period last year of ₱356.6 million.

STI ESG recorded an operating loss for the three-month period ended June 30, 2019 amounting to ₱233.7 million compared to ₱67.4 million of the same period last year substantially because of the shift in the start of the school calendar for tertiary classes from June last school year to July 2019 for SY2019-2020. As a result, revenues from the tertiary classes will be recognized in July this year. The Group recognized a net loss amounting to ₱239.6 million this quarter as against ₱75.2 million for the same period last year due to lower revenues recognized for the three-month period ended June 30, 2019 and recognition of depreciation expense of recently completed buildings.

Earnings before interest, taxes, depreciation and amortization or EBITDA, computed as net income (loss) excluding benefit from income tax, depreciation and amortization, equity in net loss of associates and joint ventures, interest expense, interest income and nonrecurring gains (losses) such as gain on disposal of net assets decreased by ₱136.4 million to a negative ₱97.1 million from the same period last year of ₱39.3 million. EBITDA margin for the three-month period ended June 30, 2019, decreased from 11% last year to a negative 43% this year.

II. FINANCIAL CONDITION

The Group’s total assets as at June 30, 2019 amounted to ₱11,475.8 million, 4% or ₱417.7 million higher than the balance as at March 31, 2019 amounting to ₱11,058.1 million. This was driven by the ₱168.3 million increase in cash and cash equivalents mostly arising from collection of tuition and other school fees and ₱276.0 million increase in receivables substantially from students and from DepEd for tuition and other school fees of SHS students.

Cash and cash equivalents increased by 42% or ₱168.3 million from ₱401.2 million to ₱569.5 million representing collections for tuition and other school fees received from students enrolled in SY2019-2020.

Total receivables amounted to ₱696.9 million, up by ₱276.1 million from ₱420.8 million as at March 31, 2019, since the June 30, 2019 balance is composed mostly of amounts expected to be collected as payment for tuition and other school fees from SHS students and from DepEd for the remaining months of the school year. Students who qualified for the DepEd Voucher Program are entitled to the government subsidy in amounts ranging from ₱8,750 to ₱22,500 per student per year. The balance as at March 31, 2019 on the other hand, includes accounts receivable from CHED amounting to ₱42.1 million which was subsequently settled as at June 30, 2019 as discussed in the succeeding paragraphs.

Inventories decreased by 5% or ₱7.4 million due to decline in the inventory of tertiary and SHS uniforms and SHS textbooks resulting from the sale of uniforms and textbooks for three-month period ended June 30, 2019.

Prepaid expenses increased by ₱10.3 million or 14% from ₱73.9 million to ₱84.2 million substantially due to increase in prepaid insurance.

Property and equipment decreased by ₱29.8 million, net of acquisitions or additions, substantially due to the depreciation expense recognized for the three-month period ended June 30, 2019.

Total current liabilities increased by ₱652.3 million to ₱1,675.9 million as at June 30, 2019 from ₱1,023.6 million as at March 31, 2019, mainly due to ₱738.2 million increase in unearned tuition and other school fees. Unearned revenues will be recognized as income over the remaining months of the school year.

Total equity attributable to equity holders of the Parent Company decreased by 4% or ₱236.7 million from ₱6,560.6 million as at March 31, 2019 to ₱6,323.9 million as at June 30, 2019 resulting from the net loss recognized for the three-month period ended June 30, 2019.

III. TOP 5 KEY PERFORMANCE INDICATORS

The top five key performance indicators (KPIs) of the Group include tests of profitability, liquidity and solvency. Profitability refers to the Group's earning capacity and ability to earn income for its stockholders. This is measured by profitability ratios analyzing margins and returns. Liquidity refers to the Group's ability to pay its short-term liabilities as and when they fall due. Solvency refers to the Group's ability to pay all its debts as and when they fall due, whether such liabilities are current or noncurrent.

		Three-month period ended June 30		
		2019	**2018**	**Remarks**
EBITDA margin	EBITDA divided by total revenues.	(43%)	11%	EBITDA margin substantially declined in 2019 as compared to same period in 2018 mainly due to lower revenues in the first quarter ended June 30, 2019 arising from the shift in SY2019-2020 start of classes for tertiary students from June to July.

