COVER SHEET

1746

STI EDUCATION SYSTEMS HOLDINGS, INC.

(Company's Full Name)

7TH FLOOR, STI HOLDINGS CENTER
6764 AYALA AVENUE
MAKATI CITY

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

ARSENIO C. CABRERA, JR.

Contact Person

(632) 8137111

Company Telephone Number

03 31

Month *Day*

Fiscal Year

Preliminary Information Statement

FORM TYPE

Last Friday of September

Month *Day*

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

S T A M P S

STI EDUCATION SYSTEMS HOLDINGS

7th Floor, STI Holdings Center
6764 Ayala Avenue, Makati City
Philippines 1226
Telefax. (632) 844-9553

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
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3:25

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO ALL STOCKHOLDERS:

Please be informed that the Annual Stockholders' Meeting of **STI Education Systems Holdings, Inc.** ("STI ESH"), shall be held on 29 September 2017, at 3:00 p.m. at 7th Floor Lobby, STI Holdings Center, 6764 Ayala Avenue, Makati City, for the following purposes:

1. Call to Order
2. Certificate of Notice and Quorum
3. Approval of the Minutes of the 30 September 2016 Annual Stockholders' Meeting
4. Management Report
5. Approval of Audited Financial Statements as of 31 March 2017
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 30 September 2016 up to 29 September 2017
7. Election of Directors
8. Appointment of External Auditor
9. Adjournment

The Board of Directors of STI ESH has fixed the RECORD DATE for stockholders entitled to vote at this annual meeting on 29 August 2017.

Stockholders who will not be able to attend this meting may designate their respective proxies and send the proxy forms to the Office of the Corporate Secretary not later than 15 September 2017.

Registration starts at 2:00 p.m. on the date of 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.

Very truly yours,

ARSENIO C. CABRERA, JR.
Corporate Secretary

EDUCATION SYSTEMS
STI HOLDINGS

7th Floor, STI Holdings Center
6764 Ayala Avenue, Makati City
Philippines 1226
Telefax. (632) 844-9553

AGENDA OF 2017 ANNUAL STOCKHOLDERS' MEETING

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

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
AUG 07 2017
MARKET REGULATION DEPT.
BY: [signature] TIME: 3:25

1. Check the appropriate box:

   [X] Preliminary Information Statement
   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter **STI Education Systems Holdings, Inc.**

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

4. SEC Identification Number **1746**

5. BIR Tax Identification Code **000-126-853**

6. **7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City** **1226**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(632) 844-9553**

8. **29 September 2017, 3:00 p.m. at 7/F Lobby, STI Holdings Center, 6764 Ayala Avenue, Makati City**
   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 **8 September 2017**

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 Stock	**9,904,806,924**

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

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
    Philippine Stock Exchange/Common Shares

PART I

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

Date of Meeting	:	29 September 2017
Time of Meeting	:	3:00 p.m.
Place of Meeting	:	7/F Lobby, STI Holdings Center 6764 Ayala Avenue, Makati City
Registrant's Mailing Address	:	7/F STI Holdings Center 6764 Ayala Avenue, Makati City
Approximate Date on Which the Information Statement is First Sent Or Given to Security Holders	:	8 September 2017

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 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 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 81);

(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. 81)

(3) In case of merger or consolidation (Section 81); and

(4) In case of investments in another corporation, business or purpose (Section 42).

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's common stock is traded on the PSE under the stock symbol "STI". As of the date of this Definitive Information Statement, the Company has 9,904,806,924 shares outstanding.

As of 31 July 2017, the high share price of the Company was Php 1.49 and the low share price was Php 1.47.

The Company's public float as of 31 July 2017 is 3,591,646,024 shares equivalent to 36.26% of the total issued and outstanding shares of the Company.

The following table sets forth the Company's high and low intra-day sales prices per share for the past three years and the first and second quarters of 2017:

	High	**Low**
2017		
Second Quarter	1.57	1.02
First Quarter	1.23	0.95
2016		
Fourth Quarter	1.02	0.65
Third Quarter	0.68	0.57
Second Quarter	0.72	0.56
First Quarter	0.59	0.36
2015		
Fourth Quarter	0.52	0.39
Third Quarter	0.71	0.47
Second Quarter	0.70	0.64
First Quarter	0.75	0.63

(2) Holders

As of 31 July 2017, there were 1,257 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 31 July 2017.

NAME OF STOCKHOLDER	NUMBER OF SHARES	PERCENTAGE OF OWNERSHIP
PCD NOMINEE CORPORATION (FILIPINO)	2,792,991,494[1]	28.1983
PRUDENT RESOURCES, INC.	1,614,264,964	16.2978
PCD NOMINEE CORPORATION (NON-FILIPINO)	1,589,408,479	16.0468
TANCO, EUSEBIO H.	1,253,666,793	12.6572
BIOLIM HOLDINGS AND MANAGEMENT CORP. (FORMERLY: RESCOM DEVELOPERS, INC.)	794,343,934	8.0198
EUJO PHILIPPINES, INC.	763,873,130	7.7121
TANTIVY HOLDINGS, INC. (FORMERLY: TANTIVY HOLDINGS, INC. (FORMERLY, *tem*))	626,776,992	6.3280
STI EDUCATION SERVICES GROUP, INC.	397,908,895	4.0173
MANILA BAY SPINNING MILLS, INC.	47,583,562	0.4804
TANCO, ROSIE L.	13,000,000	0.1312
VITAL VENTURES MANAGEMENT CORPORATION	2,800,000	0.0283
YU, JUAN G. YU OR JOHN PETER C.	1,300,000	0.0131
CASA CATALINA CORPORATION	1,000,000	0.0101
HTG TECHNOLOGIES, INC.	1,000,000	0.0101
EDAN CORPORATION	861,350	0.0087
YU, JUAN G. YU OR JOHN PHILIP	600,000	0.0061
LERIO CABALLERO CASTIGADOR AND/OR VICTORINA	399,000	0.0040
TACUB, PACIFICO B.	200,000	0.0020
VICSAL SECURITIES & STOCK BROKERAGE, INC.	129,500	0.0013
E. SANTAMARIA & CO., INC.	128,919	0.0013

(3) Cash Dividends

On 11 November 2014, cash dividends amounting to Php0.02 per share were paid to stockholders of record as of 17 October 2014.

On 5 November 2015, cash dividends amounting to Php0.02 per share were paid to stockholders of record as of 12 October 2015.

On 10 November 2016, cash dividends amounting to Php0.02 per share were paid to stockholders of record as of 14 October 2016.

Dividends will be evaluated by the Board of Directors on an annual basis. It shall be the policy of the Company to declare dividends whenever there are unrestricted retain earnings available. Such declaration will take into consideration factors such as restrictions that may be imposed by current and prospective financial covenants; projected levels of operating results, working capital needs and long-term capital expenditures; and regulatory requirements on dividend payments, among others.

[1] Eusebio H. Tanco is the beneficial owner of 213,268,082 shares. Prudent Resources, Inc. is the beneficial owner of 5,335,000 shares. Biolim Holdings and Management Corp. (Formerly: Rescom Developers, Inc.) is the beneficial owner of 1,005,000 shares. Eujo Philippines, Inc. is the beneficial owner of 16,160,000 shares. STI Education Services Group, Inc. is the beneficial owner of 102,524,000 shares. Tantivy Holdings, Inc. (Formerly: Insurance Builders, Inc.) is the beneficial owner of 3,000,000 shares.

(4) Recent Sales of Unregistered or Exempt Securities

There has been 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 31 July 2017

Title of Each Class	Number of Shares Outstanding	Number of Votes
Common Stock	9,904,806,924	One (1) vote per share

(2) Record date

Only stockholders of record on the books of the Company at the close of business on 29 August 2017 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 31 July 2017

As of 31 July 2017, 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.

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record owner	Citizenship	No. of Shares Held	Percent
Common	PCD Nominee Corporation 37/F Tower I, Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City		Filipino	2,850,921,461[2]	28.78%

[2] Eusebio H. Tanco is the beneficial owner of 213,268,082 shares. Prudent Resources, Inc. is the beneficial owner of 5,335,000 shares. Eujo Philippines, Inc. is the beneficial owner of 16,160,000 shares. STI Education Services Group, Inc. is the beneficial owner of 102,524,000 shares. Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.) is the beneficial owner of 3,000,000 shares. Biolim Holdings and Management Corp. (formerly Rescom Developers, Inc.) is the beneficial owner of 1,005,000 shares.

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record owner	Citizenship	No. of Shares Held	Percent
Common	Prudent Resources, Inc. 7/F STI Holdings Center, 6764 Ayala Avenue, Makati City	Mr. Eusebio H. Tanco, the Chairman and President of Prudent Resources, Inc. is authorized to vote its shares in the Company.	Filipino (Direct) (Indirect) Total	1,614,264,964 5,335,000 ------------------ 1,619,599,964 ==========	16.30% .05% ----------- 16.35% ======
Common	Mr. Eusebio H. Tanco (Chairman of the Board) (Direct and Indirect shares through PCD Nominee Corporation) 543 Fordham Street, Wack-Wack Village, Mandaluyong City	Mr. Eusebio H. Tanco	Filipino (Direct) (Indirect) Total	 1,253,666,793 213,268,082 ------------------- 1,466,934,875 ===========	 12.66% 2.15% ----------- 14.81% ======
Common	PCD Nominee 37/F Tower I, Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City		Non-Filipino	1,531,496,222[3]	15.46%
Common	Biolim Holdings and Management Corp. (formerly Rescom Developers, Inc.) 7/F STI Holdings Center, 6764 Ayala Avenue, Makati City	Mr. Eusebio H. Tanco, the President of Biolim Holdings and Management Corp. (formerly Rescom Developers, Inc.) is authorized to vote its shares in the Company.	Filipino (Direct) (Indirect) Total	 794,343,934 1,005,000 ---------------- 795,348,934 =========	 8.02% .01% --------- 8.03% =====
Common	Eujo Philippines, Inc. (Direct and Indirect shares through PCD Nominee Corporation) 7/F STI Holdings Center, 6764 Ayala Avenue, Makati City	Mr. Eusebio H. Tanco, the President of Eujo Philippines, Inc. is authorized to vote its shares in the Company.	Filipino (Direct) (Indirect) Total	 763,873,130 16,160,000 ------------------ 780,033,130 ==========	 7.71% 0.16% ---------- 7.87% ======
Common	Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.) (Direct and Indirect shares through PCD Nominee Corporation) 7/F STI Holdings Center, 6764 Ayala Avenue, Makati City	Mr. Eusebio H. Tanco, the President of Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.) is authorized to vote its shares in the Company.	Filipino (Direct) (Indirect) Total	 626,776,992 3,000,000 ------------------ 629,776,992 ===========	 6.33% 0.03% ----------- 6.36% ======
Common	STI Education Services Group, Inc. STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, 1900 Rizal	Mr. Monico V. Jacob, the President of STI, is authorized to vote the shares of STI ESG in the Company	Filipino (Direct) (Indirect) Total	 397,908,895 102,524,000 ----------------- 500,432,895 ===========	 4.02% 1.03% ---------- 5.05% ======

[3] Dunross Investment Ltd is the beneficial owner of 528,522,000 shares or 5.34%. Contact Person is Mr. Anders Matson; Address: 17, Neofytou Nikolaidi Ave. & Kilkis Ave. S.P. Business Center, 3rd Floor, Office 307, Paphos, Cyprus

Note: PCD Nominee Corporation is a wholly-owned subsidiary of the Philippine Central Depository, Inc. (PCD), and is the registered owner of the shares in the records of the Company's transfer agent. The participants of the PCD (with respect to securities in the principal accounts) or the clients of such participants (with respect to securities in the participants' client accounts) are, as far as the PCD and PCD Nominee Corporation are concerned, the presumed beneficial owners of such lodged shares. PCD Nominee Corporation merely holds legal title (and not beneficial title) to the Company's lodged shares to facilitate the book-entry trading and settlement of the Company's shares. Except as disclosed above, no natural person or juridical entity whose shares are lodged in the name of PCD Nominee Corporation is known to the Company to be directly or indirectly the record or beneficial owner of more than five percent (5%) of the Company's voting securities.

(b) Security Ownership of Management as of 31 July 2017

The following table sets forth as of 31 July 2017, the beneficial ownership of each director and executive officer of the Company:

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership		Citizenship	Percent of Class
Common	Eusebio H. Tanco (Director and Chairman of the Board)	1,253,666,793 213,268,082 ------------------ 1,466,934,875 ==========	Direct Indirect Total	Filipino	12.66% 2.15% ----------- 14.81% =======
Common	Monico V. Jacob (Director, President and CEO)	1 33,784,056 --------------- 33,784,057 ========	Direct Indirect Total	Filipino	0.00% 0.34% ----------- 0.34% =======
Common	Yolanda M. Bautista (Treasurer & Chief Finance Officer)	1 5,000,000 --------------- 5,000,001 ========	Direct Indirect Total	Filipino	0.00% 0.05% ----------- 0.05% =======
Common	Arsenio C. Cabrera, Jr. (Corporate Secretary)	6,500,000	Indirect	Filipino	0.07%
Common	Joseph Augustin L. Tanco (Director and VP for Investor Relations)	1 2,000,000 ---------------- 2,000,001 ==========	Direct Indirect Total	Filipino	0.00% 0.02% -------------- 0.02% ======
Common	Paolo Martin Bautista (Director and Chief Investment Officer and Head of Corporate Strategy)	3,250,000	Indirect	Filipino	0.03%
Common	Ma. Vanessa Rose L. Tanco (Director)	1 300,000 ----------- 300,001 ======	Direct Indirect	Filipino	0.000% 0.003% ----------- 0.003% ======
Common	Martin K. Tanco (Director)	53,119,000	Indirect	Filipino	0.54%
Common	Rainerio M. Borja (Director)	1,000,000	Indirect	Filipino	0.01%
Common	Teodoro L. Locsin, Jr. (Director)	1,000	Direct	Filipino	0.00%
Common	Jesli A. Lapus (Independent Director)	6,500,000	Indirect	Filipino	0.07%
Common	Robert G. Vergara (Independent Director)	1,000	Indirect	Filipino	0.00%
Common	Johnip G. Cua (Independent Director)	1,000	Indirect	Filipino	0.00%
Common	Directors and Officers as a Group	1,578,390,935	Direct and Indirect	Filipino	15.94%

(c) Voting Trust Holders of 5% Or More

As of 31 July 017, no person holds at least 5% or more of a class under a voting trust or similar agreement.

(d) Changes in Control

There has been no change of control in the Company since 1 April 2014.

Item 5. Directors and Executive Officers

(1) Certain Relationships and Related Transactions

(a) 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:

(1) Eusebio H. Tanco
(2) Monico V. Jacob
(3) Joseph Augustin L. Tanco
(4) Ma. Vanessa Rose L. Tanco
(5) Martin K. Tanco
(6) Rainerio M. Borja
(7) Paolo Martin O. Bautista
(8) Teodoro L. Locsin, Jr.
(9) Johnip Cua
(10) Jesli A. Lapus
(11) Robert G. Vergara

All of the foregoing incumbent directors have been nominated to the Board for the ensuing year. Messrs. Johnip Cua, Robert G. Vergara and Jesli A. Lapus have been nominated as independent directors by Eximious Holdings, Inc. (formerly Capital Managers & Advisors, Inc.) ("EHI"), a stockholder of the Company. EHI has no business or professional relationship with Messrs. Cua, Vergara and Lapus.

Pursuant to Rule 38 of the Securities Regulation Code and Article IV of the Company's By-Laws, the nomination of all of the members of the Company's Board of Directors, including independent directors, shall be conducted by the Nomination 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 Nominations Committee and the Corporate Secretary.

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

(3) After the nomination, the Nominations 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, Philippine Stock Exchange and all stockholders.

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

The Chairman of the Nominations Committee is Mr. Eusebio H. Tanco. Ms. Ma. Vanessa Rose L. Tanco and Messrs. Rainerio M. Borja are members of the Nomination Committee.

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

Candidate for Nomination as Director	Nominating Stockholder	Relationship	Citizenship
Eusebio H. Tanco	Eximious Holdings, Inc. ("EHI")	Chairman	Filipino
Monico V. Jacob	EHI	President	Filipino
Joseph Augustin L. Tanco	EHI	Director	Filipino
Ma. Vanessa Rose L. Tanco	EHI	N/A	Filipino
Martin K. Tanco	EHI	N/A	Filipino
Rainerio M. Borja	EHI	N/A	Filipino
Paolo Martin O. Bautista	EHI	N/A	Filipino
Teodoro L. Locsin, Jr.	EHI	N/A	Indian
Johnip Cua	EHI	N/A	Filipino
Jesli A. Lapus	EHI	N/A	Filipino
Robert G. Vergara	EHI	N/A	Filipino

Summary of Term of Office of Directors:

(1) Eusebio H. Tanco – director since 17 March 2010 up to the present;
(2) Monico V. Jacob – director since 17 March 2010 up to the present
(3) Joseph Augustin L. Tanco – director since 27 October 2010 up to the present
(4) Ma. Vanessa Rose L. Tanco – director since 27 October 2010 up to the present
(5) Martin K. Tanco – director since 19 December 2012 up to the present
(6) Rainerio M. Borja – director since 19 December 2012 up to the present
(7) Paolo Martin O. Bautista – director since 19 December 2012 up to the present
(8) Teodoro L. Locsin, Jr. – director since 2 February 2015 up to the present

(9) Johnip Cua – independent director since 19 December 2012 up to the present
(10) Jesli A. Lapus – director from 21 March 2013 up to October 2013; independent director from 4 October 2013 up to the present
(11) Robert G. Vergara – independent director since 27 July 2017 up to the present

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:

Eusebio H. Tanco, 67, Filipino, Chairman of the Board

Mr. Tanco has been Chairman of STI Holdings since 17 March 2010. He is also the Chairman of the Executive, Nominations and Compensation Committees of STI Holdings.

Mr. Tanco is Chairman of the Board and President of Prudent Resources, Inc., and Prime Power Holdings Corporation. He is the Chairman of the Executive Committee and Director of STI ESG and the Chairman of Mactan Electric Company, Philippines First Insurance Co. Inc., Venture Securities Inc., International Hardwood & Veneer Corp, GROW Vite, Inc., Delos Santos-STI College, STI West Negros University, and Eximious Holdings, Inc. (Formerly, Capital Managers and Advisors, Inc.) He is Vice-Chairman and President of Asian Terminals, Inc.

Mr. Tanco is President of Total Consolidated Asset Management, Inc., Eujo Phils, Inc., Cement Center Inc., First Optima Realty Corp, Biolim Holdings and Management Corp (formerly Rescom Developers Inc.), Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.), Bloom with Looms Logistics, Inc. (formerly STMI Logistics, Inc.), Marbay Homes Inc., Global Resource for Outsourced Workers, Inc., Amina, Inc., and CEO of Classic Finance Inc.

Mr. Tanco is also a director in Maestro Holdings, Inc. (formerly STI Investments, Inc.), Philippine Life Financial Assurance Corp., Manila Bay Spinning Mills, Inc., United Coconut Chemicals, Inc., MB Paseo, Philippine Health Educators, Inc., iACADEMY, PhilhealthCare, Inc., 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. He was also awarded a Doctorate of Humanities degree, honoris causa, from the Palawan State University.

Monico V. Jacob, 72, Filipino, Director

Mr. Jacob has been the President and CEO of STI Holdings since 17 March 2010. He is likewise a member of the Executive, Compensation and Compliance Committees of STI Holdings.

Mr. Jacob is the Vice-Chairman and CEO of STI Education Services Group, Inc., and President of STI West Negros University. He is also the President of Eximious Holdings, Inc. (Formerly, Capital

Managers and Advisors, Inc.), Maestro Holdings, Inc. (formerly STI Investments, Inc.) and Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.)

Mr. Jacob is the Chairman of Philippine Life Financial Assurance Corporation, Philhealthcare, Inc., Total Consolidated Asset Management, Inc., and Global Resource for Outsourced Workers, 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., 2Go Group, Inc., 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 Information and Communications Technology (iACADEMY), Inc.,

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.

Joseph Augustin L. Tanco, 35, Filipino

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

Mr. Tanco is currently the President and Chief Executive Officer of Philippine Life Financial Assurance Corporation, PhilhealthCare, Inc. 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 Director and Treasurer of PhilPlans First, Inc., Director and member of the Nomination and Election Committee of STI Education Services Group, Inc., Director and Vice President of Eujo Phils. Inc., Director of Maestro Holdings, Inc. (formerly STI Investments, Inc.), iAcademy, STI West Negros University, Eximious Holdings, Inc. (Formerly, Capital Managers and Advisors, Inc.), Prime Power Holdings Corporation, Global Resource for Outsourced Workers (GROW), Venture Securities, Inc., Bloom with Looms Logistics, Inc. (formerly Southern Textiles Mills, Inc.) and Biolim Holdings & Management Corporation (formerly Rescom Developers, Inc.).

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.

Ma. Vanessa Rose L. Tanco, 39, Filipino, Director

Ms. Tanco has been a Director and member of the Nomination Committee of STI Holdings since 27 October 2010.

She also holds directorships at STI West Negros University, STI ESG, PhilPlans First, Inc., and Philhealth Care, Inc. Currently, she is the President and CEO of Information and Communications Technology Academy, Inc. or popularly known as iACADEMY.

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

Martin K. Tanco, 51, Filipino, Director

Mr. Tanco has been a Director of STI Holdings since 19 December 2012. He is likewise a member of the Executive and Audit Committees of STI Holdings.

Mr. Tanco is the Director for Investment of Philplans First, Inc. He is the President of the Philfirst Condominium Association and Vice President of Manila Bay Thread Corporation (Formerly: Coats Manila Bay).

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, 48, Filipino, Director

Mr. Bautista has been a Director of STI Holdings since 19 December 2012. He is likewise the Chief Investment Officer, Head of Corporate Strategy and a member of the Audit and Compliance Committees of STI Holdings.

Mr. Bautista is an advisor to the Investment Committee of PhilPlans. He has over 20 years' 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 a Master of Science degree in Management from the Arthur D. Little School of Management, Cambridge, MA.

Rainerio M. Borja, 54, Filipino, Director

Mr. Borja has been a Director of STI Holdings since 19 December 2012. He is likewise a member of the Executive and Nomination Committees of STI Holdings.

Mr. Borja serves as a Director of STI ESG, PhilPlans, Inc. 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, for a total of 24 sites. Under Bong'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, the company 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 of Science 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.

Teodoro L. Locsin, Jr., 68, Filipino, Director

Mr. Teodoro L. Locsin, Jr. was elected as Director of STI Holdings at the regular meeting of the Board of Directors of the Company held on 2 February 2015.

Ambassador Locsin currently serves as the Philippine Permanent Representative to the United Nations. He has also been an independent director of The Medical City since 2005 and Asian Terminals, Inc. since 2010 and a member of the Board of Governors of iACADEMY. He is also the Chairman of the Audit Committee and member of the Executive Committee of Asian Terminals, Inc.

He served as member of the House of Representatives from 2001 to 2010. He is an editorial writer, television host and speechwriter of former Presidents Corazon C. Aquino, Joseph E. Estrada and Gloria M. Arroyo. He also served as a Minister of Information during President Aquino's term.

Mr. Locsin, Jr. worked at Angara Abello Concepcion Regala and Cruz Law Offices and he served as the executive assistant to the Chairman of Ayala Corporation and Bank of the Philippine Islands, Mr. Enrique Zobel.

He obtained his Bachelor of Laws from the Ateneo de Manila University and Master of Laws from Harvard University.

Johnip Cua, 60, Filipino, Independent Director

Mr. Cua has been an Independent Director of STI Holdings since 19 December 2012. He is likewise the Chairman of the Audit Committee of STI Holdings.

Mr. Cua is an Independent Director of Philplans First, Inc., BDO Private Bank, Century Pacific Food, Inc., Philippine Airlines, Inc., PAL Holdings, Inc., Eton Properties Philippines, Inc., MacroAsia Corporation, MacroAsia Catering Services, MacroAsia Airport Services Corporation, MacroAsia Properties Development Corporation and Allied Botanical Corporation. He is also the Chairman and President of Taibrews Corporation, and a director of Alpha Alleanza Manufacturing, Inc., Interbake Marketing Corporation, Lartizan Corporation, and Teambake Marketing Corporation.

Mr. Cua serves as the Chairman of the Board of Trustees of Xavier School, Inc. and P&Gers Fund, Inc. He is also a member of the Board of Trustees of Xavier School Educational & Trust Fund.

Mr. Cua served as the first Filipino President and General Manager of Procter & Gamble Philippines, Inc. from 1995 to 2006. He also held the position of Vice President, Marketing Function from 2003 to 2006 and Vice President, Market and Customer Operations from 2000 to 2003 for ASEAN, Australasia and India.

Mr. Cua has received the following citations: GK Bayani Nation Builder, Gawad Kalinga (2006); 100 Most Outstanding U.P. Alumni Engineers (2009); 2007 Most Distinguished Alumnus, U.P. Alumni Engineers, College of Engineering, U.P. Diliman; Outstanding Achievement in Marketing Management (1998 Agora Awards); Lifetime Capability Development Award, Procter& Gamble Philippines (2006); Passionate Leadership Award, Procter & Gamble Global Marketing Organization (2006).

Mr. Cua earned his Bachelor of Science degree in Chemical Engineering from the University of the Philippines.

Jesli A. Lapus, 67, Filipino, Independent Director

Mr. Lapus was elected as Director of STI Holdings on 21 March 2013. He was then elected as an Independent Director of STI Holdings at the Annual Stockholders Meeting held on 4 October 2013.

Mr. Lapus is currently Chairman and Independent Director of STI Education Services Group, Inc.; Independent Director of Metropolitan Bank & Trust Company and Philippine Life Financial Assurance Corporation. He is a Governor of 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. and Advisory Board Member of Radiowealth Finance Company, Inc. He is also a director of Attenborough Holdings Corporation.

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)

Mr. Lapus earned his Doctor of Public Administration (honoris causa) from Polythechnic University of the Philippines; Master in Business Management from 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.

Robert G. Vergara, 56, Filipino, Independent Director

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

Yolanda M. Bautista, 64, Filipino, Treasurer

Ms. Bautista has served as the Treasurer of STI Holdings since 17 March 2010. She is likewise a member of the Executive, Compensation and Compliance Committees of STI Holdings. She resigned as director of STI Holdings on 10 December 2013. Her resignation as Director of the Company was not due to any disagreement with STI Holdings on any matter relating to its operations, policies or practices.

Ms. Bautista is 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. (Formerly, Capital Managers and Advisors, Inc.), Banclife Insurance Co., Inc., Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.), DLS-STI College, Inc., and Information and Communications Technology Academy (iAcademy), Inc. She is also the Group Chief Financial Officer of Philippine Life Financial Assurance Corporation and Philhealthcare, Inc. as well as the Chief Financial Officer and Treasurer of STI ESG and STI West Negros University. 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. (Formerly Southern Textiles Mills, Inc.) She serves as Treasurer of Aberlour Holding Company, Daven Holdings, Inc., Harbourside Holding Corporation, Maestro Holdings, Inc. (Formerly: STI Investments, Inc.), 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. and Neschester Corporation.
Ms. Bautista is a Certified Public Accountant. She graduated Magna Cum Laude from the Univesity of Sto. Thomas with a Bachelor of Science degree in Commerce, major in Accounting.

Arsenio C. Cabrera, Jr., 57, Filipino, Corporate Secretary

Atty. Arsenio C. Cabrera, Jr. was elected Corporate Secretary and Chairman of the Compliance Committee of STI Holdings on 17 March 2010. He is also the current Corporate Information Officer of the Company.

Atty. Cabrera is a Managing Partner of Herrera Teehankee & Cabrera Law Offices. He is currently General Counsel and Corporate Information Officer of STI Education Services Group, Inc. He also serves as Corporate Secretary of Amina, Inc. Asiateleservices, Inc., BOIE Drug, Inc., BOIE, Incorporated, BOIE Prime, Inc., Bountiful Geomines, Inc., Calatagan Bay Realty, Inc., Canlubang Golf and Country Club, Inc., Classic Finance, Inc., Coinage, Inc., Comm & Sense, Inc., DLS-STI Colleges, Inc., DLS-STI College Quezon Avenue, Inc., Eximious Holdings, Inc. (Formerly, Capital Managers and Advisors, Inc.), EUJO Phils. Incorporated, First Optima Realty Corporation, GEOGRACE Resources Philippines, Inc., Gurango Software Corporation, Heritage Park Management, Inc., Lasik Surgery, Inc., Lorenzo Shipping Corporation, Maestro Holdings, Inc., Masbate13 Philippines, 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, Philippines First Insurance Co., Inc., Philippine Life Assurance Financial Corporation, Philhealthcare, Inc., Philplans First, Inc., Renaissance Condominium Corporation, Rosehills Memorial Management Philippines, Inc., Sinoma Energy Conservation (Philippines) Waste Heat Recovery Co., Inc., Sonak Holdings, Inc., STI West Negros University, Inc., Tantivy Holdings, Inc., (Formerly, Insurance Builders, Inc.), Techglobal Data Center, Inc., TechZone Philippines, Inc., Total Consolidated Asset Management, Inc., Trend Developers, Inc., Venture Securities, Inc., Villa Development Corporation and WVC Development Corporation.

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

Anna Carmina S. Herrera, 42, Filipino, Assistant Corporate Secretary

Atty. Anna Carmina S. Herrera was elected Assistant Corporate Secretary of the Company on 17 March 2010.

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., Lorenzo Shipping Corporation, Palisades Condominium Corporation, Philhealthcare, Inc., Philippines First Insurance Co., Inc., Philippine First Condominium Corporation, Philippine Life Financial Assurance Corporation and Venture Securities, Inc.

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

(b) 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.

(c) Family Relationships

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

Mr. Martin 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.

(d) 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:

(1) 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;

(2) any conviction by final judgment;

(3) 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 his involvement in any type of business, securities, commodities or banking activities; and

(4) 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.

(2) Certain Relationships and Related Transactions

The Company has the following major transactions with related parties:

Land Held for Swap

On 21 March 2013, the Board of STI ESG approved the transfer of land to Techzone Philippines, Inc. (“Techzone”), a company under common control with the Group, in exchange for condominium units.

In April 2013, STI ESG and Techzone entered into a real estate mortgage amounting to ₽800 million with STI ESG’s land as collateral for Techzone’s loan, to obtain the funds needed for Techzone to develop the property.

In August 2013, the Deed of Absolute Sale for the sale of the land was executed between STI ESG and TechZone in accordance with the BOD approval. Title to the land has now been transferred in favor of TechZone and consequently, the amount was reclassified, including other directly attributable costs, as “Condominium deposit.” Development of the condominium project is likewise ongoing.

As of 31 March 2015, TechZone has already completed the construction of the condominium units and has turned-over the units for retrofitting. As a result, the Group applied the “Condominium deposit” amounting to ₽396.3 million and recognized the total purchase price of the condominium units amounting to ₱560.0 million plus directly attributable costs amounting to ₱8.4 million, under the "Investment properties" account. The resulting difference, which amounted to ₱172.1 million, was accounted for as "Gain on exchange of land" in the 2015 consolidated statement of comprehensive income.

Consultancy Agreement with STI ESG

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

Consultancy Agreement with STI WNU

The Company entered into an agreement with STI WNU on the rendering of advisory services starting 01 January 2015.

Agreement with Comm & Sense

On 17 February 2015, a Service Level Agreement between the Company and Comm & Sense, Inc. owned by Mr. Joseph Augustin L. Tanco, Director and Vice President for Investor Relations of STI Holdings, was executed. Comm & Sense is in charge of the conceptualization and execution of media interviews, development of editorial requirements of the Company, media relations strategy, media invitation and follow-ups, and media monitoring. They are in charge of the Press Releases for the Corporation, development of story angles, writing and editing of articles.

Attenborough Holdings Corporation ("AHC")

Since February 2015, STI Holdings owns 100% of AHC (see Note 3 of the Audited Consolidated Financial Statements).

AHC is a holding company which is a party to the Joint Venture Agreement and Shareholders' Agreement among the Parent Company, Philippine Women's University ("PWU") and Unlad Resources Development Corporation ("Unlad"). Under the Agreements, AHC is set to own up to 20% of Unlad. AHC is also a party to the Omnibus Agreement it executed with the Parent Company and Unlad (see Note 3 of the Audited Consolidated Financial Statements).

On 1 March 2016, AHC executed a Deed of Assignment wherein AHC assigned to STI Holdings its loan to Unlad, including capitalized foreclosure expenses, amounting to ₱66.7 million for a cash consideration of ₱73.8 million (see Note 32 of the Audited Consolidated Financial Statements).

Acquisition of Neschester Corporation

On 2 August 2016, STI Holdings subscribed to all of the unissued authorized capital stock of Neschester Corporation ("Neschester") totaling to 670,000 common shares of stock of Neschester at a subscription price of ₱200.0 million. STI Holdings also purchased all of the issued shares of Neschester owned by the former stockholders of Neschester totaling 550,000 common shares at an aggregate purchase price of ₱173.2 million. As a result, STI Holdings owns 100% of the issued, outstanding and authorized capital stock of Neschester as at 31 March 31 2017 (See Note 3 of the Audited Consolidated Financial Statements).

The major asset of Neschester is a parcel of land in Makati City which will be the site of iACADEMY's Yakal campus (See Note 10 of the Audited Consolidated Financial Statements).

Acquisition of iACADEMY

On 27 September 2016, STI Holdings entered into a deed of sale with STI ESG wherein the Parent Company acquired from STI ESG 100% ownership in iACADEMY. As a result, iACADEMY became a direct wholly-owned subsidiary of STI Holdings. The acquisition by STI Holdings of iACADEMY is accounted for as a business combination under common control and management opted to use the pooling of interests method. The carrying value of non-controlling interests in iACADEMY amounting to ₱1.7 million was reallocated to equity attributable to the equity holders of STI Holdings and recorded as part of "other equity reserve".

To date, there are no complaints received by the Company regarding related-party transactions.

For further details, please refer to Note 29, Related Party Transactions, of the Audited Consolidated Financial Statements.

Transactions with Promoters

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

(3) Disagreement with a Director

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Item 6. Compensation of Directors and Executive Officers

(1) During the 28 June 2010 meeting of the Board of Directors, the Board approved a resolution increasing the per diems of the directors from ₱10,000.00 to ₱15,000.00 per board meeting. The directors are paid ₱15,000.00 per committee meeting attended by them. There is no arrangement for compensation of directors.

From FY 2014-2015 up to 2016-2017, the CEO and top four (4) executive officers as a group, did not receive compensation from the Company. There is no employment contract between the Company and any of its executive officers.

(2) The following table summarizes the aggregate compensation for the fiscal years ended 31 March 2014-2015, 2015-2016 and 2016-2017. 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 31 March 2014-2015, 2015-2016 and 2016-2017 and what the Company expects to pay for the fiscal year ended 31 March 2017-2018.

The compensation for board members comprises per diems.

ANNUAL COMPENSATION

Name and principal Position	Fiscal Year Ended 31 March	Salary (₱)	Bonus (₱)	Other annual compensation (₱)
All other Officers as a Group	2014-2015	2,439,389.95	-	-
	2015-2016	4,757,533.41	-	-
	2016-2017	2,720354.74	-	-
	2017-2018	3,038,265.00 [1]	-	
All Named Executive Officers[2]	2014-2015	-	-	1,352,941.23

and Board of Directors as a Group				
	2015-2016	-	-	564,705.92
	2016-2017			511,764.74
	2017-2018			511,764.74[1]

Notes:
[1] Figures are estimated amounts.
[2] Named executives include: Eusebio H. Tanco (Chairman of the Board), Monico V. Jacob (President and CEO), Joseph Augustin L. Tanco (Vice President, Investor Relations), Yolanda M. Bautista (Treasurer) and Atty. Arsenio Cabrera, Jr. (Corporate Secretary).

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

(5) There are no actions to be taken with regard to 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 (2010 up to the present). They were reappointed in the Annual Stockholders' Meeting held on 30 September 2016, 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 second year of engagement for STI Holdings.

SGV & Co. shall be recommended for reappointment as external auditor of the Corporation during the Annual Stockholders' Meeting on 29 September 2017.

(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 31 March 2017 "Statement of Management Responsibility for Financial Statements", SGV is the appointed independent auditors of STI Holdings. 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. Johnip G. Cua, Independent Director, is currently the Chairman of the Audit Committee while Messrs. Martin K. Tanco and Paolo Martin O. Bautista are its Members.

The Company engaged SGV for the annual audit covering the period from 1 April 2016 to 31 March 2017 for Php1,100,000.00. The engagement letter dated 27 April 2017 for the year-end audit was sent to the Company on8 May 2017.

The following information pertains to their fees and charges over the last two fiscal years (amounts in thousands):

	2016-2017	2015-2017
Audit Fees	₱1,100	₱935
Tax Fees	-	-
All Other Fees	₱246*	₱1,281

*Represents professional fees paid for the 2016 Corporate Governance Seminar attended by all the members of the Board and officers of STI Holdings and its group amounting to P140,000 and for general tax advisory fees amounting to Php106,470. .

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 30 September 2016 Annual Stockholders' Meeting. The Minutes of the 30 September 2016 Annual Stockholders' Meeting contained the following items:

1. Call to Order
2. Certificate of Notice and Quorum
3. Approval of the Minutes of the 25 September 2015 Annual Shareholders' Meeting
4. Presentation of Management Report
5. Approval of Audited Financial Statements as of 31 March 2016
6. Ratification of Legal Acts, Proceedings and Resolutions of the Board of Directors and of Management from 25 September 2015 up to 30 September 2016
7. Ratification of legal acts, proceedings and resolutions of the Board of Directors and of Management
8. Election of Directors
9. Appointment of External Auditor
10. 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 30 September 2016 up to 29 September 2017. Said acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting on 30 September 2016 up to 29 September 2017 include, among others: (a) the appointment of officers; (b) the opening of bank accounts and the appointment of signatories; (c) execution of contracts; (d) the sale of a parcel of land in Davao City; (e) the approval to act as surety for the purposes of securing the loan of Information and Communications Technology Academy from China Banking Corporation in the amount of Eight Hundred Million Pesos (Php800,000,000.00); and (f) approval of Audited Financial Statements as of 31 March 2017.

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 30 September 2016 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 30 September 2016

(2) Ratification of all acts of the Board of Directors and of Management from 30 September 2016 up to 29 September 2017

(3) Election of eleven (11) members of the Board of Directors

(4) Approval of the Audited Financial Statements as of 31 March 2017

(5) Election of Directors

(6) Election 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 Corporate Governance Manual and related SEC Circulars.

