



107152019005513



# SECURITIES AND EXCHANGE COMMISSION

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## Company Information

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Industry Classification

Company Type Stock Corporation

## Document Information

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# COVER SHEET

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STI EDUCATION SYSTEMS  
HOLDINGS, INC.

(Company's Full Name)

7/F STI HOLDINGS CENTER  
6764 AYALA AVE., MAKATI CITY  
1226

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

ARSENIO C. CABRERA, JR.

Contact Person

(632) 8137111

Company Telephone Number

03

Month

31

Day

Fiscal Year

SEC FORM 17-A For the Fiscal Year ended 31 March 2019

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Last Friday of September

Month

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Annual Meeting

NA

Secondary License Type, If Applicable

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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-A  
ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF CORPORATION CODE OF THE PHILIPPINES**

- |    |                                                                               |                                                                                                             |
|----|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| 1. | For the fiscal year ended                                                     | March 31, 2019                                                                                              |
| 2. | SEC Identification Number                                                     | 1746                                                                                                        |
| 3. | BIR Tax Identification Number                                                 | 000-126-853                                                                                                 |
| 4. | Exact name of registrant as specified in its charter                          | STI EDUCATION SYSTEMS HOLDINGS, INC.                                                                        |
| 5. | Province, country or other jurisdiction of incorporation or organization      | Metro Manila, Philippines                                                                                   |
| 6. | Industry Classification Code (SEC Use Only)                                   |                                                                                                             |
| 7. | Address of Principal Office                                                   | 7 <sup>th</sup> Floor STI Holdings Center<br>6764 Ayala Avenue<br>1226 Makati City                          |
| 8. | Registrant's telephone number (including area code)                           | (632) 844-9553                                                                                              |
| 9. | Former name, former address, former fiscal year, if changed since last report | JTH DAVIES HOLDINGS, INC.<br>7 <sup>th</sup> Floor iACADEMY Building<br>6764 Ayala Avenue, Makati City 1226 |

10. Securities Registered pursuant to Sections 4 and 8 of the RSA.

Title of Each Class -----	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding -----
Common Stock	9,904,806,924 shares Issued and Outstanding

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

Yes [ / ]

No [ ]

Name of Stock Exchange: Philippine Stock Exchange      Class of Securities: Common

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Securities Regulations Code (SRC) and SRC Rule 17 (a) - 1 there under and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes [ / ]

No [ ]

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

Yes [ / ]

No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

$3,578,116,842 \text{ shares} \times \text{P } 0.71 \text{ per share} = \text{P}2,540,462,957.82$

Note: As of the last trading date which was on 29 March 2019, the Company's shares were traded at P 0.71 each.

14. The Company was not involved in any insolvency/suspension of payments proceedings in the last five (5) years.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

15. The March 31, 2019 Audited Consolidated Financial Statements is incorporated by reference in this SEC Form 17-A (Item 7)

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## PART 1 - BUSINESS AND GENERAL INFORMATION

### Item 1. DESCRIPTION OF BUSINESS

#### 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 7<sup>th</sup> 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 March 31, 2019 and March 31, 2018, STI Holdings has outstanding shares totaling 9,904,806,924 out of its authorized capital stock of 10 billion shares.

STI Holdings has 4 subsidiaries as of March 31, 2019, namely: STI Education Services Group, Inc. (“STI ESG”), STI West Negros University, Inc. (“STI WNU”), Information and Communications Technology Academy, Inc. (“iACADEMY”), and Attenborough Holdings Corporation (“AHC”).

#### *Consolidation of 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 the 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 March 31, 2019 and 2018.

### *Acquisition of West Negros University*

On October 1, 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.

STI WNU 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 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 uplifting 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 September 27, 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 November 9, 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.

### *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 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.

### ***Acquisition of Neschester***

On August 2, 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 owned one hundred percent (100%) of the issued, outstanding and authorized capital stock of Neschester.

The major asset of Neschester was a parcel of land in Makati City with an area of 2,332.5 square meters. On September 20, 2016, iACADEMY had its groundbreaking ceremony of its Yakal Campus on this parcel of land located along Yakal Street, Makati City. The 12-storey building with penthouse was launched as iACADEMY Nexus in February 2018 and is now fully operational.

On September 7, 2017, the Board of Directors (“BOD”) of Neschester and the Board of Governors of iACADEMY approved the merger of the two companies with iACADEMY as the surviving corporation. The stockholders of both companies confirmed, ratified and approved the merger on the same date. The Plan of Merger between iACADEMY and Neschester and the related increase in the authorized capital stock of iACADEMY were filed with the SEC on January 24, 2018 and January 30, 2018, respectively. On April 10, 2018, the SEC approved the Plan of Merger and the increase in authorized capital stock of iACADEMY.

### **Business Development**

#### ***STI Education Services Group, Inc. (“STI ESG”)***

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

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

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

STI ESG embarked on strengthening its geographical presence nationwide as it aggressively constructed improved facilities. More STI ESG schools are now veering away from rented commercial complexes and have moved to bigger and better school-owned stand-alone campuses in strategic locations. All of the improved campuses house state-of-the-art facilities, spacious classrooms, top-of-the-line simulation laboratories, and recreational facilities conducive to high academic delivery. To date, there are nineteen (19) wholly-owned schools with renovated or newly built facilities. In addition, incentives were offered to franchisees to upgrade their facilities of which twelve (12) had responded so far.



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

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

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

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

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

*STI ESG Network*

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

Area	Wholly-Owned	Franchised
<b>Metro Manila (15)</b>	Caloocan	Alabang
	Cubao	Marikina
	Fairview	Muñoz-EDSA
	Global City	Parañaque
	Las Piñas	Recto
	Novaliches	Pasay
	Pasay-EDSA	
	Sta. Mesa	
	Quezon Ave.	

Area	Wholly-Owned	Franchised
<b>Northern Luzon (18)</b>	Baguio	Angeles
	Dagupan	Balagtas
	Laoag	Baliuag
	Meycauayan	La Union
	San Jose del Monte	Malolos
	Sta. Maria	San Fernando
	Tuguegarao	San Jose
		Tarlac
		Vigan
		Alaminos
	Cauayan	
<b>Southern Luzon (19)</b>	Batangas	Bacoor
	Calamba	Balayan
	Carmona	Dasmariñas
	Legazpi	Rosario
	Lipa	Sta. Rosa
	Lucena	Tagaytay
	Naga	Tanay
	Ortigas-Cainta	
	Puerto Princesa	
	San Pablo	
Sta. Cruz		
Tanauan		
<b>Visayas (8)</b>	Cebu	Bohol
	Iloilo	Dumaguete
	Kalibo	Ormoc
		Calbayog
	Maasin	
<b>Mindanao (15)</b>	Cagayan De Oro	Cotabato
	Davao	Dipolog
	Iligan	General Santos
	Malaybalay	Koronadal
	Valencia	San Francisco
	Pagadian	Surigao
	Tagum	Tacurong
	Zamboanga	

### *Capital Market Infrastructure*

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

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

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

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

West Negros University was founded on February 14, 1948 by three Baptist women leaders. The school, then West Negros College ("WNC"), first operated as a sectarian educational institution in an old rented Valentine Memorial Hall in Bacolod, offering six undergraduate programs that attracted 710 students handled by 33 faculty members.

In 1951, the school was re-established as a non-sectarian school on its present location along Burgos Street, utilizing a three-storey wooden building that housed classrooms and administrative offices. A separate building was also built for elementary and high school pupils.

With the continued increase in enrollment, then President Leodegario N. Agustin initiated the construction of a ₱2.2 million concrete five-storey building. The building accommodated all academic departments and administrative offices, laboratories, clinic, library, and classrooms.

To enrich the college life of students, a gymnasium was constructed in 1968 for the school's extra-curricular and sports activities. It also hosted convocations, cultural presentations and graduation activities, and extended its services to the community by accommodating, among others, basketball games, boxing tournaments, social gatherings, and concerts.

The following year, the school's enrollment rose to 6,843 students, with a pool of 200 faculty members. The increase brought about further expansion, hence in 1972 the construction of a concrete three-storey building for the high school and elementary department was initiated.

In 1980, responding to the changing times with the advent of computers, the college put up its own Computer Center and expanded its curricular offerings by opening computer courses and short-term or technical programs. It was then considered among the biggest and was recognized among the pioneers of computer schools in Western Visayas.

On October 1, 2007, as initiated by then President, Dr. Suzette Lilian A. Agustin, an application for University status was submitted to the CHED Central Office, Manila. CHED Central Office sent a Special Team from November 22 to 23, 2007 to evaluate and verify compliance of WNC with the university standards. The school's readiness for a final CHED visit to inspect and evaluate WNC's level of compliance was conveyed on January 25, 2008 to the Commission *en banc* and to the Office of Programs and Standards of the Commission on Higher Education, which resulted to the conduct of the detailed and rigorous process of verification by the CHED Commissioners on February 5, 2008.

On February 11, 2008, the Commission on Higher Education found WNC in full compliance of CHED requirements, and granted WNC the University Status, per Resolution No. 78, s. 2008. The WNC Board of Trustees then unanimously approved the change of the school's name from West Negros College to West Negros University on February 26, 2008. On June 10, 2008, West Negros University received the official confirmation through a Certificate of University Status from CHED, by virtue of Resolution No. 290, s. 2008, dated June 2, 2008.

On October 1, 2013, STI Holdings acquired 99.45% of the issued and outstanding common shares and 99.93% of the preferred shares of STI WNU, thus making it a subsidiary of the Company.

On May 13, 2014, STI WNU purchased the net assets of Bacolod Educational Service and Technology Center, Inc. ("STI College Bacolod") from an STI ESG franchisee, thus taking over the operation of its schools, a college and a Technical Education and Skills Development Authority ("TESDA") registered education center in Bacolod City, on the same date. The students of both the college and the education center were fully integrated into STI WNU in the second semester of SY 2014-2015.

On May 15, 2015, the SEC approved the change of the University's name to STI West Negros University. It is now branded as an STI school.

On October 5, 2015, DepEd granted STI WNU the Permit to Operate SHS Program for all tracks. On May 11, 2016, DepEd also granted the University the permit to offer ICT Strand and certain specializations. On December 5, 2017, permit to offer Maritime Specialization strand effective SY 2018-2019 was likewise granted to the University.

On December 9, 2015, the SEC approved the amendment of STI WNU's Articles of Incorporation 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 Philippine and/or foreign registered ships operating in the Philippine and/or international waters.

On June 20, 2016, STI WNU was granted permit to operate its Maritime Training Center. The following are non-simulator programs offered by the University:

- Consolidated Marine Pollution 73/78 Annexes I-VI
- Ship Security Officer ("SSO")
- Seafarer Security Awareness Training ("SSAT") / Seafarer with Designated Security Duties ("SDSD")
- Ratings Forming Part of Navigational Watch (RFPNW)

Beginning SY 2016-2017, STI WNU had set new directions through its new vision of becoming a leading university in the Negros Island by 2025, driven by passion for academic excellence through innovation. The school has also committed to produce excellent quality graduates who are able to meet and uphold the standards of the industry in pursuit of a better Filipino family and nation.

On September 21, 2018, the SEC approved the amendment of STI WNU's Articles of Incorporation allowing the latter to provide technical-vocational education training services under TESDA and/or operate a Training Center as well as an Assessment Center, in relation to the said services.

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

iACADEMY is the premier school in the Group that has Senior High School and College programs centered on Computing, Business and Design. It has specialized course offerings such as software engineering, game development, animation, multimedia arts and design and fashion design and technology, and real estate management. It started in 2002 with an initial class of 72 students. The school is located in Makati – the Central Business District of Metro Manila. The faculty is comprised of both experienced academicians and

industry practitioners. iACADEMY prides itself in being the first Wacom Authorized training partner in the Philippines, the first college in the ASEAN region to be appointed as an IBM Center of Excellence, the first and only Toon Boom Center of Excellence in Asia, a certified Unity certification partner, and a partner of Amazon Web Services for Cloud Computing Certification courses. Aside from bringing in industry professionals to teach at iACADEMY, the school also has an impressive internship program, which is one of the most intensive in the country today. Under the program, iACADEMY student interns work full-time in partner companies for at least 960 hours. This model has resulted in a 96% job placement rate within the first six (6) months after graduation.

On August 10, 2015, DepEd granted iACADEMY's permit to offer Senior High School.

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 ("TNE") 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.

On May 31, 2019, iACADEMY and DePaul decided to terminate the licensing agreement to offer a Graduate Business Program in light of demands of industry and explore other potential projects that the Company and DePaul may jointly pursue in the future.

### ***Enrollment***

#### ***STI ESG***

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, this will mean two (2) academic years, that is, SY 2016-2017 and SY 2017-2018, with significantly reduced and minimal incoming college freshmen students. This threat has been constructively converted into an opportunity by the Company where STI ESG schools sought and were granted by DepEd permit to offer Senior High School. Thus, STI ESG reported total enrollment of 96,279 and 96,531 at the beginning of SY 2016-2017 and SY 2017-2018, respectively.

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

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

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

### *Graduates*

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

### *STI WNU*

With the full implementation of the Senior High School in SY 2016-2017, STI WNU accepted a total of 1,205 SHS students, the second highest in Bacolod City. The school was also able to enroll new students in first year college under the College of Information and Communications Technology and College of Education, Arts and Sciences. This gave the school a total of 6,073 students. In SY 2017-2018, 2,496 SHS students enrolled in STI WNU. This brought total enrollment to 6,772.

In the following year, SY 2018-2019, a total of 6,665 students enrolled in STI WNU. This included 2,218 enrollees in the Senior High School.

In SY 2016-2017, 988 students, including 17 Senior High School students, graduated from STI WNU. The following year, SY 2017-2018, 1,958 graduated from the University. This included 1,006 graduates from the Senior High School. In SY 2018-2019, a total of 2,217 students graduated from the University, including 1,194 from the Senior High School.

### *iACADEMY*

#### *College*

For SY 2016-2017, average total enrollment for the first, second and third trimesters stood at 925. The average retention rate was 93%. Majority of the students were enrolled in BS in Animation and in AB in Multimedia Arts and Design, making up 56% of the total student population. At the end of SY 2016-2017, 188 students graduated from the different programs.