		Three-month period ended June 30		
		2019	**2018**	**Remarks**
Gross profit margin	Gross profit divided by total revenues	14%	48%	Gross profit margin decreased as direct costs increased while revenues declined for reason cited above.
Return on equity	Net loss attributable to equity holders of the Parent company (annualized) divided by average equity attributable to equity holders of the Parent company	(15%)	(5%)	Return on equity was lower in 2019 substantially due to lower revenues and increased expenses.
Debt service cover ratio	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months	1.45	3.24	Debt service cover ratio for the periods presented has always been well above the minimum set by management and the lending bank. The bar is 1.05 of cash income (EBITDA) for every peso of loans and interest due within the next 12 months.
Debt-to-equity ratio	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.68	0.70	Debt-to-equity ratio improved due to payments of the current portion of long-term loans and the obligations to contractors and suppliers for recently completed projects.

IV. MATERIAL CHANGES IN BALANCE SHEET ACCOUNTS

Cash and cash equivalents increased by 42% or ₱168.3 million from ₱401.2 million to ₱569.5 million as at March 31, 2019 and June 30, 2019, respectively, net of payments made to suppliers and interest on bonds, driven by collection of tuition and other school fees from students enrolled in SY 2019-2020.

Receivables increased by ₱276.1 million or 66% from ₱420.8 million as at March 31, 2019 to ₱696.9 million as at June 30, 2019. Receivables from students increased by ₱114.5 million from ₱275.3 million to ₱389.8 million, largely pertaining to tuition and other school fees that are expected to be collected over the remaining months of the school year. Outstanding receivables from DepEd for the SHS qualified voucher recipients is ₱336.2 million as at June 30, 2019, posting an increase of ₱192.8 million from ₱143.4 million, as at March 31, 2019. The vouchers are expected to be collected within 8-12 weeks from date of submission of billing statements. The balance as at March 31, 2019 includes accounts receivable from CHED amounting to ₱42.1 million which was subsequently settled as at June 30, 2019. On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG signed a memorandum of agreement to avail of the Tertiary Education Subsidy (TES) and Student Loan Program (SLP) for its students under the "Universal Access to Quality Tertiary Education Act (UAQTEA)" and its Implementing Rules and Regulations (IRR). Republic Act No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED-recognized LUCs is ₱40.0 thousand. Students enrolled in select private HEIs who are qualified to receive the TES, are entitled to ₱60.0 thousand. The TES sharing agreement states that ₱40.0 thousand shall go to the TES student grantee and ₱20.0 thousand to the private HEI. The subsidy is for tuition and other related school fees and should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to Persons with Disabilities (PWDs) and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under the Voucher and TES Programs, DepEd and CHED, respectively, pay directly the schools where these students enrolled.

Inventories decreased by 5% or ₱7.4 million to ₱144.3 million, net of purchases made during the period, representing decrease in stocks of tertiary and SHS uniforms and SHS textbooks resulting from the sales recognized for the three-month period ended June 30, 2019.

Prepaid expenses increased by ₱10.3 million or 14% from ₱73.9 million to ₱84.2 million substantially due to increase in prepaid insurance. Prepaid insurance increased by ₱11.4 million from ₱0.4 million to ₱11.8 million due to renewal of fire insurance coverage on buildings, including equipment and furniture, health insurance coverage of employees and life and accident insurance of the students. These insurance payments are recognized as expense over the period of their respective insurance coverage, which is normally within one year from beginning of the school year.

Property and equipment declined by ₱29.9 million from ₱7,670.5 million to ₱7,640.6 million, net of acquisitions/additions, substantially representing increase in depreciation expense recognized for the three-month period ended June 30, 2019 for the newly completed buildings of STI Lipa, STI San Jose del Monte, STI Sta. Mesa and STI Pasay-EDSA.

Deferred tax assets (DTA) rose by ₱6.3 million from ₱32.1 million to ₱38.4 million as at March 31, 2019 and June 30, 2019, respectively, representing taxes due on tuition and other school fees collected in advance. Following statutory regulations, tuition and other school fees which are collected in advance are subject to income tax upon receipt.