The 2016 Annual Corporate Governance Report ("2016 ACGR") of STI Holdings was submitted to the SEC and PSE on 15 May 2017 and posted in the Company's Official Website http://www.stiholdings.com/ on the same date. This is pursuant to SEC Memorandum Circular No. 20, Series of 2016, on the submission of the 2016 ACGR of the Company in accordance with SEC Memorandum Circular No. 5, Series of 2013 and SEC Memorandum Circular No. 12, Series of 2014.

The Company did not deviate from the provisions of the Amended Manual on Corporate Governance. It has adopted the leading practices and principles of corporate transparency to ensure its full compliance.

The Company is exerting all efforts to further strengthen compliance to principles and practices of good corporate governance. Once in a year, it organizes an in-house corporate governance seminar for all the directors and key officers of STI Holdings and its subsidiaries and affiliate companies.

The 2017 Manual on Corporate Governance of the Company was submitted to the SEC and PSE on 31 May 2017 and posted in the Company's Official Website http://www.stiholdings.com/ on the same date. This is pursuant to SEC Memorandum Circular No. 19 dated 22 November 2016, series of 2016.

STI EDUCATION SYSTEMS HOLDINGS, 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, 5/F 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 4 August 2017.

STI EDUCATION SYSTEMS HOLDINGS, INC.
Issuer

ARSENIO C. CABRERA, JR.
Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JOHNIP G. CUA**, Filipino, of legal age, with residence address at No. 19 Warbler Street, Greenmeadows Subdivision, Quezon 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 Systems Holdings, Inc. and have been an independent director since 19 December 2012.

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

Company/Organizations	Position/Relationship	Period of Service
Taibrews Corporation	Chairman/ President	2011 to present
Xavier School, Inc.	Chairman of the Board of Trustees	2102 to present (Trustee since 1993)
P&Gers Fund, Inc.	Chairman of the Board of Trustees	2009 to present
Philplans First, Inc.	Independent Director	30 September 2009 to present
BDO Private Bank	Independent Director	2008 to present
Century Pacific Food Incorporated	Independent Director	2014 to present
Philippine Airlines, Inc.	Independent Director	2014 to present
PAL Holdings, Inc.	Independent Director	2014 to present
Eton Properties Philippines, Inc.	Independent Director	2014 to present
MacroAsia Corporation	Independent Director	2006 to present
MacroAsia Catering Services, Inc.	Independent Director	2007 to present
MacroAsia Airport Services Corporation	Independent Director	2007 to present
MacroAsia Properties Development Corporation	Independent Director	2013 to present
Allied Botanical Corporation	Independent Director	2012 to present
Alpha Alleanza Manufacturing, Inc.	Director	2008 to present
Interbake Marketing Corporation	Director	1991 to present
Lartizan Corporation	Director	2007 to present
Teambake Marketing Corporation	Director	1994 to present
Xavier School Educational & Trust Fund	Member of the Board of Trustees	1996 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of STI Education Systems Holdings, 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 Systems Holdings, 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 the 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 Systems Holdings, 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 ________ day of AUG 0 3 2017 2017 at Makati City.

JOHNIP G. CUA

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY ~~**MAKATI CITY**~~ **)S.S.**

AUG 0 3 2017

SUBSCRIBED AND SWORN to before me this ____ day of ______________ 2017 at QUEZON CITY ~~Makati City~~, affiant personally appeared to me and exhibited to me his Passport No. EC4417377 issued on 16 June 2015 at DFA NCR East.

Doc. No. 132 ;
Page No. 27 ;
Book No. 51 ;
Series of 2017.

JOEL G. GORDOLA
Notary Public
Commission expires until December 31, 2017
Adm. No. 069; Roll No. 25103
IBP No. 1058826 1/04/17; Q.C.
PTR No. 3693408; 1/03/17; Q.C.
TIN 126-768-809; MCLE No. V-0001531
Unit 1 # 878 Quirino Hiway, Gulod, Novaliches, Q.C.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JESLI A. LAPUS**, Filipino, of legal age, with residence address at #3 Galaxy Street, Bel-Air 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 Systems Holdings, Inc. and have been an independent director since 4 October 2013 to present.

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 Services Group, Inc.	Chairman/Independent Director	5 September 2013 to present
Philippine Life Financial Assurance Corporation	Independent Director	1 June 2012 to present
Information and Communications Technology Academy, Inc.	Member - Board of Governors/ Independent Director	9 December 2010 to present
Attenborough Holdings Corporation	Independent Director	11 March 2015 to present
PhilPlans First, Inc.	Member - Investment Committee	7 June 2011
Neschester Corporation	Independent Director	15 December 2016 to present
Metropolitan Bank and Trust Company	Independent Director	
LBP Service Corporation	Chairman	
Asian Institute of Management - Center for Tourism	Chairman	
Radiowealth Finance Co., Inc.	Advisory Board Member	

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of STI Education Systems Holdings, Inc., as provided for in Section 38 of the Securities Regulation 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 Systems Holdings, 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 the 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 Systems Holdings, Inc. of any changes in the above-mentioned information within five (5) days from its occurrence.

IN WITNESS WHEREOF, I have executed this Certificate of Independent Directors on ~~this~~ AUG 0 2 2017 ~~day~~ of August 2017 at Makati City.

JESLI A. LAPUS

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

SUBSCRIBED AND SWORN to before me ~~this~~ AUG 0 2 2017 day of August 2017 at Makati City, affiant personally appeared to me and exhibited to me his Passport No. EB9885998 issued on 26 December 2013 at DFA Manila.

Doc. No. 398;
Page No. 82;
Book No. I;
Series of 2017.

JAYPEE B. ORTIZ
Notary Public
Appointment No. M-312
Notary Public for Makati City
Until 31 December 2018
5/F SGV II BLDG., 6758 AYALA AVENUE
MAKATI CITY
ROLL OF ATTORNEYS NO. 66493
PTR No. 5926728 / Makati / 12 January 2017
IBP No. 1066712 / Makati / 12 January 2017

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ROBERT G. VERGARA**, Filipino, of legal age, with residence address at Apt 2157, Tower 9, Parkview, 88 Tai Tam Reservoir Road, Hong Kong SAR, 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 Systems Holdings, 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 Services Group, Inc.	Independent Director	27 July 2017 to present
Cabanatuan Electric Corporation	Director	26th June 2010
SEA CREST Fund	Director	30th March 2009

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of STI Education Systems Holdings, 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 Systems Holdings, 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 the 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 Systems Holdings, 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 ______ day of ________________ 2017 at Makati City.

ROBERT G. VERGARA

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

JUL 27 2017

SUBSCRIBED AND SWORN to before me this ________ day of ________________ 2017 at Makati City, affiant personally appeared me and exhibited to me his Tax Identification No. 911-598-729.

Doc. No. 51;
Page No. 12;
Book No. 190;
Series of 2017.

2017 Certification of Independent Director [RGVergara]/ ACC Client(ACCflashdrive-2017)

ATTY. HOBERT N. LLUZ
NOTARY PUBLIC
Until December 31, 2017
Appt. No. M-20, Makati City
IBP #1052367 for 2017, Nov. 22, 2016-RSM
PTR #5909501, Jan. 03, 2017-Makati
S.C. Roll No. 59597
MCLE Compliance No. V-0015439; 9 March 2016
Unit 301 3rd Flr. Campos Rueda Bldg.
101 Urban Avenue, Brgy. Pio del Pilar
Makati City

MANAGEMENT REPORT

Group History and Structure

STI Education Systems Holdings, Inc.

STI Education Systems Holdings, Inc. ("STI Holdings" or the "Company") was originally established in 1928 as the Philippine branch office of Theo H. Davies & Co., a Hawaiian corporation. It was reincorporated as a Philippine corporation in 1946. After many years of operations as part of the Jardine-Matheson group, STI Holdings was sold to local Philippine investors in 2006. In March 2010, it became part of the Tanco Group of Companies.

STI Holdings is the holding company within the Tanco Group that drives investment in its education business. It is a publicly-listed company in the Philippine Stock Exchange ("PSE") and its registered office address and principal place of business is 7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City. Unless indicated otherwise or the context otherwise requires, reference to the "Group" are to STI Holdings and its subsidiaries.

In June and August 2012, the Board of Directors and stockholders of the Company, respectively, approved the share-for-share swap transaction (the "Share Swap") between the shareholders of the Company and the shareholders of STI Education Services Group, Inc. ("STI ESG Shareholders") and the corresponding increase in the Company's authorized capital stock from 1,103,000,000 shares with an aggregate par value of ₱551.5 million to 10,000,000,000 shares with an aggregate par value of ₱5 billion. The Securities and Exchange Commission ("SEC") approved both the Share Swap and increase in authorized capital stock in September 2012.

On the latter part of August 2012, the Board of Directors of STI Holdings approved the offering and issuance by way of a follow-on offering of up to a maximum of 3 billion common shares of the Company. The Offer, comprised of Primary Offering, Secondary Offering and the Over Allotment Option were all executed and completed in November 2012 where a total of 2,900,000,000 shares were issued following its listing in the PSE.

As of 31 March 2017 and 31 March 2016, STI Holdings has outstanding shares totaling 9,904,806,924 out of its authorized capital stock of 10 billion shares.

STI Holdings has five subsidiaries, namely: STI Education Services Group, Inc. ("STI ESG"), STI West Negros University, Inc. ("STI WNU"), Information and Communications Technology Academy, Inc. ("iACADEMY"), Attenborough Holdings Corporation ("AHC") and Neschester Corporation ("Neschester").

Consolidation of STI Education Services Group, Inc. ("STI ESG") into STI Holdings

In August 2012, STI Holdings' shareholders approved an increase in share capital from 1,103,000,000 shares with an aggregate par value of ₱551.5 million to 10,000,000,000 shares with an aggregate par value of ₱5 billion and a share swap agreement with the STI ESG Shareholders. The SEC approved the agreement and the increase in the authorized capital of the Company in September 2012. By end of October 2012, the consolidation of the two companies was completed.

In view of the increase in its authorized capital stock and pursuant to the Share Swap, STI Holdings issued 5,901,806,924 shares to STI ESG Shareholders in exchange for 907,970,294 common shares of STI ESG. As a result, immediately after the Share Swap, the STI ESG Shareholders who joined the Share Swap owned approximately 84% interest in STI Holdings while STI Holdings increased its shareholdings to 96.0% of the total issued and outstanding capital stock of STI ESG.

In November and December 2012, STI Holdings subscribed to 2.1 billion STI ESG shares. In July 2013, the Company acquired an additional 328,125 shares. STI Holdings' ownership of STI ESG is at 98.66% as of 31 March 2017 and 31 March 31 2016.

Acquisition of West Negros University

On 1 October 2013, STI Holdings acquired 99.45% of the issued and outstanding common shares and 99.93% of the issued and outstanding preferred shares of West Negros University Corp., now known as STI West Negros University, a leading university in the City of Bacolod in Negros Occidental.

West Negros University offers a wide variety of programs and complements the courses offered by the Company's other subsidiary, STI ESG.

The acquisition is part of the planned expansion of the Company. It not only widened its course offerings at the tertiary level but the acquisition also provided STI Holdings another entry into basic education which is the focus of the government's K to 12 program, and into the graduate school level which is vital in updating the development of human capital in the country.

In May 2015, the SEC approved the change in the corporate name of West Negros University Corp. to STI West Negros University, Inc.

Acquisition of iACADEMY

On 27 September 2016, STI Holdings purchased One Hundred Million (100,000,000) iACADEMY shares or 100% of iACADEMY's issued and outstanding capital stock from STI ESG. STI Holdings also subscribed to ₱100 million of the ₱400 million increase in the authorized capital stock of iACADEMY. On 9 November 2016, the SEC approved the increase in the authorized capital stock of iACADEMY. As of said date, the authorized capital stock of iACADEMY is at ₱500 Million with ₱ 200 Million subscribed and fully paid by STI Holdings. As a result, iACADEMY is now a 100% subsidiary of STI Holdings.

Attenborough Holdings Corporation ("AHC")

The Company became a stockholder owning 40% of AHC in November 2014 following the SEC approval of the increase in the authorized capital stock of AHC. In February 2015, STI Holdings acquired the remaining 60% ownership of AHC from various individuals making it a 100% owned subsidiary.

AHC is a holding company which is a party to the Joint Venture Agreement and Shareholders' Agreement ("the Agreements") among Philippine Women's University (PWU"), Unlad Resources Development Corporation ("Unlad") and the Benitez Group. Under the Agreements, AHC is set to own up to 20% of Unlad. AHC is also a party to the Omnibus Agreement it executed with STI Holdings and Unlad.

On 1 March 2016, AHC executed a Deed of Assignment wherein AHC assigned to STI Holdings its loan to Unlad, including capitalized foreclosure expenses, amounting to ₱66.7 Million for a cash consideration of ₱73.8 Million.

Acquisition of Neschester

On 2 August 2016, STI Holdings subscribed to all of the unissued authorized capital stock of Neschester totaling to Six Hundred Seventy Thousand (670,000) common shares of stock (the "Subscribed Shares") of Neschester at a subscription price of ₱200 Million. STI Holdings also purchased all of the issued shares of Neschester owned by the former stockholders of said corporation totaling Five Hundred Fifty Thousand (550,000) common shares (the "Sale Shares") at an aggregate purchase price of ₱173.2 Million. As a result of STI Holdings' subscription to the Subscribed Shares and the purchase by STI Holdings of the Sale Shares, STI Holdings now owns 100% of the issued, outstanding and authorized capital stock of Neschester.

The major asset of Neschester is a parcel of land in Makati City with an area of 2,332.5 sq. m. iACADEMY had its groundbreaking ceremony on 20 September 2016 on this parcel of land which will be the site of its Yakal campus. Land development and building construction started in December 2016.

Market for Company's Common Equity and Related Stockholder Matters

(1) Market Information

The Company's common stock is traded on the PSE under the stock symbol "STI". As of the date of this Report, the Company has 9,904,806,924 shares outstanding.

As of 31 July 2017, the high share price of the Company was Php 1.49 and the low share price was Php 1.47.

The Company's public float as of 31 July 2017 is 3,591,646,024 shares equivalent to 36.26% of the total issued and outstanding shares of the Company.

The following table sets forth the Company's high and low intra-day sales prices per share for the past three years and the first and second quarters of 2017:

	High	Low
2017		
Second Quarter	1.57	1.02
First Quarter	1.23	0.95
2016		
Fourth Quarter	1.02	0.65
Third Quarter	0.68	0.57
Second Quarter	0.72	0.56
First Quarter	0.59	0.36
2015		
Fourth Quarter	0.52	0.39
Third Quarter	0.71	0.47
Second Quarter	0.70	0.64
First Quarter	0.75	0.63

(2) Holders

As of 31 July 2017, there were 1,257 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 31 July 2017.

NAME OF STOCKHOLDER	NUMBER OF SHARES	PERCENTAGE OF OWNERSHIP
PCD NOMINEE CORPORATION (FILIPINO)	2,792,991,494[1]	28.1983
PRUDENT RESOURCES, INC.	1,614,264,964	16.2978
PCD NOMINEE CORPORATION (NON-FILIPINO)	1,589,408,479	16.0468
TANCO, EUSEBIO H.	1,253,666,793	12.6572
BIOLIM HOLDINGS AND MANAGEMENT CORP. (FORMERLY: RESCOM DEVELOPERS, INC.)	794,343,934	8.0198
EUJO PHILIPPINES, INC.	763,873,130	7.7121
TANTIVY HOLDINGS, INC. (FORMERLY: TANTIVY HOLDINGS, INC. (FORMERLY, *tem*))	626,776,992	6.3280
STI EDUCATION SERVICES GROUP, INC.	397,908,895	4.0173
MANILA BAY SPINNING MILLS, INC.	47,583,562	0.4804
TANCO, ROSIE L.	13,000,000	0.1312
VITAL VENTURES MANAGEMENT CORPORATION	2,800,000	0.0283
YU, JUAN G. YU OR JOHN PETER C.	1,300,000	0.0131
CASA CATALINA CORPORATION	1,000,000	0.0101
HTG TECHNOLOGIES, INC.	1,000,000	0.0101
EDAN CORPORATION	861,350	0.0087
YU, JUAN G. YU OR JOHN PHILIP	600,000	0.0061
LERIO CABALLERO CASTIGADOR AND/OR VICTORINA	399,000	0.0040
TACUB, PACIFICO B.	200,000	0.0020
VICSAL SECURITIES & STOCK BROKERAGE, INC.	129,500	0.0013
E. SANTAMARIA & CO., INC.	128,919	0.0013

(3) Cash Dividends

On 11 November 2014, cash dividends amounting to ₱ 0.02 per share were paid to stockholders of record as of 17 October 2014.

On 5 November 2015, cash dividends amounting to ₱0.02 per share were paid to stockholders of record as of 12 October 2015.

On 10 November 2016, cash dividends amounting to Php0.02 per share were paid to stockholders of record as of 14 October 2016.

Dividends will be evaluated by the Board of Directors on an annual basis. It shall be the policy of the Company to declare dividends whenever there are unrestricted retain earnings available. Such

[1] Eusebio H. Tanco is the beneficial owner of 213,268,082 shares. Prudent Resources, Inc. is the beneficial owner of 5,335,000 shares. Biolim Holdings and Management Corp. (Formerly: Rescom Developers, Inc.) is the beneficial owner of 1,005,000 shares. Eujo Philippines, Inc. is the beneficial owner of 16,160,000 shares. STI Education Services Group, Inc. is the beneficial owner of 102,524,000 shares. Tantivy Holdings, Inc. (Formerly: Insurance Builders, Inc.) is the beneficial owner of 3,000,000 shares.

declaration will take into consideration factors such as restrictions that may be imposed by current and prospective financial covenants; projected levels of operating results, working capital needs and long-term capital expenditures; and regulatory requirements on dividend payments, among others.

(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 Holdings and its subsidiaries (hereafter collectively referred to as the "Group") for the fiscal years ended 31 March 2017 and 2016. The following discussion should be read in conjunction with the attached audited consolidated financial statements of the Company as of and for the period ended 31 March 2017 and for all the other periods presented.

Financial Condition

March 31, 2017 vs. 2016

The Group's total assets as at March 31, 2017 increased by ₽3,791.2 million to ₽14,291.4 million from last year's ₽10,500.2 million. This is mainly due to the substantial increase in cash and cash equivalents representing the proceeds of fixed rate bonds issued by STI ESG amounting to ₽3 billion. Property and equipment also increased by ₽1,265.1 million as STI ESG acquired EDSA, Pasay City properties, future site of STI Academic Center Pasay-EDSA for ₽552.4 million. Initial construction works amounting to ₽241.8 million were recorded by iACADEMY on its Yakal campus.

Cash and cash equivalents stood at ₽3,198.7 million as at March 31, 2017, almost 5x the level as of March 31, 2016. The increase was contributed partly by cash generated from operations as well as the proceeds from the retail bond offering in March 2017.

Receivables, which consist mainly of receivables from students, increased by ₽138.7 million or 46%. The balance is composed of amounts expected to be collected as payment for tuition and other school fees from students and from the Department of Education ("DepEd"). 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. The outstanding balance of ₽51.1 million receivable from DepEd have been mostly collected as of report date.

Inventories increased by 211% or ₽83.9 million. This is mainly attributed to the build-up of the inventory of uniforms and textbooks in preparation for expected sales for the coming SY 2017-2018. Most of the inventories are intended for sale to the Senior High School ("SHS") students.

Prepaid expenses and other current assets increased by 56% or ₽53.7 million, net of the input value added tax ("VAT") applied to pay for output VAT on the rent collected by STI ESG during the year. Input VAT amounting to ₽7.0 million and ₽46.8 million were recognized by iACADEMY in relation to its building construction in Yakal, Makati City and by STI ESG on the purchase of its EDSA, Pasay City properties, respectively. Neschester also recorded ₽13.7 million input VAT as at March 31, 2017. Prepaid rent as of March 31, 2017 includes advance payments made for the lease of land for STI Calamba and STI Global City.

Property and equipment rose by ₱1,265.1 million net of depreciation expense for the period. This is largely attributed to the acquisition by STI ESG of EDSA, Pasay City properties amounting to ₱552.4 million and the construction costs as well as school equipment, furniture and fixtures purchased for STI College Las Piñas, which was completed in July 2016. Land owned by Neschester, which will be used as the site of iACADEMY's Yakal campus, was recorded at ₱359.5 million. Meanwhile, initial construction costs on said Yakal property reached ₱241.8 million as at March 31, 2017.

Investments in and advances to associates and joint ventures decreased by 23% as an associate registered declines in the market value of its investment in equities. The increase in the market value of the service assets of an associate softened the decline in profit. Inter-company receivables are generally settled in cash.

Deferred tax assets increased by ₱3.2 million mainly due to the ₱2.7 million deferred tax assets of Neschester.

Pension assets amounting to ₱2.8 million was recognized resulting from remeasurement gains due to the improved valuation of the equity shares in the plan assets for the period.

Goodwill, intangible and other noncurrent assets increased by ₱34.8 million, mainly due to deposits made for acquisition of properties in the province of Batangas for the future site of STI Lipa.

Accounts payable and other current liabilities declined by 23% or ₱136.3 million largely due to full payments made to contractors with the completion of the major construction projects as well as to the Bureau of Internal Revenue for taxes due.

STI ESG availed of short term loans during the year amounting to ₱1,793.0 million with interest rates ranging from 3.25%-3.75%. Total payments within the year amounted to ₱1,248.0 million. iACADEMY likewise obtained a short-term loan from a local bank amounting to ₱200.0 million. The loan is subject to 3.75% interest per annum and is due on July 14, 2017. As at 31 March 2017, STI ESG and iACADEMY registered outstanding short term loan balance of ₱545.0 million and ₱200.0 million, respectively. The short term loans were availed for working capital purposes and partly to finance STI ESG's acquisition of three parcels of land in EDSA, Pasay City and iACADEMY's construction of its Yakal campus.

Payments made for long term interest-bearing loans reduced both current and non-current portions by ₱49.0 million and ₱117.8 million, respectively.

Payments were also made for finance lease obligations, bringing down the balance payable by ₱0.2 million and ₱0.6 million, respectively, for current and non-current portions.

Unearned tuition and other school fees increased by ₱46.2 million from ₱54.1 million as at March 31, 2016 to ₱100.3 million as at March 31, 2017. The increase is primarily due to the change in school year implemented by iACADEMY such that June marked the end of school year for both tertiary and senior high school instead of March. The unearned revenue will be recognized as income over the remaining months of the school term.

Income tax payable declined by ₱26.9 million largely due to the ₱34.5 million paid by the Parent Company in July 2016. However, STI ESG registered increases in its income taxes payable reflecting the increased enrollment resulting to higher taxable income as compared to previous period.

STI ESG listed its ₱3 Billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the PDEx secondary market on March 23, 2017. 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 Bonds Payable are carried in the books at ₱2.9 billion, net of deferred finance charges, representing the bond issue costs, with carrying value of ₱53.0 million as at March 31, 2017.

Pension liabilities decreased by 34% to ₱48.1 million as of March 31, 2017 due to recognition of remeasurement unrealized gains based on actuarial reports.

Other noncurrent liabilities increased by ₱88.0 million as advanced rent and rental deposits were received by STI ESG on its investment properties. In addition, accounts payable to STI Diamond recorded at its present value of ₱57.1 million, net of current portion, was recognized upon the conveyance of its net assets to STI Novaliches in August 2016.

As at 31 March 2017, the Group's Cumulative actuarial gain increased by ₱28.7 million due to the impact of unrealized gains arising from improved market value of investment in equity securities of the pension plan assets.

In the same manner, the Group's share in associates' Cumulative actuarial gain as at March 31, 2017 improved to ₱0.7 million from previous year's Cumulative actuarial loss of ₱18.0 million, based on associates' actuarial reports for the year.

Unrealized mark-to-market loss on the Group's available-for-sale financial assets of ₱0.4 million as of March 31, 2016 improved to unrealized mark-to-market gain on available-for-sale financial assets amounting to ₱0.5 million as of March 31, 2017 substantially due to the higher market value of the Manulife shares held by STI ESG.

On the other hand, the Group's share in its associates' unrealized mark-to-market gains on their available-for-sale financial assets amounting to ₱120.9 million as of March 31, 2016 declined to register unrealized mark-to-market losses of ₱48.7 million as of March 31, 2017 due to lower market value of certain equities held by an associate.

The equity conversion of STI ESG's advances of ₱49.0 million to STI Taft, which resulted in the dilution of non-controlling interests, gave rise to additional ₱11.3 million on the equity reserve account. This was partially offset by the impact of the acquisition by STI Holdings of iACADEMY from STI ESG on the equity reserve account amounting to ₱1.7 million.

The Group recognized its share in associates' equity reserve amounting to ₱0.7 million as at March 31, 2017. This arose when Maestro Holdings Inc., an associate of STI ESG, invested additional capital in Philippine Life Financial Assurance Corporation, thus diluting its non-controlling interest.

Retained earnings increased by 11% or ₱446.6 million as a result of this year's net income earned less dividends declared.

March 31, 2016 vs. 2015

The Group's total assets as at March 31, 2016 slightly increased by ₱464.2 million to ₱10,500.2 million from last year's ₱10,036.0 million. This is mainly due to the net effect of the increase in Investment properties amounting to ₱1,258.8 million less the reductions in Noncurrent receivables, Investments in associates and joint ventures, and Cash balance of ₱561.9 million, ₱197.6 million and ₱138.7 million, respectively. In March 2016, the Parent Company acquired several properties in Quezon City and Davao City under a dacion en pago arrangement as settlement of its noncurrent receivables from Philippine Women's University ("PWU") and Unlad Resources Development Corporation ("Unlad").

Cash and cash equivalents stood at ₱664.8 million as at March 31, 2016 or 17 % lower than last year's ₱803.5 million substantially due to the payment of the Current portion of long term loans amounting to ₱236.0 million and dividends paid by both STI ESG and STI Holdings.

Receivables, which consist mainly of receivables from students, increased by ₱26.1 million or 9%. This is lower than the 17% increase in revenues from tuition and other school fees indicating improvement in collection from students.

Inventories increased by 12% or ₱4.1 million as the schools increased their stock of uniforms in preparation for the enrollment in the coming school year. Procurement of marketing, educational and proware materials was also ramped up primarily for STI ESG's SHS program.

Prepaid expenses decreased slightly by 10% mainly due to decreases in prepaid taxes/creditable withholding taxes and input VAT, as the input VAT related to the acquisition of condominium units by STI ESG in exchange for its land is applied to pay for the output VAT on the rent collected during the year for the lease of the said condominium units.

Property and equipment rose by ₱29.1 million net of depreciation expense for the period, as construction of the school building in STI College Las Piñas reached the half-way mark and construction activities in other campuses were completed. The additional classrooms in STI College Novaliches, STI College Caloocan and STI College Ortigas-Cainta were completed, as well as the gymnasium and warehouse in STI College Ortigas-Cainta. School equipment and furniture were also acquired for said schools.

Investment properties rose by ₱1,258.8 million due to the acquisition by the Parent Company of several properties in Quezon City and Davao City through dacion en pago arrangement pursuant to an agreement among STI Holdings, PWU, Unlad and Dr. Helena Z. Benitez ("HZB") for the extinguishment and settlement of the outstanding obligations of PWU and Unlad to STI Holdings.

Investments in and advances to associates and joint ventures decreased by 12% as an associate registered declines in the market value of its investments in equities.

Noncurrent receivables of ₱561.9 million were settled through a dacion en pago arrangement.

Deferred tax assets increased by ₱7.4 million mainly due to taxes paid on tuition and other school fees and rental income collected in advance. Following statutory regulations, income received or collected in advance shall be taxable in the same year said income was actually received. Unearned revenues represent payments received from SHS students who registered for the School Year ("SY") 2016-2017.

Goodwill, intangible and other noncurrent assets rose by ₱47.3 million or 14% mainly due to the down payment made to a contractor for the STI College Las Piñas campus construction project.

Accounts payable and other current liabilities declined by 10% or ₱67.5 million substantially due to payment to suppliers for completed expansion projects.

Both current and non-current portions of interest-bearing loans and borrowings declined by ₽119.2 million and ₽116.8 million, respectively, as principal payments were made during the period.

Payments were also made for finance lease obligations, bringing down the balance payable by ₽1.6 million and ₽2.9 million, respectively, for current and non-current portions.

Unearned tuition and other school fees increased by ₽33.5 million from ₽20.6 million as at March 31, 2015 to ₽54.1 million as at March 31, 2016. The increase is substantially due to the registration fees received from SHS students for SY 2016-2017.

Nontrade payable, which represents amounts withheld from the purchase price of STI WNU pending resolution of issues with STI WNU's former shareholders relative to the acquisition of STI WNU, decreased by ₽28.7 million as payments were made during the period.

Income tax payable rose by ₽42.1 million reflecting the increase in the Group's taxable income.

Other noncurrent liabilities of ₽31.4 million pertain to advance rent and security deposits paid by lessees of STI ESG's condominium units which were acquired in exchange for its land.

Pension liabilities increased by 14% to ₽72.6 million as of March 31, 2016 due to recognition of additional retirement obligations.

Deferred tax liability increased from ₽127.2 million as at March 31, 2015 to ₽237.3 million this year due to the ₽110.1 million deferred tax on the difference between the fair market value of the properties acquired through dacion and the total dacion price, which is now the recorded cost, of said properties.

Unrealized mark-to-market losses on available-for-sale financial assets increased from ₽0.001 million as at March 31, 2015 to ₽0.4 million this year as market values of shares held declined.

The Group's share in its associates' unrealized mark-to-market gains on available-for-sale financial assets decreased by 71% as the market values of certain equity shares declined as of the financial statements reporting date.

Cumulative actuarial gain decreased by ₽4.7 million as adjustments were made on actuarial valuations based on experience.

Retained earnings increased by 27% or ₽873.3 million as a result of this year's net income earned less dividends declared.

<u>Results of Operations</u>

Years ended March 31, 2017 vs. 2016

The continuous increase in number of enrollees in STI ESG owned and franchised schools propelled revenue growth by 14% or ₽356.2 million, reaching ₽2,933.0 million in total revenues this year.

The student enrollment of the schools under STI Holdings are as follows:

	SY 2016-2017	SY 2015-2016	Increase (Decrease)	
			Enrollees	Percentage
STI Network				
Owned schools	52,687	42,878	9,809	23%
Franchised schools	43,592	34,767	8,825	25%
	96,279	77,645	18,634	24%
iACADEMY	1,375	994	381	38%
STI WNU	6,073	6,091	(18)	0%
Total Enrollees	**103,727**	**84,730**	**18,997**	**22%**

Grouping the students in terms of government regulatory agencies supervising the programs, wherein CHED pertains to students enrolled in tertiary and post-graduate programs, Technical Education and Skills Development Authority ("TESDA") students are those enrolled in technical-vocational programs while DepEd pertains to primary and secondary education including SHS, following are the numbers:

	SY 2016-2017			
	CHED	**TESDA**	**DEPED***	**TOTAL**
STI ESG	53,016	5,692	37,571	96,279
iACADEMY	945	-	430	1,375
STI WNU	3,989		2,084	6,073
Total	57,950	5,692	40,085	103,727
Proportion of CHED:TESDA:DepEd	**56%**	**5%**	**39%**	**100%**

	SY 2015-2016			
	CHED	**TESDA**	**DEPED***	**TOTAL**
STI ESG	66,445	9,623	1,577	77,645
iACADEMY	994	-	-	994
STI WNU	4,803	198	1,090	6,091
Total	**72,242**	**9,821**	**2,667**	**84,730**
Proportion of CHED:TESDA:DepEd	**85%**	**12%**	**3%**	**100%**

** For STI ESG and iACADEMY, these represent the number of enrolled SHS students while for STI WNU, this is the total of 1,205 SHS students and the 879 students enrolled in basic education for SY 2016-2017 and 201 SHS students and 889 students in basic education for SY 2015-2016.*

Tuition and other school fees increased by ₱264.0 million or 12% from last year's ₱2,274.9 million to ₱2,538.9 million this year, due to the increase in the student enrollment by 22% or 18,997. While there was a remarkable increase in the total number of students of the Group from 84,730 last year to 103,727 students this year or an increase of 22%, the related increase in revenues is lower. The revenue per student from a CHED enrollee is higher than the revenue per student from a DepEd enrollee. With the start of the K to 12 program for Grade 11 students, the number of CHED freshmen enrollees of the Group declined.

Revenues from educational services and royalty fees increased by ₽14.9 million and by ₽3.2 million, respectively, mainly due to the increased collections of the franchised schools. 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 and DepEd. The voucher portion of the tuition fees of SHS qualified voucher recipients was substantially collected from DepEd as of March 31, 2017.

Sale of educational materials and supplies increased by ₽80.5 million or 110% largely due to increased sale of SHS uniforms and textbooks.

Other income decreased by 22% or ₽6.4 million from ₽28.6 million last year to ₽22.2 million this year. Accounts receivable already written off amounting to ₽3.7 million were collected by iACADEMY last year.

Cost of educational services increased by 10% or ₽74.1 million from ₽749.8 million last year to ₽823.9 million this year mainly due to higher expenses directly associated with the increased number of students. Faculty salaries and benefits increased by ₽36.6 million largely due to the hiring of additional faculty members to handle the enrollment in SHS.

Cost of educational materials and supplies sold increased by ₽65.9 million or 120% concomitant with the increase in sales of uniforms and textbooks.

General and administrative expenses decreased by ₽3.0 million from ₽1,069.1 million last year to ₽1,066.1 million this year. The highest decline was registered by advertising and promotion costs at ₽43.7 million decrease year-on-year. Most of the marketing activities for SHS were done in the months of October to November 2015 during the DepEd-mandated early registration period for SHS, unlike previously when such marketing costs were incurred in the months of April to May for tertiary. Taxes and licenses expense rose by ₽14.2 million primarily due to documentary stamp taxes paid on short term loans availed during the year and higher business taxes associated with the increase in gross receipts. Capital gains tax was also paid in relation to the sale of iACADEMY from STI ESG to STI Holdings. Personnel costs increased by ₽9.9 million as plantilla positions were filled up and salary increases were given to deserving employees along with salary adjustments resulting from the job evaluation conducted in STI WNU. Outsourced services for security and janitorial functions also increased by ₽9.1 million. Depreciation and amortization expenses rose by ₽5.1 million as depreciation was recorded for the completed STI Las Piñas campus.

Excess of consideration received from collection of receivables amounting to ₽553.4 million was recognized last year, representing the difference between the fair market value of the properties acquired vs. the recorded balance of the noncurrent receivables from PWU and Unlad as of the time of the settlement.

Disposal of school equipment resulted to net gain of ₽0.1 million this year compared to a net loss of ₽0.5 million last year.

Interest expenses increased by ₽16.0 million largely due to the interest charges on short term loans availed for working capital purposes and for the acquisition of STI ESG's EDSA, Pasay City properties.

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 ₽75.65 million payable in five (5) years. As a result, the management contract between STI ESG and STI Diamond was terminated. 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.

Rental income increased by ₱48.3 million or 77% due to the substantial occupancy of the investment properties owned by STI ESG.

Interest income declined from ₱5.8 million in 2016 to ₱4.9 million in 2017 as bank interest rates on short-term placements remained low and cash balances were used to fully pay construction costs and other related capital expenditures.

Equity in net earnings of associates and joint ventures decreased from earnings of ₱35.0 million last year to loss of ₱158.5 million this year as some associates incurred increased expenses this year and other associates recognized further declines in the value of their investments in equities.

Dividend income slightly increased by ₱0.4 million.

Provision for income tax decreased by ₱127.4 million due to corresponding decrease in taxable income.

Net income after tax is ₱644.0 million, a decrease of ₱428.7 million from last year's ₱1.1 billion largely due to the gain of ₱553.4 million recognized last year resulting from the dacion of real estate properties in Quezon City and Davao in settlement for non current receivables.

The Group's share in associates' unrealized mark-to-market loss on available-for-sale financial assets amounted to ₱171.9 million this year, an improvement of ₱130.2 million from last year, as an associate recognized lower fair value losses on its investment in equities.

Fair values of the Group's investment in available-for-sale financial assets improved from an unrealized loss of ₱0.4 million last year to unrealized gain of ₱0.8 million this year due to favorable market conditions.

The Group's share in associates' remeasurement gain on pension liability improved by ₱18.4 million from ₱0.6 million last year to ₱19.0 million as several associates posted positive actuarial adjustments.

Likewise, the Group generated remeasurement gain on pension liability of ₱29.0 million this year compared to last year's remeasurement loss of ₱4.8 million, 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.
In total, other comprehensive loss declined by ₱183.6 million, reflecting an improvement in the market conditions in the equities market compared to last year. The Group posted total comprehensive income of ₱521.0 million this year as compared to ₱766.0 million in 2016.

Earnings before interest, taxes, depreciation and amortization or EBITDA, computed as net income excluding provision for income tax, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures, interest expense, interest income, effect of derecognition of a subsidiary, and excess of consideration received from collection of receivables, increased by 25% or ₱286.1 million to ₱1,412.6 million from last year's ₱1,126.5 million. EBITDA margin likewise improved from 44% last year to 48% this year.

Years ended March 31, 2016 vs. 2015

The continuous increase in number of enrollees in STI ESG owned and franchised schools propelled revenue growth by 16% or ₽352.7 million, reaching ₽2,576.7 million in total revenues this year.

The student enrollment of the schools under STI Holdings are as follows:

	SY 2015-2016	SY 2014-2015	Increase (Decrease)	
			Enrollees	Percentage
STI Network				
Owned schools	42,878	39,404	3,474	9%
Franchised schools	34,767	33,212	1,555	5%
	77,645	72,616	5,029	7%
iACADEMY	994	878	116	13%
STI WNU	6,091	6,466	(375)	-6%
Total Enrollees	**84,730**	**79,960**	**4,770**	**6%**

Tuition and other school fees increased by ₽326.1 million or 17% from previous year's ₽1,948.8 million to ₽2,274.9 million in the year 2016, due to the increase in the student enrollment by 6% or 4,770 and the average increase of 5% in tuition fees implemented by most schools . In addition, STI ESG's enrollment mix was more favorable in SY 2015-2016 than in SY 2014-2015, as enrollment leaned more towards STI network's CHED four-year programs than the two-year programs. Proportion of CHED:TESDA:DepEd students are 85:12:03 for SY 2015-2016 as against 82:16:02 for SY 2014-2015. The four-year CHED programs charge higher tuition and bring in more revenue per student.

Revenues from educational services and royalty fees increased by ₽10.3 million and by ₽1.1 million, respectively, mainly due to the increased collections of 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.

Sale of educational materials and supplies increased by ₽9.7 million largely due to increased sale of uniforms.