The average combined enrollment for the three terms of SY 2017-2018 was at 762, which posted a 17% decrease in the student population from the previous school year. The total freshmen enrollees also decreased to 108 or by 26% due to the smaller number of incoming college students for that year brought about by the full implementation of the Senior High School program. The average percentage of students retained in a trimester decreased to 92.1%. Fifty-four percent (54%) of the total population belonged to the School of Design. At the end of SY 2017-2018, 158 students graduated from the different programs.

In SY 2018-2019, an increase of 39% in the average combined enrollment for the three terms was recorded. The total number of freshmen enrollees also increased from 108 students to 531 students following the graduation of the first batch of the Senior High School program. Majority or 59% of the student population were still from the School of Design. At the end of the school year, 171 college students graduated from the different programs.

#### *Senior High School*

In SY 2016-2017, iACADEMY welcomed its first batch of Grade 11 students under the Senior High School program. A total of 430 students enrolled in the first semester.

Majority of the Grade 11 students were enrolled in the Arts and Design Track (40%), while 27% were enrolled in Tech-Voc Track – ICT Strand with specialization in Animation.

In SY 2017-2018, there was enrollment in the two levels of the Senior High School program. The Grade 11 students numbered 519, while the Grade 12 students were at 426 for the first semester. The top three areas with the most number of students enrolled were Arts and Design, Tech-Voc Track – ICT Strand with specialization in Animation and Tech-Voc Track – ICT Strand with specialization in Computer Programming. Four hundred and seventeen (417) students graduated from Grade 12 at the end of this school year.

The average combined enrollment in SY 2018-2019 increased by 22%. Grade 11 students were at 656, while the Grade 12 students were at 479. The tracks with most numbers of students were Arts and Design (40%), Tech-Voc Track - ICT Strand with specialization in Animation (22%) and Tech-Voc Track - ICT Strand with specialization in Computer Programming (22%). On June 1, 2019, 471 Grade 12 students graduated from Senior High School.

### *Tuition Fee Increases*

#### *STI ESG*

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

#### *STI WNU*

After a consultation with CHED, PTA, Faculty Employees Labor Union (“FELU”), Alumni Association and Student Organizations in February 2016, STI WNU was allowed by CHED to increase its tuition fees, miscellaneous and other fees by 6.33% starting SY 2016-2017.

The University did not impose any increase in tuition fees in SY 2017-2018. The following year, SY 2018-2019, a 5% tuition fee increase was implemented for new students only.

#### *iACADEMY*

There was no increase in tuition fees and other school fees for SY 2016-2017 and SY 2017-2018 for the College level. For SY 2018-2019 for the College level, tuition and other school fees increased by 5% for incoming freshman. For Senior High School, tuition and other school fees increased by 10% for Grade 11 and 5% for Grade 12 in SY 2017-2018 and 11% for Grade 11 and 8% for Grade 12 in SY 2018-2019.

### *New Programs/Majors and Revised Curricula*

#### *STI ESG*

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

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

## **STI WNU**

On April 5 2017, CHED granted STI WNU permit to offer Masters' Degree in Business Administration beginning SY 2017-2018. Fifty-four (54) students enrolled in the program during the first semester. In SY 2018-2019, fifty-five (55) students enrolled in the program.

## **iACADEMY**

iACADEMY's first course offerings included Bachelor of Science in Business Administration ("BSBA") with specialization in e-Management, Bachelor of Science in Computer Science ("BSCS") with specialization in Software Engineering, Bachelor of Science in Computer Science with specialization in Network Engineering and Bachelor of Science in Information Technology ("BSIT") with specialization in Digital Arts - courses designed to develop the technical and creative skills of its students.

iACADEMY is the pioneer in offering the Bachelor of Science in Animation and Bachelor of Science in Game Development programs in the Philippines.

In addition to new courses developed from 2003 to 2013, iACADEMY was also able to acquire a permit to offer Bachelor of Science in Real Estate Management which will be offered in SY 2019-2020.

In April 2019, CHED issued iACADEMY the government permits to offer the following programs starting SY 2019-2020: Bachelor of Arts in Psychology, Bachelor of Science in Accountancy and Bachelor of Arts in Film and Visual Effects.

## **STI ESG's Standardized Courseware**

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

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

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

## **STI ESG's Standardized Periodical Examination**

The Standardized Periodical Examination for the preliminary, midterms, pre-finals, and finals period, which used to be outsourced to a third party, is now being developed by STI ESG's Academic Research Group or ARG. In SY 2016-2017, the group developed 646 exams in the first semester and 538 exams in the second semester. The following year, the group prepared 810 exams in the first semester and 749 exams in the



second semester. The number of exams crafted by ARG continued to increase in SY 2018-2019 with 1,119 for the first semester and 682 for the second semester, especially with the development of the STI Test Bank System.

### ***Milestones***

#### ***STI ESG***

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

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

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

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

#### ***International Organization for Standardization 9001:2008 (“ISO 9001:2008”)***

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

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

#### ***54th Anvil Awards***

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

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

#### ***ASEAN PR Excellence Awards 2019***

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

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

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

### *Education Centers Upgraded to Colleges*

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

### *iLearn and Share*

In SY 2015-2016, STI ESG introduced iLearn and Share (“iLS”) to its senior high school students. These are performance tasks wherein students are assessed based on their products and/or performance, which also serve as proof of how well they understood and learned the task. Students can then apply their learnings to real life situations.

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

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

### *Peoplesoft Campus Solutions (“PSCS”)*

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

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

### *Records Management System*

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

### *eLearning Management System ("eLMS")*

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

### *One STI App*

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

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

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

### *Leaders Convention*

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

Dr. Vincent Yung-Hsiang Hu, Faculty Development Manager, presented strategies on how to effectively implement industry-academe collaboration for the next generation of students. He highlighted the importance of engagement between faculty members and industry, integration of real enterprise problems

with teaching materials, and developing digital teaching materials to support the industry and government's programs in education and training.

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

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

### ***STI Test Bank System***

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

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

### ***Centralized Printing of Diploma and Transcript of Records***

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

### ***STI WNU***

In April 2016, the school partnered with International TESOL Education and Consultancy Corporation ("ITECC") in providing special training to students and professionals who wanted to enhance their skills in teaching English to both young and adult learners. TESOL stands for Teaching English to Speakers of Other Languages.

In July 2016, STI WNU became the Chairman of the Committee on Sports of the Negros Occidental Private Schools Sports, Culture and Education Association ("NOPSSCEA") which opened its gates to different private schools in the province as it hosted various games of NOPSSCEA Season 36.

In December 2016, the school established its first alumni association for each of its colleges. It has also partnered with different companies and universities abroad that paved way for the on-the-job-training and cultural exchange programs of its students. These include Today English Language School in Thailand, Chonbuk National University in Korea and POEC Consultancy International and Omni Hotels and Resorts in the United States of America. In January 2017, STI WNU's Master of Arts in Education and Master of Public Administration were given Level III accreditation by the Philippine Association of Colleges and Universities Commission on Accreditation ("PACUCOA").

In October 2017, STI WNU simultaneously hosted the International Educators' Conference and Early Childhood Education Conference. The latter is the first of its kind of event in Asia. Five hundred and sixteen (516) public and private school teachers attended the event.

### ***iACADEMY***

In October 2016, iACADEMY became a Unity authorized training and certification partner allowing the school to offer training courses and Unity Certification Exams on behalf of Unity Technologies. Unity is a cross-platform game engine that is used to develop video games for PCs, mobile devices, websites, and consoles.

iACADEMY became the official partner of the International Game Developers Association in hosting Manila Game Jam 2017 as part of the Global Game Jam in January 2017.

iACADEMY has been chosen by Amazon Web Services ("AWS") as the first and only school in the Philippines to offer Cloud Computing Certification Courses last October 2018.

In January 2019, iACADEMY was appointed as the first and only Toon Boom Center of Excellence in Asia. Toon Boom Animation is the leading supplier of animation software and storyboard software for animation studios and media publishers.

On February 23, 2019, iACADEMY and PythonPH partnered in hosting PyCon APAC 2019. PyCon APAC is the largest gathering of Python developers in the Asia-Pacific region and it was the first time it was held in the Philippines.

### ***Faculty Achievements***

#### ***STI ESG***

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

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

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

#### ***STI WNU***

In 2016, Ritzzy R. Malo-oy, adviser/moderator of The Wesneco Torch, was awarded as the Best Performing School Paper Adviser by the Presidential Communications Operations Office - PIA in Iloilo City. He previously received this award in 2013 and 2014.

Sharon Rose Lin Masa, Faculty of the College of Education, Arts and Sciences represented the University at the 26<sup>th</sup> Regional Symposium on R&D Highlights held in Iloilo City on October 21, 2016. Her research work entitled “Charcoal Production in the 3<sup>rd</sup> District of Negros Occidental” won first place under Social Science Research Category. From the same college, Dr. Renith Guanzon was recognized as the 3<sup>rd</sup> Best Presenter in the 2016 National Organization of Science Teachers and Educators International Research Conference held in Cebu City on October 7 to 8, 2016 for her study on “Knowledge and Skills in Teaching Mathematics: Basis for Development Plan.”

Dr. Victoria Cainglet, Dean of the College of Education, Arts and Sciences became a member of the PACUCOA Accreditors’ Regional Quality Assurance Team (Region VI) in September 2017.

On September 14, 2017, the Dean of the College of Business Management and Accountancy, Dr. Mima Villanueva, CPA, was elected President of the Council of Deans and Heads of Business, Management and Accountancy Schools in Western Visayas. Likewise, Engr. Erlyn Mae C. Getino, Dean of the College of Engineering, was elected Vice Governor for Education of the Institute of Electronics Engineers of the Philippines- Negros Occidental Chapter (“IECEP-NOC”). In February 2018, Engr. Getino was also elected Secretary of the Council of Engineering and Architecture Schools in Western Visayas (“CEAS-WV”).

Dr. Maria Teresa T. Asistido, Director of the External Affairs and Linkages Office, presented the paper entitled “Constructed Models of Semantic Categories in the lyrics of Ismael Java’s Anagas Musical: The Negrosanon Values Systems” during Tagpo: Values Research Conference at the Ateneo de Manila University in May 2018.

On June 22, 2018, Dr. Wilfredo O. Hermosura, Vice President for Academic Affairs, and Dr. Lilybeth P. Eslabon, Curriculum and Instructional Media Development (“CIMD”) Director, presented their research papers during the 6<sup>th</sup> HCU International Research Conference in Huachiew Chalermprakiet University in Thailand.

In December 2018, the research paper, entitled “Politeness Strategies Prevalent during the Senate Hearings on the Mamasapano Incident in Maguindanao, Philippines,” of Dr. Maria Teresa T. Asistido and Dr. Randolph L. Asistido, the Director of Research and Development Extension Office, was published in Volume 20, Issue 12.3, of the Asian EFL Journal after successfully passing the peer-review and refereeing for international journal indexed in the highest Scopus (Elsevier).

### *iACADEMY*

iACADEMY’s President, Maria Vanessa Rose Tanco, landed Top 6 in the Real Estate Broker’s Licensure Examination in February 2016 and was Top 4 in the Real Estate Appraiser Licensure Examination in April 2016.

Weena Espardinez, Chair of the Animation Program, was elected as one of the Board of Directors of the Animation Council of the Philippines in March 2017.

Gian Carlo Alcantara, SHS Faculty Member, earned his Master’s degree in Communication with Specialization in Communication Management from the Polytechnic University of the Philippines in May 2018.

Irish Sta Ana, SHS administrative assistant, became a Board Exam Passer (Psychometrician) in November 2018.

SHS Assistant Principal Maria Melissa Obedoza became an Amazon Web Services Certified Cloud Computing Practitioner in January 2019.

Dean of Computing Mitch Andaya and Software Engineering/Web Development Chair Bennett Tanyag passed the Amazon Web Services Cloud Computing Practitioner Certification Exam in February 2019.

## ***Student Achievements***

### **STI ESG**

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

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

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

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

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

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

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

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

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

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

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

STI College Ortigas-Cainta’s Grade 12 student athletes TJ Pasquin and Cherry Lyn Donguines advanced to the regional competition of the 2019 Southern Tagalog CALABARZON Athletic Association Meet in the volleyball and chess competitions, respectively. Two teams of student chefs, on the other hand, showcased their creativity in dessert-making as they bagged the top prizes in the SUMAKA (*Suman-Mangga-Kasoy*) Dessert Competition during the 6<sup>th</sup> Antipolo Tourism Fair: Chefs on Parade. BS Hospitality Management (“BSHM”) freshmen Diana Vargas and Jasper Julia impressed the judges with their unique SUMAKA pudding recipe making them the 2018 champions. Culinary Arts Grade 11 student Jadis Juanon and Grade 12 student Ralph Ymasa also landed 1<sup>st</sup> place with their spicy SUMAKA ice cream.

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

Meanwhile, a group of 12<sup>th</sup> graders from STI College San Pablo swept the top shelves during the Pahiyas Festival 2018 under the Kiping Culinary Competition held on May 6, 2018 in Lucban, Quezon. The duo of Louise Pagal and Brent Salamat was declared champions. In 2<sup>nd</sup> place were Melven Hernandez, Billjay



Angeles, and Paul Vergara; while the group of Carmelo Padayao, Joshua Soriano, and Monique Nicdao rounded up the top 3. A *Luchan Longganisa* Cook-off Competition was also staged during the same festival in which Jayser Manilay, Daniella Sabit, and Monique Nicdao grabbed the 3<sup>rd</sup> spot.

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

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

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

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

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

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

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

## STI WNU

From SY 2016-2017 to SY 2018-2019, STI WNU has proven its supremacy in the fields of academics, sports, and culture and arts through different regional and national competitions.