Goodwill, intangible and other noncurrent assets increased slightly by ₱1.8 million from ₱511.1 million to ₱512.9 million as at March 31, 2019 and June 30, 2019, respectively. In January 2018, STI ESG entered into a contract to sell with a real estate developer for the acquisition of a lot in Iloilo City with a total area of 2,615 sq. m. for a price of ₱183.0 million plus value-added tax, less other applicable taxes. STI ESG made a down payment amounting to ₱67.5 million in January 2018, net of the ₱200.0 thousand reservation fee paid on November 29, 2017. The remaining balance in the amount of ₱128.1 million was paid without interest, in eighteen (18) equal monthly installments of ₱7.1 million starting January 2018 up to June 2019. Consequently, STI ESG recognized an aggregate amount of ₱21.3 million deposit for asset acquisitions from April to June 30, 2019. The last installment for this Iloilo property was paid in June 2019. Documents for the transfer of ownership to STI ESG are being processed. The lot will be the future site of STI Iloilo. On February 15, 2019, STI ESG and the shareholders of NAMEI Polytechnic Institute, Inc. and NAMEI Polytechnic Institute of Mandaluyong, Inc. (collectively referred to as "NAMEI"), entered into a share purchase agreement for the sale of approximately 92% of the 50,000 outstanding shares of NAMEI Polytechnic Institute, Inc. and 99% of the 10,000 outstanding shares of NAMEI Polytechnic Institute of Mandaluyong, Inc. Both shares are with par value of ₱10.0 each. In January 2019, STI ESG made a deposit of ₱14.0 million which was held in escrow with a law firm. This amount was treated as part of the purchase price at closing date. Another ₱36.0 million was paid on February 15, 2019. On the same date, STI ESG paid ₱10.0 million to NAMEI as deposit for future subscription in shares of NAMEI and another ₱10.0 million representing STI ESG's share in the transaction costs and all other fees and expenses to be incurred under the agreement. In relation to this, STI ESG recognized ₱70.0 million as deposit for the purchase of shares of NAMEI as at March 31, 2019. On April 1, 2019, Deeds of Assignment were executed by the shareholders of NAMEI transferring and conveying ownership of 94% of NAMEI Polytechnic Institute, Inc. and 100% ownership of NAMEI Polytechnic Institute of Mandaluyong, Inc. to STI ESG. NAMEI thus became a subsidiary of STI ESG effective April 1, 2019. In view of this, STI ESG started consolidating the assets, liabilities and results of operations of NAMEI beginning April 1, 2019. The purchase price consideration has been allocated to the identifiable assets and liabilities of NAMEI based on the fair values at the date of acquisition resulting in excess of consideration amounting to ₱45.0 million. Thus, the deposits for asset acquisitions pertaining to NAMEI in the amount of ₱70.0 million was reversed. The identifiable assets and liabilities recognized in the unaudited interim condensed consolidated financial statements as at June 30, 2019 were based on a provisional assessment of the fair value of these assets and liabilities at the time of acquisition. The Group is likewise assessing the valuation of the intangible assets acquired. The valuation has not been completed as at June 30, 2019. Noncurrent advances to suppliers increased by ₱7.5 million substantially attributed to payments made to contractors and suppliers for the design and construction of the basketball gymnasium and canteen in STI Sta Mesa and acquisition of equipment and furniture for the recently completed school buildings.

Accounts payable and other current liabilities significantly decreased by ₱74.0 million or 11% from ₱683.9 million to ₱609.9 million as at March 31, 2019 and June 30, 2019, respectively, substantially due to payments to contractors for obligations related to construction works in various STI ESG campuses.

Unearned tuition and other school fees increased substantially by ₱738.2 million from ₱81.4 million as at March 31, 2019 to ₱819.6 million as June 30, 2019. This will be recognized as income over the remaining months of the school year.

Income tax payable decreased by ₱11.8 million from ₱12.1 million to ₱0.3 million as at March 31, 2019 and June 30, 2019, respectively, due to decline in the taxable income.

Current and Noncurrent portion of obligations under finance lease declined by ₱71.0 thousand and ₱1.5 million, respectively, due to payments made during the three-month period ended June 30, 2019.