Other income increased by 24% or ₽5.5 million largely due to the collection by iACADEMY of ₽3.7 million receivables already written off.

Cost of educational services increased by 12% or ₽80.0 million from ₽669.8 million last year to ₽749.8 million this year mostly due to the 22% or ₽33.6 million increase in depreciation expenses charged to direct cost. Faculty salaries and benefits increased by 9% largely due to the hiring of additional faculty members to handle the increased enrollment and the acquisition of the 5 schools from franchisees in October 2014.

Cost of educational materials and supplies sold increased by ₽9.6 million concomitant with the increase in sales.

General and administrative expenses rose by ₽76.9 million or 8% from ₽992.2 million last year to ₽1,069.1 million this year. Of the increase, ₽27.9 million was due to the increased depreciation charges substantially due to the depreciation expense recognized for the 4 floors of condominium units which were acquired by STI ESG in March 2015 in exchange for its land. The cost of advertising and promotions rose by ₽25.8 million as STI ESG stepped up its marketing campaign for both Tertiary and Senior High School programs. Professional fees rose by ₽22.1 million substantially due to legal fees related to the PWU and Unlad collection case and the acquisition of various schools. Salaries and employee benefits also increased by ₽11.4 million due to the addition of employees from the newly acquired schools in October 2014 and the filling up of plantilla positions.

Excess of consideration received from collection of receivables amounting to ₽553.4 million was recognized this year, representing the difference between the fair market value of the properties acquired vs. the recorded balance of the noncurrent receivables from PWU and Unlad as of the time of the settlement.

Rental income increased by ₽31.6 million as revenues from lease of condominium units owned by STI ESG were recognized this year.

Dividend income increased by ₽1.4 million due to dividends received from De Los Santos Medical Center.

Equity in net earnings of associates and joint ventures decreased by 67% or ₽70.3 million as some associates generated lower profits this year.

The Group incurred a net loss of ₽0.5 million this year from the retirement of some assets as compared to net gain of ₽0.3 million from the disposal of transportation equipment last year.

Interest income continued to decline from ₽12.2 million in 2014 to ₽6.1 million in 2015 to ₽5.8 million in 2016 as bank interest rates on short-term placements remained low and cash balances were used to fully pay construction costs and other related capital expenditures.

On the other hand, interest expenses increased by ₽35.0 million due to the interest charges on the long term loans from China Bank which are now charged to operations with the completion of the projects funded by the principal amounts of the loans.

Provision for income tax rose by ₽158.5 million due to corresponding increase in taxable income and the provision for deferred tax on the difference between the fair values of the assets acquired through dacion en pago and the cost of said properties.

Net income after tax reached ₽1.1 billion largely due to the recognition of the gain of ₽553.4 million arising from the dacion en pago arrangement entered into between PWU and Unlad.

The Group’s share in associates’ unrealized mark-to-market loss on available-for-sale financial assets increased by ₽292.7 million as an associate recognized fair value losses on its investments in equities.

Fair values of the Group’s investment in available-for-sale financial assets likewise declined, thus, from unrealized gain of ₽0.5 million last year, an unrealized loss of ₽0.4 million this year is shown in the report.

The Group’s share in associates’ remeasurement gain (loss) on pension liability improved by ₽4.2 million from a loss of ₽3.6 million last year to a gain of ₽0.6 million as several associates posted positive actuarial adjustments.

Meanwhile, the Group incurred remeasurement loss on pension liability of ₱4.8 million this year compared to last year's remeasurement gain of ₱2.4 million, both figures net of income tax effect, largely due to the decline in market value of the investment in equity securities of the pension plan assets.

Total comprehensive income slightly increased by ₱44.7 million as the ₱341.3 million increase in net income was reduced by unfavorable market conditions in the equities market which resulted in substantial unrealized mark-to-market losses this year as compared to last year.

Earnings before interest, taxes, depreciation and amortization or EBITDA, computed as net income excluding provision for income tax, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures, interest expense, interest income, and excess of consideration received from collection of receivables, increased by 33% or ₱278.9 million to ₱1,126.5 million from last year's ₱847.6 million. EBITDA margin likewise improved from 38% last year to 44% this year.

Financial Highlights and Key Performance Indicators

	March 31		Increase (Decrease)	
(in millions except margins, financial ratios and earnings per share)	2017	2016	Amount	%
Condensed Statements of Financial Position				
Total assets	14,291.4	10,500.2	3,791.2	36
Current assets	3,914.4	1,104.2	2,810.2	255
Cash and cash equivalents	3,198.7	664.8	2,533.9	381
Equity attributable to equity holders of the parent	8,457.0	8,138.7	318.3	4
Total liabilities	5,740.0	2,269.9	3,470.1	153
Current liabilities	1,465.5	886.7	578.8	65
Financial ratios				
Debt to equity ratio (1)	0.66	0.27	0.39	144
Current ratio (2)	2.67	1.25	1.42	114
Asset to equity ratio (3)	1.67	1.28	0.39	30

	Year ended March 31		Increase (Decrease)	
	2017	2016	Amount	%
Condensed Statements of Income				
Revenues	2,933.0	2,576.7	356.3	14
Direct costs (4)	944.8	804.8	140.0	17
Gross profit	1,988.2	1,771.9	216.3	12
Operating profit	922.1	702.8	219.3	31
Other income (expenses) - net	(178.8)	596.5	(775.3)	(130)
Income before income tax	743.3	1,299.3	(556.0)	(43)

Net income	644.0	1,072.7	(428.7)	(40)
EBITDA [5]	1,412.6	1,126.5	286.1	25
Net income attributable to equity holders of the parent company	634.7	1,061.3	(426.6)	(40)
Earnings per share [6]	0.064	0.107	(0.043)	(40)

Condensed Statements of Cash Flows				
Net cash from operating activities	942.1	851.6	90.5	11
Net cash used in investing activities	(1,655.0)	(487.6)	(1,167.4)	239
Net cash provided by (used in) financing Activities	3,246.8	(502.7)	3,749.5	746

Financial Soundness Indicators

	Year ended March 31		Increase (Decrease)	
	2017	2016	Amount	%
Liquidity Ratios				
Current ratio [2]	2.67	1.25	1.42	114
Quick ratio [7]	2.49	1.09	1.40	128
Cash ratio [8]	2.18	0.75	1.43	191
Solvency ratios				
Debt to equity ratio [1]	0.66	0.27	0.39	144
Asset to equity ratio [3]	1.67	1.28	0.39	30
Interest coverage ratio [9]	10.38	21.55	(11.17)	(52)
Debt service coverage ratio [10]	1.33	6.26	(4.93)	(79)
Profitability ratios				
EBITDA margin [11]	48%	44%	4	9
Gross profit margin [12]	68%	69%	(1)	(1)
Operating profit margin [13]	31%	27%	4	15
Net profit margin [14]	22%	42%	(20)	(48)
Return on equity[15]	8%	14%	(6)	(43)
Return on assets [16]	5%	10%	(5)	(50)

[1] Debt to equity ratio is measured as total liabilities excluding 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, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures, interest income, effect of derecognition of a subsidiary, gain on exchange of land, excess of fair values of net assets acquired over acquisition cost, and excess of consideration received from collection of receivables.

[6] 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

[7] Quick ratio is measured as current assets less inventories and prepayments divided by current liabilities.

[8] Cash ratio is measured as cash and cash equivalents divided by current liabilities.

[9] Interest coverage ratio is measured as Net income excluding provision for income tax and interest expense divided by interest expense.

[10] Debt service coverage ratio is measured as EBITDA divided by total principal and interest to be paid within the next 12 months.

[11] EBITDA margin is measured as EBITDA divided by total revenues.

[12] Gross profit margin is measured as gross profit divided by total revenues.

[13] Operating profit margin is measured as operating profit divided by total revenues.

[14] Net profit margin is measured as net income after income tax divided by total revenues.

[15] Return on equity is measured as net income attributable to equity holders of the parent company divided by average equity attributable to equity holders of the parent company.

[16] Return on assets is measured as net income divided by average total assets.

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 relates to the possibility that the Group might not be able to settle its obligations/commitments as they fall due. To cover its financing requirements, the Group uses internally-generated funds and avails of various bank loans. The Group regularly evaluates available financial products and monitors market conditions for opportunities to enhance yields at acceptable risk levels. Bank loans are judicially utilized to minimize financing cost. The debt service coverage ratio, as a bank requirement, is also monitored on a regular basis. The debt service coverage ratio is equivalent to EBITDA divided by total principal and interest 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 1.05:1.0.

As at March 31, 2017 and March 31, 2016, the Group's debt service coverage ratio is 1.33:1.00 and 6.26:1.00, respectively.

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 students to pay all their tuition and other incidental fees before they can get their report cards and other credentials. Receivable balances are monitored such that exposure to bad debts is minimal.

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. 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.

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 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 companies in the Group and the lender bank. The Group's policy is to keep the debt-to-equity ratio at a level not exceeding 1.5:1.0.

As at 31 March 2017 and 31 March 2017, the Group's debt-to-equity ratio is 0.66:1.00 and 0.27:1.00, respectively.

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. On 3 June 2013, STI ESG executed a deed of pledge on all of its shares in De Los Santos Medical Center (formerly De Los Santos General Hospital) 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 De Los Medical Center amounted to ₱25.9 million as at 31 March 2017 and 2016.

c. There are no material events and uncertainties known to management that would address the past and have an impact on future operations of the Group.

d. 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 32 of the Notes to Audited Consolidated Financial Statements.

e. The various loan agreements entered into by STI ESG, STI WNU and iACADEMY 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, STI WNU and iACADEMY are fully compliant with all the covenants of the loan agreements. Please see Notes 17, 18 and 33 of the Notes to Audited Consolidated Financial Statements of the Company. 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.

f. 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 STI ESG, STI WNU, and iACADEMY, this will mean two (2) academic years with significantly reduced and minimal incoming college freshmen students.

   This threat has been constructively converted into an opportunity for the STI ESG network of campuses nationwide. All 76 schools of STI ESG have been granted permits to offer Senior High School. The DepEd also granted permits to offer Senior High School to iACADEMY and STI WNU. Management is confident that these three (3) schools in the Group are adequately prepared and ready to meet the challenges of the K to 12 program.

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

h. The Group's business is linked to the academic cycle. The academic cycle which is one academic year starts in the month of June and ends in the month of March, except for iACADEMY where the academic year starts in July for the tertiary level and August for the SHS and with both levels ending in June of each year. 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.

i. On 18 May 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 31 May 2016, STI ESG made an initial deposit of ₽10.0 million for the planned acquisition. On 8 February 2017, STI ESG made an additional deposit of ₽8.0 million.

On 4 April 2017, STI ESG established STI College of Santa Maria, Inc. ("STI Sta. Maria"). On 23 May 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 1 April 2017. On the same date, STI Sta. Maria paid the remaining balance of ₽2.0 million (see Note 36 of the Audited Consolidated Financial Statements).

j. On 16 August 2016, STI Diamond entered into a Deed of Assignment with STI Novaliches whereby STI Diamond assigns, transfer and conveys in a manner absolute and irrevocable, and free and clear of all liens and encumbrances, unto STI Novaliches all its rights, title and interest in its assets and liabilities for a consideration of ₽75.7 million, payable in 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 of the Audited Consolidated Financial Statements).

k. On 27 December 2016, STI ESG, Abacus Global Technovisions, Inc., Vantage Realty Corporation, and Asean Commodity Enterprises, Inc., entered into a Memorandum of Agreement covering the purchase of certain parcels of land located in Poblacion, Lipa City, Batangas which will be the site of STI Lipa for a total price of ₽96.7 million.

On 5 July 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 two parcels of lot aggregating to 349 square meters at Poblacion, City of Lipa, Province of Batangas for a total consideration of ₽10.5 million. This will be the site of the new STI Academic Center Lipa (see Notes 15 and 36 of the Audited Consolidated Financial Statements).

l. On 23 March 2017, STI ESG listed its ₽3 Billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the PDEx secondary market. The ₽3.0 billion bond issue is the first tranche of STI ESG's ₽5.0 billion fixed rate bonds program under its 3-year shelf registration with the SEC. 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 23 June 2017, until and including the relevant Maturity dates (see Note 18 of the Audited Consolidated Financial Statements).

m. In January 2017, STI ESG and Mr. Tony Tan Caktiong ("TTC"), Chairman and Founder of Jollibee Foods Corporation signed a Memorandum of Understanding to establish an academic institution with programs in agro-entrepreneurship, logistics, and quick service restaurants, among others, that are more responsive to the needs of the labor market. The program will be piloted in STI Tanauan in Batangas featuring state-of-the-art agriculture facilities and equipment such as greenhouses, field laboratories, livestock and poultry farms, as well as rainwater harvesting system for irrigation and other uses.

On 21 April 2017, STI ESG, 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.

Additional amendments shall be made to STI Tanauan's Articles of Incorporation and By-Laws to implement the intent of the parties under the Joint Venture Agreement.

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

On 21 June 2017, in separate meetings, the stockholders and the Board of Directors (BOD) of STI Tanauan approved the increase in its authorized capital stock 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 (see Note 36 of the Audited Consolidated Financial Statements)

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, 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 SYSTEMS HOLDINGS, INC.
Issuer

ARSENIO C. CABRERA, JR.
Corporate Secretary

Date: 4 August 2017

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1746

COMPANY NAME

STI EDUCATION SYSTEMS HOLDINGS INC. AND SUBSIDIARIES

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

7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	CRMD	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	(632) 844 9553	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,256	Last Friday of September	03/31

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.*

STI EDUCATION SYSTEMS HOLDINGS

7th Floor, STI Holdings Center
6764 Ayala Avenue, Makati City
Philippines 1226
Telefax. (632) 844-9553

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **STI Education Systems Holdings, Inc. and subsidiaries** (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, 2017, 2016 and 2015, in accordance with the accounting principles generally accepted in the Philippines as described in Note 2 to the consolidated financial statements, 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.

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

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

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

EUSEBIO H. TANCO
Chairman of the Board

MONICO V. JACOB
President and Chief Executive Officer

YOLANDA M. BAUSTISTA
Treasurer and Chief Financial Officer

Signed this 6th day of July 2017.

Republic of the Philippines
MAKATI CITY } S.S.

SUBSCRIBED AND SWORN to me this JUL 0 6 2017 at MAKATI CITY affiants personally appeared to me exhibiting to me their Passport/SSS numbers/Drivers License Numbers and Tax Identification Numbers as follows:

Name	Number(Passport/SSS)	Date/Place of Issuance
Eusebio H. Tanco	EC2037045 141-978-255	09/04/14/DFA Manila
Monico V. Jacob	123-030-879/EC7728486	05/17/16/DFA Manila NCR East
Yolanda M. Bautista	107-098-796/03-2678038-9	Makati City

APRIL ROSE N. MORATO
Notary Public
Appointment No. M-310
Notary Public for Makati City
Until 31 December 2017
5/F SGV II BLDG., 6758 AYALA AVENUE
MAKATI CITY
ROLL OF ATTORNEYS NO. 63222
PTR No. 5928769 / Makati / 12 January 2017
IBP LM No. 012833 / Makati / Lifetime Member

Doc/ No. 360;
Page No. 73;
Book No. II;
Series of 2017.

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
STI Education Systems Holdings, Inc.

Opinion

We have audited the consolidated financial statements of STI Education Systems Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at March 31, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended March 31, 2017 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.

Accounting for Investment in an Associate

The Group has a 20% investment in Maestro Holdings, Inc. (Maestro Holdings), an associate, which is accounted for using the equity method. This matter is significant to our audit because the Group's equity in net losses of Maestro Holdings and its subsidiaries (Maestro Holdings Group) for the year ended March 31, 2017 amounted to ₱165.5 million, representing 20% of the Group's consolidated net income. The Group's share in the net losses of Maestro Holdings Group is significantly affected by the valuation of pre-need and other reserve liabilities of a subsidiary of Maestro Holdings which involves significant judgment in the use of assumptions. For the year ended March 31, 2017, the Group's share in the net change in the pre-need and other reserve liabilities amounted to ₱69.0 million. The disclosures on the Group's associates are included in Note 12 to the consolidated financial statements.

Audit response

Our audit procedures included, among others, obtaining the consolidated financial information of Maestro Holdings Group for the year ended March 31, 2017 and recalculating the Group's equity in net losses for the year ended March 31, 2017. For the valuation of pre-need and other reserve liabilities, we involved our internal specialist in reviewing the methodology and assumptions used by assessing the basis of each assumption used and by comparing them against the regulatory requirements. We also reviewed the Group's disclosures in the consolidated financial statements.

Recoverability of Goodwill

Under PFRS, the Group is required to perform an impairment test on goodwill annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. As at March 31, 2017, the Group has goodwill attributable to each of the Group's cash-generating units that are expected to benefit from the business combination (i.e., each school operation) amounting to ₱239.5 million. The Group's recoverability test of goodwill is significant to our audit because the amount of goodwill is material to the consolidated financial statements. In addition, the assessment process involves significant management judgement about future market conditions and estimation based on assumptions such as discount rate, forecasted revenue growth, earnings before interest, taxes, depreciation and amortization (EBITDA) margins and weighted average cost of capital. The related disclosures on the Group's goodwill are included in Notes 5 and 15 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's impairment testing process and related controls. We involved our internal specialist to assist us in evaluating the assumptions and methodology used by the Group in its value-in-use calculation. These assumptions include the discount rate, forecasted revenue growth, EBITDA margins and weighted average cost of capital. We reviewed the basis and assumptions for estimates of free cash flows, in particular those relating to the forecasted revenue growth and EBITDA margins, which we compared against the available comparable market data in the published economic forecast as well as relevant industry outlook and historical trends. 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.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended March 31, 2017 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) and Annual Report for the year ended March 31, 2017, which are 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 do not and 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.

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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. 99857
SEC Accreditation No. 1402-AR-1 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 206-384-906
BIR Accreditation No. 08-001988-105-2017,
January 31, 2017, valid until January 30, 2020
PTR No. 5908771, January 3, 2017, Makati City

July 6, 2017

STI EDUCATION SYSTEMS HOLDINGS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 33 and 34)	**₱3,198,723,556**	₱664,777,743
Receivables (Notes 7, 29, 33 and 34)	**443,059,848**	304,353,564
Inventories (Note 8)	**123,577,199**	39,683,701
Prepaid expenses and other current assets (Notes 9, 26, 27, 33 and 34)	**149,024,884**	95,346,272
Total Current Assets	**3,914,385,487**	1,104,161,280
Noncurrent Assets		
Property and equipment (Notes 10 and 27)	**6,875,570,837**	5,610,438,481
Investment properties (Note 11)	**1,891,231,534**	1,888,024,266
Investments in and advances to associates and joint ventures (Notes 12, 13, 28, 33 and 34)	**1,095,823,498**	1,424,813,516
Available-for-sale financial assets (Notes 14, 33 and 34)	**51,602,130**	50,755,010
Deferred tax assets - net (Note 28)	**32,875,741**	29,630,219
Pension assets - net (Note 26)	**2,763,398**	–
Goodwill, intangible and other noncurrent assets (Notes 15, 27, 33 and 34)	**427,185,971**	392,414,281
Total Noncurrent Assets	**10,377,053,109**	9,396,075,773
TOTAL ASSETS	**₱14,291,438,596**	₱10,500,237,053
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 16, 33 and 34)	**₱460,093,058**	₱596,401,539
Current portion of interest-bearing loans and borrowings (Notes 17, 33 and 34)	**812,800,000**	116,800,000
Current portion of obligations under finance lease (Notes 27, 33 and 34)	**5,667,168**	5,910,450
Unearned tuition and other school fees	**100,320,948**	54,104,766
Nontrade payable (Note 1)	**67,000,000**	67,000,000
Income tax payable	**19,585,731**	46,500,718
Total Current Liabilities	**1,465,466,905**	886,717,473
Noncurrent Liabilities		–
Bonds payable (Note 18)	**2,947,028,638**	–
Interest-bearing loans and borrowings - net of current portion (Notes 17, 33 and 34)	**916,400,000**	1,034,200,000
Obligations under finance lease - net of current portion (Notes 27, 33 and 34)	**7,172,214**	7,758,461
Pension liabilities - net (Note 26)	**48,092,221**	72,612,430
Other noncurrent liabilities (Note 19)	**119,353,609**	31,364,795
Deferred tax liabilities (Note 28)	**236,505,372**	237,279,961
Total Noncurrent Liabilities	**4,274,552,054**	1,383,215,647
Total Liabilities (Carried Forward)	**5,740,018,959**	2,269,933,120

(Forward)

	March 31	
	2017	2016
Total Liabilities (Brought Forward)	**₱5,740,018,959**	₱2,269,933,120
Equity Attributable to Equity Holders of the Parent Company (Note 20)		
Capital stock	**4,952,403,462**	4,952,403,462
Additional paid-in capital	**1,119,127,301**	1,119,079,467
Cost of shares held by a subsidiary	**(498,142,921)**	(500,009,337)
Cumulative actuarial gain	**44,398,122**	15,729,797
Unrealized mark-to-market gain (loss) on available-for-sale financial assets (Note 14)	**462,127**	(373,642)
Other equity reserve (Note 3)	**(1,667,792,370)**	(1,658,272,599)
Share in associates':		
Unrealized mark-to-market gain (loss) on available-for-sale financial assets (Note 12)	**(48,710,891)**	120,917,874
Cumulative actuarial gain (loss) (Note 12)	**722,894**	(18,002,502)
Other equity reserve (Note 12)	**718,885**	–
Retained earnings	**4,553,788,628**	4,107,181,601
Total Equity Attributable to Equity Holders of the Parent Company	**8,456,975,237**	8,138,654,121
Equity Attributable to Non-controlling Interests	**94,444,400**	91,649,812
Total Equity	**8,551,419,637**	8,230,303,933
TOTAL LIABILITIES AND EQUITY	**₱14,291,438,596**	₱10,500,237,053

See accompanying Notes to Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31		
	2017	2016	2015
REVENUES			
Sale of services:			
Tuition and other school fees	**₱2,538,918,364**	₱2,274,860,553	₱1,948,760,825
Educational services	**199,155,782**	184,262,754	173,963,490
Royalty fees	**19,148,926**	15,935,475	14,795,099
Others	**22,234,062**	28,647,142	23,147,841
Sale of goods -			
Sale of educational materials and supplies	**153,502,823**	73,015,944	63,312,828
	2,932,959,957	2,576,721,868	2,223,980,083
COSTS AND EXPENSES			
Cost of educational services (Note 22)	**823,940,675**	749,840,018	672,207,631
Cost of educational materials and supplies sold (Note 23)	**120,843,322**	54,933,802	45,294,678
General and administrative expenses (Note 24)	**1,066,094,306**	1,069,134,580	989,850,589
	2,010,878,303	1,873,908,400	1,707,352,898
INCOME BEFORE OTHER INCOME AND INCOME TAX	**922,081,654**	702,813,468	516,627,185
OTHER INCOME (EXPENSES)			
Equity in net earnings (losses) of associates and joint ventures (Note 12)	**(158,497,925)**	34,994,156	105,290,495
Rental income (Notes 11, 27 and 29)	**111,477,617**	63,152,578	31,601,058
Interest expense (Note 21)	**(79,245,342)**	(63,223,407)	(28,242,405)
Effect of derecognition of a subsidiary (Note 19)	**(60,829,455)**	–	–
Interest income (Note 21)	**4,907,330**	5,785,710	6,059,784
Gain (loss) on:			
Sale of property and equipment	**135,199**	(466,998)	320,300
Exchange of land (Note 11)	**–**	–	172,137,167
Excess of consideration received from collection of receivables (Notes 11 and 32)	**–**	553,448,521	–
Excess of fair values of net assets acquired over acquisition cost from a business combination (Note 3)	**–**	–	2,091,425
Dividend and other income (expense) (Notes 3 and 14)	**3,264,786**	2,830,674	(6,331,522)
	(178,787,790)	596,521,234	282,926,302
INCOME BEFORE INCOME TAX	**743,293,864**	1,299,334,702	799,553,487
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 28)			
Current	**103,832,952**	123,414,765	58,324,106
Deferred	**(4,561,593)**	103,237,746	9,819,932
	99,271,359	226,652,511	68,144,038
NET INCOME (Carried Forward)	**644,022,505**	1,072,682,191	731,409,449

	Years Ended March 31		
	2017	2016	2015
NET INCOME (Brought Forward)	**₱644,022,505**	₱1,072,682,191	₱731,409,449
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent years:			
Share in associates' unrealized mark-to-market loss on available-for-sale financial assets (Note 12)	**(171,932,663)**	(302,103,268)	(9,401,763)
Unrealized mark-to-market gain (loss) on available-for-sale financial assets (Note 14)	**847,120**	(377,254)	532,324
	(171,085,543)	(302,480,522)	(8,869,439)
Items not to be reclassified to profit or loss in subsequent years:			
Share in associates' remeasurement gain (loss) on pension liability (Note 12)	**18,979,723**	561,443	(3,600,870)
Remeasurement gain (loss) on pension liability (Note 26)	**32,270,210**	(5,306,329)	2,658,744
Income tax effect	**(3,227,021)**	537,225	(265,824)
	48,022,912	(4,207,661)	(1,207,950)
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(123,062,631)**	(306,688,183)	(10,077,389)
TOTAL COMPREHENSIVE INCOME	**₱520,959,874**	₱765,994,008	₱721,332,060
Net Income Attributable To			
Equity holders of the Parent Company	**₱634,657,007**	₱1,061,316,401	₱731,701,208
Non-controlling interests	**9,365,498**	11,365,790	(291,759)
	₱644,022,505	₱1,072,682,191	₱731,409,449
Total Comprehensive Income (Loss) Attributable To			
Equity holders of the Parent Company	**₱513,257,732**	₱758,753,481	₱721,796,436
Non-controlling interests	**7,702,142**	7,240,527	(464,376)
	₱520,959,874	₱765,994,008	₱721,332,060
Basic/Diluted Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company (Note 30)	**₱0.064**	₱0.107	₱0.074

See accompanying Notes to Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MARCH 31, 2017, 2016 AND 2015

	Equity Attributable to Equity Holders of the Parent Company (Note 20)												
	Capital Stock	Additional Paid-in Capital	Cost of Shares Held by a Subsidiary	Cumulative Actuarial Gain	Unrealized Mark-to-market Gain (Loss) on Available-for-sale Financial Assets (Note 14)	Other Equity Reserve	Share in Associates' Unrealized Mark-to-market Gain (Loss) on Available-for-sale Financial Assets (Note 12)	Share in Associates' Cumulative Actuarial Gain (Loss) (Note 12)	Share in Associates' Equity Reserve	Retained Earnings	Total	Equity Attributable to Non-controlling Interests	Total Equity
Balance at April 1, 2016	₱4,952,403,462	₱1,119,079,467	(₱500,009,337)	₱15,729,797	(₱373,642)	(₱1,658,272,599)	₱120,917,874	(₱18,002,502)	₱–	₱4,107,181,60	₱8,138,654,121	₱91,649,812	₱8,230,303,933
Net income	–	–	–	–					–	634,657,007	634,657,007	9,365,498	644,022,505
Other comprehensive income (loss)	–	–	–	28,668,325	835,769	–	(169,628,765)	18,725,396	–	–	(121,399,275)	(1,663,356)	(123,062,631)
Total comprehensive income	–	–	–	28,668,325	835,769	–	(169,628,765)	18,725,396	–	634,657,007	513,257,732	7,702,142	520,959,874
Dividend declaration (Note 20)	–	–	–	–	–	–	–		–	(188,049,980)	(188,049,980)	–	(188,049,980)
Acquisition of non-controlling interests (Notes 3 and 20)	–	–	–	–	–	(9,519,771)	–	–	–	–	(9,519,771)	9,519,771	–
Share in associates' acquisition of its subsidiary's non-controlling interests (Note 12)	–	–	–	–	–	–	–	–	718,885	–	718,885	9,763	728,648
Disposal of shares held by a subsidiary (Note 20)	–	47,834	1,866,416	–	–	–	–	–	–	–	1,914,250	–	1,914,250
Share of non-controlling interest on dividends declared by a subsidiary (Note 20)	–	–	–	–	–	–	–	–	–		–	(14,437,088)	(14,437,088)
Balance at March 31, 2017	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱44,398,122	₱462,127	(₱1,667,792,370)	(₱48,710,891)	₱722,894	₱718,885	₱4,553,788,628	₱8,456,975,237	₱94,444,400,	₱8,551,419,637
Balance at April 1, 2015	₱4,952,403,462	₱1,119,079,467	(₱500,009,337)	₱20,414,150	(₱937)	(₱1,653,497,803)	₱418,977,664	(₱18,556,430)	₱–	₱3,233,915,182	₱7,572,725,418	₱82,980,575	₱7,655,705,993
Net income	–	–	–	–	–	–	–	–	–	1,061,316,401	1,061,316,401	11,365,790	1,072,682,191
Other comprehensive income (loss)	–	–	–	(4,684,353)	(372,705)	–	(298,059,790)	553,928	–	–	(302,562,920)	(4,125,263)	(306,688,183)
Total comprehensive income	–	–	–	(4,684,353)	(372,705)	–	(298,059,790)	553,928	–	1,061,316,401	758,753,481	7,240,527	765,994,008
Dividend declaration (Note 20)	–	–	–	–	–	–	–	–	–	(188,049,982)	(188,049,982)	–	(188,049,982)
Acquisition of non-controlling interests by a subsidiary	–	–	–	–	–	(4,774,796)	–	–	–	–	(4,774,796)	4,774,796	–
Share of non-controlling interest on dividends declared by a subsidiary (Note 20)	–	–		–	–	–	–		–	–	–	(3,346,086)	(3,346,086)
Balance at March 31, 2016	₱4,952,403,462	₱1,119,079,467	(₱500,009,337)	₱15,729,797	(₱373,642)	(₱1,658,272,599)	₱120,917,874	(₱18,002,502)	₱–	₱4,107,181,601	₱8,138,654,121	₱91,649,812	₱8,230,303,933
Balance at April 1, 2014	₱4,952,403,462	₱1,119,079,467	(₱500,009,337)	₱18,014,452	(₱525,048)	(₱1,653,497,803)	₱428,253,571	(₱15,003,756)	₱–	₱2,690,263,952	₱7,038,978,960	₱89,191,035	₱7,128,169,995
Net income	–	–	–	–	–	–	–	–	–	731,701,208	731,701,208	(291,759)	731,409,449
Other comprehensive income (loss)	–	–	–	2,399,698	524,111	–	(9,275,907)	(3,552,674)	–	–	(9,904,772)	(172,617)	(10,077,389)
Total comprehensive income	–	–	–	2,399,698	524,111	–	(9,275,907)	(3,552,674)	–	731,701,208	721,796,436	(464,376)	721,332,060
Dividend declaration (Note 20)	–	–	–	–	–	–	–	–	–	(188,049,978)	(188,049,978)	–	(188,049,978)
Share of non-controlling interest on dividends declared by subsidiaries (Note 20)	–	–	–	–	–	–	–	–	–	–	–	(5,746,084)	(5,746,084)
Balance at March 31, 2015	₱4,952,403,462	₱1,119,079,467	(₱500,009,337)	₱20,414,150	(₱937)	(₱1,653,497,803)	₱418,977,664	(₱18,556,430)	₱–	₱3,233,915,182	₱7,572,725,418	₱82,980,575	₱7,655,705,993

See accompanying Notes to Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended March 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱743,293,864**	₱1,299,334,702	₱799,553,487
Adjustments to reconcile income before income tax to net cash flows:			
Depreciation and amortization (Notes 10, 11 and 15)	**375,621,499**	358,130,553	295,736,887
Equity in net losses (earnings) of associates and joint ventures (Note 12)	**158,497,925**	(34,994,156)	(105,290,495)
Interest expense (Note 21)	**79,245,342**	63,223,407	28,242,405
Effect of derecognition of a subsidiary	**60,829,455**	–	–
Net change in pension assets and liabilities (Note 26)	**4,986,604**	3,856,648	5,232,929
Interest income (Notes 21)	**(4,907,330)**	(5,785,710)	(6,059,784)
Dividend income (Note 14)	**(3,264,786)**	(2,830,674)	(1,482,386)
Loss (gain) on sale of property and equipment	**(135,199)**	466,998	(320,300)
Excess of consideration received from collection of receivables	**–**	(553,448,521)	–
Provision for (reversal of) impairment losses on investment in and advances to an associate (Note 24)	**1,643,844**	519,414	–
Gain on exchange of land (Note 11)	**–**	–	(172,137,167)
Excess of acquisition cost over fair value of net assets acquired (Note 3)	**–**	–	9,646,137
Excess of fair values of net assets acquired over acquisition costs from a business combination (Note 3)	**–**	–	(2,091,425)
Operating income before working capital changes	**1,415,811,218**	1,128,472,661	851,030,288
Decrease (increase) in:			
Receivables	**(140,068,422)**	(23,278,719)	84,006,604
Inventories	**(83,893,498)**	(4,138,069)	3,830,121
Prepaid expenses and other current assets	**(52,471,204)**	(128,975)	4,143,703
Increase (decrease) in:			
Accounts payable and other current liabilities	**(147,291,864)**	(248,891,821)	(181,406,317)
Unearned tuition and other school fees	**46,216,181**	33,521,956	10,961,146
Other noncurrent liabilities	**30,871,502**	31,364,795	–
Net cash generated from operations	**1,069,173,913**	916,921,828	772,565,545
Income and other taxes paid	**(131,955,347)**	(71,122,774)	(56,913,890)
Interest received	**4,907,330**	5,785,710	6,077,016
Net cash flows from operating activities	**942,125,896**	851,584,764	721,728,671
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Notes 3, 10 and 35)	**(1,578,753,015)**	(335,180,807)	(1,226,836,158)
Investment properties (Notes 11 and 35)	**(34,352,144)**	(6,360,205)	–
Subsidiary, net of cash acquired (Note 3)	–	–	(57,765,926)
Increase in:			
Investments in and advances to associates and joint ventures	**(1,643,844)**	(52,956,814)	(6,986,101)
Intangible assets and other noncurrent assets	**(45,178,798)**	(52,144,657)	(5,328,978)
Noncurrent receivables (Note 32)	–	(15,214,930)	(32,896,614)

(Forward)

	Years Ended March 31		
	2017	2016	2015
Dividends received (Note 14)	**₱4,626,924**	₱2,437,946	₱2,458,436
Proceeds from sale of property and equipment	**352,436**	510,210	320,300
Nontrade payable (Note 1)	**–**	(28,650,000)	(55,820,221)
Net cash flows used in investing activities	**(1,654,948,441)**	(487,559,257)	(1,382,855,262)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Issuance of bonds (Note 18)	**3,000,000,000**	–	–
Availment of short-term loans (Note 17)	**1,993,000,000**	–	425,000,000
Availment of long-term loans (Note 17)	–	–	1,475,000,000
Payments of:			
Short-term loans (Note 17)	**(1,248,000,000)**	–	(605,000,000)
Long-term loans (Note 17)	**(166,800,000)**	(236,000,000)	(196,406,200)
Obligations under finance lease (Note 27)	**(6,004,730)**	(9,438,557)	(8,431,128)
Bond issuance costs (Note 18)	**(52,971,362)**	–	–
Interest paid	**(76,232,435)**	(65,863,875)	(17,526,148)
Dividends paid	**(187,036,427)**	(188,049,982)	(188,015,674)
Dividends paid to non-controlling interests (Note 20)	**(9,186,688)**	(3,346,086)	(3,346,086)
Net cash flows from (used in) financing activities	**3,246,768,358**	(502,698,500)	881,274,764
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,533,945,813**	(138,672,993)	220,148,173
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**664,777,743**	803,450,736	583,302,563
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱3,198,723,556**	₱664,777,743	₱803,450,736

See accompanying Notes to Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

a. General

STI Education Systems Holdings, Inc. ("STI Holdings" 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"). STI Holdings was originally established in 1928 as the Philippine branch office of Theo H. Davies & Co., a Hawaiian corporation. It was reincorporated as a Philippine corporation and registered with the SEC on June 28, 1946. STI Holdings' shares were listed on the Philippine Stock Exchange ("PSE") on October 12, 1976. On June 25, 1996, the SEC approved the extension of the Parent Company's corporate life for another 50 years. The primary purpose of the Parent Company 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.

STI Holdings' registered office address, which is also its principal place of business, is 7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City.

b. STI Education Services Group, Inc. and Subsidiaries (collectively referred to as "STI ESG")

In September 2012, STI ESG became a subsidiary of the Parent Company through a share-for-share swap agreement with the shareholders of STI ESG. As at March 31, 2017 and 2016, the Parent Company owns 98.7% of STI ESG.

STI ESG 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. STI ESG 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 has investments in several entities which own and operate STI schools. STI schools may be operated either by: (a) STI ESG; (b) its subsidiaries; or (c) independent entrepreneurs (referred to as the "franchisees") under the terms of licensing agreements with STI ESG. All franchisees are covered by licensing agreements, which require courseware to be obtained from STI ESG. 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.

All STI schools start the school calendar every June of each year.

The establishment, operation, administration and management of schools are subject to the existing laws, rules and regulations, policies, and standards of the Department of Education (“DepEd”), Technical Education and Skills Development Authority (“TESDA”) and the Commission on Higher Education (“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.

K to 12 Program
On May 15, 2013, Republic Act (“RA”) No. 10533, otherwise known as the “Enhanced Basic Education Act of 2013” was signed into law. This marked the introduction of the K to 12 program, which in summary, adds two (2) years of secondary education, otherwise known as Senior High School, prior to admission to tertiary education. For schools in the Philippines that offer tertiary education, similar to STI ESG, this means a substantial reduction in incoming college freshmen students for two (2) academic years. This period covers School Years (SY) 2016-17 and 2017-18.

Seeing the opportunity, STI ESG decided to capitalize on its nationwide presence and ample facilities to be able to implement the first-to-market approach of the Senior High School program. In 2014, DepEd granted permit to offer SHS to sixty-seven (67) STI schools out of a total of ninety-two (92) schools. As at July 6, 2017, all 76 schools in the STI ESG network have been granted the DepEd permit to offer Senior High School.

The two-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.

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

- Technical-Vocational-Livelihood Track
  <u>Information and Communications Technology (ICT) Strand</u>
  Specializations:
  - Computer Programming
  - Animation
  - Illustration
  - Computer Hardware Servicing
  - Broadband Installation

<u>Home Economics Strand</u>
Specializations:

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

<u>Industrial Arts Strand</u>
Specialization:

- Consumer Electronics Servicing

The Senior High School offering of STI ESG aims to minimize the impact of the expected reduction in enrollment since there will be a substantially reduced number of college freshmen during the transition period from Senior High School to College. Likewise, there is an opportunity for STI ESG to increase its student retention and migration when the students graduate from Senior High School and decide to pursue a Baccalaureate degree.