### In Academics:

- Charity dela Cruz (BSA IV), April Gina Buenaflor (BSA IV), Joemarie Mainit (BSA IV), Roselyn Celiz (BSA IV) - Champion, The Colegio San Agustin Interschool Accounting Quiz Bowl (August 2016, Bacolod City)
- Emelyn Hibionada (BSIT IV), Robert Janagap (BSIT IV) and Eymard Pava (BSIT IV) - 2<sup>nd</sup> Runner-up, 1<sup>st</sup> Bacolod Masskara Festival Hackathon (October 2016, Bacolod City)
- Ciara Lizette Soriano (BSA IV), Joemarie Mainit (BSA IV), April Grace Buenaflor (BSA IV) – Champion, Taxation Quiz Bowl, 12<sup>th</sup> Regional Mid-Year Convention of NFJPIA (October 2016, Boracay, Aklan)
- Roselyn Celiz (BSA IV), Joemarie Mainit (BSA IV), Rena Mae Senoron (BSA IV), Kimberly Canillas (BSA IV) – Champion, Intercollegiate Finance Competition Region VI (October 2016, Bacolod City)
- Melaen Mamon (BSEd IV), Deo Lumogdang (BSEd IV) and Thea Tanya Brizuela (BSEd IV) – Finalists, The Outstanding Students (November 2016, Negros Occidental)
- Joemarie Mainit (BSA IV) – 1<sup>st</sup> Runner-up, Inter-school Accounting Mock-Board Competition (February 2017, Bacolod City)
- Antonette Suico (BSAct IV), Dondon Galapon (BSAct IV), Ramela Galon (BSAct IV) – 2<sup>nd</sup> Runner up, Negros Occidental Federation of Accounting Technology Students Quiz Bowl 2017 (March 2017, Talisay City, Negros Occidental)
- Anthony Pineda (BSEd IV) – Regional Finalist, The Outstanding Students (May 2018, Negros Occidental)
- Kheziah Lingco (BSIT IV) – elected President of the Philippine Society of IT Students for Region 6, SY 2018-2019
- Anthony Bautista (BSTM IV) – Champion, Provincial Tourism Quiz Bee (September 2018, Bacolod City). Also, Champion, COHREP Regional Tourism Quiz Bee (September 2018, Dumaguete City).
- Programmer’s Guild of the College of Information and Communications Technology became a member of Philippine Society of IT Students in Region 6 and was recognized as Most Outstanding Student Organization for SY 2018-2019.

### In Sports:

- Men’s Chess - Champion NOPSSCEA Season 36 (September 2016, Bacolod City); 5<sup>th</sup> Place Regional Active Shell (July 2016, Cebu City)
- Secondary Boys’ Chess – Champion, NOPSSCEA Season 36 (September 2016, Bacolod City; DepEd Bacolod City Division Meet (December 2017); Champion, Bacolod City Chess Tournament (February 2017, Bacolod City); 3<sup>rd</sup> Place NIR Regional Meet (March 2017, Dumaguete City); Champion, Circle K International (October 2016, Talisay City, Negros Occidental); Finalist, Regional Active Shell (July 2016, Cebu City);
- Women’s Chess - 3<sup>rd</sup> Place NOPSSCEA Season 36 (September 2016, Bacolod City)
- Mustangs – Champion, NOPSSCEA Season 36 Men’s Basketball (December 2016, Bacolod City); Champion, Talisay Open Basketball Tournament (September 2016, Talisay City, Negros Occidental); 1<sup>st</sup> Runner-up, Pintaflares Festival Basketball League (November 2016, San Carlos City, Negros Occidental)
- Lady Mustangs – Champion, NOPSSCEA Season 36 Women’s Basketball (December 2016, Bacolod City)
- Junior Mustangs - Champion, NOPSSCEA Season 36 Basketball- Juniors (December 2016, Bacolod City); Champion, DepEd Bacolod City Division Meet (December 2016, Bacolod City); Champion, NIR Regional Palaro (March 2017, Dumaguete City)
- Secondary Boys’ Football Team – Champion, Dynamic Football League U-13 (December 2016, Talisay City, Negros Occidental); 2<sup>nd</sup> Runner-up, PUMA Cup Football League (March 2017, San Carlos City,

Neg. Occ.); Champion, Himamaylan Football Festival (December 2016, Himamaylan, Negros Occidental); Champion, Neil Lizares Football Festival (Talisay City, Negros Occidental); 1<sup>st</sup> Runner-up, Don Bosco Football Festival (January 2017, Victorias City, Negros Occidental); 1<sup>st</sup> Runner-up, Dynamic Football League U-15 (March 2017, Talisay City, Negros Occidental);

- Aspirant Mustangs - Champion, NOPSSCEA Season 36 Basketball- Aspirants (February 2017, Bacolod City)
- Pauline V. Emague (BS Criminology IV) – Bronze Medalist, Karatedo ( Kumite), 5<sup>th</sup> PCAP National Student Congress, (September 2018)
- Shemaiah Angel Anzano (BS Criminology I) – Gold Medalist, Taekwondo, NOPPSCEA and PRISAA 2018
- Sean Kimwel Ornopia (BS Criminology I) – Gold medalist, Chess, NOPPSCEA 2018

In the field of Culture and the Arts:

- Ancella Denise Anne P. Pastias (BSTM II) – 2<sup>nd</sup> Runner-up, Masskara Queen 2016 (October 2016, Bacolod City)
- Kaanyag Pilipinas Dance Company – Hall of Famer, NOPSSCEA Folk Dance Competition 2016 (November 2016, Bacolod City)
- Janine Pialan (BSEd II) and Alley Tumabine (BSEd II) – Champion, NOPSSCEA Vocal Duet 2016 (November 2016, Bacolod City); Champion, National PRISAA Vocal Duet Competition (April 2017, Iba, Zambales)
- Center for Performing Arts and Culture’s successful production of Broadway at WestN held at SMX Convention Center in February 2017, in celebration of the University’s 69<sup>th</sup> Foundation Day.
- Charlene Capole (BSEd III) and Alley Tumabine (BSEd III) – Hall of Famer: Champion, NOPSSCEA Vocal Duet 2017 (December 2017); Champion, PRISAA Vocal Duet; Champion, National PRISAA 2018 Vocal Duet (April 2018)
- STI WNU Elementary – Champion and STI WNU High School – 1<sup>st</sup> Runner Up, NOPSSCEA Folk Dance Competition held at the University of Saint La Salle (USLS) Bacolod in December 2018
- STI WNU Elementary – 2<sup>nd</sup> Runner Up, NOPSSCEA Vocal Solo Classical Category held at the University of Saint La Salle (USLS) Bacolod last December 2018

STI WNU students likewise successfully passed several licensure and accreditation examinations, to wit:

#### *Engineering Board Examination*

STI WNU got a 100% passing rate for new exam takers during the Registered Master Electrician Board Examinations conducted in April 2016, September 2016, and April 2017. In September 2017, STI WNU got a 77.78% passing rate for new exam takers while the national passing rate was 68.40%. In November 2018, the national passing rate was 62.31% while STI WNU’s new exam takers got a passing rate of 54.55%.

In the most recent Registered Electrical Engineering Board Exam conducted in November 2018, STI WNU’s new exam takers got a passing rate of 69.23% while the national passing rate was 66.74%.

#### *Criminology Board Examination*

In October 2016, the school had 31 new criminologists at 48.44% passing rate as against the national passing percentage of 44.37%.

In December 2017, the STI WNU College of Criminal Justice Education was the Number 1 Performing Criminology School in Negros Occidental based on the December 2017 Criminology board examination results where 26 new exam takers passed. This has a corresponding passing rate of 65%.

In June 2018, the University got a passing rate of 50% for new exam takers as against the national passing percentage of 33%. For the December 2018 board exam, new exam takers had a passing percentage of 52% while the national passing percentage was 35%.

### *iACADEMY*

In March 2017, BSBA students Janna Margarita Guidotti, Kyle Christoffer Alano, and Alexandra Gozum made it to the Top 7 finalists in the Shark Tank 2017 International Marketing Plan Competition.

In April 2017, 21 iACADEMY Game Development students took the Unity Certification Exam and became the 1<sup>st</sup> batch of students in the Philippines to become Unity Certified Developers. Their class had a 95.5% passing rate.

Also in April 2017, AB in Multimedia Arts and Design students Paulo Jovellano, Ma. Kathleen Junio, Nicole Ferrares, and Fashion Design and Technology student Diana Roderno became finalists at the Adobo Design Awards Asia 2017.

iACADEMY JFINEX (Financial Management student organization) has been nominated by the Junior Confederation of Finance Association Philippines (“JCFAP”) for the Out of the Box Category and Best Local Junior Finance Organization Category during the JCFAP Awards 2017 in April.

Ana Laurice Apoderado, a 2<sup>nd</sup> year Marketing and Advertising student, was elected as the Vice President for Finance in the Philippine Junior Marketing Association in June 2017.

In August 2017, BS Animation student Joshua Villena won the Popular Vote Award at the ASEAN FEUTURE Poster-Making Contest and also became a finalist in the AAP Annual On The Spot Painting Competition 2017 and Patimpalak sa Pagpipinta Pangkalusugan Painting Competition of the Department of Health.

Also in August 2017, Software Engineering students John Matthew Alviz, Michael Angelo Cadavillo, Greg Marvin Cabrera, John Cuthpert Magbanua became finalists in Program the Future: The Accenture Technology Campus Challenge.

iACADEMY’s Creative Team and Music Organization bagged the Honorable Mention award as one of the best student animators at the Sine Panitik: Alamat sa Animasyon competition held in August 2017 by the Film Academy of the Philippines. Their short animated film entitled “Alamat ng Unang Unggoy,” competed against 30 other entries from various universities throughout the country.

In September 2017, Game Development students Basil Benitez, Dhanna Gail Colasito, Pamela Grace De Ramos, Christopher Andrew Del Rosario, Amiel Jake Frias, Aldrin Charles Ladaran, Cyrille Dan Lazaga, Juan Miguel Ocampo, Godryk Raphael Atento, Allen Paul Esperanza, Michael Angelo Bones, Michael Francis Fernando, Enrico Usigan, and Jason Luis Fungo represented the Philippines and became finalists at the Global HIT Challenge 2017 of the Serious Games Association (Singapore).

Jeian Louell Nueva (Software Engineering), Amara Ayman Ibrahim (Software Engineering), Bryan Christopher Filamor (Web Development), Frances Capulong (Game Development), Joshua David Montelibano (Game Development), and Angeliz Reyes (Game Development) became Apprentice Track Champions in the Drupal Philippines AppHack 2017 held in October 2017.

In October 2017, Game Development students Dan Deaño, Janne Denesse Nedamo, Augustine Caesar Bayudan, Elijah Joseph Aldecoa, Jerez Yabut, Radj Inocalla, Amiel Jake Frias, Harrison Manalo, James Patrick Tañeda, Allen Hackett, Jason Fungo, Enrico Usigan, Michael Angelo Bones, Allen Esperanza, Mikee Lawrence Wong, Michael Francis Fernando, and Godryk Raphael Atento became School Track Finalists at the Electronic Sports and Gaming Summit (“ESGS”) Game Developers Association of the Philippines (“GDAP”) GameOn 2017.

BS Animation students Aaron Formilleza, Clarita Cailan, Lanz Manalo, Kenneth Lorenzo, Mia Crisostomo, Reynard Joson, Ingrid Cabrido, and Kyle Jun became finalists at Animahenasyon 2017 held in November 2017.

In December 2017, Kristine Ciara Baello (Multimedia Arts), Charisse Froilan (BSBA), Michael Angelo Cadavillo (Software Engineering), Greg Marvin Cabrera (Software Engineering), John Cuthpert Magbanua (Software Engineering), Louis Garcia (Game Development), Janna Margaritta Guidotti (BSBA), John Matthew Alviz (Software Engineering), Daniel Abalos (Software Engineering), Mark Luis Ticzon (Software Engineering), Rhys Santiago (Multimedia Arts), Elijah Reyes (Software Engineering), Kate Gwen Gispert (Software Engineering), Mary Margareth Domingo (Software Engineering), and Charles Ricky Villarin (Software Engineering) became Preliminary Round Finalists of UnionBank's <U>HACK & PL@Y Competition 2017.

BSBA student Adrian de Leon became Winner of the Top 2 Outstanding Finance Students in the Philippines and Best Debater of the Junior Confederation of Finance Associations-Philippines ("JCFAP") in January 2018.

Multimedia Arts and Design student John Michael Perez became a semifinalist in the Adobo Design Awards 2018 for his environmental advocacy campaign entitled "ECO101" in April 2018.

The short film entitled "Landas" of Multimedia Arts and Design students Gelo Mariano, Joan Gregorio, and Candy Cortez became a finalist in the GAWAD CCP Alternatibo in August 2018.

Animation student Joshua Villena bagged the 2<sup>nd</sup> Place at the 51<sup>st</sup> Shell National Students Art Competition (Watercolor Category) for his work entitled, "Magkakaiba Pero Magkakapareha." He also won the Choice Winner Award at the annual On-the-Spot Manila Bulletin Sketch Fest in August 2018.

The project of Software Engineering students John Magbanua, Daniel Abalos, Mary Domingo and Michael Cadavillo entitled "Arduino-Based Emergency Monitoring System" also became a finalist in Accenture's Program the Future Contest in August 2018.

Fourth year Game Development students Nica Jan Alvarez, Raizel Angenie Martinez, Joseph Ian Litang, and Ninna Gabrielle Layug developed a top-down stealth-based action game called "Furtive" which won the Public's Choice Award during the Game Developers Association of the Philippines' GameOn Challenge in November 2018.

Multimedia Arts and Design students MJ Guillo, Adrian Halili, Rodolfo Pil, Laarneth Casison, Marc Ocampo, and Manz Silloriquuez represented iACADEMY in the WEAREINTRAMUROS 2018, a film-making contest of the Film Development Council of the Philippines. Their short film won the Panasonic Award in November 2018.

Also in November 2018, the project of Software Engineering students Jerwin Antivola, Mark Ticzon, Raymond Catacutan, Dexter Co, and Coleen Bartido entitled "Mayday" became a finalist in the 1<sup>st</sup> St. Luke's Innovation Contest and in Accenture's Program the Future Contest.

The thesis film of Animation graduates Ma. Isabella Parca, Alexandra dela Cruz, and Cheol Ung Kim entitled "Halimaw sa Basura" was chosen by the Canadian Embassy in the Philippines as part of their "What A Waste!" initiative in March 2019. The same film also won in the Student Category in Adobo Awards.

Software Engineering student Kate Gwen Gispert received the Most Outstanding IT Education Student ("MOITES") Award for SY 2018-2019 in March 2019. This was awarded by the Philippine Society of Information Technology Educators ("PSITE") – National Capital Region Chapter.