STI ESG listed its ₱3.0 Billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the Philippine Dealing and Exchange Corp. (PDEx) secondary market on March 23, 2017. This is the first tranche of its ₱5,000.0 million fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration will end on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23 and March 23 or the next business day if such dates fall on a non-banking day, of each year commencing on June 23, 2017, until and including the relevant maturity date. The Bonds Payable is carried in the books at ₱2,959.5 million and ₱2,958.0 million as at June 30, 2019 and March 31, 2019, respectively, net of deferred finance charges, representing bond issue costs with carrying value of ₱40.5 million and ₱42.0 million, as at June 30, 2019 and March 31, 2019, respectively. The proceeds of the bonds have been fully utilized as at March 31, 2019.

Pension liabilities increased by ₱2.9 million from ₱33.3 million to ₱36.2 million as at March 31, 2019 and June 30, 2019, respectively, representing additional retirement obligations recognized by the Group for the three-month period ended June 30, 2019.

Retained earnings decreased by ₱236.4 million from ₱3,023.8 million to ₱2,787.4 million due to the net loss attributable to equity holders of the Parent Company recognized by the Group for the three-month period ended June 30, 2019.

V. MATERIAL CHANGES IN INCOME STATEMENT ACCOUNTS

Total revenues reached ₱227.4 million during the three-month period ended June 30, 2019, a decrease of ₱129.2 million from same period last year.

Tuition and other school fees amounted to ₱98.1 million for the three-month period ended June 30, 2019, a decline of ₱113.7 million or 54% from same period last year substantially due to the shift in the start of the school calendar for tertiary classes from June of each year to July this year. The revenue stream of the Group, which is mainly from tuition and other school fees, is recognized as income over the corresponding school term to which they pertain. Accordingly, revenues related to the tertiary enrollees will be recognized beginning July 2019 compared to last year when both SHS and Tertiary classes commenced in June 2018 and thus related revenues were recognized beginning June 2018.

Revenues from educational services and royalty fees decreased by 10% and 8%, respectively. Revenues from educational services are derived as a percentage of the tuition and other school fees actually collected by the franchised schools from their students, DepEd and CHED.

Sale of educational materials and supplies decreased compared to same period last year from ₱81.6 million to ₱71.4 million or by ₱10.2 million or 13% for the three-month period ended June 30, 2019. The Group reported a decline in the sale of the students' school uniform partly due to timing difference and because of the decline in the SHS enrollees. The cost of educational materials and supplies sold, decreased likewise by ₱7.1 million or 11% concomitant with the decrease on the sale of education materials and supplies.

The cost of educational services for the three-month period ended June 30, 2019 is higher by ₱19.2 million from ₱121.0 million to ₱140.2 million for the three-month periods ended June 30, 2018 and 2019, respectively. The cost of instructors' salaries and benefits increased by ₱6.0 million due to the costs related to NAMEI and STI San Jose del Monte which were consolidated to the Group beginning April 1, 2019 and due to costs of faculty members which were extended due to extension of classes up to April 15, 2019. Depreciation expense likewise increased by ₱18.4 million representing direct expense portion of depreciation expense recognized for the newly completed buildings of STI Lipa, STI San Jose del Monte, STI Sta. Mesa and STI Pasay-EDSA. Rent expense decreased by ₱3.8 million due to the transfer of STI Shaw to STI Sta. Mesa, and STI Taft and STI Makati to STI Pasay-EDSA.

General and administrative expenses increased by 10% or ₱25.0 million from ₱239.5 million to ₱264.5 million for the three-month periods ended June 30, 2018 and 2019, respectively. Light and water increased by ₱4.2 million due to the costs of NAMEI and STI San Jose del Monte which were consolidated to the Group beginning April 1, 2019 and increase in kilowatt consumption of schools substantially those with newly constructed buildings namely STI Sta Mesa, STI Pasay-EDSA and STI Lipa. Costs of security, janitorial and other outside services increased by ₱3.4 million due to the costs of NAMEI and STI San Jose del Monte which were consolidated to the Group beginning April 1, 2019 and increase in security and janitorial personnel in some schools. Depreciation expense likewise increased by ₱10.4 million due to depreciation expense recognized for the newly completed buildings of STI Lipa, STI San Jose del Monte, STI Sta. Mesa and STI Pasay-EDSA. Provision for doubtful accounts increased by ₱8.9 million representing estimated expected credit losses for the three-month period ended June 30, 2019 in accordance with PFRS 9.