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 Board of Directors ("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 (see Note 3). As at July 6, 2017, the amendment is pending approval by the SEC.

Also, on September 25, 2013, STI ESG's BOD 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. As at July 6, 2017, said application for merger is still pending approval.

As at July 6, 2017, STI ESG's request for confirmatory ruling on the tax-free merger from the Philippine Bureau of Internal Revenue ("BIR") is still pending.

c. STI West Negros University, Inc. ("STI WNU", formerly West Negros University Corp.)

In October 2013, the Parent Company acquired majority ownership interest in STI WNU. As at March 31, 2017 and 2016, the Parent Company owns 99.5% of STI WNU. The consideration for the acquisition of STI WNU includes contingent consideration amounting to ₱151.5 million with the corresponding liability presented as "Nontrade payable" in the consolidated statement of financial position amounting to ₱67.0 million as at March 31, 2017 and 2016. Nontrade payable amounting to ₱28.7 million and ₱55.8 million was paid in 2016 and 2015, respectively.

STI WNU owns and operates STI West Negros University in Bacolod City. It offers elementary, secondary and tertiary education and graduate courses. .

On December 9, 2015, the SEC approved the amendment of STI WNU's AOI allowing STI WNU to provide maritime training services that will offer and conduct training required by the Maritime Industry Authority ("MARINA") for officers and crew on board Philippines and/or foreign registered ships operating in the Philippines and/or international waters.

K to 12 Program
On October 5, 2015, DepEd granted STI WNU the Permit to Operate Senior High School Program for all tracks. On May 11, 2016, DepEd also granted STI WNU permit to offer ICT Strand and certain specializations. STI WNU's Senior High School offering is as follows:

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

- Technical-Vocational Track
  <u>ICT Strand</u>
  Specializations:
  - Computer Programming
  - Computer Hardware Servicing
  - Broadband Installation
  - Contact Center Services

  <u>Home Economics</u>
  Specializations:
  - Bread and Pastry Production
  - Cookery
  - Food and Beverage Services
  - Front Office Services
  - Housekeeping
  - Local Guiding Services
  - Tourism Promotion Services
  - Travel Services

- Sports Track

- Arts and Design Track

d. Attenborough Holdings Corp. ("AHC")

Since February 2015, STI Holdings owns 100% of AHC (see Note 3).

AHC is a holding company which is a party to the Joint Venture Agreement and Shareholders' Agreement among the Parent Company, Philippine Women's University ("PWU") and Unlad Resources Development Corporation ("Unlad"). Under the Agreements, AHC is set to own up to 20% of Unlad. AHC is also a party to the Omnibus Agreement it executed with the Parent Company and Unlad (see Note 3).

On March 1, 2016, AHC executed a Deed of Assignment wherein AHC assigned to STI Holdings its loan to Unlad, including capitalized foreclosure expenses, amounting to ₱66.7 million for a cash consideration of ₱73.8 million (see Note 32).

e. Information and Communications Technology Academy, Inc. ("iACADEMY")

iACADEMY is the premier school in the Group that specializes in course offerings in animation, multimedia arts and design, fashion design and technology, software engineering and game programming and design. It also offers Senior High School. It started in 2002 as a wholly owned subsidiary of STI ESG until its acquisition by STI Holdings in September 2016. The school is located at iACADEMY Plaza in Makati, with top-of-the-line multimedia arts laboratories and computer suites.

On September 27, 2016, the Parent Company purchased 100.0 million iACADEMY shares or 100% of iACADEMY's issued and outstanding capital stock from STI ESG for a purchase price of ₱113.5 million. The Parent Company, also subscribed to 100.0 million out of the 400.0 million increase in the authorized capital stock of iACADEMY, which was approved by the SEC on November 9, 2016, at an aggregate subscription price of ₱100.0 million (see Note 3). As at March 31, 2017, iACADEMY is a wholly-owned subsidiary of the Parent Company.

On October 19, 2016, iACADEMY signed a Licensing Agreement to Offer a Graduate Business Program with DePaul University ("DePaul") of Chicago, Illinois, United States of America. The agreement is in accordance with the CHED's approval for iACADEMY to operate as a Transnational Education provider for the Master in Business Administration program in partnership with DePaul as the degree granting institution.

The Government Authority ("GA") is valid for a period of three years, 2016 to 2018, and shall be subject to revocation if iACADEMY fails to operate in accordance with the laws of the Republic of the Philippines and/or fails to maintain the prescribed standards of instruction and/or fails to comply with the rules and regulations pertaining to the organization, administration and supervision of private/public Higher Education Institutions ("HEIs") in the Philippines. This GA applies only to the iACADEMY Plaza campus.

K to 12 Program
On August 10, 2015, DepEd granted iACADEMY permit to offer Senior High School. iACADEMY offers three tracks as follows:

- Academic Track
  - Accountancy, Business and Management
  - Humanities and Social Science

- Technical-Vocational Track
  ICT Strand
  Specializations:
  - Computer Programming
  - Animation

  Home Economic Strand
  Specialization:
  - Fashion Design

- Arts and Design Track
  - Media and Visual Arts

f. Neschester Corporation ("Neschester")

   Neschester is primarily engaged to own, use, improve, develop, subdivide, sell, exchange, lease and hold for investment or otherwise, real estate of all kinds, including buildings, houses, apartment and other structures.

   On August 2, 2016, STI Holdings subscribed to all of the unissued authorized capital stock of Neschester totaling to 670,000 common shares of stock of Neschester at a subscription price of ₱ 200.0 million. STI Holdings also purchased all of the issued shares of Neschester owned by the former stockholders of Neschester totaling 550,000 common shares at an aggregate purchase price of ₱173.2 million. As a result, STI Holdings owns 100% of the issued, outstanding and authorized capital stock of Neschester as at March 31, 2017 (see Note 3).

   The major asset of Neschester is a parcel of land in Makati City, which will be the site of iACADEMY's Yakal campus (See Note 10).

The accompanying consolidated financial statements were approved and authorized for issue by the BOD and the Audit Committee of STI Holdings on July 6, 2017.

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 quoted available-for-sale ("AFS") financial assets which have been measured at fair value, certain inventories which have been measured at net realizable value, certain investments in associates and joint ventures which have been measured at recoverable amount and refundable deposits which are measured at amortized cost. 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
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") 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 STI ESG.

PFRS include Philippine Accounting Standards (“PAS”) and Philippine Interpretations based on equivalent interpretations from the International Financial Reporting Interpretations Committee (“IFRIC”) adopted by the Philippine Financial Reporting Standards Council (“PFRSC”).

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 pronouncements that became effective beginning on or after April 1, 2016. The adoption of these new pronouncements did not have any significant impact on the consolidated financial statements:

- PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception* (Amendments)
- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests* (Amendments)
- PAS 1, *Presentation of Financial Statements – Disclosure Initiative* (Amendments)
- PFRS 14, *Regulatory Deferral Accounts*
- PAS 16, *Property, Plant and Equipment,* and PAS 41, *Agriculture – Bearer Plants*
- PAS 16, *Property, Plant and Equipment,* and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
- Annual Improvements to PFRS (2012 – 2014 cycle)
  - PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
  - PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
  - PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - PAS 19, *Employee Benefits – regional market issue regarding discount rate*
  - PAS 34, *Interim Financial Reporting – disclosure of information ‘elsewhere in the interim financial report’*

Standards Issued but Not Yet Effective

Pronouncements that are issued, but not yet effective as at March 31, 2017 are listed below. The Group intends to adopt these standards when they become effective. Unless otherwise indicated, the adoption of these pronouncements are not expected to have any significant impact on the consolidated financial statements.

Effective in fiscal year 2018

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

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

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

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

Application of amendments will result in additional disclosures in the 2018 financial statements.

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

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

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

  These amendments are not expected to have any impact on the Group.

Effective in fiscal year 2019

- 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.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- 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 forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying

PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The Group is currently assessing the impact of adopting the amendments to PFRS 4 to the consolidated financial statements.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is 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. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

  The Group is currently assessing the impact of adopting PFRS 15.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces 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. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Group is currently assessing the impact of adopting PFRS 9.

- 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 fair value through profit or loss. 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 should be applied retrospectively, with earlier application permitted.

- 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 should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation 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 non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary 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. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective in fiscal year 2020
- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.
  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

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 postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board 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 pronouncements. The Group continues to assess the impact of the above new pronouncements effective subsequent to March 31, 2017 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.

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") and STI Diamond College, Inc. ("STI Diamond", formerly STI College of Novaliches, Inc.), which are both non-stock corporations wherein the Parent Company has control 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 statement 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 non-controlling 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 other comprehensive income 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; and
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

The subsidiaries of STI Holdings, which are all incorporated in the Philippines, are as follows:

		Effective Percentage of Ownership					
		2017		2016		2015	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
STI ESG	Educational Institution	**99**	**–**	99	–	99	–
STI WNU	Educational Institution	**99**	**–**	99	–	99	–
AHC	Holding Company	**100**	**–**	100	–	–	–
Neschester Corporation	Real Estate	**100**	**–**	–	–	–	–
iACADEMY	Educational Institution	**100**	**–**	–	99	–	99
STI College Tuguegarao, Inc. ("STI Tuguegarao")	Educational Institution	**–**	**99**	–	99	–	99
STI Caloocan[a]	Educational Institution	**–**	**99**	–	99	–	99
STI College Batangas, Inc. ("STI Batangas")	Educational Institution	**–**	**99**	–	99	–	99
STI College Iloilo, Inc. ("STI Iloilo")	Educational Institution	**–**	**99**	–	99	–	99
STI College Tanauan, Inc. ("STI Tanauan")	Educational Institution	**–**	**99**	–	99	–	99
STI Lipa, Inc. ("STI Lipa")	Educational Institution	**–**	**99**	–	99	–	99
STI College Pagadian, Inc. ("STI Pagadian")	Educational Institution	**–**	**99**	–	99	–	99
STI College Novaliches, Inc	Educational Institution	**–**	**99**	–	99	–	–
STI Dagupan[b]	Educational Institution	**–**	**99**	–	99	–	76
STI Taft[b]	Educational Institution	**–**	**99**	–	74	–	74
De Los Santos-STI College[c]	Educational Institution	**–**	**51**	–	51	–	51
STI College Quezon Avenue, Inc. ("STI QA")[d]	Educational Institution	**–**	**51**	–	51	–	51
STI Diamond[e]	Educational Institution	**–**	**–**	–	99	–	99

[a] A subsidiary of STI ESG through a management contract (See Note 5)
[b] Converted advances to equity through issuance of shares (see Note 3)
[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 shall 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] Ceased to be a subsidiary in September 2016 (see Notes 19 and 20)

Accounting Policies of Subsidiaries. The separate financial statements of subsidiaries are prepared using uniform accounting policies for like 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 Dagupan, STI Tuguegarao, STI Diamond (consolidated until September 2016), STI Caloocan, STI Iloilo and Neschester Corporation, 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 the profit or loss and within equity in the consolidated statement 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 is treated as an equity transaction and is presented as part of "Other equity reserve" within equity section in the consolidated statement of financial position.

Business Combination Involving Entities under Common Control

Where there are business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group may account such business combinations under the acquisition method of accounting or pooling of interests method, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, shall be considered.

In cases where the business combination has no substance, the Group shall account for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values. The difference in the amount recognized and the fair value of the consideration given, is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction, the difference in the amount recognized and the fair value of the consideration received, is also accounted for as an equity transaction. The Group records the difference as excess of consideration over carrying amount of disposed subsidiary and presents as separate component of equity in the combined consolidated statement of financial position.

Comparatives shall be restated to include balances and transactions of the entities that had been acquired at the beginning of the earliest period presented as if the companies had always been combined.

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 interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred 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 is re- measured 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 PAS 39 is measured at fair value with changes in fair value recognized either in either profit or loss. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities measured at acquisition date. If the cost of acquisition is less than the fair value of the net assets of the acquiree, the difference is recognized directly in profit or loss. If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair value to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts for the combination using provisional values. Adjustment to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability, or contingent liability that is recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by the amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

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 units 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 cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current 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 financial instruments such as AFS financial assets at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in the notes 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 to 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 re-assessing 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 for valuation of significant assets, such as investment property. Involvement of external valuers is decided upon annually. 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 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.

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 - Initial Recognition and Subsequent Measurement

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss ("FVPL").

Day 1 Difference. Where the transaction price in a non-active market is different from the fair value from other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from an observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in the profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 difference amount.

Classification of Financial Instruments. A financial instrument is classified as liability if it provided for a contractual obligation to: (a) deliver cash or another financial asset to another entity; or (b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or (c) satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own shares. If the Group does not have the unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial assets are categorized as either financial assets at FVPL, held-to-maturity ("HTM") investments, loans and receivables or AFS financial assets. Financial liabilities, on the other hand, are categorized as financial liabilities at FVPL and other financial liabilities. The Group determines the classification at initial recognition and re-evaluates this designation at every reporting date, where appropriate. The Group has no financial instruments at FVPL and HTM investments.

a. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is recognized as "Interest income" in profit or loss. Losses arising from impairment are recognized as provision for impairment loss on receivables in profit or loss.

Loans and receivables are included in current assets when the Group expects to realize or collect the assets within 12 months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

The Group's cash and cash equivalents, receivables, advances to associates and joint ventures (included under the "Investments in and advances to associates and joint ventures" account) and deposits (included under the "Prepaid expenses and other current assets" and under "Goodwill, intangible and other noncurrent assets" accounts) are classified in this category.

b. AFS Financial Assets

AFS financial assets are those non-derivative financial assets that are not classified as 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 other comprehensive income until these are derecognized. When the investment is disposed of, the cumulative gain or loss previously recorded under "Unrealized mark-to-market gain on available-for-sale financial assets" account under equity is recycled to 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 profit or loss when the right to receive payment has been established. AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from 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 quoted market bid prices at the close of business on the 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.

c. Other Financial Liabilities

Other financial liabilities at amortized cost pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder as to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The financial instruments are classified as current if they are expected to be settled or disposed of within 12 months from financial reporting date. Otherwise, these are classified as noncurrent.

These include liabilities arising from operations such as accounts payable and other current liabilities (excluding government and other statutory liabilities), nontrade payable, bonds payable, interest-bearing loans and borrowings, obligations under finance lease, and other noncurrent liabilities (excluding advance rent).

Impairment of Financial Assets
The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that 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. Objective 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 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.

Financial Assets Carried at Amortized Cost. The Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed 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.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral, if any, have been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to profit or loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type and past due status.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss for assets with credit risk characteristics similar to those in the group. Historical loss is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any difference between loss estimates and actual loss experience.

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 other comprehensive income under "Unrealized mark-to- market gain 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 other comprehensive income.

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.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

a. the rights to receive cash flows from the asset have expired;

b. the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

c. 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 the asset, or (b) 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 right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the consolidated statement 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 ("NRV"). Cost is determined using the weighted average method. The NRV of educational materials is the selling price in the ordinary course of business, less estimated costs necessary to make the sale. The NRV 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.

Input Value-added Taxes ("VAT")
Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services required under Philippine taxation laws and regulations. The portion of excess input VAT over output VAT is presented as part of "Prepaid taxes" under the "Prepaid expenses and other

current assets" account in the consolidated statement of financial position. Input VAT is stated at its estimated NRV.

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 the 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 statement of financial position. CWT is stated at its estimated NRV.

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 construction cost or purchase price and any directly attributable costs of bringing the property 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 profit or loss in the year the asset is derecognized.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Buildings	20–25 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	3–5 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 and 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 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 20–25 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 profit or loss 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 property for subsequent accounting is its carrying value at the date of 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 change in use.

Asset Acquisition

When property is acquired, through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

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 is 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 statement of comprehensive income reflects 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 has been 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 statement 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 statement 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 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 statement 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 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 consolidated 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 STI ESG, which are all incorporated in the Philippines, and STI ESG's effective interest are as follows:

		Effective Percentage of Ownership			
		2017		2016	
Associate	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect
Accent Healthcare/STI Banawe, Inc. ("STI Accent")*	Medical and related services	**49**	**–**	49	–
STI College Alabang, Inc. ("STI Alabang")	Educational Institution	**40**	**–**	40	–
Synergia*	Management Consulting Services	**30**	**–**	30	–
STI Marikina	Educational Institution	**24**	**–**	24	–
Maestro Holdings	Holding Company	**20**	**–**	20	–
GROW	Recruitment Agency	**17**	**2**	17	2

**Dormant entities*

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 statement 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 cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the 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 3 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 profit or loss 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 cash generating unit to which it belongs. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash generating unit) 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 cash generating unit). 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 statement 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, 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 for goodwill by assessing the recoverable amount of the CGUs, to which 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 statement 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.

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 all 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.

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 profit or loss, 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 consideration received in excess of par value are recognized as additional paid-in capital.

Cost of Shares Held by a Subsidiary

Cost of shares held by a subsidiary is accounted for similar to treasury shares which are recorded at cost. Own equity instruments which are reacquired are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or the cancellation of the Group's own equity instruments.

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 liability and deducted from equity when approved by the BOD of the Parent Company. Dividends for the year 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 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

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of the revenue can be measured reliably. The Group assesses whether it is acting as a principal or an agent in every revenue arrangements. 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.

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 recognized as income over the corresponding school term to which they pertain. 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 statement of financial position. Unearned tuition and other school fees are amortized over the related school term.

Educational Services. Revenue is recognized as services are rendered.

Royalty Fees. Revenue from royalty fees is recognized on an accrual basis in accordance with the terms of the licensing agreements.

Management Fees. Revenue is recognized when services are rendered (included as part of "Other revenues" account in the consolidated statement of comprehensive income).

Sale of Educational Materials and Supplies. Revenue is recognized at the time of sale when significant risks and rewards of ownership have been transferred.

Excess of consideration received from collection of receivables. Excess of consideration received from collection of receivables is recognized when the consideration has been transferred.

Rental Income. Rental income is recognized on a straight-line basis over the term of the lease agreement.

Interest Income. Interest income is recognized as the interest accrues considering the effective yield on the asset.

Dividend Income. Revenue is recognized when the Group's right to receive the payment is established.

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 Costs
The Group has the following pension plans (Plan) covering substantially all of its regular and permanent employees:

Entity	Type of Plan
STI ESG	Funded, noncontributory defined benefit plan
STI WNU	Funded, noncontributory defined benefit plan
Indirect 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 expense in profit or loss. 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. 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 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 accounts 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 other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in 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 assets 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"), unused tax credits from excess minimum corporate income tax ("MCIT") over regular corporate income tax ("RCIT"), and to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits NOLCO and MCIT 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.

Value-Added Tax ("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 statement of financial position.

<u>Operating Segment</u>
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 4.

<u>Contingencies</u>
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to 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 consolidated financial statements when an inflow of economic benefits is probable.

<u>Events after the Reporting Period</u>
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 consolidated financial statements when material.

3. **Acquisitions**

2017

Neschester. As discussed in Note 1, on August 2, 2016, the Parent Company subscribed to all of the unissued authorized capital stock of Neschester totaling to 670,000 common shares of stock of Neschester at a subscription price of ₱200 million. The Parent Company also purchased all of the issued shares of Neschester from the former stockholders of Neschester totaling 550,000 common shares at an aggregate purchase price of ₱173.2 million. As a result, the Parent Company owns 100% of the issued, outstanding and authorized capital stock of Neschester as at March 31, 2017.

Neschester has no operations and its major asset is a parcel of land in Makati City which will be the site of iACADEMY's Yakal campus. The acquisition of Neschester was accounted for as an asset acquisition (see Note 4). The allocated acquisition cost of the land, recognized under "Property and equipment" account amounted to ₱359.5 million (see Note 10).

iACADEMY. On September 27, 2016, the Parent Company entered into a deed of sale with STI ESG wherein the Parent Company acquired from STI ESG 100% ownership in iACADEMY. As a result, iACADEMY became a direct wholly-owned subsidiary of the Parent Company. The Parent Company's acquisition of iACADEMY is accounted for as a business combination under common control and management opted to use the pooling of interests method. The carrying value of non-controlling interests in iACADEMY amounting to ₱1.7 million was reallocated to equity attributable to the equity holders of the Parent Company and recorded as part of "other equity reserve".

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. On April 4, 2016, the SEC approved STI Taft's application for an increase in authorized capital stock. Consequently, the BOD of STI Taft also approved the conversion of STI Taft's advances from the Parent Company to equity amounting to ₱49.0 million to deposit for future stock subscriptions. This transaction resulted in the dilution of the non-controlling interest and an equity adjustment of ₱11.3 million for the year ended March 31, 2017 (see Note 20). As at March 31, 2017, STI Taft became a 99.9%-owned subsidiary of STI ESG.

2016

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, in 2016, 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. Consequently, STI ESG acquired the non-controlling interests of STI Dagupan as a result of the dilution of ownership, which resulted in an adjustment to the "Other equity adjustments" account amounting to ₱4.8 million (net of non-controlling interest in ESG) (see Note 20). As a result of these transactions, STI ESG's ownership over STI Dagupan increased from 77% to 99.9%.

2015

AHC. In May 2014, STI Holdings made a deposit of ₱56.0 million for a 40% ownership of AHC. In November 2014, the SEC approved the increase in the authorized capital stock of AHC and the subscription of STI Holdings to the 40% equity in AHC.

On February 11, 2015, the Parent Company acquired the remaining 60% ownership in AHC, including subscription rights, from various individuals for a consideration of ₱25.0 million making AHC a subsidiary effective February 2015.

The acquisition of AHC is accounted for as an asset acquisition. AHC's assets, which primarily consist of receivables from Unlad, were assigned its carrying amount based on their relative fair values. The excess of the acquisition cost over the assigned carrying amounts to the assets acquired amounting to ₱9.7 million was recognized as part of "Dividend and other income (expense)" in the 2015 consolidated statement of comprehensive income.

STI Iloilo. In September 2014, STI ESG established STI Iloilo with an initial capital of ₱5.0 million, which was used to acquire the net assets of an STI school, owned and operated by a franchisee in Jaro, Iloilo, in October 2014, for ₱6.0 million. The transaction was accounted for as a business combination.

STI Lipa and STI Tanauan. In October 2014, STI ESG acquired 100% of the outstanding capital stock of STI schools in Lipa and Tanauan, Batangas, which are owned and operated by franchisees. The total acquisition cost amounted to ₱5.0 million and ₱1.0 million, respectively.

STI Pagadian. In October 2014, in exchange for the settlement of Gillamac Information Technology Center Inc. ("GITEC", a franchisee) amounting to ₱6.3 million, the shareholders of GITEC and STI ESG entered into a deed of assignment whereby GITEC assigned its rights over the outstanding capital stock of STI Pagadian. In addition, STI ESG also assumed the subscriptions payable of the shareholders of GITEC amounting to ₱15.0 million.

STI Tagum. Also in October 2014, STI ESG acquired the net assets of a school located in Tagum, Davao del Norte from GITEC in exchange for the settlement of the receivable from GITEC amounting to ₱2.1 million. The transaction was accounted for as a business combination. The difference between the fair value of the net assets acquired and the cost resulted to a gain amounting to ₱2.1 million, presented as "Excess of fair value of net assets acquired over acquisition cost from a business combination" in the 2015 consolidated statement of comprehensive income.

Effective October 2014, STI ESG gained control over the financial and reporting policies of the above-mentioned schools.

The purchase price consideration for the above-mentioned schools has been allocated to the assets and liabilities based on the fair values at the date of acquisition resulting in goodwill as follows:

STI Lipa	₱8,857,790
STI Tanauan	4,873,058
STI Iloilo	3,806,173
STI Pagadian	3,396,880
	₱20,933,901

The purchase price allocation was finalized in 2016.

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 acquired schools are engaged in the operation of educational institutions offering tertiary formal education, post-secondary certificate courses and short-term courses. These schools were acquired to expand the Group's controlled network of schools and be able to improve its operations.

STI Bacolod. On February 21, 2014, STI WNU's BOD approved the acquisition of net assets of Bacolod Educational Service and Technology Center, Inc. formerly "STI College Bacolod, Inc." ("STI Bacolod"), which is owned by a franchisee of STI ESG. On May 13, 2014, the sale was consummated and the deed of absolute sale was executed with agreed total purchase price of ₱24.0 million. The transaction was accounted for as an acquisition of a business.

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 of ₱15.7 million.

	Fair Value Recognized on Acquisition
Cash	₱6,718,208
Receivables	185,221
Inventories	412,241
Property and equipment	3,186,396
Trade payables	(363,519)
Other current liabilities	(1,819,779)
Net assets acquired	8,318,768
Goodwill (see Note15)	15,681,232
Consideration	₱24,000,000

Net cash outflow arising from acquisition amounted to ₱17.3 million in 2015.

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 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 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 (effect of derecognition of a subsidiary, excess of consideration received from collection of receivables, gain on exchange of land, excess of acquisition cost over fair values of net assets acquired, excess of fair values of net assets acquired over acquisition cost and loss on deemed sale and share swap of an associate).

The following table shows the reconciliation of the consolidated net income to consolidated EBITDA in 2017, 2016 and 2015:

	2017	2016	2015
Consolidated net income	**₱644,022,505**	₱1,072,682,191	₱731,409,449
Excess of consideration received from collection of receivables	–	(553,448,521)	–
Depreciation and amortization	**375,621,499**	358,130,553	295,736,887
Equity in net losses (earnings) of associates and joint ventures	**158,497,925**	(34,994,156)	(105,290,495)
Provision for income tax	**99,271,359**	226,652,511	68,144,038
Interest expense	**79,245,342**	63,223,407	28,242,405
Effect of derecognition of a subsidiary	**60,829,455**	–	–
Interest income	**(4,907,330)**	(5,785,710)	(6,059,784)
Gain on exchange of land	–	–	(172,137,167)
Excess of acquisition cost over fair values of net assets acquired*	–	–	9,646,137
Excess of fair values of net assets acquired over acquisition cost	–	–	(2,091,425)
Consolidated EBITDA	**₱1,412,580,755**	₱1,126,460,275	₱847,600,045

**Recognized as part of "Dividend and other income (expense)" in the 2015 consolidated statement of comprehensive income.*

Inter-Segment Transactions

Segment revenue, segment expenses and operating results include transfers among geographical segments. The transfers are accounted for at competitive 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 in 2017, 2016 and 2015:

	2017					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues						
External revenue	**₱1,836,727,660**	**₱97,241,868**	**₱612,961,825**	**₱292,141,460**	**₱93,887,144**	**₱2,932,959,957**
Results						
Income before other income and income tax	**583,950,772**	**26,150,744**	**239,436,678**	**58,447,854**	**14,095,606**	**922,081,654**
Equity in net losses of associates and joint ventures	**(158,497,925)**	**–**	–	–	–	**(158,497,925)**
Interest income	**4,284,258**	**72,610**	**132,412**	**379,784**	**38,266**	**4,907,330**
Interest expense	**(67,593,217)**	–	**(24,993)**	**(11,627,132)**	–	**(79,245,342)**
Effect of derecognition of a subsidiary	**(60,829,455)**	–	–	–	–	**(60,829,455)**
Other income	**112,084,266**	**78,310**	**766,625**	**1,920,238**	**28,163**	**114,877,602**
Provision for income tax	**(95,740,613)**	–	–	**(3,530,746)**	–	**(99,271,359)**
Net Income	**₱317,658,086**	**₱26,301,664**	**₱240,310,722**	**₱45,589,998**	**₱14,162,035**	**₱644,022,505**
EBITDA						**₱1,412,580,755**

	2016					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱1,625,742,978	₱97,832,577	₱487,930,698	₱ 279,028,759	₱ 86,186,856	₱2,576,721,868
Results						
Income before other income and income tax	₱432,575,558	₱22,486,144	₱172,009,167	₱67,349,126	₱8,393,473	₱702,813,468
Equity in net earnings of associates and joint ventures	34,994,156	–	–	–	–	34,994,156
Interest income	4,870,649	49,067	153,770	668,171	44,053	5,785,710
Interest expense	(49,946,774)	(2,700)	(405,822)	(12,868,111)	–	(63,223,407)
Excess of consideration received from collection of receivables	553,448,521	–	–	–	–	553,448,521
Other income	64,413,966	7,300	532,642	562,346	–	65,516,254
Provision for income tax	(221,828,928)	–	–	(4,823,583)	–	(226,652,511)
Net Income	₱818,527,148	₱22,539,811	₱172,289,757	₱50,887,949	₱8,437,526	₱1,072,682,191
EBITDA						₱1,126,460,275

	2015					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱1,427,239,423	₱85,541,199	₱355,491,762	₱279,252,038	₱76,455,661	₱2,223,980,083

Results						
Income before other income and income tax	₱299,147,998	₱11,453,731	₱133,302,355	₱67,981,085	₱4,742,016	₱516,627,185
Equity in net earnings of associates and joint ventures	105,290,495	–	–	–	–	105,290,495
Interest income	5,405,367	34,259	67,308	522,868	29,982	6,059,784
Interest expense	(21,386,099)	–	(206,305)	(6,648,194)	(1,807)	(28,242,405)
Excess of fair values of net assets acquired over acquisition costs	2,091,425	–	–	–	–	2,091,425
Excess of acquisition cost over fair values of net assets acquired	(9,646,137)	–	–	–	–	(9,646,137)
Gain on exchange of land	172,137,167	–	–	–	–	172,137,167
Other income	31,713,736	–	240,530	3,281,707	–	35,235,973
Provision for income tax	(62,484,989)	–	–	(5,659,049)	–	(68,144,038)
Net Income	₱522,268,963	₱11,487,990	₱133,403,888	₱59,478,417	₱4,770,191	₱731,409,449
EBITDA						₱847,600,045

The following tables present certain assets and liabilities information regarding geographical segments as of March 31, 2017 and 2016:

	2017					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Assets and Liabilities						
Segment assets[(a)]	**₱11,185,319,211**	**₱49,589,935**	**₱889,436,637**	**₱674,990,253**	**₱121,181,045**	**₱12,920,517,081**
Investments in and advances to associates and joint ventures	**1,095,823,498**	–	–	–	–	**1,095,823,498**
Pension assets - net	**2,763,398**	–	–	–	–	**2,763,398**
Goodwill	**223,777,646**	–	–	**15,681,232**	–	**239,458,878**
Deferred tax assets - net	**24,649,787**	**316,278**	**342,397**	**7,512,232**	**55,047**	**32,875,741**
Total Assets	**₱12,532,333,540**	**₱49,906,213**	**₱889,779,034**	**₱698,183,717**	**₱121,236,092**	**₱14,291,438,596**
Segment liabilities[(b)]	**₱648,983,384**	**₱17,560,937**	**₱41,425,419**	**₱34,900,321**	**₱23,483,285**	**₱766,353,346**
Interest-bearing loans and borrowings	**1,520,200,000**	–	–	**209,000,000**	–	**1,729,200,000**
Bonds payable	**2,947,028,638**	–	–	–	–	**2,947,028,638**
Pension liabilities - net	**10,143,720**	**666,374**	**429,565**	**36,811,729**	**40,833**	**48,092,221**
Obligations under finance lease	**12,222,083**	–	**172,021**	**445,278**	–	**12,839,382**
Deferred tax liabilities - net	**236,505,372**	–	–	–	–	**236,505,372**
Total Liabilities	**₱5,375,083,197**	**₱18,227,311**	**₱42,027,005**	**₱281,157,328**	**₱23,524,118**	**₱5,740,018,959**
Other Segment Information						
Capital expenditure -						
Property and equipment						**₱1,599,419,108**
Depreciation and amortization						**375,621,499**
Noncash expenses other than depreciation and amortization						**89,864,801**

(a) *Segment assets exclude investments in and advances to associates and joint ventures, net pension assets, goodwill and net deferred tax assets.*
(b) *Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, net pension liabilities, obligations under finance lease and deferred tax liabilities.*

	2016					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[(a)]	₱7,048,542,663	₱57,699,104	₱869,719,058	₱712,964,449	₱117,409,166	₱8,806,334,440
Investments in and advances to associates and joint ventures	1,424,813,516	–	–	–	–	1,424,813,516
Goodwill	223,777,646	–	–	15,681,232	–	239,458,878

Deferred tax assets - net	21,827,948	336,835	508,392	6,876,357	80,687	29,630,219
Total Assets	₱8,718,961,773	₱58,035,939	₱870,227,450	₱735,522,038	₱117,489,853	₱10,500,237,053
Segment liabilities[(b)]	₱675,865,275	₱24,127,746	₱36,852,985	₱42,563,338	₱15,962,474	₱795,371,818
Interest-bearing loans and borrowings	876,000,000	–		275,000,000	–	1,151,000,000
Pension liabilities - net	17,034,422	5,864,394	10,543,625	35,838,927	3,331,062	72,612,430
Obligations under finance lease	12,519,965	–	297,392	851,554	–	13,668,911
Deferred tax liabilities	237,279,961	–	–	–	–	237,279,961
Total Liabilities	₱1,818,699,623	₱29,992,140	₱47,694,002	₱354,253,819	₱19,293,536	₱2,269,933,120
Other Segment Information						
Capital expenditure -						
Property and equipment						₱356,405,799
Depreciation and amortization						358,130,553
Noncash expenses other than depreciation and amortization						87,816,298

[(a)] *Segment assets exclude investments in and advances to associates and joint ventures, goodwill and net deferred tax assets.*
[(b)] *Segment liabilities exclude interest-bearing loans and borrowings, net pension liabilities, obligations under finance lease and net deferred tax liabilities.*

5. 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 related 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 and 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 a Management Contract. STI ESG has management contracts with STI Diamond and STI Caloocan. Management has concluded that STI ESG in substance has the power to direct the relevant activities and has the means to obtain 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 over 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 STI ESG and STI Diamond was terminated. Any rights to the residual interest in STI Diamond were transferred to an entity outside of the Group resulting in the deconsolidation of STI Diamond (see Note 20).

Asset Acquisitions. As discussed in Note 1, in February 2015 and August 2016, the Parent Company acquired the remaining 60% ownership in AHC and 100% ownership in Neschester, respectively, making these entities wholly-owned subsidiaries of the Parent Company. Since these entities have no operations, management considered the substance of the assets and activities of the acquired entities and assessed that the acquisition of these subsidiaries does not represent a business, but rather an acquisition of the assets, the primary assets of the subsidiaries at the date of acquisition (see Note 3). The cost of the acquisition is allocated to the assets acquired based upon their relative fair values, and no goodwill or deferred tax is recognized. The excess of the acquisition cost over the fair value of the AHC's assets acquired amounting to ₱9.7 million is charged to expense and presented as part of "Dividend and other income (expense)" in the 2015 consolidated statement of comprehensive income. The excess of the acquisition cost over the fair value of Neschester's assets amounting to ₱103.0 million was allocated to the land, Neschester's primary asset.

Asset Acquisition Acccounted for as a Business Combination. In May 2014, STI WNU acquired the net assets of STI Bacolod, for a total consideration of ₱24.0 million. STI Bacolod was owned by a franchisee of STI ESG. Management considered the substance of the assets and activities of the acquired entity and assessed that the acquisition of the net assets represents a business. The cost of the acquisition is allocated to the assets acquired based upon their fair values, and as a result, a goodwill of ₱15.7 million is recognized (see Note 3).

As a result of the acquisition of STI Bacolod, the net assets and activities were merged with STI WNU. Consequently, the goodwill arising from the acquisition was re-allocated to the entire business of STI WNU.

Contingencies. The Group is currently a party in a number of cases involving claims and disputes related to collection of receivables and labor. 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 32).

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 Allowance for Impairment Loss on Loans and Receivables. 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 ₱443.1 million and ₱304.4 million as at March 31, 2017 and 2016, respectively. Provision for impairment loss on receivables recognized in the consolidated financial statements amounted to ₱70.6 million, ₱70.7 million and ₱72.0 million in 2017, 2016 and 2015, respectively (see Note 7).

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 contractual term 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.

The lease contracts covering the land, where the building and improvements and leasehold improvements of De Los Santos-STI College were built, were terminated effective March 31, 2015. In addition, the lease contract covering the property where the leasehold improvements of iACADEMY were built, was terminated effective July 31, 2014. Under the lease contracts, ownership of the building and improvements and leasehold improvements will be transferred to the lessor upon termination of the lease contract. Thus, De Los Santos-STI College and iACADEMY revised the estimated useful lives of their building and improvements and leasehold improvements to consider the termination of the lease agreements. The increase in depreciation expense as a result of the change in the useful life of the asset amounted to ₱9.3 million in 2015. The change resulted in a reduction of future yearly depreciation expense amounting to ₱2.2 million in subsequent years. Consequently, costs of certain fully depreciated leasehold improvements and signage amounting to ₱33.0 million and ₱0.9 million, respectively, were written off in the books of iACADEMY in 2015.

There were no other changes in the estimated useful lives of the Group's property and equipment, investment properties and intangible assets in 2017, 2016 and 2015.

The carrying values of nonfinancial assets subject to depreciation and amortization are as follows:

	2017	2016
Property and equipment (see Note 10)	**3,604,977,505**	3,369,503,669
Investment properties (see Note 11)	**581,477,966**	612,622,842
Intangible assets*	**27,400,516**	36,703,587

**Presented under "Goodwill, intangible and other noncurrent assets" account (see Note 15)*

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 loss in 2017, 2016 and 2015.

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 cash generating units have been determined based on 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. A discount rate of 10.0% was used as at March 31, 2017 and 2016. The Group's growth rates in extrapolating its cash flows beyond the period covered by its recent budgets ranged from 5.0% to 10.0%.

Other assumptions used in the calculations for impairment testing of goodwill are projection rates of new students, retention rates of old students, tuition fee increase rates and inflation rates. Current and historical transactions have been used as indicators of future transactions.

Impairment testing as at March 31, 2017, 2016 and 2015 showed that the CGUs recoverable amounts were greater than their carrying amounts, and there were no events during the years ended March 31, 2017, 2016 and 2015 that would eliminate such difference, hence, no provision for impairment was recognized in 2017, 2016 and 2015. Goodwill, net of allowance for impairment loss, amounted to ₱239.5 million as at March 31, 2017 and 2016, respectively (see Note 15).

Realizability of Deferred Tax Assets. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of NOLCO and MCIT to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of NOLCO and MCIT 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 level of future taxable profits together with future tax planning strategies.

Deductible temporary differences and unused carryforward benefits of NOLCO and MCIT for which no deferred tax assets were recognized by the Group amounted to ₱68.4 million and ₱73.4 million at March 31, 2017 and 2016, respectively. Deferred tax assets recognized amounted to ₱34.9 million and ₱29.8 million as at March 31, 2017 and 2016, respectively (see Note 28).