Fourth year Fashion Design and Technology students held their Fashion Show on April 3, 2019 as part of their graduation requirements during the 10<sup>th</sup> Panasonic Manila Fashion Festival.

In April 2019, Animation alumna Aleks Elizabeth Isla became the third Toon Boom Certification exam passer in the Philippines.

Senior High School ABM students represented the school in various research conferences held locally and internationally:

- International Conference on Law, Business, Education and Corporate Social Responsibility (“LBECSSR-17”) held on *January 23-24, 2017 at Hotel Benilde Maison De La Salle*

Title of Case Study: The Views of Twelve (12) Companies in Makati City on Hiring Senior High School Graduates

Students: Monique Bridget P. Guinto, Yen Kyla H. Noche, Dune Myra Ellis M. Paulo and Charlene M. Sahagun

- 12<sup>th</sup> Asia-Pacific Business Research Conference (“APBRC”) held on *February 27 to 28, 2017 at Concorde Hotel, Kuala Lumpur, Malaysia*

Title of Case Study: The Perceptions of Twenty-One (21) Different Companies in the City of Makati in Recruiting Senior High School Graduates

Students: Loise Marie C. Ambat, Thomas Reese Cabagnet, Daniel Jasper Flores and Ryan Christopher F. Tiong

- 2017 Cebu International Conference on Studies in Arts, Social Sciences and Humanities (“SASSH-17”) held on *January 26 to 27, 2017 at Hotel Summit Circle, Cebu*

Title of Case Study: The Willingness of Twelve (12) Different Companies in terms of Integrating Senior High School Within Their Workplace

Students: Jhantzen Marie D. Chico, Abcde Jedidiah B. Condez, Earlich Nerre R. Ibon and Kyle Andre C. Portillo

- 2<sup>nd</sup> De La Salle Araneta University Research Congress held on *January 26, 2017 at DLSAU Campus*

Theme: *“Unity in Cultural Diversity: Empowerment through Synergized Values in Research Development”*

Participants: Brandon Mile Padua, Dianne Riziel Pasumbal, Maren Rose Marasigan

Senior High School students' research outputs were presented during the 2<sup>nd</sup> Singapore Institute of Multidisciplinary Professions-Ascendens Asia Group Joint Multidisciplinary Research Conference held in Manila, Philippines on September 1, 2017.

- Loise Marie Ambat, Thomas Reese Cabagnet, Daniel Jasper Flores, and Ryan Christopher Tiong (ABM students) for “A Study on Designing a Marketing Plan for a Start-Up Business in the Philippines”
- John Zander Bulilan, Monique Bridget Guinto, Yen Kyla Noche, Dune Myra Ellis Paulo, and Charlene Sahagun (ABM students) for “Social Media and its Role in the Intention of Customers and Non-Customers of Halp-U”
- Nicole Agustin, and Kaaia Hymna Tala Endaya (HUMSS students) for “Traversing Religious Freedom in the Philippine Setting from Pre-colonial Period to Present: A Historical Case Study”
- Sophia Bernadette Eslabon, Stephanie Nadine Saroca, and Ma. Sophia Sian (HUMSS students) for “Trends and Challenges: Religious Pluralism in Indonesia and Singapore”

- Samantha Grace Battung, Ye Chan Lee, Josephine Arabella Revereza, Kiri Anna San Jose, and Jose Gabriel Tagala (Multimedia Arts (“MMA”) students) for “Filipino Youth’s Preference for Local Films with Mainstream Celebrities”
- Elisha Gabriel Briones, Density Kind Empleo, Joshua Realosa, and Miguel Andre Soliven (Animation students) for “Interactive Art Used as a Vessel to Help Raise Awareness and Preserve the Cebu Flowerpecker”
- Maria Eloisa Boac, Angelo Louis Vincenzo Capulong, Rose Anthonette Plariza, and Ysabella Therese Martinez (Animation students) for “The Awareness of iACADEMY Senior High Students: Activism Art and Endangered Wildlife”
- Anne Coleen Bulilan, Ulysses Caragayan, Jhemica Hernandez, Eislely Navela, and Ashley Tiempo (Fashion Design students) for “The Perceptions of Contemporary Filipino Fashion Designers on Promoting the Filipino Cultural Identity Through Modern Textile Design”
- Marc Gavriel Abinuman, Jean Michel Gabrielle Gomez, Abdul Mu’izz Haider Janjua, Jindeev Mann, Erik Mariano, Charles Wenzel Orlanda, and Symeon Peter Seguis (Software Development (“SD”) students) for “Using CCTV Cameras with Sensors to Help Lessen Traffic in Makati City”
- Ariel Arevalo II, William Henry Datu, Phillip Justine Garay, Anthony Lance Jarlega, Mel Ivan Magsino, James Ronald Temblor, Basil Nicolo Urrutia, and Robin Benjamin Yabyabin (SD students) for “Virtual Traffic Lights in Reducing or Alleviating Traffic Congestion”

The abovementioned research projects were also digitally published on Ascendens Asia Journal of Multidisciplinary Research Conference Proceeding on September 23, 2017; The Public Knowledge Project of Canada on November 13, 2017; and the National Library Board of Singapore on January 25, 2018.

On November 19, 2017, the artwork of Jim Natanauna, Grade 11 MMA student, won third place in the age 17-18 category of the Eighth Annual Space Foundation International Art Contest.

On December 15, 2017, John Raynard Alvarez, Grade 11 MMA student, won as runner-up in the 7<sup>th</sup> Cocolife Colors of Life Visual Art Competition High School category.

On December 21, 2017, photographs of James Saluta, Grade 11 MMA student, were featured in Scout Magazine. These photographs aimed to promote the importance of environmental awareness through highlighting responsible waste management.

From January 10 to 13, 2018, SHS Grade 12 ABM students Yen Kyla Noche, Earlich Ibon and Thomas Cabagnet represented iACADEMY as startup exhibitors in the National Youth Business Convention 2018 held at the SMX Convention Center in Manila.

Earlich Ibon, Michelle Lapiña, and Loise Marie Ambat, Grade 12 ABM students, won as Grand Champion in the DICT YouthHack MNL Startup Challenge High School Edition on January 28, 2018 at the Asian Institute of Management.

The works of Jamsem De Guzman, Grade 12 Animation student, were featured in the Graphika Manila 2018 book on February 4, 2018.

On March 8, 2018, Michael Ong, Kyle Jamolangue and Paul Magbojos, Grade 12 Computer Programming students, won 3<sup>rd</sup> place in Reboot Programming Open 2018 sponsored by the Philippine Science High School.

On August 17, 2018, Jia Ramoran and Frances Eridio, Grade 12 students enrolled in the Humanities and Social Sciences and Multimedia Arts strands respectively, won the 4<sup>th</sup> Annual Spoof Ads competition.

On October 30, 2018, Grade 12 Software Development students Reinald Josef Kristjan Tomenes, Joshua Roi Redita, Danyel Dondon, Francis Sulit and Julian Lamela won the PEACE category of the #HackSociety 2018: Build Tomorrow nationwide competition. This competition was sponsored by Rappler, in partnership with the Youth Co:Lab initiative of the United Nations Development Programme (“UNDP”) and Citi Foundation.

Grade 12 MMA students Jovelle Bolusa, Alris Esteban, Andrea Montenegro, Larla Ong, Brijette San Jose, Jefe Yeh, Jon Raynard C. Alvarez, Maxine Reese V. Bautista, Petrie Mari L. Braulio, Fayette Caroline Benette Capahi, Mojaimen M. Datucali, Lois Abigail D. To, Sophitia Datu, Mikaela Nicole Favoreal, Faith Kabigting, Samantha Luzon, Jeremy Obrero, and Pauline Zabal were invited to display their mixed media works in the "Thinking Outside of the Box" exhibit at Galeria de las Islas, Intramuros, Manila from January 15 to 31, 2019.

On February 23, 2019, Grade 12 ABM students Angelo Ruelan, Hosanna Dagdag, Nicolas Villapando, Eliza Babasa and Samantha Anggala won 2<sup>nd</sup> place at the Insular Life & UP Circle of Entrepreneurs Case Competition 2019 (SHS division).

On February 26, 2019, Grade 12 MMA students Kyle Kimston Camaongayan, James Cenen Laman, Juancho Daniel Laus, Faith Marianne Lawas, Angelica Manuel, and Lean Sebastien Artates won the Cardinal Gold Film, Best Original Soundtrack, Best Film Editing, Best Cinematography, Best Director, Best Actor, and Best Production awards in the high school category of CineMapua 2019 for their short film entitled, “Press Conference.”

#### *Graduation Special Merit Awards*

This Outstanding Leadership Award is granted by iACADEMY in recognition of the leadership skills and committed service shown by the graduating student.

- Ranie Mae A. Yu (AB in Multimedia Arts and Design) received this award on June 24, 2017.
- John Andrew Gabriel Simbulan (AB in Multimedia Arts and Design), Angelo Victorino Mariano (AB in Multimedia Arts and Design) and John Alfred de Aquino Pangan (AB in Multimedia Arts and Design) received this award on June 16, 2018.
- The award was given to Denijah Rhys Santiago (AB in Multimedia Arts and Design), Carl Anthony Sia (BSBA major in Marketing Management), Alexandra Gozum (BSBA major in Marketing Management) and Jeian Louell Nueva (BSCS with specialization in Software Engineering) on June 29, 2019.

The Outstanding Internship Award is given to a student who has successfully completed his/her internship and is deemed outstanding in his/her overall job performance and character.

- During the 12<sup>th</sup> Commencement Exercises on June 24, 2017, Sean Marteen G. Arcega (BSIT with specialization in Digital Arts), Sakura Banayat (BSBA Marketing and Advertising Management), Vic Emmanuel A. Babasa (AB in Multimedia Arts and Design) and Michael T. Chang (BSCS with specialization in Software Engineering) received this award.
- On June 16, 2018, during the 13<sup>th</sup> Commencement Exercises, Arianne Arbolado (BS in Animation), Ciara Bello (AB in Multimedia Arts and Design), Karen Pante (AB in Multimedia Arts and Design), Coleen Bartido (BSCS with specialization in Software Engineering) and Nathan Remante (BSCS with specialization in Software Engineering) likewise received this award.
- During the 14<sup>th</sup> Commencement Exercises on June 29, 2019, Francis Cholo Carpio (BS in Entertainment and Multimedia Computing (Game Development)), Kate Gispert (BSCS with specialization in Software Engineering), Khamille Kate Viray (BSIT with specialization in Web



Development), Adrienne Pauline Guinto (AB in Multimedia Arts and Design), Marianne Novencido (AB in Multimedia Arts and Design), Jan-Philip Buen (BS in Animation) and Bianca Costa (BS in Animation) received this award.

### *School Achievements*

#### *STI ESG*

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

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

### *Faculty Development and Certification*

#### *STI ESG*

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

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

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

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

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

sustain STI's OBE effort by building the Program Heads' skills in the areas of facilitation and use of various teaching tools.

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

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

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

### ***STI WNU***

In February 2018, Executive Vice President, Ryan Mark S. Molina was conferred by the world's largest Professional Institution, the Royal Institution ("RI") of Singapore, the title of Senior Fellow of the Royal Institute of Management during the 16<sup>th</sup> International Conference and Conferment Ceremony in Liceo de Cagayan University, Cagayan De Oro. In the same event, Dr. Daisy Mae Octavio, Dr. Christine Julom, Dr. Rey Eslabon and Dr. Lilybeth Eslabon, all from STI WNU, were conferred the title of Fellow of the Royal Institute of Educators.

### ***Student Development***

#### ***STI ESG***

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

#### ***Halalan 2019***

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

### *The STI National Youth Convention (“STI NYC”)*

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

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

### *Tagisan ng Talino (“TNT”)*

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

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

### *Tagisan ng Sining (“TNS”)*

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

### *Talent Search*

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

### *National Basketball Tournament (“NBT”)*

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

### *National Volleyball League (“NVL”)*

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

### *Leaders Enhancement of Attributes Program and Student Engagement and Educational Development*

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

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

### **STI WNU**

In fulfillment of the vision and mission of STI West Negros University, the Students Development Office (“SDO”), which is under the Office of Student Affairs and Services (“OSAS”), provides and implements a comprehensive student development program with oversight on all issues and resources related to student life. Its component areas are designed and devoted to serve all students ensuring that it provides a wholesome atmosphere for learning and dwelling that is conducive to the attainment of the academic goals of the students. The following are the component areas of student development: (1) Student Government, (2) Student Organizations, (3) Student Paper and Publication, (4) Student Yearbook, and (5) Campus Ministry.

The SDO ensures and promotes the basic well-being of the students, designs all programs and activities for the enhancement of leadership and commitment to social responsibility, and delivers the essential student services for the achievement of a holistic personality.

### *Kasadyahan Season*

This is a major extra-curricular activity of STI WNU which starts in October and ends in February of the following year. *Kasadyahan* is from the root word *sadya* meaning jolly, reflecting the merry-making or fun-filled competitions of colored kingdoms from the seven colleges of the University. The competitions range from sports, the performing arts, and the academics. It starts on October 1, the anniversary of STI Holdings’ acquisition of the University, and ends on February 14 during the Foundation Day of the University.

### *Christmas Parade of Lights*

The Advent Season in STI WNU is marked with one of the most-awaited events in the City of Bacolod, the hour-long Christmas Parade of Lights. This event is initiated by the Physical Education Department where the PE students create beautiful lighted Christmas lanterns for the parade around the city. The creativity of students shown in the lanterns being showcased during the parade along the city’s major streets and the

spectacular firework display that follows are STI WNU's way of saying "Merry Christmas!" to the "City of Smiles".

#### *U-Nite*

The Center for the Performing Arts and Culture ("CPAC") of STI WNU is the repository of the University's talents in singing, dancing and playing of musical instruments. Under this umbrella are the following: Glee Club, The Kaanyag Pilipinas Dance Company (a folk dance troupe), The Rondalla Ensemble, The Marching Band, the Pop Band and the Drum Beaters. During the celebration of the University's Foundation Week, a concert-dinner entitled "U-Nite" is presented to the Wesnecan community featuring all the performers from the CPAC.