The Group's operating loss increased by ₱166.3 million for the three-month period ended June 30, 2019 from same period last year's loss of ₱67.4 million, substantially due to lower revenues.

Equity in net loss of associates amounted to ₱1.1 million and ₱0.5 million for the three-month periods ended June 30, 2018 and 2019, respectively.

Interest expenses increased by ₱5.1 million year-on-year, from ₱51.4 million to ₱56.5 million due to increase in interest rate on long term loans, inclusive of gross receipts tax, from 4.54% to 7.89%.

Interest income decreased from ₱8.9 million to ₱1.3 million for the three-month period ended June 30, 2019. Last year's interest income is mainly from interest earned on short-term placements of the proceeds of bonds. The proceeds of bonds have been fully utilized as at March 31, 2019.

Rental income increased from ₱24.5 million to ₱27.2 million for the three-month period ended June 30, 2019 attributed to the rental income generated from STI ESG's investment properties.

Dividend income amounting to ₱2.3 million recognized for the three-month period ended June 30, 2018 represent dividends received from Delos Santos Medical Center.

On March 27, 2019, STI ESG and STI College Tagum, Inc., the assignee, entered into a deed of assignment to assign, sell, transfer and set over unto the assignee, the assets of STI Tagum, a former branch of STI ESG for a sum of ₱7.0 million. The sale is effective April 1, 2019. In relation to this, a gain on sale amounting to ₱4.4 million was recognized for the three-month period ended June 30, 2019.

Benefit from income tax amounting to ₱18.2 million was recognized as at June 30, 2019 associated with the net loss recognized for the period.

Fair values of the Group's investment in available-for-sale financial assets declined by ₱0.2 million for the three-month period ended June 30, 2018. The unrealized fair value adjustments on equity instruments designated at FVOCI amounted to ₱0.2 million for the three-month period ended June 30, 2019. This represents fair value adjustments resulting from lower market value of the quoted equity shares held by STI ESG.

STI ESG recognized a remeasurement loss amounting to ₱61.5 thousand for the three-month period ended June 30, 2019 due to the decline in value of equity shares forming part of pension assets.

STI ESG reported a net loss of ₱239.6 million for the three-month period ended June 30, 2019 compared to ₱75.2 million for the same period last year. Also, STI ESG posted a Total Comprehensive loss of ₱239.8 million for the three-month period ended June 30, 2019 compared to ₱96.2 million for the three-month period ended June 30, 2018 driven primarily by the decline in revenues arising from the slide in the start of the school calendar for tertiary classes from June in 2018 to July this 2019.

EBITDA decreased from ₱39.3 million to a negative of ₱97.1 million for the three-month period ended June 30, 2019. EBITDA margin likewise decreased from 11% last year to a negative of 43% this year.

Core income, computed as the consolidated income after income tax derived from the Group's main business of education and other recurring income, amounted to negative ₱238.7 million for the three-month period ended June 30, 2019 compared to the same period last year of negative ₱ 74.1 million.

VI. FINANCIAL RISK DISCLOSURE

The Group's present activities expose it to liquidity risk, credit risk, interest rate risk and capital risk.

Liquidity risk –Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet its currently maturing commitments. The Group's liquidity profile is managed to be able to finance its operations and capital expenditures and other financial obligations. To cover its financing requirements, the Group uses internally-generated funds and interest-bearing loans and borrowings. As part of its liquidity risk management program, the Group regularly evaluates the projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives.

Any excess funds are primarily invested in short-dated and principal-protected bank products that provide flexibility of withdrawing the funds anytime. The Group regularly evaluates available financial products and monitors market conditions for opportunities to enhance yields at acceptable risk levels.

The Group's current liabilities are mostly made up of trade liabilities with 30 to 60-day payment terms and current portion of interest-bearing loans and borrowings that are expected to mature within one year after reporting date. On the other hand, the biggest components of the Group's current assets are cash and cash equivalents, receivables from students, DepEd and franchisees and advances to associates and joint ventures with credit terms of 30 days.

In relation to the Group's interest-bearing loans and borrowings, the debt service cover ratio is also monitored on a regular basis. The debt service cover ratio is equivalent to the consolidated EBITDA for the last twelve months divided by total principal and interests due in the next twelve months. The Group monitors its debt service cover ratio to keep it at a level acceptable to the Group, the lender bank and its bondholders. The Group's policy is to keep the debt service cover ratio not lower than 1.05:1.00.