Determining Pension Liabilities. 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 26 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 other comprehensive income 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 and net pension liabilities as at March 31, 2017 and 2016 are disclosed in Note 26.

6. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand and in banks	**₱2,414,468,046**	₱662,703,917
Cash equivalents	**784,255,510**	2,073,826
	₱3,198,723,556	₱664,777,743

Cash in banks and cash equivalents earn interest at their respective bank deposit and investment rates.

Interest earned from cash in banks and cash equivalents amounted to ₱3.4 million, ₱3.8 million and ₱2.6 million in 2017, 2016 and 2015, respectively (see Note 21).

7. Receivables

This account consists of:

	2017	2016
Tuition and other school fees	**₱420,707,108**	₱310,526,670
Educational services	**47,862,238**	35,641,080
Rent, utilities and other related receivables (see Note 29)	**45,861,725**	29,395,914
Advances to officers and employees (see Note 29)	**22,689,625**	22,733,997
Current portion of advances to associates, joint ventures and other related parties (see Note 29)	**143,571**	168,571
Others	**29,548,075**	23,703,573
	566,812,342	422,169,805
Less allowance for doubtful accounts	**123,752,494**	117,816,241
	₱443,059,848	₱304,353,564

The terms and conditions of the above receivables are as follows:

a. Tuition and other school fees receivables include receivables from students and DepED. These receivables are noninterest-bearing and are normally collected on or before the date of major examinations while receivables from DepEd 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 ₱1.5 million, ₱1.4 million and ₱2.9 million for the years ended March 31, 2017, 2016 and 2015, respectively (see Note 21).

c. Rent, utilities and other related receivables are normally collected within the next financial year.

d. Advances to officers and employees are normally liquidated within one year (see Note 29). This includes STI WNU employees' group plan with Bayan Telecommunications, Inc. The two-year group plan was availed in April 2016 and is collected through salary deduction.

e. For the terms and conditions relating to advances to associates, joint ventures and other related parties, refer to Note 29.

f. Other receivables are noninterest-bearing and are expected to be collected within the next financial year.

The movements in the allowance for doubtful accounts as a result of individual and collective assessments are as follows:

	2017		
	Tuition and Other School Fees	**Others**	**Total**
Balance at beginning of year	**₱106,932,717**	**₱10,883,524**	**₱117,816,241**
Provisions (see Note 24)	**75,831,389**	**(5,254,102)**	**70,577,287**
Write-off	**(62,856,047)**	**(1,784,987)**	**(64,641,034)**
Balance at end of year	**₱119,908,059**	**₱3,844,435**	**₱123,752,494**

	2016		
	Tuition and Other School Fees	Others	Total
Balance at beginning of year	₱109,226,915	₱8,864,815	₱118,091,730
Provisions (see Note 24)	67,193,245	3,529,487	70,722,732
Write-off	(69,487,443)	(1,510,778)	(70,998,221)
Recoveries	–	–	–
Balance at end of year	₱106,932,717	₱10,883,524	₱117,816,241

As at March 31, 2017 and 2016, allowance for doubtful accounts amounting to ₱3.8 million and ₱10.9 million, respectively, relates to significant accounts under "Others" that were individually assessed as impaired. The remaining balance of ₱119.9 million and ₱106.9 million as at March 31, 2017 and 2016, respectively, relates to accounts under "Tuition and other school fees" that were collectively assessed as impaired.

8. Inventories

This account consists of:

	2017	2016
At net realizable value:		
Educational materials	**₱111,579,144**	₱32,546,286
Promotional materials	**9,178,463**	5,383,520
School materials and supplies	**2,819,592**	1,753,895
	₱123,577,199	₱39,683,701

The cost of inventories carried at net realizable value amounted to ₱134.3 million and ₱50.4 million as at March 31, 2017 and 2016, respectively. Allowance for inventory obsolescence amounted to ₱10.7 million as at March 31, 2017 and 2016. Provision for inventory obsolescence resulting from excess of cost over net realizable value of inventories amounted to nil in 2017 and 2016 and ₱0.3 million in 2015 (see Note 24).

Inventories charged to cost of educational materials and supplies sold amounted to ₱120.8 million, ₱54.9 million, and ₱45.3 million in 2017, 2016 and 2015, respectively (see Note 23).

9. Prepaid Expenses and Other Current Assets

This account consists of:

	2017	2016
Prepaid taxes	**₱122,652,271**	₱79,866,776
Prepaid rent	**9,928,047**	6,228,073
Rental deposits (see Note 27)	**5,079,750**	131,299
Excess contributions to CEAP (see Note 26)	**3,603,282**	3,153,010
Software maintenance cost	**3,289,983**	2,103,097
Prepaid insurance	**723,958**	498,591
Others	**3,747,593**	3,365,426
	₱149,024,884	₱95,346,272

Prepaid taxes represent input VAT, prepaid business and real property taxes. Most of the input VAT arose from the acquisition of properties in EDSA, Pasay City which will be the site of the new STI Academic Center Pasay-EDSA. Prepaid business and real property taxes will be amortized within the year.

Prepaid rent represents advance rent paid for the lease of land and building spaces which shall be applied to the monthly rental in accordance with the term of the lease agreements.

Rental deposits pertain to security deposits made for warehouse and office space rentals which will expire within one year and will be applied against future lease payments in accordance with the respective lease agreements.

Excess contributions to 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 has already advanced the benefits of qualified employees. These contributions will be offset against De Los Santos-STI College's and STI QA's future required contributions to CEAP.

Software maintenance cost represents support and maintenance charges for the Group's accounting and enrollment systems, which are amortized within one year from date of contract.

Prepaid insurance includes insurance coverage for fire and building, health coverage of employees and life and accident insurance of the students which were paid in advance and will be recognized as expense over the period of the coverage, which is normally within one year.

10. Property and Equipment

The rollforward analysis of this account follows:

	2017									
	Land	**Buildings**	**Office and School Equipment**	**Office Furniture and Fixtures**	**Leasehold Improvements**	**Transportation Equipment** (see Note 27)	**Computer Equipment and Peripherals**	**Library Holdings**	**Construction In Progress**	**Total**
Cost, Net of Accumulated Depreciation and Amortization										
Balance at beginning of year	**₱2,072,955,019**	**₱2,956,925,994**	**₱167,861,381**	**₱86,721,158**	**₱83,574,397**	**₱17,919,135**	**₱35,854,912**	**₱20,646,692**	**₱167,979,793**	**₱5,610,438,481**
Additions	**911,905,581**	**262,995,022**	**50,904,125**	**25,987,967**	**2,606,294**	**6,252,282**	**41,863,364**	**6,094,515**	**290,809,958**	**1,599,419,108**
Reclassifications	**–**	**161,120,186**	**9,268,564**	**–**	**2,668,269**	**–**	**–**	**–**	**(173,057,019)**	**–**
Disposal	**–**	**–**	**(75,257)**	**(9,680)**	**–**	**(132,300)**	**–**	**–**	**–**	**(217,237)**
Depreciation and amortization (see Notes 22 and 24)		**(165,193,650)**	**(60,021,202)**	**(31,499,440)**	**(28,512,175)**	**(9,343,137)**	**(30,804,378)**	**(8,695,533)**	**–**	**(334,069,515)**
Balance at end of year	**₱2,984,860,600**	**₱3,215,847,552**	**₱167,937,611**	**₱81,200,005**	**₱60,336,785**	**₱14,695,980**	**₱46,913,898**	**₱18,045,674**	**₱285,732,732**	**₱6,875,570,837**
At March 31, 2017:										
Cost	**₱2,984,860,600**	**₱4,070,859,106**	**₱574,945,215**	**₱275,672,568**	**₱385,264,288**	**₱71,300,806**	**₱469,352,030**	**₱188,852,767**	**₱285,732,732**	**₱9,306,840,112**
Accumulated depreciation and amortization	**–**	**855,011,554**	**407,007,604**	**194,472,563**	**324,927,503**	**56,604,826**	**422,438,132**	**170,807,093**	**–**	**2,431,269,275**
Net book value	**₱2,984,860,600**	**₱3,215,847,552**	**₱167,937,611**	**₱81,200,005**	**₱60,336,785**	**₱14,695,980**	**₱46,913,898**	**₱18,045,674**	**₱285,732,732**	**₱6,875,570,837**

	2016									
	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment (see Note 27)	Computer Equipment and Peripherals	Library Holdings	Construction In Progress	Total
Cost, Net of Accumulated Depreciation and Amortization										
Balance at beginning of year	₱2,074,563,995	₱2,948,272,098	₱150,211,484	₱96,746,267	₱95,337,723	₱24,040,269	₱44,874,213	₱25,620,992	₱121,623,154	₱5,581,290,195
Additions	–	39,440,093	64,844,060	12,857,588	18,188,799	5,935,984	18,554,556	5,151,584	191,433,135	356,405,799
Adjustment	(1,608,976)	–	–	–	–	–	–	–	–	(1,608,976)
Reclassifications	–	126,636,979	7,174,268	5,985,077	5,280,172	–	–	–	(145,076,496)	–
Disposal	–	(283,200)	(113,425)	–	–	(564,460)	(16,123)	–	–	(977,208)
Depreciation and amortization (see Notes 22 and 24)	–	(157,139,976)	(54,255,006)	(28,867,774)	(35,232,297)	(11,492,658)	(27,557,734)	(10,125,884)	–	(324,671,329)
Balance at end of year	₱2,072,955,019	₱2,956,925,994	₱167,861,381	₱86,721,158	₱83,574,397	₱17,919,135	₱35,854,912	₱20,646,692	₱167,979,793	₱5,610,438,481
At March 31, 2016:										
Cost	₱2,072,955,019	₱3,629,584,942	₱516,168,675	₱250,442,020	₱402,262,564	₱75,800,513	₱428,486,336	₱182,684,416	₱167,979,793	₱7,726,364,278
Accumulated depreciation and amortization	–	672,658,948	348,307,294	163,720,862	318,688,167	57,881,378	392,631,424	162,037,724	–	2,115,925,797
Net book value	₱2,072,955,019	₱2,956,925,994	₱167,861,381	₱86,721,158	₱83,574,397	₱17,919,135	₱35,854,912	₱20,646,692	₱167,979,793	₱5,610,438,481

The cost of fully depreciated property and equipment still being used by the Group amounted to ₱945.7 million and ₱797.3 million as at March 31, 2017 and 2016, respectively. There were no idle assets as at March 31, 2017 and 2016.

Additions

Acquisitions. As at March 31, 2017, property and equipment includes the allocated fair value of Neschester's land amounting to ₱359.5 million, which was acquired in August 2016 (see Note 3).

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. This will be the site of the nine-storey STI Academic Center Pasay-EDSA which is expected to accommodate up to 12,400 senior high school and college students.

Property and Equipment under Construction. As at March 31, 2017, the construction in-progress account includes costs incurred for the following: (a) construction of classrooms and faculty rooms in STI Batangas; (b) renovation works in STI Novaliches; (c) construction of swimming pool and firing range in STI WNU and (d) land development and building for the Yakal campus of iACADEMY. The related contract costs amounted to ₱1,050.6 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects. The constructions in STI Batangas, STI Novaliches and STI WNU are expected to be completed by end of July 2017 while the construction of Yakal campus of iACADEMY is expected to be completed in March 2018.

As at March 31, 2016, the construction in-progress account includes costs incurred for the construction of the STI Las Piñas campus. The related contract costs amounted to ₱497.9 million, inclusive of materials, cost of labor and overhead, equipment, furniture and fixtures and all other costs necessary for the completion of the project. The construction was completed in July 2016. As at March 31, 2016, the construction in-progress also includes the costs incurred for the construction of STI WNU's swimming pool and firing range which is expected to be completed by end July 2017, as discussed above.

Capitalized Borrowing Costs. Total borrowing costs capitalized as part of property and equipment amounted to ₱1.9 million and ₱1.3 million in 2017 and 2016, respectively. The average interest capitalization rates were 4.42%, 3.75% and nil for STI WNU, iACADEMY and STI ESG, respectively, in 2017; and 4.76% and 4.75% for STI WNU and STI ESG, respectively, in 2016, which were the effective rates of the general borrowings.

Finance Leases

Certain transportation equipment were acquired under finance lease agreements. The carrying value of these equipment items amounted to ₱12.1 million and ₱15.5 million as at March 31, 2017 and 2016, respectively (see Note 27).

Collaterals

Transportation equipment, which were acquired under finance lease, are pledged as security for the related finance lease liabilities as at March 31, 2017 and 2016.

11. **Investment Properties**

The rollforward analysis of this account follows:

	2017		
	Land	**Building**	**Total**
Cost:			
Balance at beginning of year	**₱1,275,401,424**	**₱665,357,550**	**₱1,940,758,974**
Additions	**34,352,144**		**34,352,144**
Balance at end of year	**1,309,753,568**	**665,357,550**	**1,975,111,118**
Accumulated depreciation:			
Balance at beginning of year	**–**	**52,734,708**	**52,734,708**
Depreciation (see Note 24)	**–**	**31,144,876**	**31,144,876**
Balance at end of year	**–**	**83,879,584**	**83,879,584**
Net book value	**₱1,309,753,568**	**₱581,477,966**	**₱1,891,231,534**

	2016		
	Land	Building	Total
Cost:			
Balance at beginning of year	₱23,986,424	₱629,390,918	₱653,377,342
Additions	1,251,415,000	35,966,632	1,287,381,632
Balance at end of year	1,275,401,424	665,357,550	1,940,758,974
Accumulated depreciation:			
Balance at beginning of year	–	24,104,580	24,104,580
Depreciation (see Note 24)	–	28,630,128	28,630,128
Balance at end of year	–	52,734,708	52,734,708
Net book value	₱1,275,401,424	₱612,622,842	₱1,888,024,266

As at March 31, 2017 and 2016, investment properties include parcels of land and buildings and improvements located in Quezon City and Davao City currently held by the Parent Company for capital appreciation.

These properties were obtained by the Parent Company from Unlad through the Deeds of Dacion executed on March 31, 2016 (pursuant to a Memorandum of Agreement ("MOA") as discussed in Note 32) for a total dacion price of ₱911.0 million as settlement of the outstanding obligations of Unlad and PWU to the Parent Company (recognized as "Noncurrent receivables" in the consolidated statement of financial position prior to settlement), arising from the loans extended by the Parent Company to PWU and Unlad when the Parent Company acceded, in November 2011, to the Joint Venture Agreement and Shareholders' Agreement (the "Agreements") by and among PWU, Unlad, an Individual and Mr. Eusebio H. Tanco ("EHT"), STI Holdings' BOD Chairman, for the formation of a strategic arrangement with regard to the efficient management and operation of PWU (see Note 32). PWU is a private non-stock, non-profit educational institution, which provides basic, secondary and tertiary education to its students while Unlad is a real estate company controlled by the Benitez Family and has some assets which are used to support the educational thrust of PWU. The properties were recognized at fair value amounting to ₱1,280.5 million at dacion date.

In March 2015, TechZone completed the construction of the condominium units and turned-over the units for retrofitting. As a result, the Group applied the "Condominium deposits" amounting to ₱396.3 million and recognized the total purchase price of the condominium units amounting to ₱560.0 million plus directly attributable costs amounting to ₱8.4 million under the "Investment properties" account. The resulting difference, which amounted to ₱172.1 million, was recorded as "Gain on exchange of land" in the 2015 consolidated statement of comprehensive income.

Fair Value
As at March 31, 2016, the fair values of the Parent Company's investment properties are as follows:

Quezon City properties*	₱1,006,724,000
Davao property	273,815,000
	₱1,280,539,000

**Includes buildings and improvements valued at ₱29.1 million*

The fair values of these investment properties were determined by an independent professionally qualified appraiser. 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. Management assessed that the fair value of these properties as at March 31, 2017 is not significantly different from the fair value determined as at March 31, 2016.

Land
Level 3 fair value of land has been derived using the sales comparison approach. The sales comparison approach is a comparative approach to value that 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.

The following table shows the valuation technique used in measuring the fair value of the land, as well as the significant unobservable inputs used:

Fair value at March 31, 2017	₱1,298,275,000
Valuation technique	Sales comparison 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 Parent Company's land is mixed-use, commercial and residential other than its existing use as institutional utility (educational purpose) while STI ESG's land is commercial utility.

Buildings
Level 3 fair values of STI ESG's buildings have also been derived using the sales comparison approach.

The following table shows the valuation technique used in measuring the fair value of the building, as well as the significant unobservable inputs used:

Fair value at March 31, 2017	₱920,858,000
Valuation technique	Sales comparison 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 STI ESG's building is commercial utility.

Level 3 fair values of the Parent Company's buildings and improvements have been derived using the cost approach. The cost approach is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is an equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay. As at March 31, 2016, the fair value of the buildings and improvements amounted to ₱29.1 million. Management assessed that the fair value of such buildings and improvements as at March 31, 2017 is not significantly different from the fair value determined as at March 31, 2016.

Rental

Rental income earned from investment properties amounted to ₱83.9 million, ₱33.7 million and ₱6.5 million in 2017, 2016 and 2015, respectively (see Note 27). Direct operating expenses, including repairs and maintenance, arising from investment properties amounted to ₱0.8 million, ₱1.0 million and ₱1.6 million in 2017, 2016 and 2015, respectively.

12. Investments in and Advances to Associates and Joint Ventures

The details and movements in this account follow:

	2017	2016
Investments at Equity		
Acquisition cost:		
Balance at beginning of year	**₱243,235,800**	₱173,252,600
Acquisition	**–**	69,983,200
Cancellation of subscription payable balance by Maestro Holdings	**(17,499,769)**	–
Balance at end of year	**225,736,031**	243,235,800
Accumulated equity in net earnings:		
Balance at beginning of year	**1,077,265,944**	1,043,247,838
Equity in net earnings	**(158,497,925)**	34,994,156
Dividends received	**(768,032)**	(976,050)
Balance at end of year	**917,999,987**	1,077,265,944
Accumulated share in associates' other comprehensive income:		
Balance at beginning of year	**104,311,772**	405,853,597
Unrealized mark-to-market loss on AFS financial assets	**(171,932,663)**	(302,103,268)
Remeasurement gain on pension liability	**18,979,723**	561,443
Balance at end of year	**(48,641,168)**	104,311,772
Share in associates' other equity reserve	**728,648**	–
	1,095,823,498	1,424,813,516
Advances (see Note 29)	**37,277,147**	35,633,303
Less allowance for impairment loss	**37,277,147**	35,633,303
	–	–
	₱1,095,823,498	₱1,424,813,516

The associates and joint ventures of the Group are all incorporated in the Philippines.

Movements in the allowance for impairment of investments and advances are as follows:

	2017	2016
Balance at beginning of year	**₱35,633,303**	₱35,113,889
Provision for impairment (see Note 24)	**1,643,844**	519,414
Balance at end of year	**₱37,277,147**	₱35,633,303

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:

	2017	2016
Associates:		
Maestro Holdings	**₱1,053,968,500**	₱1,389,114,547
STI Alabang	**20,864,819**	18,365,648
GROW	**15,507,702**	12,111,456
STI Accent	**37,729,164**	35,633,303
STI Marikina	**–**	144,045
Synergia	**–**	46,969
Joint venture -		
PHEI (see Note 13)	**5,482,477**	5,030,851
	1,133,552,662	1,460,446,819
Allowance for impairment loss	**37,729,164**	35,633,303
	₱1,095,823,498	₱1,424,813,516

Information about the significant associates and their major transactions are discussed below:

Maestro Holdings. Maestro Holdings is a holding company that holds investments in PhilPlans, PhilhealthCare, Inc. ("PhilCare"), Philippine Life Financial Assurance Corporation ("PhilLife") and Banclife Insurance Co. Inc. ("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 life insurance business in the Philippines. It ceased operations in March 2013.

On December 7, 2015, the BOD of Maestro Holdings approved the opening for subscription of 437,500 common shares out of its authorized but unissued common stock at a subscription price of ₱800 per share or an aggregate subscription price of ₱350.0 million to all stockholders of record Maestro Holdings in accordance with their existing shareholdings, subject to the conditions that: (a) each stockholder shall pay 50% of the stockholder's subscription on or before December 18, 2015; and (b) the balance of each stockholder's subscription shall be payable upon call by the BOD. The purpose of the said capital call is to raise funds for capital infusion in PhilLife and for future investments. In 2016, STI ESG subscribed to 87,479 shares of Maestro Holdings amounting to ₱70.0 million. As at March 31, 2016, STI ESG's outstanding subscriptions payable amounted to ₱17.5 million (see Note 16). On June 10, 2016, the BOD of Maestro cancelled the balance of the subscription due from its stockholders.

Condensed financial information for Maestro Holdings is as follows:

	March 31		
	2017	2016	2015
Current assets	**₱5,578,920,752**	₱4,534,835,461	₱9,609,142,851
Noncurrent assets	**39,175,515,283**	40,895,899,440	36,107,355,841
Current liabilities	**(5,538,146,733)**	(4,574,914,973)	(1,308,173,698)
Noncurrent liabilities	**(33,588,838,073)**	(33,586,087,750)	(36,141,119,694)
Total equity	**5,627,451,229**	7,269,732,178	8,267,205,300
Less equity attributable to equity holders of non-controlling interests	**357,608,729**	324,159,443	306,697,322
Equity attributable to equity holders of the parent company	**5,269,842,500**	6,945,572,735	7,960,507,978
Proportion of the Group's ownership	**20%**	20%	20%
Carrying amount of the investment	**₱1,053,968,500**	₱1,389,114,547	₱1,592,101,596

	For the Years Ended March 31		
	2017	2016	2015
Revenues	**₱9,074,321,308**	₱9,031,836,809	₱8,092,366,742
Income from operations	**(791,149,363)**	163,542,588	537,593,533
Other comprehensive loss	**(763,752,420)**	(1,510,330,615)	(63,921,622)
Total comprehensive income (loss)	**(1,554,901,783)**	(1,346,788,027)	473,671,911
Less total comprehensive income attributable to equity holders of non-controlling interests	**36,996,580**	18,390,859	53,131,598
Total comprehensive income (loss) attributable to equity holders of the parent company	**(1,591,898,363)**	(1,365,178,886)	420,540,313
Proportion of the Group's ownership	**20%**	20%	20%
Share in total comprehensive income (loss)	**(₱318,433,572)**	(₱273,035,777)	₱84,108,063

In 2016, Maestro Holdings subscribed to additional 1,629,682,642 shares in PhilLife for ₱39.0 million. The additional subscription increased Maestro Holdings' interest in PhilLife from 70.00% to 70.60% which resulted in an equity adjustment of ₱3.6 million. The Group recorded its share in the adjustment amounting to ₱0.7 million under "Other equity reserve" account in the consolidated statement of financial position.

On January 15, 2016, Maestro Holdings entered into a Contract to Sell with Eujo Philippines, Inc. ("Eujo") for the latter's sale of its equity interest in PhilLife. On December 28, 2016, the parties amended the contract to sell with respect to the inclusion of certain conditions precedent to the completion of the sale and the agreement of the parties prior to the fulfillment of such conditions which includes the execution and delivery of an irrevocable voting proxy over the PhilLife shares in favor of Maestro Holdings and the delivery of duly endorsed original stock certificates covering the PhilLife shares to Maestro Holdings.

The amended contract to sell also provides that if PhilLife fails to achieve either condition precedent within the prescribed period, Maestro Holdings shall have the option to cancel the contract to sell and the amended contract to sell and return the shares as well as the proxies covering the shares to Eujo or refrain from delivering the balance to Eujo and cause the execution by Eujo of a deed of absolute sale covering the shares. If Maestro Holdings opts to cancel the contract to sell and the amended contract to sell, Eujo shall return the initial payment to Maestro Holdings within thirty days from receipt of a notice to this effect.

As at December 31, 2016, Maestro Holdings paid a total of ₱178.9 million initial payments. The payment of the balance of the purchase price amounting to ₱19.9 million shall be made within thirty days from the date of fulfillment of either of the agreed conditions precedent to the completion of the sale. Upon consummation of the sale, Maestro Holdings will increase its interest in PhilLife from 70.60% to 90.70%.

Based on the Philippine Insurance Commission letter received by the Group dated November 6, 2015, service assets - memorial lots bundled with life and pension products constitute neither equity nor debt securities. Service assets - memorial lots are memorial lots to be sold and bundled with life and pension products with the intention of reducing PhilPlan's liabilities in the future when the benefits are claimed. The cost of memorial lots is initially valued at acquisition cost at the time of purchase. Subsequently, the same is valued at fair value through profit or loss at the end of the applicable financial reporting period. The fair market value of the unsold memorial lots is determined by an independent licensed appraiser accredited by Bangko Sentral ng Pilipinas ("BSP") and/or SEC. The Group's share in the increase in the fair value of the service assets - memorial lots of Maestro Holdings amounted to ₱376.9 million, ₱391.6 million and nil for the years ended March 31, 2017, 2016 and 2015, respectively. The increase in fair value for the year ended March 31, 2017 relates to newly acquired lots in 2016.

In addition, Maestro Holdings assessed the fair value of AFS financial assets that are held in trust funds and determined that certain AFS financial assets have declined below cost by ₱430.1 million, ₱212.3 million as at March 31, 2017 and 2016, respectively. The fair value decline is considered significant or prolonged which is an objective evidence of impairment under accounting principles generally accepted in the Philippines. The Group's share in the impairment of Maestro Holdings' AFS financial assets amounted to ₱86.0 million, ₱42.4 million and nil for the years ended March 31, 2017, 2016 and 2015, respectively.

Others. The carrying amount of the Group's investments in STI Alabang, STI Accent, GROW, STI Marikina and Synergia represents the aggregate carrying values of individually immaterial associates. The Group's share in the aggregate financial information of individually immaterial associates follows:

	March 31,		
	2017	2016	2015
Current assets	**₱124,099,948**	₱97,898,857	₱81,931,290
Noncurrent assets	**34,475,792**	40,206,299	53,527,291
Current liabilities	**(112,396,042)**	(91,631,271)	(92,496,192)
Noncurrent liabilities	**(5,400,271)**	(13,170,177)	(23,546,207)
	₱40,779,427	₱33,303,708	₱19,416,182

	For the Year Ended March 31,		
	2017	2016	2015
Revenues	**₱331,404,510**	₱144,896,937	₱99,882,161
Expenses	**303,618,688**	122,266,369	101,053,197
Total comprehensive income (loss)	**27,785,822**	22,630,568	(1,171,036)
Share in comprehensive income	**₱6,519,408**	₱5,735,952	₱262,523

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. Thus, STI ESG ceased the recognition of its share in the losses of STI Accent. As at March 31, 2017 and 2016, allowance for impairment loss on STI ESG's investment in STI Accent and related advances amounted to ₱37.2 million and ₱35.6 million, respectively.

For terms and conditions relating to advances to associates and joint ventures, refer to Note 29.

13. Interests in Joint Ventures

PHEI
On March 19, 2004, STI ESG, together with the University of Makati ("UMak") and another shareholder, incorporated PHEI in the Philippines. STI ESG 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 STI ESG and UMak:

a. STI ESG 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; and

c. STI ESG 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 regards 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. In relation to the incorporation of a joint venture company, the parties incorporated STI-PHNS. The parties each have 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 approved a resolution regarding the cessation of STI-PHNS's business activities and the closure of its operations effective March 1, 2013. On the same date, the BOD approved the resolution to shorten the corporate term of STI-PHNS until June 30, 2017. On July 12, 2016, the amendment to STI-PHNS Articles of Incorporation for shortening of the corporate term was approved by the SEC.

The Group's share in the net earnings of its joint ventures, which are individually immaterial amounted to ₱0.5million, ₱0.7 million and ₱0.4 million in 2017, 2016 and 2015, respectively. The unrecognized share in the net losses of the joint ventures, which are individually immaterial, amounted to ₱4.1 million as at March 31, 2017 and 2016.

14. Available-for-sale Financial Assets

This account consists of:

	2017	2016
Quoted equity shares - at fair value	**₱4,518,720**	₱3,692,495
Unquoted equity shares - at cost	**47,083,410**	47,062,515
	₱51,602,130	₱50,755,010

a. Quoted Equity Shares

The quoted equity shares above pertain to listed shares in the PSE, as well as trade club shares. These are carried at fair value with cumulative changes in fair values presented as a separate component in equity under the "Unrealized mark-to-market loss on available-for-sale financial assets" account in the consolidated statements of financial position. The fair values of these shares are based on the quoted market price as at financial reporting date.

The rollforward analysis of the "Unrealized mark-to-market loss on available-for-sale financial assets" account as shown in the equity section of the consolidated statements of financial position, follows:

	2017	2016
Balance at beginning of year	**(₱385,309)**	(₱8,055)
Unrealized mark-to-market gain (loss) on AFS financial assets	**847,120**	(377,254)
Balance at end of year (see Note 20)	**₱461,811**	(₱385,309)

Dividend income earned from AFS financial assets amounted to ₱3.3million, ₱2.8 million, ₱1.5 million in 2017, 2016 and 2015, respectively.

b. Unquoted Equity Shares

Unquoted equity shares pertain to unlisted shares of stocks. The fair value of these unquoted equity shares is not reasonably determinable due to the unpredictable nature of future cash flows and the lack of suitable method of arriving at a reliable fair value, hence, these are carried at cost less impairment, if any.

c. Pledged Shares

On June 3, 2013, STI ESG executed a deed of pledge on all of its De Los Medical Center shares 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 completion of MPIC's subscription resulted in the cessation of De Los Santos-STI Megaclinic and De Los Santos Medical Center as associates of STI ESG effective June 2013. Consequently, the Group's effective percentage ownership in De Los Santos Medical Center was diluted and such was reclassified to AFS financial assets. The carrying value of the investment in De Los Santos Medical Center amounted to ₱25.9 million as at March 31, 2017 and 2016.

15. Goodwill, Intangible and Other Noncurrent Assets

This account consists of:

	2017	2016
Goodwill	**₱239,458,878**	₱239,458,878
Deposits for asset acquisitions	**72,764,000**	–
Rental and utility deposits (see Note 27)	**45,641,805**	39,816,081
Intangible assets	**27,400,516**	36,703,587
Advances to suppliers	**29,663,654**	67,734,273
Deferred input VAT	**9,767,344**	–
Others	**2,489,774**	8,701,462
	₱427,185,971	₱392,414,281

Goodwill

Goodwill acquired through business combinations have been allocated to the following entities which are considered as separate CGUs:

	2017	2016
STI Caloocan	**₱64,147,877**	₱64,147,877
STI Diamond (see Note 19)	**–**	21,803,322
STI Taft	**19,030,844**	19,030,844
STI Bacolod (see Note 3)	**15,681,232**	15,681,232
STI Tuguegarao	**13,638,360**	13,638,360
STI Lipa (see Note 3)	**8,857,790**	8,857,790
STI Dagupan	**6,835,818**	6,835,818
STI Tanauan (see Note 3)	**4,873,058**	4,873,058
STI Iloilo (see Note 3)	**3,806,173**	3,806,173
STI Pagadian (see Note 3)	**3,396,880**	3,396,880
STI Batangas (see Note 3)	**2,585,492**	2,585,492
STI Novaliches (see Note 19)	**21,803,322**	–
Merged entities (see Note 1):		
STI Cubao	**28,327,670**	28,327,670
STI Global City	**11,360,085**	11,360,085

(Forward)

	2017	2016
STI Edsa Crossing	**₱11,213,342**	₱11,213,342
STI Ortigas-Cainta	**7,476,448**	7,476,448
STI Meycauayan	**5,460,587**	5,460,587
STI Makati	**3,261,786**	3,261,786
STI Las Piñas	**2,922,530**	2,922,530
STI Kalibo	**2,474,216**	2,474,216
STI Naga	**2,305,368**	2,305,368
	₱239,458,878	₱239,458,878

As a result of the deconsolidation of STI Diamond as discussed in Note 19, the Group reallocated the associated goodwill to STI Novaliches as at March 31, 2017. The assets and liabilities of STI Diamond have all been transferred to STI Novaliches.

Management performs its annual impairment test every March 31 of the year for all the CGUs. The recoverable amounts are based on value-in-use. Future cash flows are discounted using the weighted average cost of capital of 10.0%, adjusted for the entity-specific inflation risk of 5.0%. The cash flow projections are based on a five-year financial planning period with EBITDA margin of 22% to 40% approved by senior management. Management used forecasted revenue growth of 3.2% to 16.5%. Management has determined, based on this analysis, that there are no impairment loss in 2017, 2016 and 2015.

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 includes deposits paid for the purchase of certain parcels of land located in Poblacion, Lipa City, Batangas which will be the site of STI Academic Center Lipa and deposits paid for the acquisition of the net assets of an STI franchised school located in Santa Maria, Bulacan (see Note 36).

Rental and Utility Deposits

This account includes security deposits paid to utility companies and for warehouse and office space rentals to be applied against future lease payments in accordance with the respective lease agreements (see Note 27).

Intangible Assets

Intangible assets represent the Group’s accounting and school management software. The School Management Software was partially implemented in April 2016. STI ESG expects full implementation of the software in April 2017.

The rollforward analyses of this account follow:

	2017	2016
Cost, net of accumulated amortization:		
Balance at beginning of year	**₱36,703,587**	₱34,860,613
Additions	**1,104,037**	6,672,070
Amortization (see Note 24)	**(10,407,108)**	(4,829,096)
Balance at end of year	**₱27,400,516**	₱36,703,587

	2017	2016
Cost	**₱60,518,218**	₱59,414,181
Accumulated amortization	**33,117,702**	22,710,594
Net carrying amount	**₱27,400,516**	₱36,703,587

Advances to Suppliers
Advances to suppliers pertain to advance payments made in relation to the acquisition of property and equipment. These will be reclassified to the "Property and equipment" account when the goods are received or the services are rendered.

16. Accounts Payable and Other Current Liabilities

This account consists of:

	2017	2016
Accounts payable	**₱230,907,098**	₱306,850,128
Dividends payable (see Note 20)	**25,278,074**	19,014,121
Accrued expenses:		
Rent	**40,929,809**	36,041,503
Contracted services	**29,632,054**	35,112,260
School-related expenses	**24,772,365**	30,040,506
Salaries, wages and benefits	**22,076,587**	22,501,617
Utilities	**5,259,861**	5,310,722
Advertising and promotion	**3,963,957**	2,335,010
Interest	**12,387,255**	9,374,348
Others	**12,920,630**	10,229,839
Statutory payables	**15,090,909**	11,411,779
Network events fund	**6,959,471**	5,305,788
Current portion of refundable deposits	**1,413,374**	2,452,697
Current portion of payable to STI Diamond	**3,712,143**	–
Student organization fund	**4,153,806**	2,877,750
Payable to UNLAD (see Notes 11 and 32)	**–**	64,396,900
Subscriptions payable (see Notes 12 and 29)	**–**	17,495,800
Others	**20,635,665**	15,650,771
	₱460,093,058	₱596,401,539

The terms and conditions of the above liabilities are as follows:

a. Accounts payable are noninterest-bearing and are normally settled within a 30 to 60-day term.

b. Accrued expenses, withholding taxes payable, network events fund, student organization fund and other payables are expected to be settled within the next financial year.

c. Statutory payables primarily include taxes payable, remittances to government agencies. These are normally settled within the first month of the next financial year.

d. Refundable deposits pertain to security deposits received from existing lease agreements and are expected to be settled within the next financial year.

e. The MOA, discussed in Note 32, provides that the Parent Company is committed to fund and advance all taxes, expenses and fees to the extent of ₱150.0 million to obtain the BIR

Certificate Authorizing Registration ("CAR") and the issuance of new Transfer Certificate of Title (TCT) and Tax Declaration (TD) of the investment properties in favor of the Parent Company. As at March 31, 2016, the Parent Company recognized ₱85.6 million payable to BIR as part of "Accounts payable" and ₱64.4 million as "Payable to Unlad". As at March 31, 2017, the Parent Company has fully settled these payables.

f. The subscription payable of ₱17.5 million pertains to the balance of subscription of the Parent Company to the shares of Maestro Holdings made in December 2015. The BOD of Maestro Holdings in its meeting in June 2016 approved the reduction of the shares opened for subscription to its stockholders. Correspondingly, the proportionate number of shares subscribed by the Parent Company was reduced, thus, the reversal of the subscription payable (see Note 12).

g. For terms and conditions with related parties, refer to Note 29.

17. Interest-bearing Loans and Borrowings

This account consists of:

	2017	2016
Current portion:		
Shor-term loans	**₱745,000,000**	₱–
Corporate notes facility	**67,800,000**	116,800,000
	812,800,000	116,800,000
Noncurrent	**916,400,000**	1,034,200,000
	₱1,729,200,000	₱1,151,000,000

a. Short-term Loans

On August 1, 2016, iACADEMY obtained a short-term loan from a local bank amounting to ₱200.0 million. The loan is subject to 3.75% interest per annum and is due on July 14, 2017. Total interest expense from the loan amounted to ₱3.1 million in 2017.

STI ESG availed of loans from Bank of the Philippine Islands, Security Bank and China Bank in 2017 aggregating to ₱1,793.0 million, of which ₱1,248 million have been settled as at March 31, 2017. Interest rates of the STI ESG loans ranged from 3.25% to 3.75%. The proceeds from these loans were used to fund the acquisition of the properties in EDSA, Pasay City and for working capital requirements.

In March 2014, STI ESG entered into an Omnibus Loan Agreement with China Bank for a ₱200.0 million credit line. In April 2014, STI ESG availed of short-term loans amounting to ₱125.0 million. These unsecured loans are due in 358 to 360 days. Another ₱25.0 million was drawn from this facility on October 13, 2014. On December 22, 2014, STI ESG settled the full amount of ₱150.0 million.

On July 30, 2014, Security Bank Corporation ("Security Bank") granted STI ESG an unsecured credit line facility amounting to ₱300.0 million. The outstanding loan of ₱180.0 million was treated as an availment of this facility thus releasing the mortgage on STI ESG's assets. On September 18, 2014, STI ESG settled the balance of ₱180.0 million. On September 19, 2014, STI ESG availed of loans from Security Bank amounting to

₱250.0 million. The proceeds from these loans were used for working capital purposes. On December 22, 2014, STI ESG fully paid the ₱250.0 million loan.

On November 27, 2014, STI WNU availed of a short-term loan from China Bank in the amount of ₱25.0 million. The loan had an interest rate of 3.875% and was on a clean basis. As at March 31, 2015, the short-term loan was fully settled out of the net proceeds of the long-term loan of ₱300.0 million.