#### *Student Organizations Week*

This weeklong activity, held every September, is spearheaded by the Supreme Student Government, a student body composed of elected officers from the various colleges, in cooperation with the Council of Student Organizations ("CSO"), an alliance of all accredited student organizations. The participating organizations, classified according to their advocacies - religion, regional ethnicity, civic involvement, service, sports, culture and arts - display "specialty" products in assigned booths located all over the student activity area. To spice up the event various activities such as music competitions, laro ng lahi (games), concerts and fellowships are held.

#### **iACADEMY**

##### *Student Activities and Leadership*

The Office of Student Experience and Advancement ("OSEA") of iACADEMY spearheads programs that support the school's aim to maximize the full potential of the students through activities that promote holistic growth, development, and enhancement of students' overall learning experience. The department initiates institutional events ranging from leadership seminars to game changing projects that uphold the learning outcomes that iACADEMY advocates.

One of the strategies that OSEA undertakes is engaging students in curricular and extra-curricular activities. With this, iACADEMY provides opportunities for students to form or be part of school-recognized student organizations that develop their creative and leadership skills, as well as their social, cultural, physical, and recreational growth. To date, there are 30 iACADEMY Student Organizations which include the following:

##### *College Student Organizations:*

- Magnates (College Chapter) - is comprised of committed Business Administration students who aim to spread knowledge and skills in the marketing profession.
- FORGE - envisions a healthy and enjoyable environment for all its members to help them discover, learn, and develop many of the broad skill sets necessary in Game Development.
- Software Engineering through Academics and Leadership ("SEAL") - is dedicated to the promotion of Software Engineering and development of future engineers.
- PIKZEL - represents the student body's graphic design community and promotes students' interest, talents and skills in graphic design - be they traditional or digital.
- PRIMA (College Chapter) - aims to uphold, enhance, and expand the learning of students particularly in the field of fashion design that will help them become pioneers in the industry.
- Creative Society - aims to find and realize the hidden talents and creative skills of its members. It reaches out not just to Animation Students but also to students of other programs.

- Student Athletes Society (College Chapter) – is an organization that promotes health and wellness through sports and other outdoor activities. It also aims to develop sportsmanship, camaraderie, and teamwork among iACADEMY students.
- Octave (College Chapter) – recognizes individuals with talents in music. It aims to enhance the musical, recreational, social and cultural environment of iACADEMY.
- OPTICS – involves the lens and the camera as a medium of forming an art.
- Rhythm – is dedicated to the preservation, study, teaching, and enjoyment of Western and Filipino traditional and historical dance.
- Filmmakers Society of iACADEMY (“FSi”) – aims to stimulate students’ interest in short film making and to utilize their interest in promotion of values and morals.
- iACADEMY’s Company for Theater (“iACT”) – is a theater guild that focuses on the art of theater and stage management.
- iACADEMY Making Positive Action (“iMPACT”) – aims to create a positive change in society by providing outreach and civic opportunities to its members and to the rest of iACADEMY.
- Central Student Organization (“CSO”) – is the sole, unified, autonomous and democratic representative body of the college students of iACADEMY. The prime duty of the CSO is to protect and defend the students’ rights as embodied in the Magna Carta of students and to organize relevant student development activities.

*Senior High School Student Organizations:*

- Magnates (SHS Chapter) – is comprised of students from ABM strand who aim to spread knowledge and skills in their respective fields.
- Junior Game Developers Association of iACADEMY (“JGDA”) – is an organization that strives to promote the potential of students to excel not only in playing, but also in developing and creating games.
- iACADEMY Junior Software Developers (“iJSD”) – is an organization comprised of Software Development students who want to promote Software Development through fun, engaging activities.
- Vektor – is dedicated to the practice and promotion of graphic design and illustration.
- Sining na Naglilikha ng Buhay (“SinLikHay”) – is an organization that aims to develop traditional and digital animation.
- PRIMA (SHS Chapter) – aims to uphold, enhance, and expand the learning of students particularly in the field of fashion design that will help them become pioneers in the industry.
- Student Athletes Society (SHS Chapter) – is an organization that promotes health and wellness through sports and other outdoor activities. It also aims to develop sportsmanship, camaraderie, and teamwork among iACADEMY students.
- Octave (SHS Chapter) – recognizes individuals with talents in music. It aims to enhance the musical, recreational, social and cultural environment of iACADEMY.

- Young Filmmakers Society of iACADEMY (“YFS”) – aims to stimulate students’ interest in short film making and to utilize their interest in promotion of values and morals
- CTRL Dance Troupe - takes pride in providing a nurturing atmosphere to enable students to reach their fullest potential and build their self-esteem while experiencing the true joy of dance.
- iCON – is a group of students that aims to connect and contribute to the larger community outside iACADEMY.
- Basic Integrated Theater Arts Guild of iACADEMY (“BITAG of iACT”) – is the Official Senior High School Theatre Arts Organization of iACADEMY that aims to work with individuals who are passionate in the field of theatre. Aside from this, BiTAG aims to produce guild productions, events performances, and conduct workshops.
- Anime Habu – is an organization for students interested in the diverse art form of Anime. The organization is a community that helps each member grow and at the same time enjoy and appreciate Anime.
- Velocity – aims to exemplify the rate of change towards our destination of environmental sustainability and protection.
- The Spines – is the organization that consists of students who are passionate about sharing their love for and interest in literature.
- Student Council (“SC”) – is the sole, unified, autonomous and democratic representative body of the Senior High School students of iACADEMY. The prime duty of the SC is to protect and defend the students’ rights as embodied in the Magna Carta of students and to organize relevant student development activities.

#### *iLEAD: iACADEMY Leadership Empowerment and Development Team Building*

iLEAD is a two-day outdoor, interactive seminar-workshop that aims to build a good working relationship among iACADEMY Student Organizations, Central Student Organization (College) and the Student Council (SHS). It provides students with activities that align their organizations’ shared purpose, goals, and plans. It also helps in establishing the students’ roles as leaders as they discover effective ways of implementing their projects amidst differences and challenges.

#### *Career Enrichment Programs*

One of the programs that the Office of Student Affairs and Services (“OSAS”) leads is the Career Guidance and Monitoring Session (“CGMS”) being conducted for fourth year students that are enrolled in the Internship Course. It is a bi-monthly session that allows the students to discuss projects and challenges at work as well as process the learning experiences that they have in their host companies.

Various career enrichment seminars are also conducted for students from other year levels. These seminars tackle topics such as preparing for an interview, power dressing, and creating resume and portfolio, among others. The seminars culminate in a Career Fair where students get the opportunity to practice what they learned.

#### *Post-Graduation Report*

##### **STI ESG**

The STI Alumni Relations, Placement, and Linkages (“STI APL”) department conducts a survey of the graduating class to track the employment rate months after graduation. This is facilitated through each STI

School's Alumni and Placement Office. Based on most recent reports, 65% of our surveyed graduates are employed within one year after they graduated.

#### *Interactive Career Assistance and Recruitment System ("ICARES")*

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

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

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

#### *The STI Distinguished Alumni Awards*

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

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

#### **STI WNU**

The STI WNU Alumni & Placement Office ("STI WNU APO") establishes and implements placement and program services that empower the alumni of the University. It records and documents alumni tracers and directory in order to provide necessary information and services. It also conducts surveys to track the employment rate of the students six months after their graduation.

For SY 2016-2017, 100% of the 582 college graduates had been tracked and 361 were already employed. The following year, 100% of the 563 graduates from SY 2017-2018 were tracked and 309 were already employed.

#### *Job Fair*

STI WNU APO assists the Guidance Services Office in the placement of graduating students by providing them access to employment opportunities through Job Fairs. In SY 2016-2017, STI WNU APO invited thirteen (13) companies for the 453 graduating students who attended the fair. Of the 58% who were qualified for job interviews, 57% were hired right away.

In SY 2017-2018, STI WNU APO and Guidance Services Office invited twenty-one (21) companies for the 563 graduating college students. There were 237 attendees from five departments who participated in the job fair



interview: 22% of the participants came from the College of Business Management and Accountancy, 6% from the College of Criminal Justice Education, 37% from the College of Education, Arts and Sciences, 7% from the College of Hotel and Tourism Management, and 28% from the College of Information and Communications Technology.

In SY 2018-2019, twenty-three (23) companies participated in the job fair for the 564 graduating students. There were 229 attendees from the 5 departments: 49% from the College of Information and Communications Technology, 30% from the College of Education, Arts and Sciences, 10% from the College of Hospitality and Tourism Management, 10% from the College of Business and Management Accountancy, and 1% from the College of Criminal Justice Education.

#### *Grand Alumni Homecoming*

In commemoration of the Founding Anniversary of the University, STI WNU APO facilitates the grand alumni class reunion every second week of February. For SY 2016-2017, the newly elected officers were inducted by Pres. Monico V. Jacob on March 2, 2017.

On February 17, 2018, the University held its 70<sup>th</sup> Grand Alumni Homecoming at the STI WNU Gymnasium. The whole-day affair had once again served as a convergence for the 530 alumni who attended.

On February 16, 2019, 402 alumni from different batches attended the 71<sup>st</sup> Grand Alumni Homecoming at the STI WNU Gymnasium. Part of this whole day activity was the election of the new set of Alumni Officers.

#### *Distinguished STI WNU Alumni*

The University identifies alumni who excel in their respective fields. Sixty-one (61%) percent of these successful alumni are principals and CHED or DepEd supervisors. Thirty-one percent (31%) are heads and directors in government agencies.

Showbiz personalities are also identified among successful alumni: Allan Quilantang, TV host/comedian/actor; Richard Somis, Film Director; Jose Sixto (Dingdong) Dantes, Actor; and Mirtha Mae Chavez, Singer/Entertainer.

Successful PBA players include Yves Dignadice, Severino Baclao, and Mike Mustre. International dance athlete, Ashley Nichole Luna continues her career as an international coach and judge.

During the Alumni Homecoming in February 2018, the following were given the Outstanding Alumni Award for their exemplary performance in their respective fields - Ma. Corazon A. Stamper and Samuel D. Moyani both from the field of Education, Judith M. Simeon for Engineering, Rey T. Eslabon from the Military, and Elvis C. Atinado for Arts, Culture and Sports.

In a program held during the 71<sup>st</sup> Grand Alumni Homecoming in February 2019, Most Outstanding Alumni Awards were given to Dr. Dennis G. Develos from the field of Education, Engr. Edwin Acostan for Engineering, Sigrid Ortiz for Business, and Richard Somes for the Arts, Culture and Sports.

#### *iACADEMY*

The Alumni Relations unit of iACADEMY's Office of Student Affairs and Services serves as the liaison between iACADEMY and its alumni. It aims to provide alumni with opportunities and programs to become game changers in their respective fields, and be able to share their experience and knowledge with the school. It provides assistance to organized alumni in their various activities. It also encourages participation of alumni in various activities of the school, promotes a sense of pride among all graduates, and provides opportunities for further professional development of the alumni.

### *Job Opportunities and Further Professional Learning*

The Alumni Relations unit coordinates with the Industry Partnerships unit and the Internships and Placement unit of iACADEMY in order to provide employment opportunities for students upon graduation. Any job openings given to said units are disseminated to alumni through various Alumni Relations' communication channels.

The Alumni Relations unit also leads master classes that provide iACADEMY Alumni with opportunities to learn about the latest innovations and best practices in their respective fields from industry experts. Separate Master Classes are scheduled for iACADEMY's Schools of Computing, Business, and Design.

### *iACADEMY Alumni Network*

The iACADEMY Alumni Network aims to build a connection among alumni of the school. This network is being developed to serve as a portal for alumni to update their information and provide possible partnership and learning opportunities.

### *Outstanding Alumni*

- JR Parelejo – Winner, 2004 International Marketing Competition – Feathers to Fish
- Krista Lozada – First in Asia to perfect an international certification exam for IBM's Websphere Software, 2007
- Jeanne Harn – Ms. Philippines – Earth 2007
- Isamu Shinozaki – Microsoft MVP (Most Valuable Professional), 2010
- Aisaku Yokugawa – 2012 Philippine Ambassador for Operation Smile International/ International Jazz Singer
- Vinzel C. Frago – Awardee (Full Scholarship), Master of Science in Technopreneurship and Innovation, Nanyang Technological University, Singapore, 2013
- Nielson Henri Riddle – Outstanding Alumni Awardee 2014
- Jennelyn Castillejo and Krizia Villanueva – Creators of the Short Film Thesis "Yolanda" which won the Best Student Film Award at the International Film Festival Manhattan held on October 22, 2015

### *Institutional Linkages*

#### **STI ESG**

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

#### *Junior Achievement of the Philippines, Inc. ("JA Philippines")*

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

This collaboration will bring JA Philippines' Business Skills Pass ("BSP") program to select STI campuses for the ABM students. It is divided into two programs: Be Entrepreneurial for the Grade 11 students and the JA Company of the Year Program for the Grade 12 students. For SY 2017-2018, the Be Entrepreneurial program was implemented in select STI ESG campuses. The culminating activity for the Be Entrepreneurial program is

the business plan development and presentation. In the said activity, STI College Novaliches placed 2<sup>nd</sup> runner-up in the Business Plan Presentation Competition.

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

#### *PTC Mil-Com Aviation Training Center, Inc.*

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

#### *Fasttrack Solutions, Inc.*

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

#### *The Heritage Hotel Manila*

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

#### *The Ascott Limited*

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

#### *Marco Polo Hotel*

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

### *InterContinental Hotels Group (“IHG”)*

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

### *Philippine Airlines*

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

### *Accenture, Inc.*

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

### *Department of Labor and Employment (“DOLE”)*

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

### *The Asia Foundation*

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

## **STI WNU**

### *Asian University Digital Resource Network & German Development Cooperation*

STI West Negros University has international linkages for research purposes. STI WNU has two international linkages, namely: Asian University Digital Resource Network (“AUDRN”) and German Development Cooperation (“GIZ”). For this purpose, both organizations provide financial support while STI WNU provides logistics and human resources. As for national linkages, Miriam College, DepEd Kabankalan and Partnership for Clean Indoor Air (“PCIA”) help provide human resources and logistics in conducting researches.

*TESOL Asia SITE Ltd Australia*

On May 3, 2018, STI WNU partnered with TESOL Asia, an Australian-based company, in providing special training to students and professionals who wanted to enhance their skills in teaching English to both young and adult learners.