As at June 30, 2019 and 2018, the Group's debt service cover ratios are 1.45:1.00 and 3.24:1.00, respectively. As at March 31, 2019, the Group's debt service cover ratio is 1.74:1.00.

Credit risk – Credit risk is the risk that the Group will incur a loss arising from students, franchisees or counterparties that fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk that the Group is willing to accept for individual counterparties and by monitoring expenses in relation to such limits.

It is the Group's policy to require the students to pay all their tuition and other school fees before they can get their report cards and other credentials. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Interest rate risk – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing loans and bonds. While the Group's long-term debt has a floating interest rate, the Group elected to have the interest rate repriced every year, thus minimizing the exposure to market changes in interest rates. The interest rates for the STI ESG bonds are, however, fixed for the 7-year bonds and the 10-year bonds.

The Group's exposure to interest rate risk also includes its cash and cash equivalents balance. Interest rates for the Group's cash deposits are at prevailing interest rates. Due to the magnitude of the deposits, a significant change in interest rate may also affect the unaudited interim condensed consolidated statements of comprehensive income.

Capital risk –The Group's objectives when managing capital are to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group is not subject to externally imposed capital requirements.

The Group monitors capital using the debt-to-equity ratio which is computed as the total of current and noncurrent liabilities, net of unearned tuition and other school fees, divided by total equity. The Group monitors its debt-to-equity ratio to keep it at a level acceptable to the Group, the lender bank and its bondholders. The Group's policy is to keep the debt-to-equity ratio at a level not exceeding 1.50:1.00.

As at June 30, 2019 and 2018, the Group's debt-to-equity ratios are 0.68:1.00 and 0.70:1.00, respectively. As at March 31, 2019, the Group's debt-to-equity ratio is 0.67:1.00.

VII. AGREEMENTS/COMMITMENTS AND CONTINGENCIES/OTHER MATTERS

a. There are no changes in accounting estimates used in the preparation of Unaudited Interim Condensed Consolidated Financial Statements for the current and prior financial period.

b. Except as provided in Note 26 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A," the Group has no other financial and capital commitments.

c. On June 3, 2013, STI ESG executed a deed of pledge on all of its shares in DLSMC in favor of Neptune Stroika Holdings, Inc., a wholly-owned subsidiary of Metro Pacific Investments Corporation (MPIC), to cover the indemnity obligations of STI ESG enumerated in its investment agreement entered into in 2013 with MPIC. The carrying value of the investment in DLSMC amounted to ₱29.0 million as at June 30, 2019 and March 31, 2019.

VIII. MATERIAL EVENT/S AND UNCERTAINTIES KNOWN TO MANAGEMENT THAT WOULD ADDRESS THE PAST AND WOULD HAVE AN IMPACT ON FUTURE OPERATIONS

a. There are no material events and uncertainties known to management that would address the past and would have an impact on future operations of the Group.

b. There are no known trends, demands, commitments, events of uncertainties that will have an impact on the Group's liquidity except for the contingencies and commitments enumerated in Note 26 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A".

c. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

d. The various loan agreements entered into and the issuance of fixed rate bonds by STI ESG provide certain restrictions and conditions with respect to, among others, change in majority ownership and management and maintenance of financial ratios. STI ESG is fully compliant with all the covenants of the respective agreements. See Notes 16 and 17 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements of the Company attached as Annex "A" for a more detailed discussion. There are no other events that will trigger direct or contingent financial obligations that are material to the Group, including any default or acceleration of an obligation.

e. There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations except for the contingencies and commitments enumerated in Note 26 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A".

f. There are no significant elements of income or loss that did not arise from the Group's continuing operations.

g. The Group's business is linked to the academic cycle. The academic cycle, which is one academic year, traditionally starts in the month of June and ends in the month of March, except as discussed in Note 1, where STI ESG accepted a second batch of college freshmen enrollees for SY 2018-2019 which began in August 2018 and ended in May 2019. The start of the school calendar of tertiary students for SY 2019-2020 of STI ESG has been shifted to mid-July 2019 with the school year ending in April 2020. The core business and revenues of the Group, which are mainly from tuition and other school fees, are recognized as income over the corresponding academic year to which they pertain. Accordingly, revenue is expected to be lower during the first quarter of its fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group.

h. On April 21, 2017, STI ESG, Mr. Tony Tan Caktiong (TTC), STI Tanauan, and Injap Investments, Inc. (Injap), referred collectively as the Joint Venture Parties, entered into an agreement to transform STI Tanauan into a Joint Venture Company which shall operate a farm-to-table school that offers courses ranging from farm production to food services.