In 2014, STI ESG availed of short-term loans from Security Bank amounting to ₱280.0 million with an interest rate of 3.75% and maturing in September 2014. The proceeds from these short-term loans were used for working capital purposes. The loan was fully settled in 2014.

b. Interest-bearing Loans and Borrowings

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 ₱3.0 billion with a term of either 5 or 7 years. The facility is available in two tranches of ₱1.5 billion each. The net proceeds from the issuance of the notes shall be 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, STI ESG availed a total of ₱1,200.0 million loan with interest ranging from 4.34% to at 4.75%. STI ESG made payments totaling to ₱100.8 million, ₱216.0 million and ₱108.0 million in 2017, 2016 and 2015, respectively.

An Accession Agreement to the Credit Facility Agreement was executed on December 16, 2014 among STI ESG, STI WNU and China Bank whereby STI WNU acceded to the Credit Facility entered into by STI ESG with China Bank in March 2014. On the same date, an Amendment and Supplemental Agreement was also executed by the parties allowing 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 ₱1.5 billion. On the same date, STI WNU availed the amount of ₱300.0 million under the same terms and conditions as that of STI ESG Credit Facility. This loan is secured by a Comprehensive Surety issued by the Parent Company. STI WNU fully settled its outstanding term loans with China Bank amounting to ₱67.0 million out of the net proceeds of the long term loan of ₱ 300.0 million. These term loans from China Bank were originally secured by land on which STI WNU is situated. The mortgage on the properties was cancelled and the land titles were released in January 2015.

STI WNU has made payments on the Corporate Notes Facility totaling to ₱66.0 million and ₱20.0 million as at March 31, 2017 and 2016, respectively. Part of the payments made includes a prepayment amounting to ₱40.0 million made on July 31, 2016 and ₱10.0 million made on January 31, 2017. Such prepayments were applied in the last year of amortization of the loan.

Future repayment of the loan principal under the Credit Facility Agreement follows:

	STI ESG	STI WNU
2018	40,800,000	27,000,000
2019	134,400,000	33,000,000
2020	240,000,000	79,600,000
2021	240,000,000	69,400,000
2022	120,000,000	–
	₱775,200,000	₱209,000,000

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. STI ESG 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.

On January 19, 2017, STI ESG, STI WNU 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 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 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 coverage ratio of a minimum of 1.05x.

On February 17, 2017, China Bank likewise advised STI WNU that it has approved that the latter shall maintain a Debt-to-Equity Ratio of not more than 1.5x, computed by dividing the total debt over the total equity and that for the purpose of this computation, total debt shall exclude unearned tuition and other school fees.

The required debt service coverage ratio of a minimum of 1.1x for STI WNU remained the same.

As at March 31, 2017 and 2016, STI ESG and STI WNU have complied with the above covenants.

c. Other Loans

In July 2014, STI WNU has fully settled the loans from previous shareholders amounting to ₱19.5 million and certain loans from China Bank amounting to ₱21.8 million.

d. Interest Expense

Starting with the interest period February 1, 2016, the one-year PDST-F was changed to PDST-R2 as the basis for determining the interest rate for both STI ESG and STI WNU loans.

On January 31, 2017, STI ESG and STI WNU 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.

Interest incurred on the loans amounted to ₱71.6 million, ₱61.7 million and ₱26.7 million in 2017, 2016 and 2015, respectively (see Note 21).

18. Bonds Payable

On March 23, 2017, STI ESG issued the first tranche 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. The bonds, amounting to an aggregate of ₱3,000.0 million, with interest payable quarterly, were issued with a fixed rate 5.8085% for the 7-year series, due 2024, and 6.3756% for the 10-year series, due 2027, and were rated a high rating of 'PRS Aa' by Philippine Rating Services Corporation ("PhilRatings"). Proceeds of the issuance will be 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 STI ESG 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.*

A summary of the terms of STI ESG's issued bonds follows:

Year Issued	Interest Payable	Term	Interest Rate	Principal Amount	Carrying Value as at March 31, 2017	Features
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	₱2,180,000,000	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	820,000,000	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	₱3,000,000,000	

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. STI ESG 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.

STI ESG's debt-to-equity and debt service cover ratios as at March 31, 2017 are as follows:

Total liabilities*	₱4,794,395,544
Total equity	6,492,014,878
Debt-to-equity	0.74:1.00

* *Excluding unearned tuition and other school fees*

EBITDA	₱1,298,327,425
Total interest-bearing liabilities	827,543,947
Debt service cover	1.57:1.00

Bond Issuance Costs
STI ESG incurred costs related to the issuance of the bonds amounting to ₱53.1 million. These costs are capitalized and amortized using the effective interest rate method. These are presented as a contra-liability account in the consolidated statement of financial position as at March 31, 2017. The carrying value of the bond issuance costs amounted to ₱53.0 million as at March 31, 2017. Amortization of bond issuance costs amounting to ₱0.1 million in 2017 is recognized as part of "Interest expense" account in the consolidated statement of comprehensive income.

Interest Expense
Interest expense associated with the bonds payable recognized in the consolidated statement of comprehensive income amounted to ₱4.5 million in 2017 (see Note 21).

19. Other Noncurrent Liabilities

This account consists of:

	2017	2016
Payable to STI Diamond - net of current portion	**₱57,117,312**	₱–
Advance rent (see Note 27)	**39,135,025**	18,132,912
Refundable deposit - net of current portion (see Note 27)	**19,867,318**	11,036,239
Deferred lease liability (see Note 27)	**3,233,954**	2,195,644
	₱119,353,609	₱31,364,795

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 ₱75.0 million, payable quarterly over five years. Consequently, the management contract between STI ESG 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 ESG derecognized STI Diamond as a subsidiary. The impact of ₱60.8 million, shown as "Effect of derecognition of a subsidiary" in the consolidated statement of comprehensive income for the year ended March 31, 2017, represents the present value of the purchase price. As at March 31, 2017, the total carrying value of the unpaid purchase price amounted to ₱60.8 million, of which ₱3.7 million is recorded as part of "Others" under the "Accounts payable and other current liabilities" account (see Note 16).

Advance rent pertains to the advance rentals which have not yet been earned by the Group as these collections apply to periods beyond 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**

Common Stock

Details as at March 31, 2017 and 2016 follow:

	Shares	Amount
Common stock - ₱0.50 par value per share		
Authorized	10,000,000,000	₱5,000,000,000
Issued and outstanding	9,904,806,924	4,952,403,462

Set out below is the Parent Company's track record of registration of its securities:

	Number of Shares		Issue/ Offer Price
Date of Approval	Authorized	Issued	
December 4, 2007*	1,103,000,000	307,182,211	₱0.50
November 25, 2011**	1,103,000,000	795,817,789	0.60
September 28, 2012***	10,000,000,000	5,901,806,924	2.22
November 7, 2012	10,000,000,000	2,627,000,000	0.90
November 28, 2012	10,000,000,000	273,000,000	0.90

* *Date when the registration statement covering such securities was rendered effective by the SEC.*
** *Date when the Parent Company filed SEC form 10-1(k) (Notice of Exempt Transaction) with the SEC in accordance with the Securities Regulation Code and its Implementing Rules and Regulations.*
*** *Date when the SEC approved the increase in authorized capital stock.*

As at March 31, 2017 and 2016, the Parent Company has a total number of shareholders on record of 1,256.

Cost of Shares Held by a Subsidiary
This account represents STI Holdings shares owned by STI ESG as at March 31, 2017 and 2016 which are treated as treasury shares in the consolidated statements of financial position.

Details of the account are as follows:

	2017	2016
Number of shares	**500,433,895**	502,308,895
Cost	**₱498,142,921**	₱500,009,337

In 2017, STI ESG sold 1,875,000 STI Holdings shares for a total consideration of ₱1.9 million. As a result, the corresponding cost of these shares amounting to ₱1.9 million was derecognized in the consolidated financial statements and the difference between the consideration and the cost of such shares was recognized as additional paid-in capital.

Dividends related to these shares, amounting to ₱10.0 million, ₱10.0 million and ₱7.6 million were offset against the dividends declared in 2016, 2015 and 2014, respectively, as shown in the consolidated statements of changes in equity.

Other Comprehensive Income (Loss)

	2017		
	Attributable to Equity Holders of the Parent Company	**Non-controlling interests**	**Total**
Unrealized mark-to-market gain (loss) on AFS financial assets (see Note 14)	**₱462,127**	**(₱316)**	**₱461,811**
Share in associates' unrealized mark-to-market loss on AFS financial assets (see Note 12)	**(48,710,891)**	**(663,278)**	**(49,374,169)**
Cumulative actuarial gain (see Note 26)	**44,398,122**	**479,211**	**44,877,333**
Share in associates' cumulative actuarial gain (see Note 12)	**722,894**	**10,107**	**733,001**
	(₱3,127,748)	**(₱174,276)**	**(₱3,302,024)**

	2016		
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Unrealized mark-to-market loss on AFS financial assets (see Note 14)	(₱373,642)	(₱11,667)	(₱385,309)
Share in associates' unrealized mark-to-market gain on AFS financial assets (Note 12)	120,917,874	1,640,620	122,558,494
Cumulative actuarial gain (see Note 26)	15,729,797	104,348	15,834,145
Share in associates' cumulative actuarial loss (see Note 12)	(18,002,502)	(244,220)	(18,246,722)
	₱118,271,527	₱1,489,081	₱119,760,608

	2015		
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Unrealized mark-to-market loss on AFS financial assets (see Note 14)	(₱937)	(₱7,118)	(₱8,055)
Share in associates' unrealized mark-to-market gain on AFS financial assets (see Note 12)	418,977,664	5,684,098	424,661,762
Cumulative actuarial gain (see Note 26)	20,414,150	189,099	20,603,249
Share in associates' cumulative actuarial loss (see Note 12)	(18,556,430)	(251,735)	(18,808,165)
	₱420,834,447	₱5,614,344	₱426,448,791

Retained Earnings

Consolidated retained earnings represent STI ESG and other subsidiaries' retained earnings, net of amount attributable to NCI, and STI Holdings' accumulated earnings, net of dividends declared from April 1, 2010, after the Controlling Shareholder's acquisition of STI Holdings.

Consolidated retained earnings include undeclared retained earnings of subsidiaries and share in net earnings of associates amounting to ₱3,169.3 million, ₱3,553.4 million and ₱3,137.1 million as at March 31, 2017, 2016 and 2015, respectively. The Parent Company's retained earnings available for dividend declaration, computed based on the guidelines provided in the SEC Memorandum Circular No. 11, amounted to ₱1,431 million, ₱572.3 million and ₱147.9 million as at March 31, 2017, 2016 and 2015, respectively.

On September 30, 2016, cash dividends amounting to ₱0.02 per share or the aggregate amount of ₱198.1 million were declared by the Parent Company's BOD in favor of all stockholders on record as at October 14, 2016, payable on November 10, 2016.

On September 25, 2015, cash dividends amounting to ₱0.02 per share or the aggregate amount of ₱198.1 million were declared by the Parent Company's BOD in favor of all stockholders on record as at October 12, 2015, payable on November 5, 2015.

On September 26, 2014, cash dividends amounting to ₱0.02 per share or the aggregate amount of ₱198.1 million were declared by the Parent Company's BOD in favor of all stockholders on record as at October 17, 2014, payable on November 11, 2014.

As at March 31, 2017 and 2016, long outstanding unclaimed dividends amounting to ₱11.8 million pertains to dividend declarations from 1998 to 2006, recognized as "Dividends payable" under "Accounts payable and other current liabilities" account (see Note 16).

Other Equity Reserve and Non-controlling Interests

As discussed in Note 3, the Parent Company acquired 100% ownership of iACADEMY from STI ESG. As a result, non-controlling interests amounting to ₱1.7 million was reallocated to equity attributable to the equity holders of the Parent Company and recorded as part of "other equity reserve".

Furthermore, as discussed in Note 3, in April 2016, the SEC approved STI Taft's application for an increase in authorized capital stock and consequently, STI Taft's advances from STI ESG amounting to ₱49.0 million was converted into equity. This transaction resulted in the dilution of the non-controlling interests and an equity adjustment of ₱11.3 million for the year ended March 31, 2017.

In 2017, the Group also recognized its share in adjustment amounting to ₱0.7 million under "Other equity reserve" account arising from Maestro Holdings' subscription to additional 1,629,682,642 shares in PhilLife which increased Maestro Holdings' interest in PhilLife from 70.00% to 70.60% (see Note 12).

In February 2015, STI ESG subscribed to 32,000 shares or an aggregate par value of ₱3.2 million and STI Dagupan's advances from STI ESG amounting to ₱19.8 million was converted into equity (see Note 3). This transaction resulted in the dilution of non-controlling interest and an equity adjustment of ₱4.8 million in 2016.

Dividends declared by subsidiaries to non-controlling interest owners amounted to ₱14.4million, ₱3.3 million and ₱5.7 million in 2017, 2016 and 2015, respectively.

21. Interest Income and Interest Expense

Sources of interest income are as follows:

	2017	2016	2015
Cash and cash equivalents (see Note 6)	**₱3,371,379**	₱3,796,712	₱2,591,472
Past due accounts receivables (see Note 7)	**1,472,985**	1,406,303	2,932,047
Others	**62,966**	582,695	536,265
	₱4,907,330	₱5,785,710	₱6,059,784

Sources of interest expense are as follows:

	2017	2016	2015
Interest-bearing loans and borrowings (see Note 17)	**₱71,595,015**	₱61,728,023	₱26,700,935
Obligations under finance lease (see Note 27)	**2,713,547**	1,194,458	1,541,470
Interest on bonds payable	**4,472,631**	–	–
Amortization of bond issuance costs	**121,250**	–	–
Others	**342,899**	300,926	–
	₱79,245,342	₱63,223,407	₱28,242,405

22. Cost of Educational Services

This account consists of:

	2017	2016	2015
Faculty salaries and benefits (see Notes 25 and 26)	**₱343,736,134**	₱307,125,042	₱281,183,889
Depreciation and amortization (see Note 10)	**204,617,024**	187,569,647	153,943,984
Student activities and programs	**134,087,888**	127,724,741	108,101,741
Rental (see Note 27)	**100,751,332**	91,951,494	93,814,670
School materials and supplies	**14,598,501**	14,874,271	14,214,442
Software maintenance	**9,432,849**	7,171,434	2,357,907
Courseware development costs	**1,553,931**	4,383,111	4,774,173
Others	**15,163,016**	9,040,278	13,816,825
	₱823,940,675	₱749,840,018	₱672,207,631

23. Cost of Educational Materials and Supplies Sold

This account consists of:

	2017	2016	2015
Educational materials and supplies	**₱106,680,695**	₱40,693,912	₱30,801,718
Promotional materials	**12,819,174**	12,565,817	12,760,523
Others	**1,343,453**	1,674,073	1,732,437
	₱120,843,322	₱54,933,802	₱45,294,678

24. General and Administrative Expenses

This account consists of:

	2017	2016	2015
Salaries, wages and benefits (see Notes 25 and 26)	**₱300,442,373**	₱290,501,085	₱279,108,023
Depreciation and amortization (see Notes 10, 11 and 15)	**171,004,475**	170,560,906	141,792,903
Light and water	**114,666,208**	110,419,040	116,621,364
Provision for (reversal of) impairment loss on:			
Receivables (see Note 7)	**70,577,287**	70,722,732	72,018,889
Investments in and advances to associates and joint ventures (see Note 12)	**1,643,844**	519,414	–
Outside services	**89,356,089**	80,275,811	74,742,381
Professional fees	**58,310,075**	70,677,003	48,614,868
Advertising and promotions	**16,369,980**	59,579,821	34,307,783
Rental (see Note 27)	**56,024,433**	51,427,680	52,512,922
Transportation	**29,820,396**	27,245,215	28,466,612
Taxes and licenses	**39,517,111**	25,353,485	43,222,697
Repairs and maintenance	**21,639,288**	17,779,724	13,893,519
Meetings and conferences	**18,950,866**	17,412,689	16,145,784
Entertainment, amusement and recreation	**16,834,601**	14,750,373	14,782,474
Office supplies	**15,194,753**	14,246,507	12,238,151
Communication	**11,235,848**	11,097,991	10,989,949
Insurance	**10,583,947**	11,108,908	7,298,022
Software maintenance	**2,203,386**	1,666,137	679,200
Association dues	**1,362,117**	1,271,002	4,450,997
Excess of cost over net realizable value of inventories (see Note 8)	–	–	296,127
Others	**20,357,229**	22,519,057	17,667,924
	₱1,066,094,306	₱1,069,134,580	₱989,850,589

25. Personnel Costs

This account consists of:

	2017	2016	2015
Salaries and wages	**₱563,493,729**	₱523,402,404	₱485,549,886
Pension expense (see Note 26)	**17,643,671**	16,574,152	16,458,410
Other employee benefits	**63,041,107**	57,649,571	58,283,616
	₱644,178,507	₱597,626,127	₱560,291,912

26. **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, retirement benefit is equal to a percentage of final monthly salary for every year of credited service.

In case of involuntary separation from service, 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 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 liability recognized in the consolidated statements of financial position:

	2017	2016	2015
Pension expense (recognized under the "Salaries, wages and benefits" account):			
Current service cost	**₱13,968,053**	₱13,551,312	₱12,828,442
Net interest cost	**3,437,638**	2,962,660	2,868,437
	₱17,405,691	₱16,513,972	₱15,696,879

	March 31	
	2017	2016
Net pension liabilities (assets) (recognized in the consolidated statements of financial position):		
Pension liabilities - net	**₱48,092,221**	₱72,612,430
Pension assets - net	**(2,763,398)**	–
	₱45,328,823	₱72,612,430
Present value of defined benefit obligations	**₱176,920,560**	₱158,196,309
Fair value of plan assets	**(131,591,737)**	(85,583,879)
	₱45,328,823	₱72,612,430
Changes in the present value of defined benefit obligations:		
Balance at beginning of year	**₱158,196,309**	₱149,996,619
Current service cost	**13,968,053**	13,551,312
Interest cost	**8,125,510**	7,211,831
Benefits paid	**(4,179,469)**	(5,577,617)
Actuarial loss (gain) on obligations	**810,157**	(6,985,836)
Balance at end of year	**₱176,920,560**	₱158,196,309
Changes in the fair value of plan assets:		
Balance at beginning of year	**₱85,583,879**	₱86,547,166
Contributions	**12,419,088**	12,657,324
Interest income	**4,687,872**	4,249,171
Benefits paid	**(4,179,469)**	(5,577,617)
Actuarial gain (loss) on plan assets	**33,080,367**	(12,292,165)
Balance at end of year	**₱131,591,737**	₱85,583,879
Actual return (loss) on plan assets	**₱38,746,234**	(₱8,092,127)

The principal assumptions used in determining pension liabilities are shown below:

	April 1, 2017	April 1, 2016	April 1, 2015
Discount rate	**5.00%–5.69%**	4.00%–6.00%	4.76–7.90%
Future salary increases	**4.00%–6.00%**	4.00%–6.00%	4.00–8.00%

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:

	2017	2016
Cash and cash equivalents	**38%**	37%
Investment in debt securities	**4%**	6%
Investments in equity securities	**58%**	57%
	100%	100%

The plan assets of the Group are maintained by Union Bank of the Philippines, United Coconut Planters Bank and Rizal Commercial Banking Corporation Trust and Investments Group ("RCBC Trust").

Details of the Group's net assets available for plan benefits and their related market values are as follows:

	2017	2016
Cash	**₱12,947,387**	₱29,781,242
Short-term fixed income	**37,827,410**	2,278,205
Investments in:		
Equity securities	**76,885,722**	48,627,116
Government securities	**3,927,149**	4,860,528
Others	**4,069**	36,788
	₱131,591,737	₱85,583,879

Short-term Fixed Income. Short-term fixed income investment includes time deposits and special savings deposits.

Medium and Long-term Fixed Income. Investments in medium and long-term fixed income which include Philippine peso-denominated bonds, such as government securities whose maturities range from 1 to 25 years with interest rates ranging from 3.25% to 6.38%.

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 5.9% to 9.0%. These securities are fully guaranteed by the Government of the Republic of the Philippines.

Investments in Equity Securities. Investments in equity securities pertain to ESG's Retirement Fund investment in the shares of the Parent Company which has a fair value of ₱0.50 and ₱0.57 per share as at March 31, 2017 and 2016, respectively.

The plan may expose the Group to a concentration of equity market risk since the Group's plan assets are primarily composed of investments in listed equity securities.

Management performs Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans is 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 strategy consists of 58% of equity instruments, 3% of debt instruments and 39% of cash and cash equivalents as at March 31, 2017.

The average duration of the defined benefit obligation at the end of the period is 18 years. Shown below is the maturity analysis of the undiscounted benefit payments as at March 31, 2017:

	Amount
Less than one year	**₱30,720,654**
More than one year to five years	**36,932,665**
More than five years to 10 years	**95,666,572**
More than 10 years to 15 years	**131,735,098**
More than 15 years to 20 years	**237,385,379**
More than 20 years	**386,406,168**

The expected contribution of the Group in 2018 is ₱10.6 million. On November 7, 2013, RCBC Trust filed an application for the BIR approval of the retirement plan of STI WNU. BIR approval was issued on March 28, 2016.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation (DBO) as at the end of the reporting period, assuming all other assumptions were held constant:

	2017	
	Increase (Decrease)	**Effect on Present Value of DBO**
Discount rates	**1.00%**	**(₱15,363,055)**
	(1.00%)	**18,444,900**
Future salary increases	**1.00%**	**18,223,671**
	(1.00%)	**(15,632,710)**
Employee turnover	**10.00%**	**2,150,583**
	(10.00%)	**(2,150,583)**

	2016	
	Increase (Decrease)	Effect on Present Value of DBO
Discount rates	1.00%	(₱15,323,198)
	(1.00%)	18,459,764
Future salary increases	1.00%	18,222,965
	(1.00%)	(15,562,118)
Employee turnover	10.00%	2,682,082
	(10.00%)	(2,682,082)

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. Future service cost is equal to 4.00% of employee's monthly salary from the date an employee becomes a member in 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, 2016 and 2015, the Group is in compliance with the requirements of RA No. 7641.

As at March 31, 2017 and 2016, De Los Santos-STI College and STI QA have excess contributions to CEAP amounting to ₱3.6 million and ₱3.2 million, respectively. These excess contributions are classified as prepaid expense and will be offset against De Los Santos-STI College and STI QA's future required contributions to CEAP (see Note 9).

PIC Q&A No. 2013-03 requires De Los Santos-STI College's defined contribution plan to be accounted for as 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 in 2017, 2016 and 2015 amounted to ₱0.2 million, ₱0.1 million and ₱0.8 million, respectively.

Total pension expense recognized in profit or loss follows:

	2017	2016	2015
Defined benefit plans	**₱17,405,691**	₱16,513,972	₱15,696,879
Defined contribution plans	**237,980**	60,180	761,531
	₱17,643,671	₱16,574,152	₱16,458,410

27. **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 annual minimum lease payments under the lease agreements, together with the present value of the minimum lease payments follow:

	2017	2016
Within one year	**₱6,327,215**	₱7,062,160
After one year but not more than five years	**7,698,781**	7,775,264
Total minimum lease payments	**14,025,996**	14,837,424
Less amount representing interest	**1,186,614**	1,168,513
Present value of lease payments	**12,839,382**	13,668,911
Less current portion of obligations under finance lease	**5,667,168**	5,910,450
Noncurrent portion of obligations under finance lease	**₱7,172,214**	₱7,758,461

Interest incurred from finance lease amounted to ₱2.7 million, ₱1.2 million and ₱1.5 million in 2017, 2016 and 2015, respectively (see Note 21).

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.

In March 2015, TechZone completed the construction of the condominium units and turned-over the units for retrofitting. STI ESG entered into several lease agreements, as lessor, on the condominium units under operating lease agreements with varying terms and periods.

On September 17, 2014, iACADEMY entered into a sublease agreement, as lessor, on their leased building with PhilLife, for a period of five years subject to renewal upon mutual agreement by the parties.

On March 1, 2016, iACADEMY entered into sublease agreements with Smart Communications, Inc. and Digitel Mobile Philippines, Inc. for a period of two years subject to renewal upon mutual agreement.

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.

iACADEMY received advance rental payments and refundable deposits as security for its observance and faithful compliance with the terms and conditions of the lease agreements (see Note 19).

Total rental income amounted to ₱111.5 million, ₱63.2 million and ₱31.6 million in 2017, 2016 and 2015, respectively (see Notes 11 and 29).

Future minimum rental receivable for the remaining lease terms follow:

	2017	2016	2015
Within one year	**₱106,430,750**	₱95,468,050	₱23,124,153
After one year but not more than five years	**290,761,699**	421,012,632	73,956,839
More than five years	–	168,112,875	–
Total	**₱397,192,449**	₱684,593,557	₱97,080,992

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, STI ESG and BDO Unibank, Inc. ("BDO Unibank"), one of the trustee banks of PhilPlans, 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 is subject to a 3% escalation every three years starting on the fourth year of the lease term. Under the terms of the lease agreement, STI ESG is required to make an upfront payment of ₱7.4 million as well as one (1) year advance rent.

On May 2, 2014, iACADEMY entered into a lease agreement with Metrobank Trust and Banking Group, one of the trustee banks of PhilPlans, for the building where its office and school are located, for a period of 15 years and three months subject to renewal upon mutual agreement.

As at March 31, 2015, the lease agreements related to the land leased by De Los Santos-STI College for its school operations, was terminated. As a result, accrued rent related to the leases amounting ₱1.4 million was reversed. De Los Santos-STI College no longer expects any future minimum lease payments on the lease agreement.

Total rental expense charged to operations amounted to ₱156.8 million, ₱143.4 million and ₱146.3 million in March 31, 2017, 2016 and 2015, respectively (see Notes 22 and 24).

Certain subsidiaries also paid the lessors refundable 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 Notes 9 and 15).

Future minimum rental payables under the lease agreements as at financial reporting date follow:

	2017	2016	2015
Within one year	**₱131,272,542**	₱78,580,743	₱120,145,461
After one year but not more than five years	**257,869,656**	261,065,421	269,116,594
More than five years	**390,378,870**	343,158,277	352,726,097
Total	**₱779,521,068**	₱682,804,441	₱741,988,152

28. 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, or 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.

The components of recognized net deferred tax assets and deferred tax liabilities are as follows:

	2017	2016
Deferred tax assets:		
Allowance for doubtful accounts	**₱12,289,373**	₱11,695,747
Pension liabilities	**4,809,222**	7,261,243
Excess of:		
Rental under operating lease computed on a straight-line basis	**2,219,955**	2,593,014
Cost over net realizable value of inventories	**1,065,590**	1,065,590
Unearned tuition and other school fees	**7,876,132**	5,410,478
Advance rent	**3,911,958**	1,813,291
NOLCO	**2,685,540**	–
	34,857,770	29,839,363
Deferred tax liabilities:		
Unamortized bond issue costs	**(1,496,545)**	–
Pension assets	**(276,340)**	–
Excess of fair value over carrying value of net assets acquired in business combination	**(209,144)**	(209,144)
	(1,982,029)	(209,144)
Net deferred tax assets	**₱32,875,741**	₱29,630,219

Deferred tax liabilities:		
Excess of fair values over carrying values of net assets acquired in business combination (see Note 3)	**₱125,643,672**	₱126,418,261
Excess of fair value over dacion price (see Note 32)	**110,861,700**	110,861,700
	₱236,505,372	₱237,279,961

Certain deferred tax assets of the Group were not recognized as at March 31, 2017 and 2016 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 and MCIT for which no deferred tax assets were recognized:

	2017	2016
NOLCO	**₱62,401,482**	₱67,808,506
Allowance for doubtful accounts	**858,771**	858,771
Acquisition-related expenses	**4,773,584**	4,773,584
MCIT	**378,559**	–
	₱68,412,396	₱73,440,861

As at March 31, 2017 and 2016, the Group also did not recognize any deferred tax assets on the provision for impairment losses on investment in and advances to an associate and goodwill aggregating to ₱20.4 million and ₱18.8 million, respectively, 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, which can be claimed as deduction from future taxable income, are as follows:

Year Incurred	Expiry Dates	Beginning	Addition	Applied/ Expired	End
December 31, 2013	December 31, 2016	₱1,382,082	₱–	(₱1,382,082)	₱–
March 31, 2014	March 31, 2017	20,542,811	–	(20,542,811)	–
December 31, 2014	December 31, 2017	2,462,170	–	–	2,462,170
March 31, 2015	March 31, 2018	16,638,328	–	–	16,638,328
December 31, 2015	December 31, 2018	787,590	–	–	787,590
March 31, 2016	March 31, 2019	29,245,285	–	(1,086,960)	28,158,325
December 31, 2016	December 31, 2019	–	5,702,039	–	5,702,039
March 31, 2017	March 31, 2020	–	17,604,830	–	17,604,830
		₱71,058,266	₱23,306,869	(₱23,011,853)	₱71,353,282

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:

	2017	2016	2015
Provision for income tax at statutory income tax rate	**₱222,988,159**	₱389,800,411	₱239,866,046
Income tax effects of:			
Equity in net losses (earnings) of associates and joint ventures	**47,549,378**	(10,498,247)	(31,587,149)
Effect of derecognition of a subsidiary	**18,248,837**	–	–
Interest income already subjected to final tax	**(1,011,414)**	(1,139,014)	(698,998)
Nondeductible expenses	**257,482**	245,960	627,119
Others	**8,893,757**	(9,825,405)	(4,987,777)
Difference in 10% and 30% tax rate	**(197,654,840)**	(141,931,194)	(135,075,203)
	₱99,271,359	₱226,652,511	₱68,144,038

Others pertain to the income tax effects of change in unrecognized deferred tax assets, expired NOLCO and MCIT and other items.

29. 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 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	**2017**	2016	2015	**2017**	2016	**Terms**	**Conditions**
Associates							
STI Accent							
Advances for various expenses and other charges	**₱1,643,844**	₱519,414	₱–	**₱37,277,147**	₱35,633,303	30 days upon receipt of billings; noninterest-bearing	Unsecured;with impairment
Maestro Holdings							
Subscription	–	69,983,200	–	–	(17,495,800)	Due and demandable; noninterest-bearing	Unsecured
GROW							
Rental income and other charges	–	6,967,634	2,099,753	**7,139,094**	7,239,094	30 days upon receipt of billings	Unsecured; no impairme nt
Advances for various expenses	**30,708**	54,539	–	**143,571**	143,571	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairme nt
STI Alabang							
Educational services and sale of educational materials and supplies	**17,539,509**	14,272,901	–	**1,124,509**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Marikina							
Educational services and sale of educational materials and supplies	**15,404,214**	11,140,869	–	**31,789**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Joint Venture							
PHEI							
Advances for various expenses	–	575,000	600,000	–	–	30 days upon receipt of billings noninterest-bearing	Unsecured; no impairment
Affiliates*							
PhilCare							
Rental income and other charges	**18,259,373**	17,284,807	12,849,711	**3,572,074**	3,135,109	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**3,379,102**	3,514,745	3,302,331	–	–	30 days upon receipt of billings; noninterest-bearing	–
Phil First Insurance Co., Inc.							
Utilities and other charges	**214,505**	221,243	146,122	–	491,823	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairme nt
Rental and other charges	**3,904,865**	3,676,080	3,826,304	**(288,214)**	(949,813)	Within 1 year; Noninterest-bearing	Unsecured
Insurance	**4,552,984**	3,594,606	1,519,795	–	(8,707)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation							
Association dues and other charges	**12,296,975**	11,317,782	11,584,664	–	(376,179)	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilLife							
Rental income and other charges	**13,948,768**	14,367,302	12,525,507	**1,822,962**	1,127,989	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairme nt

(Forward)

Related Party	Amount of Transactions during the Year 2017	2016	2015	Outstanding Receivable (Payable) 2017	2016	Terms	Conditions
Officers and employees							
Advances for various expenses	**₱18,845,003**	₱17,393,879	₱19,917,097	**₱22,689,623**	₱22,733,997	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others							
Rental income and other charges	**3,089,246**	641,286	2,294,199	**1,972,715**	1,376,788	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Advances for various expenses	–	535,625	3,271,859	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
				₱75,485,270	₱53,051,175		

**Affiliates are entities under common control of a majority Shareholder*

Related party receivables and payables are generally settled in cash.

Outstanding receivables from related parties, before any allowance for impairment, and payables arising from these transactions are summarized below:

	2017	2016
Educational services (see Note 7)	**₱1,156,298**	₱–
Advances to officers and employees (see Note 7)	**22,689,623**	22,733,997
Rent and other related receivables (see Note 7)	**14,506,845**	13,345,803
Current portion of advances to associates, joint ventures and other related parties (see Note 7)	**143,571**	168,571
Advances to associates and joint ventures (see Note 12)	**37,277,147**	35,633,303
Accounts payable (see Note 16)	**(288,214)**	(18,830,499)
	₱75,485,270	₱53,051,175

Compensation and Benefits of Key Management Personnel

Compensation and benefits of key management personnel of the Group are as follows:

	2017	2016	2015
Short-term employee benefits	**₱52,647,911**	₱42,987,063	₱39,502,749
Post-employment benefits	**2,053,780**	1,724,890	1,473,432
	₱54,701,691	₱44,711,953	₱40,976,181

30. Basic and Diluted Earnings Per Share on Net Income Attributable to Equity Holders of STI Holdings

The table below shows the summary of net income and weighted average number of common shares outstanding used in the calculation of earnings per share for the years ended March 31, 2017, 2016 and 2015:

	2017	2016	2015
Net income attributable to equity holders of STI Holdings	**₱634,657,007**	₱1,061,316,401	₱731,701,208
Common shares outstanding at beginning and end of year (see Note 20)	**9,904,806,924**	9,904,806,924	9,904,806,924
Basic and diluted earnings per share on net income attributable to equity holders of STI Holdings	**₱0.064**	₱0.107	₱0.074

The basic and diluted earnings per share are the same for the years ended March 31, 2017, 2016 and 2015 as there are no dilutive potential common shares.

31. STI Gift of Knowledge Certificates ("GOKs")

On December 9, 2002, the BOD of STI ESG 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 to pay in cash the par value of the outstanding STI GOKs on designated graduation dates. The redemption dates range from the school year 2004–2005 to six years from date of issue of the STI GOKs. The graduation dates range from between four to ten years from issue date. A total offer size of 2,409,600 academic units for the entire STI College 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.

STI ESG is planning to amend the terms of the GOKs to conform with future business strategies.

As at July 6, 2017, 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.

32. Contingencies and Commitments

Contingencies

a. *Agreements with PWU and Unlad.* In various dates in 2011, 2012 and 2013, the Parent Company and AHC extended loans and advances to PWU and Unlad by virtue of several agreements (collectively, "Loan Documents"), which were secured by mortgages over PWU and Unlad properties, entered into among the Parent Company, AHC, PWU and Unlad in the total principal amount of ₱513.0 million. Upon the non-adherence to the terms and conditions stated in the agreements, the Parent Company and AHC served notices of default to PWU and Unlad in December 2014, and demanded the payment of the total combined amount of approximately ₱926.0 million, inclusive of interests, penalties, fees and taxes.

   Upon failure to pay the aforesaid loan, the Parent Company and AHC enforced its rights under the aforesaid agreements and mortgages and filed several Petitions for Extra-Judicial Foreclosure of Real Estate Mortgage on (a) PWU Indiana and Taft Properties with the Office of the Clerk of Court and Ex-Officio Sheriff of the Regional Trial Court ("RTC") of Manila, (b) Unlad's properties in Quezon City and (c) Davao Property with the Office of the Clerk of Court and Ex-Officio Sheriff of the RTC of Quezon City and Davao, respectively, in February 2015.

   On March 13, 2015, HZB filed a Creditor-Initiated Petition for Rehabilitation of PWU in RTC Manila ("PWU Rehabilitation Case"). The PWU Rehabilitation Case was raffled to Branch 46 of the RTC Manila ("Rehabilitation Court").

   On March 26, 2015, the Parent Company filed a Notice of Claim with the Rehabilitation Court.

   On August 29, 2015, the Rehabilitation Court rendered a decision dismissing the PWU Rehabilitation Case.

   After filing of the Motion for Reconsideration and responsive pleadings thereto, on January 21, 2016, the Rehabilitation Court denied the respective Motions for Reconsideration filed by HZB and PWU.

   Extra-judicial foreclosure sales were conducted in various dates in 2015 and 2016 for the above mentioned properties and the Parent Company was declared as the winning bidder for all extra-judicial foreclosure sales held.

   On March 1, 2016, the Parent Company and AHC executed a Deed of Assignment wherein AHC assigned its AHC Loan to Unlad, including capitalized foreclosure expenses, amounting to ₱66.7 million for a cash consideration of ₱73.8 million.

   On March 22, 2016, the Parent Company, PWU, Unlad, and HZB entered into a MOA for the extinguishment and settlement of the outstanding obligations of PWU and Unlad to the Parent Company. The MOA includes, among others, the execution of the following on March 31, 2016:

   - Deed of Dacion en pago of Quezon City Properties and Davao Property (collectively referred to as the "Deeds") in favor of the Parent Company

- Release and cancellation of mortgages over the Manila Properties to be executed by the Parent Company

The MOA also provides that the Parent Company will be committed to fund and advance all taxes, expenses and fees to the extent of ₱150.0 million in order to obtain the CAR and the issuance of new TCT and TD in favor of the Parent Company. In the event that such expenses are less than ₱150.0 million, the excess shall be given to Unlad. However, if the ₱150.0 million will be insufficient to cover the expenses, the Parent Company will provide the deficiency without any right of reimbursement from Unlad (see Note 16).

Prior to the settlement, the breakdown of the receivables from PWU and Unlad follows:

	PWU	Unlad	Total
Principal amount	₱250,000,000	₱263,000,000	₱513,000,000
Interest*	12,651,546	3,327,389	15,978,935
Auction expenses**	23,195,709	951,876	24,147,585
Foreclosure and legal expenses**	18,021,970	5,941,989	23,963,959
	₱303,869,225	₱273,221,254	₱577,090,479

**Interest up to December 31, 2012 only*
***₱15.2 million and ₱32.9 million of auction, foreclosure and legal expenses, were recognized as part of the noncurrent receivables in 2016 and 2015, respectively*

Pursuant to the MOA, on March 31, 2016, the Parent Company and Unlad entered into the Deeds wherein Unlad transferred four parcels of land in Quezon City and a parcel of land in Davao to the Parent Company for a total dacion price of ₱611.0 million and ₱300.0 million, respectively, for the settlement of the outstanding loans of PWU and Unlad. This resulted to a gain amounting to ₱553.4 million (including the difference between the fair value and the dacion price of ₱369.5 million) and is presented as "Excess of consideration received from collection of receivables" in the consolidated statement of comprehensive income for the year ended March 31, 2016.