*Daegu Health College*

In February 2018, Daegu Health College, a partner school in Korea, chose STI WNU to implement its K-Food Online where STI WNU students may enroll, for free, in the online classes about preparation of popular Korean dishes.

*Chonbuk National University*

In March 2017, Chonbuk National University in Korea accepted three BSED English students in their Exchange Student Program for Language and Culture.

*Keimyung College and Keimyung University*

In May 2017, Keimyung College in Korea accepted a faculty member of the University to the Faculty Exchange Program. She stayed in the said university as a foreign language teacher until February 2019.

Both Keimyung College and Keimyung University had been sending students to STI WNU since 2015 for a month-long program in English proficiency.

*Sugarland Hotel; Eastview Hotel and Middle Town Inn*

For its faculty development, the school has also partnered with Sugarland Hotel, Bacolod City; Eastview Hotel, Bacolod City and Middle Town Inn, Bacolod City.

*Association of Administrators in Hospitality, Hotel and Restaurant Management Educational Institution (AAHHRMAI); Council of Hotel and Restaurant Educators of the Philippines ("COHREP"); Tourism Educators and Movers Philippines ("TEAM PHILS WV"); Hotel and Restaurant Association of Negros Occidental ("HRANO"); Bacolod City Tourism Office and Department of Tourism Region VI*

STI WNU is an active member of the AAHHRMEI, COHREP, TEAM PHILS WV, HRANO, and the Bacolod City Tourism Office and Department of Tourism Region VI.

*Corazon Locsin Montelibano Regional Hospital & Philippine Mental Health Office*

The Psychology students undergo actual industry training at Corazon Locsin Montelibano Regional Hospital and Philippine Mental Health Office, Negros Occidental Chapter.

*Today English LTD Partnership ("TELP"); Teacher Internship Thailand Program ("TITP") & Local Teacher Trainings*

STI WNU College of Education, Arts and Sciences had gone international by sending students to Sakahorn Pattana School and Watpiyawattanaram School in Thailand for trainings. The University also collaborates with Today English Language School based in Bangkok, Thailand for the internship program of Education and AB English students.

*Huachiew Chalermprakiet University*

In March 2018, STI WNU forged a five-year partnership with Huachiew Chalermprakiet University in Samutprakan, Bangkok, Thailand for the cultural and language exchange-students program.

*Philippine Society of IT Educators (“PSITE”) and Bacolod-Negros Occidental Federation of ICT (“BNeFIT”)*

The College of Information and Communications Technology continues to be an active member of PSITE and BNeFIT. STI WNU students acquire their real life trainings in the IT departments of the Bureau of Internal Revenue, Bacolod City Library and Department of Agrarian Reform.

*Junior Philippine Institute of Chemical Engineers (“JPICE”); Philippine Institute of Civil Engineers (“PICE”); Institute of Integrated Electrical Engineers of the Philippines (“IIEEP”); Institute of Electronics Engineers of the Philippines (“IEEP”) and Philippine Society of Mechanical Engineers (“PSME”)*

The students of the College of Engineering remain as active members JPICE, PICE, IIEEP, IEEP and PSME.

*CENECO, NONECO, PLDT & other Establishments*

STI WNU partnered with several companies for the on-the-job-training of the Engineering students. These include Central Electric Company (“CENECO”); Asian Alcohol Corporation; Northern Negros Electric Cooperative (“NONECO”); Philippine Long Distance Telephone Company; Dynamic Properties and Realty Corporation; Alfie’s Construction and Construction Supply; Sagay Central Incorporated; Dynamic Builders and Construction Company; Amaia Land Corporation; and Department of Public Works and Highways.

*Globe Telecom*

In collaboration with Globe Telecom, STI WNU has provided Wi-Fi services within the campus. This helps the students with their research studies and access to the eLMS.

*“ACT-CIS Party List” Program, PESO, AFP Educational Benefit System Office (“AFPEBSO”) and Skills Enhancement and Educational Development for Students (“SEEDS”)*

STI WNU has students who have scholarship grants from several institutions who tie-up with CHED under the Tulong Dunong (ACT-CIS Party List) Program, PESO, AFPEBSO and SEEDS. The latter provides STI WNU students training through Jollibee Foods Corporation, Chowking and Greenwich.

*BCPO, BFP, BJMP, NBI for BS Criminology*

STI WNU collaborates with other organizations for students’ training. These include John B. Lacson Colleges Foundation Training Center for Maritime students; Bacolod City Police Office (“BCPO”), Bureau of Fire Protection (“BFP”), Parole and Probation Office of Bacolod City, Philippine National Police RTS-6, Carmela Valley Subdivision and Bureau of Jail Management and Penology (“BJMP”) and National Bureau of Investigation (“NBI”) for Criminology students.

*PNB, DBP, Yusay Credit & Lending Corp.*

STI WNU has tied up with several banks and lending company for the OJT of Business students: Philippine National Bank (“PNB”), Development Bank of the Philippines (“DBP”) and Yusay Credit and Lending Corporation.

*OK English Academy (“OKEA”)*

Since 2003, STI WNU has been working with OKEA in bringing students from Korea and Japan to enroll in the short-term English Proficiency Program of STI West Negros University – Institute of Languages. Enrollment has increased dramatically from 158 students in SY 2014-2015 to 396 students in SY 2016-2017. In SY 2017-2018 and SY 2018-2019, enrollees in the program were 352 and 364, respectively.

## *iACADEMY*

### *IBM*

In 2010, iACADEMY was appointed by IBM as its first IBM Center of Excellence (“CoE”) in the ASEAN region. As an IBM CoE, iACADEMY will serve as a venue to expose existing and prospective IBM clients to current state-of-the-art technology solutions. Furthermore, iACADEMY aims to be the source of technical skills and talent to feed the IBM Ecosystem, which is composed of IBM, IBM Business Partners, and IBM Clients.

### *Lotus Academic Institute*

iACADEMY is the first Lotus Academic Institute Partner in the Philippines and the ASEAN region.

### *Wacom*

iACADEMY is the first academic institute identified as a Wacom Authorized Training Partner in the Philippines. iACADEMY equips students with state-of-the-art facilities and technology through its partnership with Wacom.

### *Project Runway*

iACADEMY is the official school partner of Project Runway Philippines, a search for “the next big Filipino fashion designer”. The reality show, which airs on free TV channel ETC, features aspiring designers and a who’s who of the Philippine fashion scene. Supermodel-turned-entrepreneur Tweetie de Leon-Gonzales plays the glamorous host while trailblazing designer Jojie Lloren serves as the mentor.

### *Philippine Stock Exchange*

The Philippine Stock Exchange (“PSE”) has chosen iACADEMY to offer the PSE Certified Financial Analyst Program.

### *ABS-CBN*

ABS-CBN started accommodating iACADEMY Interns in June 2014. The interns became part of ABS-CBN Star Magic Workshops and ABS-CBN Film Production Inc. – Star Creatives. They were trained well in specific departments in order for these students to become successful multimedia practitioners.

### *Smart Communications, Inc.*

Smart Communications, Inc. continuously accommodates iACADEMY Interns for them to become adequately familiar with the actual office environment and Industrial Operations and Management to augment formal training.

### *Animation Council of the Philippines (“ACPI”)*

The Animation Council of the Philippines conducts several programs and activities for iACADEMY Interns who aim to develop their potential as artists.

### *Zalora Philippines*

With over 500 brands across women’s wear, men’s wear, foot wear, accessories, beauty and sports, Zalora Philippines is one of the fastest growing online fashion retailers in Asia. iACADEMY Interns started working with the company in April 2014. Interns were given course-related work assignments and exposed to relevant learning experiences.

*OSI Consulting Inc.*

OSI Consulting is a leading information technology services company that creates business value for customers through the innovative application of advanced technologies. Clients worldwide benefit from OSI's agile approach toward building global solutions. In order to meet the International Standards of the company, iACADEMY Interns were trained to "Innovate," "Integrate" and "Operate" making them swift and flexible in doing their tasks.

*Neun Farben Corporation*

Neun Farben is an international computer animation studio that aims to create high-end computer graphics and visual effects for films, commercials, promotional videos, games, and web sites.

*First Metro Securities Brokerage Corporation*

First Metro Securities Brokerage Corporation or FirstMetroSec is a stockbrokerage house that is licensed to trade in the Philippine Stock Exchange. The company is wholly owned by First Metro Investment Corporation ("FMIC"), the investment-banking arm of the Metropolitan Bank and Trust Company ("Metrobank").

*WYD Productions*

WYD Productions is a Manila-based creative video production outfit where passion, creativity, energy and freshness come together to form ideas and create entertainment with the power to transform.

WYD Productions has worked with different clients and advertising agencies, from start-ups to established companies, providing pre-production to post-production services, from concept development to final video output.

*Thirty Six-O Media*

Thirty Six-O Media is a compact team of driven and passionate innovators. They provide a wide array of services, from content development, video and photography coverage, state-of-the-art editing, sound engineering, and digital marketing.

*Snipple Animation Studios, Inc.*

Snipple's goal is not only to produce and deliver quality Animation for Digital Media, Television, Features, Gaming and Commercials but also to create an environment that would nurture creativity and encourage excellence in all areas of production. iACADEMY interns are trained in 2D and 3D animation and are part of actual project production.

*Globe Telecom*

Globe Telecom is a major provider of telecommunications services in the Philippines, supported by over 6,200 employees and nearly 1.05 million retailers, distributors, suppliers, and business partners nationwide. Our interns work hand in hand with its creative team in designing its promotional materials.

*PlayPark, Inc.*

Formerly known as Playweb Games, Inc., PlayPark, Inc. is the publisher and operator of Level Up! and PlayPark in the Philippines. With a vast portfolio of hugely popular Massively Multiplayer Online Games, which include Cabal, Assault Fire, World in Audition, Phantasy Star Online 2 and Ragnarok Online, the



game that started the online gaming craze in 2003, PlayPark Inc. is the leading game publisher in the online gaming industry in the country today.

*Anino, Inc.*

Anino is a leading game developer and publisher that has grown from a handful of passionate gamers to a group of 100 and more enthusiasts striving to create the best games for iOS and Android devices along with Facebook. The headquarters are based in Hong Kong, with production studios located in Bangkok, Thailand (Pocket Playlab) and Manila, Philippines (AninoPlaylab) and are respectively the homes of hit titles including Lost Cubes and Juice Cubes, and award winning games of the Games Festival (2004), International Mobile Game Awards (2006 and 2007), and Indie Games Showcase (2007).

*Fun Guy Studio Philippines, Inc.*

FunGuy Studio is the premier game development and design outsourcing studio in the Philippines, having over ten years of experience in producing top quality entertainment and enterprise technology for companies across the world. iACADEMY interns mostly work on game concepts and game documents, adding features in an actual game, and testing actual games.

*Kooapps Philippines Corporation*

KOOAPPS is a mobile gaming company with millions of downloads. Founded in 2008, Kooapps has released more than 30 games with several top selling titles.

*GHL Systems Philippines, Inc.*

GHL Systems Phils., Inc. is Asia-Pacific region's leading end-to-end payment services enabler that deploys world-class payment infrastructure, services and technology. Its portfolio of payment solutions includes transaction routers and concentrators, terminal like encryption technologies, loyalty and online payment solutions, smartcard technologies, enterprise applications and secure EDC networks and terminals and consulting services.

*Ace Saatchi & Saatchi*

Saatchi & Saatchi has grown from a start-up advertising agency in London in 1970 to a global creative communications company headquartered in New York with 114 offices in 67 countries and over 6,000 employees. Saatchi & Saatchi is part of the Publicis Groupe, the world's third largest communications group.

*Deloitte*

Deloitte is the brand under which tens of thousands of dedicated professionals in independent firms throughout the world collaborate to provide audit & assurance, consulting, risk and financial advisory, risk management, tax, and related services to select clients.

*First Datacorp*

First Datacorp has been an information technology service and solution provider in business since 1985. It aspires to be a leading IT organization engaged in the fields of business solution and consulting, system integration, infrastructure and service management.

*Gumi Asia PTE Ltd.*

Gumi Asia PTE Ltd. is a subsidiary of Gumi Inc. that branched out over the South East Asian countries of Singapore and the Philippines with Group CEO Hironao Kunimitsu starting it in 2012. It specializes in publishing and operating mobile games on iOS, Android & Amazon platforms.

### *Sprout Solutions*

Sprout Solutions is a software company that aims to create paradigm- changing solutions for the Philippines and other developing countries –emerging markets with robust economies and a great need for localized software.

### *Acudeen Technologies Inc.*

Acudeen Technologies is an online technology platform that connects Small and Medium Enterprises to Financial Institutions through Invoice Discounting.

### *EVENTSCAPE*

Eventscape Manila has been at the forefront of event management in the Philippines since 1996. It now takes dynamic campaigns and market-driven events to the regional space with Eventscape Asia Singapore. With its first expansion out of the country, Echochannels Singapore aims to share its expertise in digital marketing, entertainment, events production, and creative consultancy. A strong network of sister companies including Echochannels PH and World Wide Womb Inc., a diverse and specialized workforce, entertainment partners and professional teams, make it the preferred partner for all multi-channel and integrated marketing platform needs.

### *GARENA PHILIPPINES*

Headquartered in Singapore, Garena was founded in 2009 by Forrest Li and his friends as they aspired to transform their passion for entrepreneurship into a great company. It is an E-Sports publishing company that supports, maintains and promotes various games from different game developers.

### *Knowledge Channel*

The Knowledge Channel is a non-stock, non-profit organization that works for the cause of poverty alleviation through education.

### *Vitamin B, Inc.*

Vitamin B is a strategic design consultancy specializing in brand strategy, corporate identity, packaging, environmental graphic design and brand-driven communications. Some of the brands they have created include the Mind Museum, Alveo Land, Cupcakes by Sonja and Isang Litrong Liwanag.

### *TOON CITY*

Toon City, an animation studio located in Manila, Philippines, was founded in 1993 by Colin Baker. Its primary contractors are The Walt Disney Company and its DisneyToon Studios division, which produces animated TV series and direct-to-video films. Toon City has also done a few commercials and several direct-to-video works for Nickelodeon, Universal, Warner Bros. and Cinegroupe.