   The Joint Venture Parties also agreed to increase STI Tanauan's authorized capital stock to an amount that will be agreed by the Joint Venture Parties in a separate agreement. As agreed by the Joint Venture Parties, the increase in the authorized capital stock will be made through STI Tanauan's declaration of stock dividends to STI ESG based on STI Tanauan's unrestricted retained earnings as at March 31, 2017 and cash payments by the Joint Venture Parties.

   The equity sharing in the Joint Venture Company will be 60%, 25% and 15% for STI ESG, TTC and Injap, respectively.

   On June 21, 2017, in separate meetings, the stockholders and the BOD of STI Tanauan approved the increase in the authorized capital stock of the corporation from ₱1.0 million divided into 10,000 shares with a par value of ₱100.0 to ₱75.0 million divided into 750,000 shares with a par value of ₱100.0. The increase will be funded through the declaration of stock dividends and cash subscriptions by the shareholders. In the same meeting, the stockholders and the BOD approved the declaration of 150,000 shares as stock dividends with an aggregate par value of ₱15.0 million to be distributed to stockholders of record as at March 31, 2017 based on the unrestricted retained earnings of STI Tanauan as shown in its audited financial statements as at March 31, 2017.

   On January 24, 2018 STI ESG subscribed to and fully paid for 35,000 shares at a subscription price of ₱495.0 per share for a total of ₱17.3 million.

   On February 26, 2018, STI Tanauan applied with the SEC to increase its authorized capital stock from ₱1.0 million to ₱75.0 million.

   On March 2, 2018, the SEC approved the increase and issued the Certificate of Approval on Increase of Capital Stock.

   On March 3, 2018, STI Tanauan issued to STI ESG stock dividends of 150,000 shares and 35,000 shares as subscribed by the latter.

i. On December 17, 2018, the CHED, UniFAST and STI ESG signed a memorandum of agreement to avail of the TES and SLP for its students under the UAQTEA and its IRR. The Republic Act No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who shall enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED recognized LUCs is ₱40.0 thousand. Students enrolled in select private HEIs and are qualified to receive the TES, are entitled to ₱60.0 thousand. The TES sharing agreement states that ₱40.0 thousand goes to the TES student grantee and ₱20.0 thousand to the private HEI. The subsidy is for Tuition and other related school fees and should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to PWDs and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under the Voucher and TES Programs, DepEd and CHED, respectively, pay directly the schools where these students enrolled.

j. On May 7, 2019, STI ESG and China Bank entered into a seven-year term loan agreement up to the amount of ₱1,200.0 million. The credit facility is available for a period of one year from May 7, 2019, the date of signing of the loan agreement. The proceeds of this loan shall be used for the (i) financing of campus expansion projects (ii) acquisition of schools (iii) refinancing of short-term loans incurred for projects and (iv) other general corporate purposes. As at August 14, 2019, STI ESG has not made any drawdown from the facility.

Financial Highlights and Key Performance Indicators
(in millions except margins, financial ratios and earnings per share)

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)	Increase (Decrease) Amount	%
Condensed Statements of Financial Position				
Total assets	₱11,475.8	₱11,058.1	₱417.7	4
Current assets	2,211.5	1,764.3	447.20	25
Cash and cash equivalents	569.5	401.2	168.30	42
Equity attributable to equity holders of the parent company	6,323.9	6,560.6	(236.70)	(4)
Total liabilities	5,145.9	4,488.4	657.50	15
Current liabilities	1,675.9	1,023.6	652.30	64
Financial Ratios				
Debt-to-equity ratio (1)	0.68	0.67	0.01	1
Current ratio (2)	1.32	1.72	(0.40)	(23)
Asset-to-equity ratio (3)	1.81	1.68	0.13	8