Consequently, the Parent Company recognized the Quezon City and Davao properties as "Investment properties" as at March 31, 2016 (see Note 11).

Relative to the above, the following cases have been filed:

(i). *Complaint filed by the Heirs of the Family of Villa-Abrille relative to Unlad's Davao Property.* On October 21, 2015, the Parent Company and AHC each received copies of the Complaint filed by the Heirs of Carlos Villa-Abrille, Heirs of Luisa Villa-Abrille, Heirs of Candelaria V.A. Tan, Heirs of Adolfo V.A. Lim, Heirs of Saya V.A. Lim Chiu, Heirs of Guinga V.A. Lim Lu, Heirs of Rosalia V.A. Lim Lua, Heirs of Lorenzo V.A. Lim, and Heirs of Fermin Abella against the Philippine Women's Educational Association ("PWEA"), Unlad, the Parent Company, and AHC for cancellation of certificate of title, reconveyance of real property, declaration of nullity of real estate mortgage, damages, and attorney's fees. The subject matter of the case is Unlad's property located in Davao City.

The Plaintiffs claim that ownership of Unlad's property in Davao City should revert back to them because PWEA and Unlad violated the restrictions contained in the Deed of Sale covering the property. The restrictions referred to by the Plaintiffs provide that PWEA shall use the land for educational purposes only and shall not subdivide the land for purposes of resale or lease to other persons. The Plaintiffs also claim that the real estate mortgage constituted over Unlad's property in Davao City in favor of the Parent Company and AHC should be declared null and void because PWEA and Unlad have no capacity to mortgage the property based on the restrictions contained in the Deed of Sale.

On November 20, 2015, the Parent Company and AHC filed the Motion to Dismiss ("First Motion to Dismiss"). In the First Motion to Dismiss, the Parent Company and AHC asserted that the Plaintiffs' cause of action against PWEA and Unlad has prescribed considering that the alleged violation of the restrictions in the Deed of Sale occurred in 1987 or more than ten (10) years from the filing of the case. In addition, Plaintiffs cannot seek the cancellation of the real estate mortgage in favor of the Parent Company and AHC because (a) Plaintiffs are not privy/real parties in interest to the said mortgage, and (b) the restrictions in the title and Deed of Sale do not prohibit the mortgage of the subject property. The First Motion to Dismiss was scheduled by the Trial Court on December 4, 2015.

On December 4, 2015, the Plaintiffs failed to attend the hearing of the Motion to Dismiss. The Trial Court instead ordered the Plaintiffs to file their comment to the Motion to Dismiss within ten (10) days from receipt of its order while the Parent Company and AHC are given the same period to file their reply thereto.

The Trial Court also noticed that the records failed to show that PWEA and Unlad received the Summons. The Trial Court then ordered the branch sheriff to cause the service of the Summons to PWEA and Unlad.

Despite the extensions given to the Plaintiffs, Plaintiffs belatedly filed its Comment/Opposition to the First Motion to Dismiss. Subsequently, the Parent Company and AHC filed a Second Motion to Dismiss dated March 22, 2016 ("Second Motion to Dismiss").

In the Second Motion to Dismiss, the Parent Company and AHC informed the Trial Court that they were able to discover that the plaintiffs filed a similar case against PWEA and Unlad with another Trial Court of Davao City, which was dismissed without qualifications for their failure to comply with the said Trial Court's order. Said dismissal was eventually affirmed with finality by the Supreme Court. Because of this information, the Parent Company and AHC moved to dismiss the case for res judicata and willful and deliberate forum shopping for filing the same case to the Trial Court.

After receipt of all the motions filed by the Parent Company and AHC, the Trial Court ordered the parties to file their responsive pleadings to said pending motions, after which, the same shall be submitted for resolution.

The parties filed their responsive pleading wherein the last responsive pleading was filed on May 30, 2016. With the filing of the said last responsive pleading, the Motions to Dismiss were submitted for resolution.

On October 20, 2016, the Trial Court issued the Order, which granted the Motions to Dismiss, and dismissed the instant case on the basis of (a) prescription, and (b) res judicata. The Trial Court likewise affirmed that there were no violations of the provisions and/or restrictions in the Deed of Sale annotated on the title of the subject property because (a) the mortgage of the subject property between the Parent Company and AHC and Unlad is not a prohibited act; and (b) there is no allegation that the subject property shall not be used by the Parent Company and AHC for educational purpose.

On November 24, 2016, the Plaintiffs filed a Notice of Appeal of the Order dated October 20, 2016, and sought the reversal of the same with the Court of Appeals-Cagayan de Oro ("Court of Appeals").

As at July 6, 2017, the Parent Company and AHC have not received a confirmation of the transmittal of the records of the case to the Court of Appeals.

(ii). *PWU Rehabilitation Case.* On March 13, 2015, HZB filed the PWU Rehabilitation Case to the Rehabilitation Court.

On March 20, 2015, the Rehabilitation Court issued a Commencement Order declaring PWU to be under rehabilitation. The Commencement Order contains a Stay Order, which among others, effectively suspends all actions or proceedings enforcing all claims against PWU in court or otherwise.

On March 26, 2015, the Parent Company filed a Notice of Claim with the Rehabilitation Court. Under the Notice of Claim, PWU has outstanding obligations amounting to ₱763.6 million as at March 25, 2015.

On April 8, 2015, the Parent Company filed its Opposition to the PWU Rehabilitation Case.

On May 26, 2015, the Rehabilitation Court referred the PWU Rehabilitation Case to the Rehabilitation Receiver for evaluation. The Rehabilitation Receiver was given forty days from May 26, 2015 to consider whether the rehabilitation of PWU is feasible or not.

On August 29, 2015, the Rehabilitation Court rendered the decision to dismiss the PWU Rehabilitation Case, for being, among others, a sham filing and ordered the lifting of the Stay Order.

After filing of the Motion for Reconsideration and responsive pleadings thereto, on January 21, 2016, the Rehabilitation Court denied the respective Motion for Reconsideration filed by HZB and PWU.

PWU filed a Petition for Certiorari with Application for Temporary Mandatory/Restraining Order and/or Writ of Preliminary Injunction dated February 26, 2016 to the CA. Subsequently, HZB filed her Petition for Certiorari (with Urgent Application for Temporary Restraining Order And/or Writ of Preliminary Injunction) dated February 29, 2016 to the CA.

Eventually, both PWU and HZB filed their Motion for Withdrawal of their Petition for Certiorari dated April 11, 2016 to the CA.

On May 13, 2016, the Motion to Withdraw the Petition for Certiorari of PWU was granted by the CA.

On June 23, 2016, the Court of Appeals required HZB, through her counsel, to re-file the Motion to Withdraw the Petition for Certiorari of HZB on the ground that it has not received the same.

After the filing of the said Motion, the Court of Appeals issued the Resolution dated August 11, 2016 granting the said Motion, and considered the Petition filed by HZB withdrawn.

Considering the withdrawal of the aforesaid Petitions and settlement of the parties, the dismissal of the Petition for Rehabilitation of PWU has become final and executory.

(iii) *Arbitration Case and Derivative Suit filed by Mr. Conrado Benitez II.*

(a) Mr. Conrado L. Benitez II (the "Claimant") filed a Request for Arbitration, with the Philippine Dispute Resolution Center, Inc. ("PDRCI"), for and on behalf of PWU and Unlad, wherein he requested that the directors/trustees and stockholders/members of Unlad and PWU, Mr. Eusebio H. Tanco ("EHT"), the Parent Company, Mr. Alfredo Abelardo B. Benitez ("ABB") and AHC (collectively, the "Respondents") submit the alleged dispute over the settlement of the loan obligations of PWU and Unlad as provided in the arbitration clause of the Joint Venture Agreement and Omnibus Agreement (the "Loan Documents").

In the said Arbitration Case, the Claimant asserted that PWU and Unlad are not in default in their obligations under the Loan Documents. The obligations provided therein, specifically obtaining a tax free ruling for Property for Share Swap Transaction from the Bureau of Internal Revenue, is an impossible condition. Consequently, the foreclosures on the securities of the Loan Documents, real properties of PWU and Unlad, were null and void because (a) failure to submit the case for arbitration and (b) PWU and Unlad are not in default. Based on such circumstances, the Claimant sought, among others, the (a) renegotiation, or (b) rescission of the Loan Documents. Should the Loan Documents be rescinded, the Claimant also sought that PWU and Unlad shall be allowed twelve months to sell the Davao and Quezon City Properties to return the alleged investments made by the Parent Company, EHT, ABB and AHC. Lastly, the Claimant sought the payment of attorney's fees not less than ₱5.0 million, ₱0.5 million for expenses and reimbursement of cost of suit, expenses, and other fees.

On July 12, 2016, the Parent Company, AHC and EHT received the Notice of Arbitration from the PDRCI, and required said parties to file their Response to the Request for Arbitration filed by the Claimant within thirty (30) days from receipt thereof, or until August 11, 2016.

Upon verification with the PDRCI, the Claimant has yet to pay the full amount of fees required by the PDRCI.

Based on the rules of the PDRCI, the Respondents in the arbitration case need not file their Response until full payment of the Claimant.

Based on said circumstances, the Parent Company, AHC, and EHT filed an Entry of Appearance with Manifestation ("Manifestation"). In the Manifestation, they informed the PDRCI that the filing of their Response shall be deferred until full payment of the provisional advance of cost by the Claimant as required under the PDRCI Rules. Likewise, they manifested that the Claimant should be compelled to pay said fees in order for the PDRCI and/or the arbitral tribunal to be constituted to rule on the defenses and/or claim to be raised by the Parent Company, AHC and EHT.

On September 7, 2016, the PDRCI issued a *Notice* dated August 26, 2016, which informed the parties to the instant case that the proceedings are suspended until the Claimant settles the outstanding provisional advance on cost for filing the instant case.

In view of the foregoing, the case is deemed suspended pending the settlement by the Claimant of the provisional advance on cost.

(b) After filing the Request for Arbitration, Mr. Conrado L. Benitez II (the "Petitioner") then filed a derivative suit for himself and on behalf of Unlad and PWU against directors/trustees and stockholders/members of Unlad and PWU, EHT, the Parent Company, ABB and AHC (collectively, the "Defendants") docketed as Civil Case No. 16-136130 in the RTC of Manila (the "Derivative Suit"). The Derivative Suit was raffled to Branch 24 of the RTC of Manila presided over by Judge Ma. Victoria A. Soriano-Villadolid.

In the Derivative Suit, the Petitioner primarily asserts that the Parent Company, EHT, ABB and AHC should submit themselves to the arbitration proceedings filed with the PDRCI because the Loan Documents required any alleged dispute over the same to be resolved through arbitration. Consequently, the Petitioner alleges that the foreclosure proceedings and settlement of the obligations of PWU and Unlad as evidenced by the MOA dated March 22, 2016 executed by PWU and Unlad with the Parent Company and AHC are null and void for not complying with the aforesaid arbitration clause. Likewise, the Petitioner sought the payment of attorney's fees not less than ₱1.0 million, ₱0.1 million for expenses and cost of suit.

On July 26, 2016, the Parent Company and AHC filed their Joint Answer with Compulsory Counterclaim ("Joint Answer"). In the Joint Answer, the Parent Company and AHC asserted that the instant case is a mere harassment and nuisance suit, and a deliberate form of forum shopping when the Petitioner filed the Arbitration Case for the same purpose. Likewise, the Petitioner cannot compel the corporations to submit themselves to arbitration because (a) the parties to the Loan Documents have already settled any disputes, and (b) the said corporations are not stockholders and members of PWU and Unlad. Lastly, the relevant laws allow the Parent Company and AHC to institute foreclosure proceedings even if there is an arbitration clause.

Simultaneously, EHT filed his Answer wherein he asserted that the Petitioner cannot compel him to submit himself to arbitration when he is not a party to the Loan Documents. Under the relevant laws and arbitration clause of the Loan Documents, only parties to said contracts may be required to submit themselves to arbitration. EHT has ceased to be a party to the Joint Venture Agreement when he assigned all his rights and interests thereto to the Parent Company, while he is not a party to the Omnibus Agreement. EHT further asserted that the Petitioner's only motive of including him in said case is to destroy his good name with the latter's blatant lies and baseless allegations.

The Petitioner then filed his Consolidated Reply to the Joint Answer and Answer of EHT.

Meanwhile, Defendants ABB, Dr. Francisco Benitez (as president of PWU), and Mr. Marco Alfredo Benitez (as president of Unlad) filed their respective Motion(s) to set preliminary hearing on the special and affirmative defenses raised by said Defendants in their respective Answers.

On October 19, 2016, the Petitioner filed his Ex Parte Motion to Set Pre-Trial of the instant case.

The Trial Court ordered the parties to file their respective comments to the aforesaid Motions.

Based on the records of the case, Dr. Francisco Benitez (as president of PWU), and Mr. Marco Alfredo Benitez (as president of Unlad) have filed their opposition to the Ex Parte Motion to Set Pre-Trial insofar as the same is premature due to the pending Motion(s) to set preliminary hearing on the special and affirmative defenses.

On November 11, 2016, the Parent Company, AHC and EHT filed their respective Motion(s) to Set Hearing on Affirmative Defenses. In EHT's Motions, EHT moved to dismiss the case because EHT is no longer a party to the loan documents subject of the instant case. While, the Parent Company and AHC asserted that the dismissal of the case is warranted when (a) the Plaintiff is guilty of forum shopping for filing the arbitration case with the PDRCI and (b) the same is a mere harassment and/or nuisance suit. The said Motions were set for hearing on December 8, 2016.

After the hearing on the aforesaid Motions filed by the Defendants in the instant case and filing of all the parties their respective responsive pleadings to the said Motions, the Trial Court issued its Order dated February 22, 2017, which denied the co-defendants respective Motion(s) to Set Preliminary Hearing on the Special and Affirmative Defenses.

On March 13, 2017, the Parent Company, AHC and EHT received two (2) Order(s) both dated March 3, 2017 from the Trial Court. The first Order provides that their Motion(s) to Set Preliminary Hearing on the Special and Affirmative Defenses were denied by the Trial Court while the second Order set the case for pre-trial conference on April 18, 2017 with pre-marking of documentary evidence on April 7, 2017 ("Notice of Pre-Trial"). The Notice of Pre-Trial further requires the parties to file their respective (a) pre-trial briefs, (b) documentary evidence, (c) affidavits of witnesses, and (d) special power of attorney of counsels, in case any of the party-litigants cannot attend the pre-trial conference.

After participating in the pre-marking of evidence and filing of their respective Pre-Trial Briefs and Judicial Affidavits of witnesses, the parties' respective counsels attended the pre-trial for the above-captioned case on April 18, 2017.

During the pre-trial conference, the Trial Court referred the case for Court-Annexed Mediation with the Philippine Mediation Center ("PMC") as allowed during pre-trial. The Trial Court further informed the parties that should the parties fail to amicably settle, the Trial Court may require the parties to (a) file their respective Memorandum, (b) present their evidence or witness on factual issues need to be clarified and/or resolved, and/or (c) submit the case for judgment based on the pleadings and evidence submitted by the parties.

Immediately after the hearing, the parties went to the PMC, wherein the parties agreed to schedule the mediation hearing on May 3, 2017. While setting the schedule of the mediation hearing, counsel for the Petitioner made a proposal for the amicable settlement of the instant case.

On May 2, 2017, the Parent Company and AHC received the Urgent Motion (For Issuance of Temporary Restraining Order and Writ of Preliminary Injunction) ("Motion for TRO/Injunction") filed by the Petitioner. In the Motion for TRO/Injunction, the Petitioner sought to enjoin the construction work being initiated by the Parent Company on the Davao Property on the ground that (a) the said property is subject of the instant case, and (b) Unlad and/or Philippine Women's College of Davao will be dispossessed of the said property. The Motion for TRO/Injunction was scheduled by the Trial Court on May 11, 2017.

On May 3, 2017, the parties were all present for the mediation hearing. During said hearing, the Parent Company, through counsel, manifested that it rejects the Petitioner's proposal, and moved to terminate the mediation hearing. Upon said motion, the Court-Annexed Mediation was terminated.

On May 11, 2017, the parties' respective counsels attended the hearing on the Motion for TRO/Injunction. During the hearing, the Trial Court denied the Petitioner's request for a status quo pending the resolution of the said Motion. Instead, the Trial Court required the parties to file their respective Position Paper on the issuance of the TRO on May 18, 2017. The Trial Court also set the hearing on the issuance of a Preliminary Injunction wherein the parties will present their respective witnesses and evidence for the same.

While the aforesaid Motion for TRO/Injunction was pending, on May 17, 2017, the Parent Company and AHC received an Ex Parte Reiterative Motion of the Plaintiff. In the said Ex Parte Motion, the Petitioner reiterated his request for a status quo order considering that the Parent Company was able to obtain a permit to construct a fence on the Davao Property. The said Motion was set for hearing on May 18, 2017.

On May 18, 2017, all of the parties filed their respective Position Papers in relation to Petitioner's Motion for TRO/Injunction.

On May 25, 2017, the Petitioner filed a Manifestation and Motion to Withdraw its Motion for TRO/Injunction. The Petitioner alleged that instead of conducting hearings on the issuance of an Injunction, the Trial Court should proceed to resolve the case based on the pleadings and affidavits already filed by the parties in accordance with Interim Rules Governing Intra-Corporate Controversies.

Upon receipt of the aforesaid Manifestation and Motion to Withdraw of the Petitioner, the Trial Court granted the same and cancelled the scheduled injunction hearings.

As at July 6, 2017, there is no order issued by the Trial Court on the continuation of the pre-trial conference for the instant case.

b. *Specific Performance Case filed by the Agustin Family*. The Agustin family filed a Specific Performance case against the Parent Company for the payment by the latter of the remaining balance of the purchase price for the sale of the Agustin Family's shares in STI WNU.

   The Agustin family alleges in their Complaint that based on the Share Purchase Agreement and Deed of Absolute Sale they executed with the Parent Company, the price of their shares in STI WNU has been pegged at ₱400.0 million. Despite these two agreements, the Parent Company refuses to pay the full purchase price for the STI WNU shares they acquired from the Agustin family.

In its Answer, the Parent Company stated that the Agustin family is not entitled to the full purchase price of their STI WNU shares because they have not complied with all the requirements for its release. In particular, the Agustin family has not been able to deliver the Commission on Higher Education permits for the operation of STI WNU's Maritime Program as provided in the MOA, and the Share Purchase Agreement. In addition, there are other trade receivables in favor of STI WNU wherein full satisfaction of the same entitles the Agustins a portion of the balance of the purchase price.

On June 2, 2016, the Parent Company received the Agustins' Reply to the Answer. In the Reply, the Agustin family are asserting that (a) the Memorandum of Agreement, Share Purchase Agreement and Deed of Absolute Sale (the "STI WNU Contracts") provide that the Parent Company can withhold the payment of the remaining balance of ₱50.0 million, which alleged to be pursuant to the license to operate the Maritime Programs of STI WNU, and (b) the Parent Company should be deemed to have agreed on the ₱400.0 million purchase price. Likewise, the allegations in the Answer are also against the Parol Evidence Rule which provides that the parties to a written agreement cannot change the stipulations provided therein.

The Agustin family also filed and served a Request for Admission to the Parent Company's counsel wherein they sought the Parent Company to submit (a) the existences and authenticity of the STI WNU Contracts, (b) issues of the instant case are (i) determination of the final purchase price based on the STI WNU Contracts and (ii) final purchase price should be either the ₱400.0 million or the adjusted price of ₱350.0 million, and (c) the STI WNU Contracts constitute the entire written agreement of the parties.

On June 17, 2016, the Parent Company filed its Comment/Opposition to the Agustin family's Request for Admission. In the Comment/Opposition, the Parent Company filed their objections thereto and sought the same to be denied or deemed ineffectual on the following grounds; (a) defective service because it should have been served directly to the Parent Company and not to its counsel as required under the Rules of Court, (b) redundant because the matters raised therein have already been addressed in the Answer, and (c) improper and irrelevant because it sought admission of issues which are proper during pre-trial and not in a Request for Admission.

Besides the Trial Court's resolutions on the aforesaid objections to the Request for Admission, the case may be referred to pre-trial and/or court-annexed mediation unless the Agustin family filed any other motions or pleading.

Pending the resolution on the aforesaid objections, the Agustin family filed an Omnibus Motion, which seeks, among others, a judgment on the pleadings to be issued against the Parent Company by the Trial Court. The Agustin family asserted that the Parent Company is prohibited from presenting parol evidence.

Pursuant to the order of the Trial Court, the parties filed their respective responsive pleadings in relation to the Agustin family's Omnibus Motion.

On March 27, 2017, the Trial Court issued the Omnibus Order, which denied the Agustin family's Omnibus Motion. In the Omnibus Order, the Trial Court affirmed that the matter raised in the Request for Admission has already been admitted by the Parent Company. The Trial Court also adopted the Parent Company's position that the affirmative defenses raised in the Answer may only be resolved in a full blown trial, and consequently, the Agustin family's Judgment on the Pleading should be denied for lack of merit.

On May 2, 2017, the Parent Company received the Agustin family's Motion for Reconsideration. In the Motion for Reconsideration, the Agustin family reiterated its position that the Parent Company could not question or insist the reduction of the purchase price of WNU Shares due to their failure to submit the CHEd Permits when the Share Purchase Agreement and Deed of Absolute Sale of the WNU Shares stipulated that the purchase price is for the amount of ₱400.0 million). The Motion for Reconsideration was set for hearing on May 5, 2017.

During the May 5, 2017 hearing, the Trial Court allowed the parties to file their respective responsive pleadings to the Agustin family's Motion for Reconsideration, wherein the Parent Company had to file its Comment/Opposition thereto on May 22, 2017. After the filing of all of the said responsive pleadings of the parties, the Motion for Reconsideration was submitted for resolution. The Trial Court likewise set the pre-trial of the instant case on August 15, 2017.

The parties have filed their respective responsive pleadings to the Agustin family's Motion for Reconsideration. As at July 6, 2017, there is no resolution on the said Motion for Reconsideration.

c. *Tax Assessment Case*. STI ESG 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 STI ESG 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, STI ESG 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 STI ESG'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, STI ESG received a copy of the Commissioner of Internal Revenue's ("CIR") Motion for Reconsideration dated May 8, 2013. STI ESG 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, STI ESG 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 STI ESG's Petition for Review and ordered the cancellation of the BIR assessment for the fiscal year ending March 31, 2003. On April 21, 2015, the CIR filed a Motion for Reconsideration with the CTA En Banc. On July 3, 2015, STI ESG 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, STI ESG 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, STI ESG filed a Motion for Extension of Time to File Comment on the Petition for Review requesting an additional period of twenty (20) days from February 5, 2016, or until February 25, 2016, within which to file the Comment. On February 25, 2016, STI ESG filed another Motion for Extension of Time to File Comment on the Petition for Review requesting an additional period of fifteen (15) days from February 25, 2016, or until March 11, 2016, within which to file the Comment. On March 11, 2016, STI ESG, 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 notice. On November 25, 2016, the CIR filed his reply to STI ESG's Comment. As at July 6, 2017, the case is pending resolution by the Supreme Court.

d. *Labor Case*. A former employee of STI ESG 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 STI ESG. On August 13, 2014, STI ESG received the Supreme Court's decision dated July 9, 2014 annulling the decision of the Court of Appeals and ordered that STI ESG 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 backwages from the date of the former employee's dismissal until fully paid, with legal interest. On August 28, 2014, STI ESG filed its Motion for Reconsideration and on November 17, 2014, the Supreme Court issued a resolution which denied with finality STI ESG's Motion for Reconsideration. On January 5, 2015, STI ESG filed an Omnibus Motion and requested to move the case for review by the Supreme Court En Banc. On May 22, 2015, STI ESG received a notice from the Supreme Court which denied STI ESG's Omnibus Motion. As a result of the decision, STI ESG recognized 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 STI ESG'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 fifteen (15) days because of the filing of STI ESG's Petition questioning, among others, the Writ of Execution issued by 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, 2006 Decision of Labor Arbiter, and sought the payment of separation pay.

As mentioned in an earlier paragraph, STI ESG on October 19, 2015, STI ESG filed a Petition with the NLRC, docketed as LER-CN-10291-15, to (1) annul the Writ of Execution issued by the 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, STI ESG 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. STI ESG averred that an order of separation pay in lieu of reinstatement should be issued in favor of the former employee.

On October 28, 2015, STI ESG filed another Petition with the NLRC, which sought to inhibit Labor Arbiter from continuing the execution proceedings for the former employee's judgment award. In the said Petition, STI ESG alleged that the actions of Labor Arbiter showed partiality and bias in favor of the former employee.

On October 29, 2015, STI ESG filed a Motion to Consolidate with the NLRC. In the said Motion, STI ESG 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 STI ESG. 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.

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.

On March 29, 2016, STI ESG received the former employee's Motion for Reconsideration. In the Motion for Reconsideration, the former employee questioned the guide issued by the NLRC and the inhibition of the Labor Arbiter.

On April 19, 2016, STI ESG filed a Motion for Leave (To Admit Comment and/or Opposition with Manifestation). In the Comment and/or Opposition, STI ESG defended the guide issued by the Sixth Division of the NLRC and the inhibition on the Labor Arbiter by, among others, asserting that the former employee's grounds for reconsideration of the Decision are based on misleading allegations, and misquoted orders and pleadings of the Corporation. STI ESG also manifested to that (1) it would no longer seek the cancellation of the Writ of Execution provided that any legal effect thereof on the judgment award shall be recognized and applied therein, and (2) the appropriate labor arbiter commence with the computation of the separation pay in lieu of reinstatement.

On July 1, 2016, STI ESG received the Resolution of the NLRC, which denied the former employee's Motion for Reconsideration.

On September 6, 2016, STI ESG received the Petition for Certiorari filed by the former employee to the Court of Appeals wherein she questioned the Decision dated February 29, 2016 and Resolution dated June 28, 2016 issued by the NLRC. In the Petition, the former employee reiterated all her grounds in the Motion for Reconsideration filed to the NLRC.

On September 26, 2016, STI ESG filed its Comment/Opposition Ad Cautelam. In the said Comment/Opposition, STI ESG reiterated its arguments raised against the former employee's Motion for Reconsideration. In addition, STI ESG raised that (a) the issue on annulment of the Writ of Execution should be deemed moot because STI ESG has already manifested that it would no longer enforce said decision, and (b) the former employee should show proof that the Motion for Reconsideration was actually filed to the NLRC within the period allowed by law or otherwise, the Petition should be denied due to non-exhaustion of administrative remedies.

Upon filing of extension to file Reply to the Comment/Opposition Ad Cautelam of STI ESG, the former employee filed her Reply thereto on October 19, 2016.

On October 24, 2016, the Court of Appeals referred the case for mediation with the Philippine Mediation Center-Court of Appeals. Based on the relevant rules, the mediator assigned in the instant case has an extendible thirty (30) days to complete the mediation proceeding. Should the parties fail to settle the instant case, the case shall be referred to the Court of Appeals for resolution.

Both parties attended the mediation hearing wherein both parties provided their respective settlement amount wherein the former employee rejected the last proposal made by STI ESG. Considering that both parties failed to amicably settle, the mediation proceedings was terminated.

On April 11, 2017, STI ESG received the Court of Appeals' Resolution which required both parties to file their respective Memoranda within a non-extendible period of fifteen (15) days from receipt thereof or until April 26, 2017.

In compliance with the aforesaid Resolution, STI ESG filed its Memorandum on April 26, 2017.

On June 6, 2017, STI ESG received the Court of Appeal's Decision on the former employee's Petition for Certiorari. In the Decision, the Court of Appeals 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 on 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.

As at July 6, 2017, there is no notice that the case has already been referred to the new labor arbiter and/or filing of any Motion for Reconsideration by the former employee on the aforesaid Decision.

e. *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 (see Note 1), filed a Motion to Dismiss. On March 31, 2016, STI ESG received the plaintiffs' Comment/Opposition to Motion to Dismiss with Motion to Declare Defendant in Default ("Motion"). On April 8, 2016, the Court required STI ESG and the plaintiffs to file their respective Position Papers to the Motion to Dismiss and the plaintiffs' Motion until April 13, 2016. On April 12, 2016, STI ESG received the plaintiff's Position Paper.

On April 14, 2016, the Parent Company filed a Manifestation with an attached Position Paper.

On August 2, 2016, the Parent Company received the Plaintiffs' Motion to Resolve, which seeks for the resolution of all pending incidents.

On August 11, 2016, the Parent Company filed a Comment dated August 10, 2016 to the Plaintiffs' Motion to Resolve. In the Comment, the Parent Company also moved for the resolution of all pending incidents including the Motion to Dismiss filed by the Parent Company, and reiterated the propriety of the dismissal of the instant case.

On August 12, 2016, the hearing on the Motion to Resolve proceeded wherein the Parent Company reiterated its Motion(s) to Dismiss, and moved for the resolution of all pending incidents in the instant case. The Trial Court then ordered that all of the pending incidents shall be resolved.

On February 28, 2017, the Defendants received the Resolution of the Trial Court wherein it denied the Defendants' Motion 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 11 March 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.

On March 17, 2017, the Defendants filed and served in open court their Reply and/or Comment/Opposition Ad Cautelam ("Reply") to the Plaintiffs' Comment with Motion. In the Reply, the Defendants asserted that under the relevant provisions of the Rules of Court and jurisprudence, a motion for reconsideration is allowed to be filed after the denial of a motion to dismiss. Consequently, the filing of the Answer is deemed suspended while the Joint Motion for Reconsideration Ad Cautelam is pending for resolution.

Upon receipt of the Plaintiffs' Reply on April 3, 2017, the Defendants filed the Joint Rejoinder wherein they asserted that the Reply is a reiteration of the Plaintiffs' baseless argument that a motion for reconsideration is prohibited.

With the filing of the aforesaid pleadings, the Joint Motion and Plaintiffs' Motion to Declare Defendants in Default are submitted for resolution.

f. *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 fifteen (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.

On June 19, 2017, the Trial Court issued its Order referring the parties to Court-Annexed Mediation on July 14, 2017.

Both parties are required to participate in the said mediation hearing. Should the parties fail to amicably settle the instant case, the case shall undergo Judicial Dispute Resolution before the Trial Court as part of the pre-trial proceedings.

g. *Criminal Case.* A complaint for qualified theft was filed by STI ESG against its former school accounting supervisor and acting school accountant ("former supervisor/accountant"). In the complaint, STI ESG 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 STI ESG 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 sixteen (16) months has elapsed since the matter was submitted for resolution.

As at July 6, 2017, there is no resolution issued by the Office of the City Prosecutor of Taguig City.

h. *CHED Case.* On April 21, 2014, STI WNU filed a Petition for Certiorari with an application for the issuance of temporary restraining order and preliminary injunction against the Commission on Higher Education ("CHED") with the Regional Trial Court of Quezon City.

The Petition was filed in response to the Order dated January 6, 2014 issued by Atty. Julito Vitriolo, CHED's Executive Director, which affirmed/executed the Closure Order(s) dated July 19, 2011 and April 26, 2013 of STI WNU's Bachelor of Science in Marine Transportation ("BS MT") and Bachelor of Science in Maritime Engineering ("BS MarE") degrees.

In the said Order, CHED resolved: (1) to allow STI WNU's existing students enrolled prior to the issuance of the denial of its Motion for Reconsideration for Academic Year ("AY") 2012-2013, to complete and graduate their Bachelor of Science in Marine Transportation ("BSMT") and Bachelor of Science in Maritime Engineering ("BS MarE") degrees in STI WNU; (2) STI WNU shall be directed to submit a complete list of the students enrolled as of AY 2012-2013; and (3) effective AY 2013-2014, STI WNU offering of maritime programs shall be considered to have shifted to a rating school and shall be recognized as a pilot maritime technical school in Western Visayas with 2-3 year "non-officer maritime program" and that students admitted in STI WNU's maritime programs effective AY 2013-2014 shall not be considered to have enrolled in degree program but only in a "non-officer maritime program" of STI WNU.

The issues presented in the Petition filed by STI WNU are as follows: (a) the April 26, 2013 Order denying STI WNU's Motion for Reconsideration of the July 11, 2011 Closure Order was issued despite full compliance by STI WNU on the required areas for evaluation of STI WNU's Maritime Programs; (b) the January 6, 2014 Order did not resolve nor mention the status of the Verified Appeal filed on June 7, 2013; (c) the January 6, 2014 Order downgrading STI WNU's BS MT and BS MarE did not provide guidelines for its implementation; (d) the shifting of the enrollees/students for AY 2013-2014 from a rating/degree program to a pilot non-officer program/certification will cause grave and irreparable damage on the part of the affected students; (e) under the Manual of Regulations for Private Higher Education, the January 6, 2014 Order should be effected at the end of the academic year.

On May 23, 2014, the Trial Court issued an Order dismissing the case on the ground that (a) the period to file the petition for certiorari lapsed on July 28, 2013 or after the sixty (60) day period from receipt of the April 26, 2013 Order of CHED and (b) the Court of Appeals has jurisdiction over petition for certiorari against quasi- judicial agencies such as CHED.

On June 11, 2014, STI WNU filed a Motion for Reconsideration of the May 23, 2014 Order of the Trial Court. In the said Motion for Reconsideration, STI WNU asserted that (a) the sixty (60) day period to file the petition for certiorari should be counted from the time of the receipt of the assailed order, January 6, 2014 Order of CHED and (b) the Regional Trial Court of Quezon City has jurisdiction over the said case.

On September 2, 2014, the Trial Court denied STI WNU's Motion for Reconsideration seeking to reverse the Resolution dismissing the above-captioned case on the ground that (a) the period to file the petition for certiorari lapsed on July 28, 2013 or after the sixty (60) day period from receipt of the April 26, 2014 Order of CHED and (b) the Court of Appeals has jurisdiction over petition for certiorari against quasi-judicial agencies such as CHED.

On September 16, 2014, STI WNU filed its Notice of Appeal to elevate the records of the case to the Court of Appeals as provided under Rule 41 of the Rules of Court. On October 7, 2014, STI WNU received the Trial Court's Order dated September 22, 2014 which gave due course to STI WNU's Notice of Appeal and ordering the Clerk of Court to transmit the entire records to the Court of Appeals.

On January 12, 2015, a Notice dated November 12, 2014 from the Trial Court was received, stating that the entire records of the case was transmitted to the Clerk of Division of the Court of Appeals.

On February 27, 2015, a notice from the Court of Appeals was received that required STI WNU to file its Appellant's brief. On March 30, 2015, STI WNU submitted the Appellant's brief.

On March 30, 2015, STI WNU and CHED filed their respective Memorandum. Upon filing of their respective Memorandum, the appeal was submitted for resolution.

On August 17, 2015, STI WNU, through counsel, received the Decision dated July 29, 2015 of the Court of Appeals. In the Decision, the Court of Appeals affirmed the Trial Court's Orders, and reiterated that STI WNU's failure to timely file the Petition with the Court of Appeals from its receipt on April 26, 2013 Closure Order caused the said Closure Orders to become final and executory.

On September 1, 2015, STI WNU filed its Motion for Reconsideration on the Court of Appeal's Decision dated July 29, 2015.

After CHED filed its opposition thereto, a Resolution dated February 24, 2016 was issued by the Court of Appeals. In the Resolution, the Court of Appeals denied the Motion for Reconsideration because there were no new matters of substance raised by STI WNU to justify the reversal of the Court of Appeals' Decision dated July 29, 2015.

After filing a motion for extension to file a Petition for Review, STI WNU filed a Petition for Review on April 18, 2016 to the Supreme Court. In the Petition for Review, STI WNU reiterated that (a) the period to file a Petition for Certiorari has not expired, and (b) the Trial Court has jurisdiction over the Closure Orders of CHED. STI WNU also asked the Supreme Court that, if it deems proper, allow STI WNU to continue to offer the Maritime Programs considering that it has fully complied with the requirements of the CHED to offer the same.

On July 26, 2016, STI WNU received the Supreme Court's Resolution dated June 15, 2016, which denied the Petition for Review.

On August 10, 2016, STI WNU filed its Motion for Reconsideration on the Resolution dated June 15, 2016.

On September 21, 2016, the Supreme Court issued a Resolution, which denies the Motion for Reconsideration, and affirmed the dismissal of the case with finality.

i. Due to the nature of their business, STI ESG and STI WNU are 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 STI ESG and STI WNU by reason of their faculty contract. Except as discussed in (d), (e), (f), (g), (h) and (i), STI ESG and STI WNU are not engaged in any legal or arbitration proceedings (either as plaintiff or defendant), including those which are pending or known to be contemplated and its BODs have no knowledge of any proceedings pending or threatened against STI ESG or its franchisees and STI WNU or any facts likely to give rise to any litigation, claims or proceedings which might materially affect its financial position or business. Management and its legal counsels believe that STI ESG and STI WNU have substantial legal and factual bases for its position and are of the opinion that losses arising from these legal actions and proceedings, if any, will not have a material adverse impact on the Group's consolidated financial position as well as in the results of its operations.

j. STI WNU are likewise contingently liable for lawsuits or claims filed by third parties, including labor-related cases, which are pending decision by the courts, the outcome of which are not presently determinable.

k. Other subsidiaries also stand as defendant of various lawsuits and claims filed by their former employees. The complainants are seeking payment of damages such as backwages and attorney's fees. As at July 6, 2017, 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

STI ESG has a ₱65.0 million domestic bills purchase lines from various local banks 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 substantially on a clean basis except for a ₱5.0 million line which calls for the surety of a major shareholder.

In December 2014, the Parent Company issued a Surety Agreement in favor of China Bank to secure STI WNU's ₱300.0 million long-term loan and ₱5.0 million credit line. As at March 31, 2017 and 2016, STI WNU's long-term loan amounted to ₱209.0 million and ₱275.0 million, respectively.

b. Capital Commitments

As at March 31, 2017, STI ESG has contractual commitments and obligations for the construction of classrooms and faculty rooms in STI Batangas and for the renovation works in STI Novaliches aggregating ₱38.8 million, of which ₱24.5 million has been paid during the year.

As at March 31, 2016, STI ESG has contractual commitments and obligations for the construction of STI Las Piñas campus aggregating ₱290.0 million. Unpaid balances as at March 31, 2017 and 2016 amounted to ₱16.7 million and ₱96.8 million, respectively.

As at March 31, 2015, STI ESG has contractual commitments and obligations for the construction of a gymnasium, a warehouse and additional classrooms in Ortigas-Cainta, and the construction of additional classrooms in campuses located in Novaliches and Caloocan aggregating ₱98.5 million.. Unpaid balances as at March 31, 2017 and 2016 amounted to nil and ₱0.3 million, respectively.