### *SYNERGY88 DIGITAL*

Synergy88 Digital is a full-service Game Development Studio with top line expertise in Triple A Art Services and is the first Microsoft Certified Vendor for Game Art in the Philippines. The Studio is based in the Philippines and is part of the Synergy Group of Companies, all dedicated to Digital Entertainment and Media Creation. The companies have representative offices and partners in the US (Las Vegas, San Francisco), UK and Singapore.

### *Accenture, Inc.*

Accenture is a corporation engaged in the business of providing management consulting, business strategies development, and selling and/or licensing of software.

### *DarkFx, Inc.*

DarkFx is a hybrid enterprise that is one of its kind – a diversity of creative and technical services rolled into one. Its services are animation and visual effects, game, applications, virtual reality, augmented reality and web development.

### *Dentsu Jayme Syfu*

A merger of the Jayme Syfu group and Dentsu Philippines, Dentsu Jayme Syfu aims to fuse creativity and innovation across all channels.

### *Exist Software Labs*

Exist Software Labs is a global technology innovator providing enterprise solutions through consulting and innovative products and services. It is one of the early adopters of Java Open Source Software, which has become the core technology when building scalable, robust and highly customizable software applications.

### *Unity Technologies*

iACADEMY has partnered with Unity Technologies, one of the leading cross-platform game engines used to develop video games, making the school its official Authorized Training and Certification Partner Program in the Philippines.

The Unity Training and Certification is the first certification program for students and the only certification for game engines. It is an industry credential that has helped developers worldwide to validate their game design knowledge and skills in Unity to their future employers. This gives students a competitive edge in the job market and in the Game Development industry.

### *Microsoft*

As the world's leading software provider, Microsoft strives to produce innovative products that meet the customers' evolving needs. For the past few years, iACADEMY has been sending student interns for training at the Microsoft offices in the Philippines. iACADEMY signed an agreement with Microsoft, allowing its School of Computing to be an official Microsoft Training Center.

## **Scholarships**

### **STI ESG**

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

### *Gift of Knowledge*

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

### *Sponsored Scholarship Programs*

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

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

### *STI WNU*

The following grantors sponsor scholarship programs through the University:

- Alfredo G. Marañon, Jr. Scholarship Program (“AGMSP”)
- Associated Planters of Silay-Sarabia, Inc. (“APPSSI”)
- Bacolod Patenkinder Youth Development Foundation, Inc. (“BACPAT”)
- Central Azucarera de La Carlota, Inc. (“CAC”)
- Department of Labor and Employment Special Program for Employment of Students (“DOLE-SPES”)
- Elmer Sy Marketing (“ES MKTG”)
- First Farmers Holding Co. Incorporated (“FFHCI”)
- Government Assistance to Students and Teachers in Private Education (“GASTPE”; also called “FAPE” or Fund Assistance to Private Education)
- Green Scholars – Engr. Dioscoro Marañon and Engr. Paolo Petalver
- Hawaiian Philippine Company (“HPCO”)
- Negros Women for Tomorrow Foundation Incorporated (“NWTFI”)
- Perpetual Educational Foundation (“PEF”)
- Public Employment Services Office (“PESO”)
- Sagay Central
- SEEDS (Scholarship from Jollibee, Greenwich and Chowking)
- CHED Student Financial Assistance Programs (“StuFAPs”)
- Congressional Tulong Dunong Grant (“TD Grant”)
- U.S. Veterans Affairs (“USVA”)
- AFPEBSO-Presidential Decree No. 577 Scholarship Program
- Transcom (“Earn while you Learn” Program)

In addition, deserving students are given academic, athletic and cultural scholarships based on set criteria and coverage.

### *Community Extension and Outreach Programs*

#### *STI ESG*

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

#### *The STI Foundation*

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

### *Alternative Learning System (“ALS”)*

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

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

### *The STI Mobile School*

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

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

### *Adopt-a-School Program*

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

STI Foundation extended assistance to various special community development projects, outreach programs, and humanitarian services to help tackle the needs of the disadvantaged sectors and other organizations.

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

### *Community and Civic Engagements*

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

Through STI ESG’s partnership with the National Grid Corporation of the Philippines (“NGCP”), a privately-owned corporation in charge of operating, maintaining, and developing the country’s state-owned power grid, STI Foundation facilitated the installation and regular maintenance of computer units donated by

NGCP to 34 public elementary and high schools nationwide during SY 2017-2018. Maintenance of the computer units for these public schools continued in SY 2018-2019.

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

#### *One Million Lapis Campaign*

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

#### **STI WNU**

The English Department of STI WNU extends its expertise in TESOL in Puroks/Barangays where out-of-school youth, willing mothers and pupils need extra help in English. English teachers take turns in teaching English for Speakers of Other Languages (“ESOL”) to these children as well as to their mothers. This is conducted during weekends until their Christmas Party in December. This project has been ongoing since 2009.

STI WNU also continues to conduct outreach activities in its partner communities in Purok Tunggoy, Mandalagan, and Brgy. Banago, Bacolod City and a partner school in Granada, Bacolod City, the Vista Alegre Granada Relocation Elementary School (“VAGRES”) and ABKASA National High School

The intervention focused on education program especially for the pre-school children and Alternative Learning System classes for the Out of School Youth. STI WNU facilitated the construction of the one-storey building for the Pre-school classes in VAGRES. The building was the result of an innovation project of the College of Engineering known as the Ecoblocks, wherein empty polyethylene terephthalate bottles were used as major materials in the said construction project.

In 2013, STI WNU had the “Care and Share for Yolanda Survivors” project following the huge devastation brought by Super Typhoon Yolanda on November 8, 2013. The project is a collaborative effort of the Wesnecan Community and the Protestant Church of Laichingen in South Germany through its volunteer student Nadja Gruhler. A total amount of ₱3 million was raised and was then used to fund relief operations and the “Rehabilitation and Recovery Shelter for Yolanda Survivors Homestay Program” at Purok Kantamayon Brgy. Patao in Bantayan Cebu. From SY 2013-2014 until SY 2014-2015, over 93 houses were built and turned over, materials for 40 partially damaged houses were also turned over, and 43 partially damaged houses were repaired. Training sessions on various topics such as Home Stay Project: Spiritual Development, Basic Tips on How to Start a Business, and Costing and Basic Recording were also conducted for the locals. Other trainings in SY 2015-2016 included: Lecture on Proper Hygiene, Proper Handwashing and Brushing of Teeth (December 16, 2015), Happy Tummy: An Orientation on Proper Food Preparation (December 16, 2015), Lecture on Ecological Waste Management (August 8, 2015) and Lecture on Community Relations (October 26, 2016).

Since 2016, the University’s Community Extension Office had been active in various projects that made an impact on the neighboring communities. These included: Monitoring of Solid Waste Management (“SWM”) implementation during the Panaad sa Negros Festival; collaboration with LGUs and private companies for the International Earth Day Celebration; Tree Growing and Community Immersion in Kalipay Village, Cadiz Viejo; Let’s Do It Philippines Orientation for the International Coastal Clean Up Drive; and Tree Growing Project at VAGRES.

The University has likewise been involved in the implementation of the Alternative Learning System (“ALS”) for several barangays within Bacolod City. This project, a collaboration with the Department of Education and Verlanie Foundation.KAWSA Organization, was created and organized with participation of students.

In 2018, the Twelve Teachers Thousand Lives Project was launched in partnership with the Municipality of La Castellana. In line with the purpose of producing more educators, deserving students were given scholarships to take up Bachelor of Science in Education.

In September 2018, with the participation of different barangays in Bacolod City and the Agriculture Training Institute (“ATI”), the Urban Gardening Project was implemented. Participating residents and students took online courses. More than two hundred graduated from the Basic Urban Gardening Course.

### **Business of Issuer**

STI Holdings, being a holding company, derives its revenues from dividends declared by its subsidiaries namely, STI ESG, STI WNU, iACADEMY and AHC. It also derives income from business advisory services it provides to the subsidiaries. In the fiscal years ending March 31, 2014 and 2013, it earned interest from funds received from the follow-on offering, while these funds were not yet deployed to its subsidiaries in accordance with the follow-on offering work program.

STI ESG is the largest subsidiary of STI Holdings. It is engaged in establishing, maintaining, and operating educational institutions. It derives its main revenues from tuition and other school fees of its owned schools, and from the royalties and other fees for various educational services provided to its franchised schools.

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

STI WNU, for its part, offers baccalaureate degree programs in education, engineering, maritime, criminology, IT, arts and sciences, business and management and hospitality and tourism management. These programs are authorized by CHED. The University also offers programs for graduate studies in the fields of business, education, and healthcare. In addition, it offers basic education from nursery to senior high school with tracks in academic, tech-voc, sports and art and design. These programs are authorized by DepEd.

iACADEMY operates as a high-end school and likewise derives revenues from tuition and other school fees. It has a campus along Gil J. Puyat Ave. in Makati - the Central Business District of Metro Manila. Its second campus is located on Yakal St., also in Makati.

AHC is a 100% owned subsidiary of STI Holdings. The parent company subscribed to 40% of its shares in November 2014 and eventually bought the balance of 60% of its outstanding capital stock in February 2015. At the time of purchase, it had receivables from Unlad which it eventually assigned to STI Holdings on March 1, 2016. It is not operating as of March 31, 2017.

Neschester was a 100% owned subsidiary of STI Holdings. Its major asset was a parcel of land in Makati City with an area of 2,332.5 square meters which serves as the location of iACADEMY Nexus, the school’s Yakal campus. On September 7, 2017, the Board of Directors (“BOD”) of Neschester and the Board of Governors of iACADEMY approved the merger of the two companies with iACADEMY as the surviving corporation. The stockholders of both companies confirmed, ratified and approved the merger on the same date. The Plan of

Merger between iACADEMY and Neschester and the related increase in the authorized capital stock of iACADEMY were filed with the SEC on January 24, 2018 and January 30, 2018, respectively. On April 10, 2018, the SEC approved the Plan of Merger and the increase in authorized capital stock of iACADEMY.

### *STI ESG School Programs*

BS in Information Systems  
BS in Computer Science  
BS in Information Technology  
BS in Information Technology major in Network Engineering\*  
BS in Information Technology major in Digital Arts\*  
BS in Accountancy  
BS in Management Accounting  
BS in Accounting Information System  
BS in Accounting Technology\*  
BS in Business Administration major in Operations Management  
BS in Business Management major in Operations\*  
BS in Office Administration\*  
BS in Office Administration with specialization in Customer Relations\*  
BS in Hospitality Management  
BS in Culinary Management\*  
BS in Hotel and Restaurant Management\*  
BS in Tourism Management  
BS in Travel Management\*  
BS in Computer Engineering  
BA in Communication  
Bachelor of Multimedia Arts  
Bachelor of Secondary Education major in Mathematics  
Bachelor of Secondary Education major in Computer Education  
Master in Information Technology  
3-year Hotel and Restaurant Administration\*  
2-year Information Technology Program  
2-year Hospitality and Restaurant Services  
2-year Tourism and Events Management  
2-year Computer and Consumer Electronics Program\*  
2-year Multimedia Arts Program\*  
Senior High School

*\*These tertiary programs are offered only to 3<sup>rd</sup> year students and above.*

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

#### *Senior High School Programs*

##### *Academic Track*

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



Technical-Vocational-Livelihood Track

ICT Strand with specializations in:

- Computer Programming
- Animation
- Illustration
- Broadband Installation
- Computer Hardware Servicing

Home Economics Strand with specializations in:

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

Industrial Arts Strand with specialization in:

- Consumer Electronics Servicing

***STI WNU School Programs***

*College of Criminal Justice Education*

Bachelor of Science in Criminology

*College of Engineering*

Bachelor of Science in Civil Engineering  
Bachelor of Science in Electrical Engineering  
Bachelor of Science in Mechanical Engineering  
Bachelor of Science in Electronics Engineering  
Bachelor of Science in Chemical Engineering

*College of Education, Arts and Sciences*

Bachelor of Elementary Education

Major in:

- General Curriculum

Bachelor of Secondary Education

Major in:

- Mathematics
- English
- Filipino
- Values Education (“VAED”)

Bachelor of Physical Education

Bachelor of Science in Psychology

Bachelor of Science in Mathematics

Bachelor of Arts in English Language

Bachelor of Arts in Communication

Teachers’ Certificate Program (“TCP”)

*College of Business Management and Accountancy*

Bachelor of Science in Accountancy  
Bachelor of Science in Business Administration

Major in:

- Financial Management
- Marketing Management

Bachelor of Science in Management Accounting

*College of Hospitality and Tourism Management*

Bachelor of Science in Hospitality Management  
Bachelor of Science in Tourism Management

*College of Information and Communications Technology*

Bachelor of Science in Information System  
Bachelor of Science in Computer Science  
Bachelor of Science in Information Technology

*School of Basic Education*

Nursery

Kinder (1 & 2)

Elementary

Secondary (Grades 7 to 10)

*Senior High School*

Academic Track

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

Technical-Vocational Track

Maritime Specialization Strand

ICT Strand with specialization in:

- Computer Programming
- Computer Hardware Servicing
- Broadband Installation
- Contact Center Services

Home Economics Strand with specialization in:

- 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

*School of Graduate Studies*

Doctor of Philosophy in Educational Management (“Ph.D.”)

Doctor of Public Administration (“DPA”)

Master in Public Administration (“MPAD – Thesis”)

Master in Business Administration (“MBA – Thesis”)

Master in Nursing (“MN-Thesis”)

Master of Arts in Education (“MAED”)

Major in:

- Administration and Supervision
- Guidance and Psychology
- Early Childhood Education
- Physical Education
- Filipino
- Mathematics
- English
- Values Education

***iACADEMY School Programs***

*College*

School of Computing

Bachelor of Science in Computer Science (Software Engineering)

Bachelor of Science in Entertainment and Multimedia Computing (Game Development)

Bachelor of Science in IT (Web Development)

School of Business and Liberal Arts

Bachelor of Science in Business Administration major in Marketing Management

Bachelor of Science in Business Administration major in Financial Management

Bachelor of Science in Real Estate Management

Bachelor of Arts in Psychology

School of Design

Bachelor of Science in Animation

Bachelor of Arts in Multimedia Arts and Design

Bachelor of Arts in Fashion Design and Technology

*Senior High School*

Academic Track

Accountancy, Business and Management

Humanities and Social Sciences

General Academic Strand

Technical-Vocational Track

ICT Strand with specialization in:

- Computer Programming (Software Development)
- Animation

Home Economics Strand with specialization in:

- Fashion Design

Arts & Design Track

- Media and Visual Arts (Multimedia Arts)

***Professional Accreditations***

***STI ESG***

*International Organization for Standardization 9001:2008 (“ISO 9001:2008”)*

On February 5, 2015, STI ESG received the official ISO 9001:2008 Certification for its Learning Delivery System. The ISO 9001:2008 certification is a milestone for the institution’s thrust towards academic excellence by reaching global standards in its learning delivery system.