	Three months ended June 30 2019	2018	Increase (Decrease) Amount	%
Condensed Statements of Income				
Revenues	227.4	356.6	(129.2)	(36)
Direct costs (4)	196.6	184.5	12.1	7
Gross profit	30.8	172.1	(141.3)	(82)
Operating expenses	264.5	239.5	25.0	10
Operating loss	(233.7)	(67.4)	(166.3)	247
Other expenses- net	(24.1)	(16.8)	(7.3)	43
Loss before income tax	(257.8)	(84.2)	(173.6)	206
Net loss	(239.6)	(75.2)	(164.4)	219
EBITDA (5)	(97.1)	39.3	(136.4)	(347)
Core income (loss) (6)	(238.7)	(74.1)	(164.6)	222
Net loss attributable to equity holders of the parent company	(236.4)	(74.0)	(162.4)	219
Earnings (Loss) per share (7)	(0.077)	(0.024)	(0.1)	417
Consolidated Condensed Statements of Cash Flows				
Net cash from operating activities	₱ 271.5	₱362.0	₱(90.5)	(25)
Net cash used in investing activities	(55.7)	(129.3)	73.6	(57)
Net cash used in financing activities	(47.5)	(48.7)	1.2	(2)

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Financial Soundness Indicators

	As at/Three months ended June 30		Increase (Decrease)	
	2019	2018	Amount	%
Liquidity Ratios				
Current ratio [2]	1.32	1.99	(0.67)	(34)
Quick ratio [8]	0.76	1.49	(0.73)	(49)
Cash ratio [9]	0.34	0.92	(0.58)	(63)
Solvency ratios				
Debt-to-equity ratio [1]	0.68	0.70	(0.02)	(3)
Asset-to-equity ratio [3]	1.81	1.86	(0.05)	(3)
Debt service cover ratio [10]	1.45	3.24	(1.79)	(55)
Interest coverage ratio [11]	(3.56)	(0.64)	(2.92)	456
Profitability ratios				
EBITDA margin [12]	(43%)	11%	(54)	(491)
Gross profit margin [13]	14%	48%	(34)	(71)
Operating profit (loss) margin [14]	(103%)	(19%)	(84)	442
Net income (loss) margin [15]	(105%)	(21%)	(84)	400
Return on equity (annualized) [16]	(15%)	(5%)	(10)	221
Return on assets (annualized) [17]	(8%)	(3%)	(5)	167

(1) *Debt-to-equity ratio is measured as total liabilities, net of unearned tuition and other school fees, divided by total equity.*

(2) *Current ratio is measured as current assets divided by current liabilities.*

(3) *Asset-to-equity ratio is measured as total assets divided by total equity.*

(4) *Direct costs is calculated by adding the costs of educational services and educational materials and supplies sold.*

(5) *EBITDA is net income (loss) excluding provision for income tax, interest expense, interest income, depreciation and amortization, equity in net loss (earnings) of associates and joint ventures and nonrecurring gains(losses) such as gain on disposal of net assets.*

(6) *Core income (loss) is computed as consolidated net income (loss) after tax derived from the Group's main business – education and other recurring income.*

(7) *Earnings (loss) per share is measured as net income (loss) attributable to equity holders of the parent company divided by the weighted average number of outstanding common shares*

(8) *Quick ratio is measured as current assets less inventories, prepayments and noncurrent asset held for sale divided by current liabilities.*

(9) *Cash ratio is measured as cash and cash equivalents divided by current liabilities.*

(10) *Debt service cover ratio is measured as EBITDA for the last twelve months divided by total principal and interest due in the next twelve months.*

(11) *Interest coverage ratio is measured as income (loss) before income tax and interest expense divided by interest expense.*

(12) *EBITDA margin is measured as EBITDA divided by total revenues.*

(13) *Gross profit margin is measured as gross profit divided by total revenues.*

(14) *Operating profit (loss) margin is measured as operating profit (loss) divided by total revenues.*

(15) *Net income (loss) margin is measured as net income (loss) after income tax divided by total revenues.*

(16) *Return on equity is measured as net income (loss) attributable to equity holders of the parent Company [annualized] divided by average equity attributable to equity holders of the parent company.*

(17) *Return on assets is measured as net income (loss) [annualized] divided by average total assets.*