STI WNU likewise has contractual commitments and obligations for the construction of school buildings and upgrade of its facilities aggregating to ₱200.9 million as at March 31, 2017 and 2016. Of these, ₱199.7 million and ₱195.7 million have already been paid as at March 31, 2017 and 2016, respectively.

c. Others

The Group, as an educational institution, is subject to CHED Memorandum Order No. 13, Series of 1998, otherwise known as the "Guidelines on the Procedure to be Followed by Higher Education Institutions ("HEIs") Intending to Increase their Tuition Fees, Effective Beginning School Year 1998–1999," which states that 70.00% of the proceeds derived from the tuition fee increase for the current school year should be used for the payment of increase in salaries and wages, allowances and other benefits of its teaching and non-teaching personnel and other staff, except those who are principal stockholders of the HEIs.

33. **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, AFS financial assets, accounts payable and other current liabilities, nontrade payable, bonds payable, interest-bearing loans and borrowings, obligations under finance lease and other noncurrent 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 Group's BOD and management reviews and agrees on the policies for managing each of these risks as summarized below.

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, 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 franchisees and advances to associates and joint ventures with credit terms of 30 days.

As at March 31, 2017 and 2016, the Group's current assets amounted to ₱3,914.4 million and ₱1,104.2 million, respectively, while current liabilities amounted to ₱1,464.5 million and ₱886.7 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 long-term loan, 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

The table below summarizes the maturity profile of the Group's financial assets held for liquidity purposes and other financial liabilities as at financial reporting date based on undiscounted contractual payments.

	March 31, 2017					
	Due and Demandable	**Less than 2 Months**	**2 to 3 Months**	**3 to 12 Months**	**More than 1 Year**	**Total**
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	**₱3,198,723,556**	**₱–**	**₱–**	**₱–**	**₱–**	**₱3,198,723,556**
Receivables*	**149,254,564**	**54,938,381**	**27,887,117**	**188,290,163**	**–**	**420,370,225**
Deposits (included as part of "Prepaid expenses and other current assets" and "Goodwill, intangible and other noncurrent assets" accounts)	**–**	**–**	**–**	**131,299**	**45,641,804**	**45,773,103**
AFS financial assets	**–**	**–**	**–**	**–**	**51,602,130**	**51,602,130**
	₱3,347,978,120	**₱54,938,381**	**₱27,887,117**	**₱188,421,462**	**₱97,243,934**	**₱3,716,469,014**
Financial Liabilities						
Other financial liabilities-						
Accounts payable and other current liabilities**	**₱223,808,473**	**₱51,083,983**	**₱4,168,977**	**₱165,940,716**	**₱**	**₱445,002,149**
Nontrade payable	**67,000,000**	**–**	**–**	**–**	**–**	**67,000,000**
Bonds payable:						
Principal	**–**	**–**	**–**		**3,000,000,000**	**3,000,000,000**
Interest	**–**	**–**		**178,905,220**	**1,230,271,080**	**1,409,176,300**
Interest-bearing loans and borrowings:						
Principal	**200,000,000**	**–**	**–**	**103,174,884**	**1,112,101,849**	**1,415,276,733**
Interest	**–**	**–**		**38,777,000**	**79,142,000**	**117,919,000**
Obligations under finance lease						
Principal	**–**	**176,621**	**59,657**	**5,667,168**	**7,172,214**	**13,075,660**
Interest	**–**	**–**	**–**	**594,642**	**485,992**	**1,080,634**
Other noncurrent liabilities	**–**	**–**	**–**		**62,236,297**	**62,236,297**
	₱490,808,473	**₱51,260,604**	**₱4,228,634**	**₱493,059,630**	**₱5,491,409,432**	**₱6,530,766,773**

	March 31, 2016					
	Due and Demandable	Less than 2 Months	2 to 3 Months	3 to 12 Months	More than 1 Year	Total
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	₱662,703,917	₱–	₱2,073,826	₱–	₱–	₱664,777,743
Receivables*	58,664,428	38,759,265	21,612,188	158,633,076	3,950,610	281,619,567
Advances to associates and joint ventures (included as part of "Investments in and advances to associates and joint ventures" account)	–	–	–	–	20,166,002	20,166,002
Deposits (included as part of "Prepaid expenses and other current assets" and "Goodwill, intangible and other noncurrent assets" accounts)	–	–	–	131,299	39,816,081	39,947,380
AFS financial assets	–	–	–	–	50,755,010	50,755,010
	₱721,368,345	₱38,759,265	₱23,686,014	₱158,764,375	₱114,687,703	₱1,057,265,702
Financial Liabilities						
Other financial liabilities-						
Accounts payable and other current liabilities**	₱175,829,799	₱10,759,654	₱188,730,249	₱162,924,724	₱46,745,334	₱584,989,760
Nontrade payable	67,000,000	–	–	–	–	67,000,000
Interest-bearing loans and borrowings:						
Principal	–	–	–	116,800,000	1,034,200,000	1,151,000,000
Interest	–	–		55,109,668	155,940,135	211,049,803
Obligations under finance lease						
Principal	–	–	–	5,910,450	7,758,461	13,668,911
Interest	–	–	–	684,444	484,069	1,168,513
Other noncurrent liabilities	–	–	–	–	31,364,795	31,364,795
	₱242,829,799	₱10,759,654	₱188,730,249	₱341,429,286	₱1,276,492,794	₱2,060,241,782

** Excluding advances to officers and employees amounting to ₱22.7 million as at March 31, 2017 and 2016.*
*** Excluding taxes payable, SSS, Philhealth and Pag-ibig benefits payable amounting to ₱ million and ₱11.4 million as at March 31, 2017 and 2016, respectively.*

As at March 31, 2017 and 2016, the Group's current ratios are as follows:

	2017	2016
Current assets	**₱3,914,385,487**	₱1,104,161,280
Current liabilities	**1,465,466,905**	886,717,473
Current ratios	**2.67:1.00**	1.25:1.00

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 AFS financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. At financial reporting date, 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:

	2017	
	Gross Maximum Exposure[(1)]	**Net Maximum Exposure[(2)]**
Financial Assets		
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand)	**₱3,197,516,832**	**₱3,119,238,839**
Receivables*	**420,621,712**	**420,621,712**
Rental deposits**	**43,937,913**	**43,937,913**
AFS financial assets	**51,602,130**	**51,602,130**
	₱3,713,678,587	**₱3,635,400,594**

	2016	
	Gross Maximum Exposure[(1)]	Net Maximum Exposure[(2)]
Financial Assets		
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand)	₱663,441,391	₱645,446,391
Receivables	281,619,567	281,619,567
Rental deposits**	39,947,380	39,947,380
AFS financial assets	50,755,010	50,755,010
	₱1,035,763,348	₱1,017,768,348

** Excluding advances to officers and employees amounting to ₱22.7 million as at March 31, 2017 and 2016.*
***Included as part of "Prepaid expenses and other current assets" and "Goodwill, intangible and other noncurrent assets" account*
(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.

The credit quality of neither past due nor impaired financial assets were determined as follows:

a. *Cash and cash equivalents.* These financial assets are classified based on the nature of the counterparty and the Group's internal rating system. Cash and cash equivalents are held by banks that have good reputation and low probability of insolvency.
b. *Receivables.* These are current receivables with no default in payment.
c. *Advances to associates and joint ventures and Deposits.* These financial assets are classified as high grade since the counterparties are not expected to default in settling their obligations.

The table below shows the aging analysis of financial assets that are past due but not impaired:

	2017					
	Neither Past Due	**Past Due but not Impaired**				
	Nor Impaired	**31 to 60 Days**	**61 to 90 Days**	**Over 90 days**	**Impaired**	**Total**
Financial Assets						
Loans and receivables:						
Cash and cash equivalents (excluding cash on hand)	**₱3,197,516,832**	**₱–**	**₱–**	**₱–**	**₱–**	**₱3,197,516,832**
Receivables*	**155,095,595**	**70,106,639**	**157,025,972**	**38,393,506**	**123,752,492**	**544,374,204**
Rental deposits	**43,937,913**	**–**	**–**	**–**	**–**	**43,937,913**
AFS financial assets	**51,602,130**	**–**	**–**	**–**	**–**	**51,602,130**
	₱3,448,152,470	**₱70,106,639**	**₱157,025,972**	**₱38,393,506**	**₱123,752,492**	**₱3,837,431,079**

	2016					
	Neither Past Due Nor Impaired	Past Due but not Impaired 31 to 60 Days	61 to 90 Days	Over 90 days	Impaired	Total
Financial Assets						
Loans and receivables:						
Cash and cash equivalents (excluding cash on hand)	₱663,441,391	₱–	₱–	₱–	₱–	₱663,441,391
Receivables (current and noncurrent)*	59,050,938	50,375,498	172,193,131	–	117,816,241	399,435,808
Advances to associates and joint ventures	–	–	–	–	35,633,303	35,633,303
Rental deposits	39,947,380	–	–	–	–	39,947,380
AFS financial assets	50,755,010	–	–	–	–	50,755,010
	₱813,194,719	₱50,375,498	₱172,193,131	₱–	₱153,449,544	₱1,189,212,892

** Excluding advances to officers and employees amounting to ₱22.7 million as at March 31, 2017 and 2016.*

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 long-term loans with floating interest rate as it can cause a change in the amount of interest payments.

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, 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 as at March 31:

	Effect on Income Before Income Tax		
Increase/decrease in Basis Points (bps)	**2017**	2016	2015
+100 bps	**(₱39,842,000)**	(₱11,510,000)	(₱13,870,000)
-100 bps	**39,842,000**	11,510,000	13,870,000

<u>Capital Risk Management Policy</u>

The Group aims to achieve an optimal capital structure to reduce its cost of capital in pursuit of its business objectives, which include maintaining healthy capital ratios and strong credit ratings, maximizing shareholder value and providing benefits to other stakeholders. The Group likewise aims to ensure that cash is available to support its operations and all other projects undertaken by the Group and to maintain funds on a long-term basis.

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. STI ESG monitors its debt-to-equity ratio to keep it at a level acceptable to the Group and the lender bank. The Group's policy is to keep the debt-to-equity ratio at a level not exceeding 1.5:1.

The Group considers its equity contributed by stockholders, net of cost of shares held by a subsidiary, as capital.

	2017	2016
Capital stock	**₱4,952,403,462**	₱4,952,403,462
Additional paid-in capital	**1,119,127,301**	1,119,079,467
Cost of shares held by a subsidiary	**(498,142,921)**	(500,009,337)
Retained earnings	**4,553,788,628**	4,107,181,601
	₱10,127,176,470	₱9,678,655,193

As at March 31, 2017 and 2016, the Group's debt-to-equity ratios are as follows:

	2017	2016
Total liabilities*	**₱5,639,698,011**	₱2,215,828,354
Total equity	**8,551,419,637**	8,230,303,933
Debt-to-equity ratio	**0.66:1.00**	0.27:1.00

**Excluding unearned tuition and other school fees of ₱100.3 million and ₱54.1 million as at March 31, 2017 and 2016, respectively.*

Another approach used by the Group is the asset-to-equity ratios shown below:

	2017	2016
Total assets	**₱14,291,438,596**	₱10,500,237,053
Total equity	**8,551,419,637**	8,230,303,933
Asset-to-equity ratio	**1.67:1.00**	1.28:1.00

No changes were made in the objectives, policies or processes in 2017, 2016 and 2015.

34. 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, interest-bearing loans and borrowings, accounts payable and other current liabilities, obligations under finance lease and nontrade payable. The primary purpose of these financial instruments, except for nontrade payable, is to finance the Group's operations.

There are no material unrecognized financial assets and liabilities as at March 31, 2017 and 2016.

Due to the short-term nature of cash and cash equivalents, receivables, accounts payable and other current liabilities, and nontrade payable, their carrying values reasonably approximate their fair values at year end.

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.

Rental Deposits. The fair values of these instruments are computed by discounting the face amount using PDST-R2 rate of 2.68%-5.01% and 1.77%-5.04% as at March 31, 2017 and 2016, respectively.

The fair value of rental deposits, classified under Level 3, amounted to ₱41.3 million and ₱39.1 million as at March 31, 2017 and 2016, respectively.

AFS Financial Assets. The fair values of publicly-traded AFS financial assets, classified under Level 1, are determined by reference to market bid quotes as of financial reporting date. Investments in unquoted equity securities for which no reliable basis for fair value measurement is available are carried at cost, net of impairment.

Interest-bearing Loans and Borrowings. The carrying value approximates fair value because of recent and regular repricing based on market conditions.

Obligation under Finance lease. The fair values of obligations under finance lease, classified under Level 3, amounting to ₱8.7 million and ₱10.2 million as at March 31, 2017 and 2016, respectively, are computed based on discounted present value of lease payments using 2.42%-4.26% as at March 31, 2017 and 1.76%-9.50% as at March 31, 2016.

Refundable Deposits. The fair values of obligations under finance are computed based on discounted present value of lease payments using 2.82%-4.25% and 2.93%-3.46% as at March 31, 2017 and 2016 respectively.

The fair value of refundable deposits, classified under Level 3, amounted to ₱17.4 million and ₱9.8 million as at March 31, 2017 and 2016, respectively.

In 2017 and 2016, there were no transfers between Level 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

35. Note to Consolidated Statements of Cash Flows

The Group's material non-cash investing and financing activities follow:

a. Acquisitions of property and equipment under finance lease recorded under the "Property and equipment" account amounting to ₱5.2 million, ₱5.0 million and ₱7.3 million in 2017, 2016 and 2015, respectively (see Note 10).

b. Unpaid progress billing for construction in-progress and acquisition of property and equipment amounting to ₱15.5 million and ₱20.2 million as at March 31, 2017 and 2016, respectively (see Note 10).

c. Unpaid liability related to the derecognition of STI Diamond as a subsidiary amounting to ₱60.8 million as at March 2017 (see Note 19).

d. Reversal in 2017 of subscription payable associated with the subscription by STI ESG over Maestro Holdings shares amounting to ₱17.5 million in 2016.

e. Acquisition of investment properties through dacion amounting to ₱1,280.5 million, which involves the recognition of payable to BIR amounting to ₱85.6 million and payable to Unlad amounting to ₱64.4 million as at March 31, 2016 to fund and advance all taxes, expenses and fees to the extent of ₱150.0 million to obtain the BIR CAR and the issuance of new TCTs and TDs of the dacion properties in favor of the Parent Company, pursuant to the MOA (see Notes 11 and 32).

f. Unpaid additions to investment properties for the construction of school buildings amounting to ₱0.5 million as at March 31, 2016 (see Note 11).

g. Uncollected dividends from De Los Santos Medical Center amounting to ₱1.4 million as at March 31, 2016 (see Note 15 and 35).

h. Unpaid subscriptions to Maestro Holdings amounting to ₱17.5 million as at March 31, 2016 (see Note 16).

i. Unpaid dividends to non-controlling interests of a subsidiary amounting to ₱2.4 million as at March 31, 2015 (see Note 20).

j. Acquisition of net assets of STI Tagum in exchange for the settlement of receivable from GITEC amounting to ₱2.1 million in 2015 (see Note 3).

k. Acquisition of the outstanding capital stock of STI Pagadian in exchange for the settlement of the debt of GITEC amounting to ₱6.3 million in 2015 (see Note 3).

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36. **Events after the Reporting Period**

a. 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.

b. 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.

   Additional amendments shall be made to STI Tanauan's Articles of Incorporation and By-Laws to implement the intent of the parties under the Joint Venture Agreement.

   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 of March 31, 2017 based on the unrestricted retained earnings of STI Tanauan as shown in its audited financial statements as at March 31, 2017.

c. On June 27, 2017, the BOD of STI ESG approved the disposition of its 20% stake in Maestro Holdings in whole or in part, subject to compliance with all regulatory requirements for the disposal of the said shares. The rationale for this disposition is to enable STI ESG to focus on its core business of offering educational services.

d. 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 two parcels of lot aggregating to 349 square meters at Poblacion, City of Lipa, Province of Batangas for a total consideration of ₱10.5 million. This will be the site of the new STI Academic Center Lipa (see Note 15).

e. On July 6, 2017, the BOD of iACADEMY authorized iACADEMY to obtain a long-term loan amounting to ₱800.0 million for the construction of its new school building in Yakal, Makati and the re-financing of the bridge loan from China Bank in the amount of ₱200.0 million. On the same date, the Parent Company's BOD authorized the Parent Company to act as surety for the purpose of securing the long-term loan, if so required by the lending bank. Also, the BOD of Neschester authorized Neschester to serve as the third-party mortgagor of its Yakal property for the purpose of securing the said iACADEMY loan.

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
STI Education Systems Holdings, Inc.
7th Floor, STI Holdings Center
6764 Ayala Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of STI Education Systems Holdings, Inc. and its subsidiaries as at March 31, 2017 and 2016 and for each of the three years in the period ended March 31, 2017, included in this Form 17-A, and have issued our report thereon dated July 6, 2017. 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 Company's management. These schedules 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 states, 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

Benjamin N. Villacorte
Partner
CPA Certificate No. 99857
SEC Accreditation No. 1402-AR-1 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 206-384-906
BIR Accreditation No. 08-001988-105-2017,
January 31, 2017, valid until January 30, 2020
PTR No. 5908771, January 3, 2017, Makati City

July 6, 2017

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017

Schedule	Content
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
C	Amounts Receivable from/Payable to Related Parties which are Eliminated During the Consolidation of the Financial Statements
D	Intangible Assets – Other Assets
E	Long-Term Debt
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J	Map of Relationships Between and Among the Company and Its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-Subsidiaries and Associates
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SCHEDULE A – FINANCIAL ASSETS
March 31, 2017
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

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	Value Based on market quotation at end of reporting period	Income received and accrued

The Group has no financial assets at Fair Value through Profit or Loss as at March 31, 2017

SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (Other than Related Parties)
March 31, 2017
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Name and Designation of debtor		Balance at beginning of period	Additions	Amounts collected	Amount Written -off	Current	Not Current	Balance at end of period
AGUDO, REDJER RANESES	Senior School Administrator	345,720	15,602	(136,383)		224,939		224,939
ANCHETA, CAROLINE GRACE	Senior School Administrator	-	676,309	(142,271)		534,038		534,038
BAUTISTA, TEODORO	VP-Academics	119,501	28,077	(90,356)		57,222		57,222
BUNDOC, RESTITUTO	VP-School Operations	527,744	883,774	(1,017,976)		393,542		393,542
CARBONEL, ANA	HROD Head	-	490,691	(262,143)		228,548		228,548
DANTES III, FERNANDO	Academic Quality Manager	108,711	17,633	(64,433)		61,911		61,911
DIMAIN, STANLEY	School Operations Manager	194,901	15,646	(70,722)		139,825		139,825
DY, JOEL LAGAMAYO	School Operations Manager	352,995	19,738	(65,875)		306,858		306,858
GARRIDO, ARMEL ANGELO	Event Manager	-	267,183	(76,399)		190,784		190,784
IBARRA, MARIFE	School Administrator	-	174,710	(58,634)		116,076		116,076
JIMENEZ, ARIEL	Senior School Administrator	-	1,371,411	(784,268)		587,143		587,143
JACOB, MONICO	Vice Chairman & CEO	90,263	-	(90,263)		-		-
LUZA, JUVEN DERIQUITO	Senior School Administrator	354,594	20,381	(62,218)		312,757		312,757
MAGANO, SHIELA ABAD	AVP-School Management	104,488	33,606	(98,599)		39,495		39,495
MANARANG, JENNIFER	Senior School Administrator	-	642,733	(118,721)		524,012		524,012
PEBENITO, VANNESA	Shs Development Manager	105,484	-	(105,484)		-		-
RACADIO, WILFRED	VP-Legal	172,682	19,929	(76,351)		116,260		116,260
SANGALANG, AMIEL	VP-Finance	67,860	377,565	(154,711)		290,714		290,714
SANTOS, MERLIZA	AVP-Finance	172,763	21,014	(71,971)		121,806		121,806
SIBBALUCA, BRANDON	Head-IT and Engineering	-	216,881	(37,621)		179,260		179,260
TUBONGBANUA, JUAN LUIS	VP-CIS	249,614	-	(114,336)		135,278		135,278
FABRO,FERDINAND		95,737	-	(95,737)		-		-
JOSON, HARRY ALFONSO		77,823	-	(77,823)		-		-
ORTEGA, FERDIE		176,979	-	(176,979)		-		-
TORRES, ERWIN		50,149	-	(50,149)		-		-
Total		**3,368,008**	**5,292,883**	**(4,100,423)**	-	**4,560,468**	-	**4,560,468**

The above schedule of advances to officers and employees of the Group with balances above P100,000 as of March 31, 2016 substantially pertain to car plan agreements. Such advances are non-interest bearing and are liquidated on a semi-monthly basis. There were no amounts written off during the year.

SCHEDULE C – AMOUNTS RECEIVABLE FROM/PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
March 31, 2017
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Name and designation of debtor	**Balance at beginning of period**	**Additions**	**Amounts collected**	**Amounts Written-off**	**Current**	**Not Current**	**Balance at end of period**	**Description**
Receivable of AHC from STI Holdings	63,778,000	-	-	-	63,778,000	-	63,778,000	Assignment of receivable from Unlad Resources Development Corporation
Receivable of AHC from STI Holdings	64,000,000	-	-	-	-	64,000,000	64,000,000	Subscription
Receivable of STI WNU from STI Holdings	35,227,650	-	5,000,000	-	30,227,650	-	30,227,650	Subscription
Receivable of iACADEMY from Neschester	-	1,105,332	-	-	1,105,332	-	1,105,332	Advances
Receivable of STI Holdings from iACADEMY	41,166	-	41,166	-	-	-	-	Advances
Receivable of iACADEMY from STI Holdings	-	285,112,827	285,112,827	-	-	-	-	Advances
Receivable of STI ESG from STI WNU	109,196	2,653,983	2,763,179	-	-	-	-	Advances
Receivable of STI ESG from STI WNU	-	10,066,781	10,066,781	-	-	-	-	Educational services, school materials sold, other charges
Receivable of STI Holdings from STI ESG	-	14,400,000	14,400,000	-	-	-	-	Advisory fees

Receivable of STI Holdings from STI WNU	-	3,600,000	3,600,000	-	-	-	-	Advisory fees

SCHEDULE D – INTANGIBLE ASSETS – OTHER ASSETS
March 31, 2017
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Description	**Beginning balance**	**Additions at cost**	**Charged to cost and expenses**	**Charged to other accounts**	**Other changes additions (deductions)***	**Ending balance**
Goodwill	239,458,878	-	-	-	-	239,458,878
Deposits for asset acquisitions	-	72,764,000	-	-	-	72,764,000
Rental and utility deposits	39,816,081	4,773,017	1,553,779	176,000	2,782,486	45,641,805
Intangible assets	36,703,587	1,104,037	10,407,108	-	-	27,400,516
Advances to suppliers	67,734,273	77,145,659	-	115,216,278	-	29,663,654
Deferred input VAT	-	9,767,344	-	-	-	9,767,344
Other noncurrent assets	8,701,462	249,211	-	2,952,477	(3,508,422)	2,489,774
	392,414,281	**165,803,268**	**11,960,887**	**118,344,755**	**(725,936)**	**427,185,971**

**Other changes refer to reclassification of accounts in 2017 Statements of Financial Position*

SCHEDULE E – LONG TERM DEBT
March 31, 2017
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

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 (Chinabank) - Bank loans: Maturity Date / Interest Rate July 31, 2021 / 4.75%	3,000,000,000	67,800,000	916,400,000
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**	3,000,000,000	-	2,947,028,638

** As at March 31, 2017, Current portion of interest-bearing loans and borrowings in the Statements of Financial Position includes short-term loans amounting to P745 million*

*** Presented net of bond issue costs in the Statements of Financial Position*

SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
March 31, 2017
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

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, 2017

SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS
March 31, 2017
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

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, 2017

SCHEDULE H – CAPITAL STOCK
March 31, 2017
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by Directors, officers and employees	Number of shares held by Others
Common Stock	10,000,000,000	9,904,806,924	-	4,664,818,999*	1,662,746,901**	3,577,241,024

*Related Parties	
Prudent Resources, Inc.	1,619,599,964
Biolim Holdings and Management Corp. (Formerly: Rescom Developers, Inc.)	795,348,934
Eujo Philippines, Inc.	780,033,130
Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.	629,776,992
STI Education Services Group	500,432,895
Eximious Holdings, Inc. (Formerly, Capital Managers and Advisors, Inc.)	306,890,332
Philippines First Insurance Co., Inc.	3,722,000
First Optima Realty Corporation	29,014,752
T O T A L	4,664,818,999
.	.

**Directors, Officers, and Employees:	
Eusebio H.Tanco	1,466,934,875
Monico V. Jacob	33,784,057
Maria Vanessa Rose L. Tanco	300,001
Joseph Augustin L. Tanco	2,000,001
Martin K. Tanco	53,119,000
Paolo Martin O. Bautista	3,250,000
Rainerio M. Borja	1,000,000
Teodoro L. Locsin, Jr.	1,000
Jesli A. Lapus	6,500,000
Ernest Lawrence Cu	14,406,000
Johnip G. Cua	1,000
Yolanda M. Bautista	5,000,001
Arsenio C. Cabrera, Jr.	6,500,000
Franchini Vina Z. Cordova	65,000
STI Employees Retirement Plan	69,885,966
T O T A L	1,662,746,901

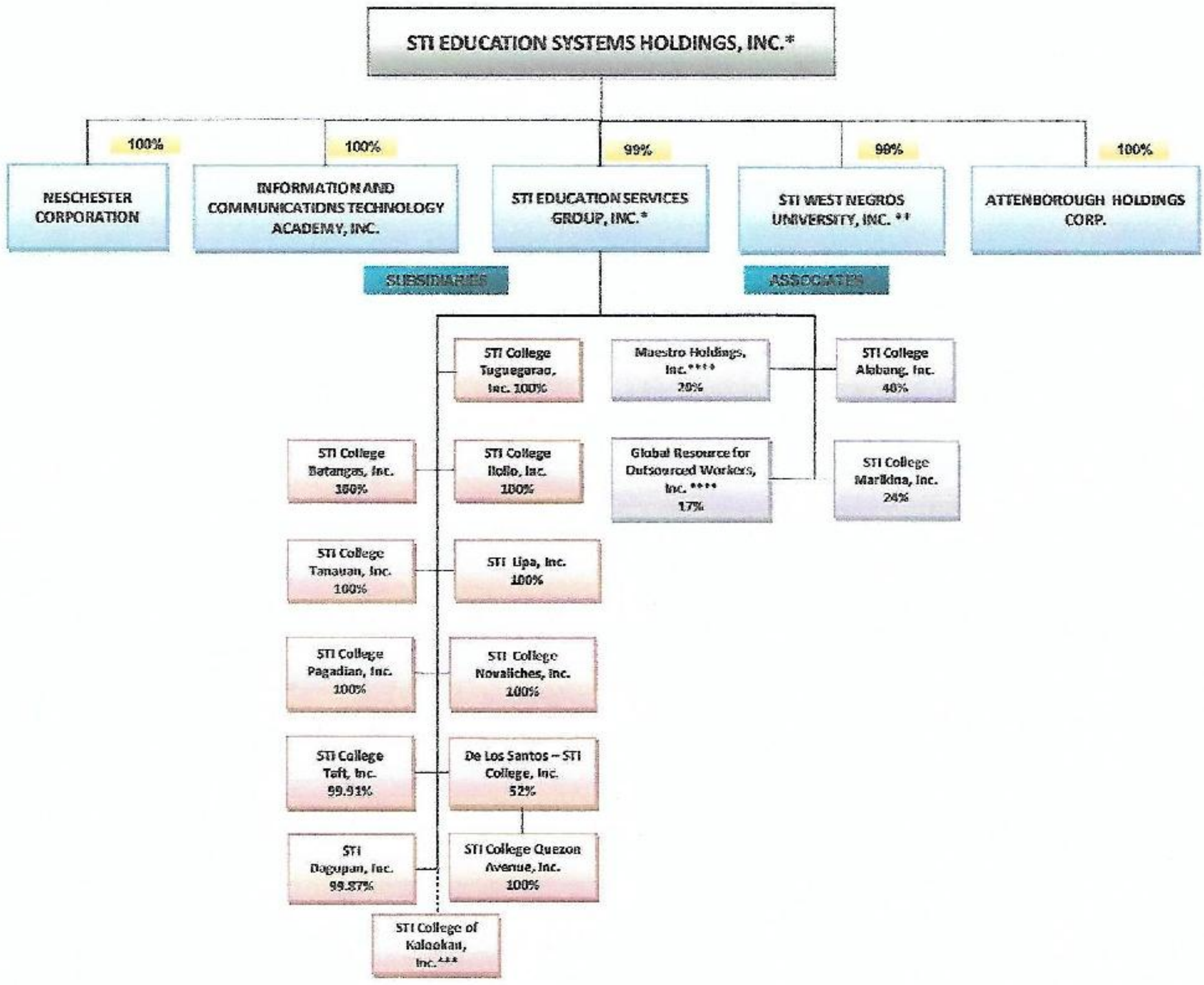
SCHEDULE I - RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
March 31, 2017
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		**572,337,630**
Net income during the period closed to Retained Earnings	1,056,592,113	
Less: Non-actual/unrealized income net of tax	-	
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash equivalents)	-	
Unrealized actuarial gain	-	
Fair Value adjustment (M2M gains)	-	
Fair Value adjustment of Investment Property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP-gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Sub-total	-	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP-loss	-	
Loss on fair value adjustment of Investment property (after tax)	-	
Net income actually earned during the period		**1,056,592,113**
Add (Less):		
Dividend declarations during the period	(198,096,138)	
Appropriation of Retained Earnings during the period	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	-	(198,096,138)
TOTAL RETAINED EARNINGS, END		
AVAILABLE FOR DIVIDEND		**1,430,833,605**

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, 2017

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City



* *STI Education Services Group, Inc. owns 5% equity interest in STI Holdings as at March 31, 2017.*
** *Formerly West Negros University Corp.*
*** *A subsidiary through a management contract.*
**** *Maestro Holdings, Inc. owns 20% equity interest in Global Resource for Outsourced Workers, Inc. as at March 31, 2017*

SCHEDULE K – SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
March 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable	Not Early Adopted
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓			
PFRSs Practice Statement Management Commentary		✓			
Philippine Financial Reporting Standards					
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓			
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓			
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓	
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓	
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓	
	Amendments to PFRS 1: Government Loans			✓	
	Amendments to PFRS 1: Borrowing Costs			✓	
	Amendments to PFRS 1: Meaning of effective standards			✓	
PFRS 2	Share-based Payment			✓	
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓	
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓	
	Amendments to PFRS 2: Definition of Vesting Condition			✓	
	Amendment to PFRS 2: Classification and Measurement Payment Transactions			✓	
PFRS 3 (Revised)	Business Combinations	✓			
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓			
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓	
PFRS 4	Insurance Contracts			✓	
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Amendment to PFRS 4: Applying PFRS 9 with PFRS 4			✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓	
	Changes in Method of Disposal			✓	
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓	
PFRS 7	Financial Instruments: Disclosures	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓			
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓			
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓			
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓			
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures				✓
	Amendments to PFRS 7: Servicing Contracts			✓	
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓	
PFRS 8	Operating Segments	✓			
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓			
PFRS 9	Financial Instruments				✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures				✓
PFRS 10	Consolidated Financial Statements	✓			
	Amendments to PFRS 10: Investment Entities			✓	
	Amendments to PFRS 10: Sale or Contribution of Assets Between Investor and its Associate of Joint Venture			✓	
	Amendments to PFRS 10: Applying the Consolidation Exception			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PFRS 11	Joint Arrangements	✓			
	Amendments to PFRS 10: Investment Entities			✓	
PFRS 12	Disclosure of Interests in Other Entities	✓			
	Amendments to PFRS 12: Investment Entities			✓	
	Amendments to PFRS 12: Clarification of the Scope of the Standard			✓	
PFRS 13	Fair Value Measurement	✓			
	Amendment to PFRS 13: Short-term Receivables and Payables	✓			
	Amendment to PFRS 13: Portfolio Exception			✓	
PFRS 14	Regulatory Deferral Accounts			✓	
PFRS 15	Revenue from Contracts with Customers				✓
PFRS 16	Leases				✓
Philippine Accounting Standards					
PAS 1 (Revised)	Presentation of Financial Statements	✓			
	Amendment to PAS 1: Capital Disclosures	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓	
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓			
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	✓			
	Amendments to PAS 1: Disclosure Initiative	✓			
PAS 2	Inventories	✓			
PAS 7	Statement of Cash Flows	✓			
	Amendment to PAS 7: Disclosure Initiative	✓			
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓			
PAS 10	Events after the Reporting Date	✓			
PAS 11	Construction Contracts			✓	
PAS 12	Income Taxes	✓			
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓			
	Amendment to PAS 12: Recognition of Deferred Tax for Unrealized Losses				✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PAS 16	Property, Plant and Equipment	✓			
	Amendment to PAS 16: Classification of Servicing Equipment			✓	
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓	
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation			✓	
	Amendment to PAS 16: Bearer Plants			✓	
PAS 17	Leases	✓			
PAS 18	Revenue	✓			
PAS 19	Employee Benefits	✓			
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓			
PAS 19 (Amended)	Employee Benefits	✓			
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓	
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate			✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓	
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓	
	Amendment: Net Investment in a Foreign Operation			✓	
PAS 23 (Revised)	Borrowing Costs	✓			
PAS 24 (Revised)	Related Party Disclosures	✓			
	Amendments to PAS 24: Key Management Personnel			✓	
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓	
PAS 27	Consolidated and Separate Financial Statements	✓			
PAS 27 (Amended)	Consolidated and Separate Financial Statements	✓			
	Amendments to PAS 27: Investment Entities			✓	
PAS 28	Investments in Associates	✓			
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓			
	Amendments to PFRS 10: Sale or Contribution of Assets Between Investor and its Associate of Joint Venture			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Amendment to PAS 28: Applying the Consolidation Exception			✓	
	Amendment to PAS 28:Measuring an Associate or Joint Venture at Fair Value			✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓	
PAS 31	Interests in Joint Ventures	✓			
PAS 32	Financial Instruments: Disclosure and Presentation	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓	
	Amendment to PAS 32: Classification of Rights Issues			✓	
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓			
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓	
PAS 33	Earnings per Share	✓			
PAS 34	Interim Financial Reporting	✓			
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓			
	Amendments to PAS 34: Disclosure of Information Elsewhere in the Interim Financial Report	✓			
PAS 36	Impairment of Assets	✓			
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓			
PAS 38	Intangible Assets	✓			
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓	
	Amendments to PAS 38: Clarification of acceptable methods of amortization			✓	
PAS 39	Financial Instruments: Recognition and Measurement	✓			
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓	
	Amendments to PAS 39: The Fair Value Option			✓	
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓	
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓			
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓	
	Amendment to PAS 39: Eligible Hedged Items			✓	
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓	
PAS 40	Investment Property	✓			
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property			✓	
	Amendment to PAS 40: Transfers of Investment Property				✓
PAS 41	Agriculture			✓	
	Amendment to PAS 41: Bearer Plants			✓	
Philippine Interpretations					
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓	
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓	
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*			✓	
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓	
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓	
IFRIC 7	*Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies*			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable	Not Early Adopted
IFRIC 8	*Scope of PFRS 2*			✓	
IFRIC 9	Reassessment of Embedded Derivatives			✓	
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓	
IFRIC 10	*Interim Financial Reporting and Impairment*			✓	
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓	
IFRIC 12	Service Concession Arrangements			✓	
IFRIC 13	Customer Loyalty Programmes			✓	
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓	
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓	
IFRIC 17	Distributions of Non-cash Assets to Owners			✓	
IFRIC 18	Transfers of Assets from Customers			✓	
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓	
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓	
IFRIC 21	Levies			✓	
SIC-7	Introduction of the Euro			✓	
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓	
SIC-12	Consolidation - Special Purpose Entities			✓	
	Amendment to SIC - 12: Scope of SIC 12			✓	
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓	
SIC-15	Operating Leases - Incentives			✓	
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓	
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓	
SIC-29	Service Concession Arrangements: Disclosures.			✓	
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓	
SIC-32	Intangible Assets - Web Site Costs			✓	

SCHEDULE L – FINANCIAL SOUNDNESS INDICATORS
March 31, 2017

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

	Year ended March 31		Increase (Decrease)	
	2017	2016	Amount	%
Liquidity Ratios				
Current ratio (1)	2.67	1.25	1.42	114
Quick ratio (2)	2.49	1.09	1.40	128
Cash ratio (3)	2.18	0.75	1.43	191
Solvency ratios				
Debt to equity ratio (4)	0.66	0.27	0.39	144
Asset to equity ratio (5)	1.67	1.28	0.39	30
Interest coverage ratio (6)	10.38	21.55	(11.17)	(52)
Debt service coverage ratio (7)	1.33	6.26	(4.93)	(79)
Profitability ratios				
EBITDA, in ₱ millions(8)	1,412.6	1,126.5	286.1	25
EBITDA margin (9)	48%	44%	4	9
Gross profit margin (10)	68%	69%	(1)	(1)
Operating profit margin (11)	31%	27%	4	15
Net profit margin (12)	22%	42%	(20)	(48)
Return on equity(13)	8%	14%	(6)	(43)
Return on assets (14)	5%	10%	(5)	(50)

(1) *Current ratio is measured as current assets divided by current liabilities.*
(2) *Quick ratio is measured as current assets less inventories and prepayments divided by current liabilities.*
(3) *Cash ratio is measured as cash and cash equivalents divided by current liabilities.*
(4) *Debt to equity ratio is measured as total liabilities excluding unearned tuition and other school fees, divided by total equity.*
(5) *Asset to equity ratio is measured as total assets divided by total equity.*
(6) *Interest coverage ratio is measured as Net income excluding provision for income tax and interest expense divided by interest expense.*
(7) *Debt service coverage ratio is measured as EBITDA divided by total principal and interest to be paid within the next 12 months.*
(8) *EBITDA is Net income excluding provision for income tax, interest expense, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures, interest income, effect of derecognition of a subsidiary, gain on exchange of land, excess of fair values of net assets acquired over acquisition cost, and excess of consideration received from collection of receivables.*
(9) *EBITDA margin is measured as EBITDA divided by total revenues.*
(10) *Gross profit margin is measured as gross profit divided by total revenues.*
(11) *Operating profit margin is measured as operating profit divided by total revenues.*
(12) *Net profit margin is measured as net income after income tax divided by total revenues.*
(13) *Return on equity is measured as net income attributable to equity holders of the parent company divided by average equity attributable to equity holders of the parent company.*
(14) *Return on assets is measured as net income divided by average total assets.*