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

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

**STI WNU**

The various programs of the University are accredited under any of the following bodies: PACUCOA Accreditation, International Organization for Standardization 9001:2015 (“ISO 9001:2015”) by Det Norske Veritas Germanischer Lloyd (“DNV GL”) and FAPE. The following table shows the accreditation status of the different programs:

<b>PROGRAM</b>	<b>LEVEL</b>	<b>EXPIRATION</b>
Liberal Arts	Level III 1st RA	December 2020
Business Administration	Level III 1st RA	December 2020
Bachelor of Science in Elementary Education	Level III 1st RA	December 2020
Bachelor of Science in Secondary Education	Level III 1st RA	December 2020
Master of Arts in Education	Level III 1st RA	July 2022
Master in Public Administration	Level III 1st RA	July 2022
Doctor of Philosophy in Education Management	Level II 1 <sup>st</sup> RA	February 2021
Bachelor of Science in Psychology	Level II 1 <sup>st</sup> RA	November 2020
Bachelor of Science in Criminology	Level II 1 <sup>st</sup> RA	November 2023
Marine Engineering	ISO: 9001:2015	07 November 2021
Marine Transportation	ISO: 9001:2015	07 November 2021
High School	Re-certification FAPE	SY 2021-2022
MTC- Consolidated Marpol 73/78, Annexes I-VI	ISO: 9001:2015	07 November 2021
MTC- SSAT/SDSD	ISO: 9001:2015	07 November 2021
MTC- SSO	ISO: 9001:2015	07 November 2021
MTC-Ratings Forming Part of a Navigational Watch	ISO: 9001:2015	07 November 2021

In addition, the University has been an Education Service Contracting (“ESC”) participating school for FAPE from SY 2014-2015 to SY 2018-2019 in accordance with the PEAC assessment as commissioned by DepEd. This has allowed qualified junior high school students and teachers of the University to receive annual subsidy through the GASTPE Program of DepEd.

**Employees**

**STI ESG**

STI ESG had 2,124 employees – 1,409 of whom were faculty members, 478 were non-teaching personnel, and 237 employees were from the main office as of the beginning of SY 2018-2019. STI ESG provides employees with development programs that assist them in effectively carrying out their jobs and prepare them for career advancement.

FUNCTION	NUMBER OF EMPLOYEES
<b>Main Office</b>	
Senior Management	13
Managers	66
Staff	158
<b>Subtotal</b>	<b>237</b>
<b>STI Schools</b>	
Teaching Personnel (wholly-owned schools)	1,409
Non-teaching Personnel (wholly-owned schools)	478
<b>Subtotal</b>	<b>1,887</b>
<b>TOTAL</b>	<b>2,124</b>

**STI WNU**

STI WNU has employed 82 non-teaching personnel assigned to various departments and 217 full-time and part-time teaching personnel.

FUNCTION	NUMBER OF EMPLOYEES
Senior Management	5
Managers	28
<i>Total</i>	<u>33</u>
Teaching Personnel	
Full time	117
Part time	100
Total	<u>217</u>
Non-teaching personnel	<u>82</u>
<b>STI WNU GRAND TOTAL</b>	<b><u><u>332</u></u></b>

**iACADEMY**

iACADEMY has 231 employees, 144 of whom are faculty members, both full-time and part-time and 87 non-teaching personnel, from rank-and-file to executive level.

FUNCTION	NUMBER OF EMPLOYEES
Senior Management	7
Managers	10
<i>Total</i>	<u>17</u>
Teaching Personnel	
Full-time	44
Part-time	100
Total	<u>144</u>
Non-teaching personnel	70
<i>Total</i>	<u>214</u>
<b>iACADEMY GRAND TOTAL</b>	<b><u><u>231</u></u></b>

## Item 2. PROPERTIES

### *STI Holdings*

The Company owns properties located in Quezon City and in Davao which are recognized as investment properties in the statement of financial position. The property in Quezon City has a total land area of 15,275 sq. m. while the real estate property in Davao has an area of 40,184 sq. m. This Davao property will be the new site of STI College Davao.

### *STI ESG*

STI ESG has an extensive list of properties, either owned or under long-term lease which serve as sites for campuses and warehouses. There are also properties which are not yet put to use and are held for investment. The following table sets forth information on the properties that STI ESG owns.

LOCATION	TYPE (Owned unless otherwise indicated)	USE	AREA (IN SQ.M)	
			LOT	FLOOR
Batangas	Land and building	School Campus	6,564	8,099
Cainta, Rizal	Land and building	School Campus	39,880	12,867
		Administration Building	-	5,676
Calamba	Building Land is on long term lease	School Campus	6,237	7,453
Caloocan	Land and Building	School Campus	15,495	12,745
Carmona, Cavite	Land and building	School Campus	6,582	3,917
Cubao	Land and Building	School Campus	3,768	9,982
EDSA, Pasay	Land and building	School Campus	3,911	19,812
Fairview, Quezon City	Land and buildings A & B	School Campus	1,808	4,696
	Buildings C & D are on long term lease	School Campus	-	3,172
Fort Bonifacio, Global City	Building Land is on long term lease	School Campus	2,632	10,101
Kalibo, Aklan	Land	School Campus	1,612	-
Kauswagan, Cagayan de Oro	Land and building	School Campus	17,563	2,704
Las Piñas	Land	School Campus	10,000	10,469
Legazpi	Land	School Campus	4,149	-
Lipa	Land and building	School Campus	3,222	12,093
Lucban, Baguio	Land and building	School Campus	731	1,796
Lucena	Building Land is on long term lease	School Campus	4,347	8,056
Naga	Land and building	School Campus	5,170	4,506
Novaliches	Land and building	School Campus	4,983	8,362
San Jose del Monte City, Bulacan	Land and building	School Campus	4,178	11,637
Sta. Mesa	Building Land is on long term lease	School Campus	4,251	16,173
Valencia, Bukidnon	Land and building	School Campus	300	1,137
Ternate, Cavite	Townhouse	Training Center	107	-

LOCATION	TYPE (Owned unless otherwise indicated)	USE	AREA (IN SQ.M)	
			LOT	FLOOR
BF Homes, Las Piñas	Land and building – GS	Warehouse	4,094	2,865
BF Homes, Las Piñas (HS)	Land and building – HS	Warehouse	3,091	2,003
Almanza, Las Piñas	3 Condominium Units (37.2sqm/unit) and Parking	Investment Property	-	153
Ayala Avenue, Makati City	Condominium Units (4 <sup>th</sup> , 5 <sup>th</sup> & 6 <sup>th</sup> floors of STI Holdings Center)	Investment Property	-	3,096
Caliraya Springs, Cavinti	Land	Investment Property	948	-
Cebu City	Land	Investment Property	1,100	-
Gil J. Puyat Avenue Makati City	Condominium Units (10 <sup>th</sup> , 11 <sup>th</sup> , 12 <sup>th</sup> , and Upper Penthouse of TechZone Building)	Investment Property	-	7,928
Sto. Tomas, Baguio	Land	Investment Property	512	-

Listed in the table below is the campus ownership of franchised schools as of SY 2018-2019.

Owned by the School		Owned by STI Franchisee		Leased from other parties			
1	Balagtas	11	Alabang	18	Alaminos	29	Ormoc
2	Bohol	12	Baliuag	19	Angeles	30	Parañaque
3	Dasmariñas	13	Balayan	20	Bacoor	31	Pasay
4	Koronadal	14	Cotabato	21	Calbayog	32	Recto
5	La Union	15	San Francisco	22	Cauayan	33	Rosario
6	Malolos	16	Surigao	23	Dipolog	34	San Fernando
7	Santa Rosa	17	Vigan	24	Dumaguete	35	San Jose
8	Tacurong			25	Ilagan	36	Tagaytay
9	Tanay			26	Maasin	37	Tarlac
10	General Santos			27	Marikina	38	Zamboanga
				28	Muñoz		

#### *Campus Expansion Projects*

STI ESG decided to shift its focus to a more organic expansion instead of a geographical expansion. This direction is part of STI ESG’s commitment to continuously improve the delivery of education to its students – by ensuring that its schools house state-of-the-art facilities with spacious classrooms, top-of-the-line computer laboratories, and recreational facilities.

In recent years, STI ESG embarked on expansion and capital improvement projects as it encouraged schools to move from rented space into school-owned stand-alone campuses. Likewise, a number of franchised schools started their own facilities expansion programs. To date, STI ESG has 19 wholly-owned campuses with newly constructed or renovated buildings while 12 of the franchised schools constructed/renovated their own buildings and upgraded their facilities. STI ESG has a total student capacity of 157,383 students, with 101,998 pertaining to owned schools and 55,385 for franchised schools as at March 31, 2019.

The seven-storey building of STI College Las Piñas was inaugurated on September 28, 2016. The building stands on a 10,000-square-meter property and has an estimated capacity of 7,000 students.

On April 21, 2017, STI ESG and STI College Tanauan led by Mr. Eusebio H. Tanco, Mr. Tan Caktiong, and Injap Investments, Inc. led by Edgar “Injap” Sia signed an agreement to transform STI Tanauan into a Joint Venture Company which shall operate a farm-to-table school which shall offer courses ranging from farm production to food service. Designed to accommodate 6,000 senior high school and college students, the new Academic Center will stand on a 25,202-square-meter property at Soledad Park Subdivision, Barangay Darasa, Tanauan, Batangas. The six-storey building with roof deck will be located in the main commercial area of Tanauan, Batangas.

Located on P. Celle corner EDSA, Pasay City is the nine-storey, with roof deck, STI Academic Center Pasay-EDSA. The structure stands on a 3,911-square-meter property. It can accommodate up to 9,000 senior high school and college students. STI ESG marked the construction of the new STI Academic Center on May 9, 2017 in a groundbreaking ceremony. The campus is now operational and will open its doors this coming first semester of SY 2019-2020.

STI Academic Center Legazpi, on the other hand, had its groundbreaking ceremony on April 26, 2018. Located on Rizal St., Cabangon East in Legazpi City, the four-storey school building will stand on a 4,149-square-meter property with an estimated capacity of 3,500 senior high school and college students. It is expected to be completed before the end of SY 2019-2020.

Meanwhile, STI ESG inaugurated on February 20, 2019 another prime hub of world-class education. An eight-storey structure with roof deck built on a 3,222-square-meter property on CM Recto Avenue, Barangay 6, Lipa City in Batangas, the new academic center is expected to accommodate as many as 6,000 students.

The nine-storey STI Academic Center San Jose del Monte, with roof deck, sits on a 4,178-square-meter lot area within the Altaraza Town Center, a 109-hectare master planned urban community by Ayala Land, located along Quirino Highway, San Jose del Monte City, Bulacan. The school had its groundbreaking on May 23, 2017 and was inaugurated on March 4, 2019 and is set to accommodate up to 6,000 senior high school and college students.

Located along P. Sanchez Street, Sta. Mesa in the City of Manila, the 11-storey STI Academic Center Sta. Mesa, with roof deck, broke ground on May 23, 2017. The school which can accommodate 9,000 senior high school and college students opened its doors on March 11, 2019.

STI ESG, driven by its desire to provide relevant education and world-class opportunities to youth across the country, announced in February 2019 its acquisition of NAMEI Polytechnic Institute, Inc., an educational institution that offers programs such as Marine Transportation, Marine Engineering, and Naval Architecture and Marine Engineering. STI ESG also acquired NAMEI Polytechnic Institute of Mandaluyong Inc. which operates, manages and maintains an educational institution that offers basic education up to Senior High School. STI NAMEI will also be based in the newly constructed STI Academic Center Sta. Mesa.

Likewise, a number of franchised schools embarked on facilities expansion programs. STI College Tanay constructed additional classrooms which were completed in time for the 1<sup>st</sup> semester of SY 2017-2018. This resulted in an increase in the school’s capacity from 1,800 to 2,640 or an additional capacity of 840 students. STI College Santa Rosa also constructed additional classrooms which were completed in time for the opening of SY 2017-2018. This resulted in an increase in the school’s capacity of approximately 1,600 students. Meanwhile, STI College General Santos gave up the annex building, which it used to lease, as the school completed the construction of its additional four-storey building, with a total floor area of 3,593 square meters and an incremental capacity of almost 800 students, on September 15, 2017.

The expansion of these campuses is part of STI’s commitment to continuously improve the delivery of education to its students and, at the same time, increase the total capacity of STI for further expansion of its enrollment base in the years ahead.



## STI WNU

STI WNU is strategically located at the center of Bacolod City. The site is in close proximity to the Provincial Capitol, the New Government Center, Corazon Locsin Montelibano Memorial Regional Hospital (“CLMMRH”) and a number of commercial buildings mainly owned by Chinese businessmen.

The main campus houses the five-storey Main Building, three-storey HM Building, three-storey IT Building, two-storey Engineering Building, four-storey IS Building, and other various facilities including the Gymnasium, Football Field, and Student Activity Center.

The campus now boasts of a façade that reflects the new University Signage – “STI West Negros University” – and showcases the new admission office and the refurbished Kitchen & Dining Laboratory that can be seen along Burgos Street. The Main, IT and HM buildings have been renovated and the works were completed in February 2015. The construction of the Firing Range and Swimming Pool was completed in August 2018 and August 2017, respectively. These facilities are intended for use by Criminology and Maritime students, respectively.

The ground floor of the Main Building now houses the office space for all staff and faculty. Various student services offices, such as the clinic, guidance services, and student records are also located here. A portion of the ground floor has been prepared for the state-of-the-art Maritime Simulator Room. All in all, the Main Building has 60 classrooms and laboratories that are equipped with air-conditioning and multimedia projection systems.

The IT building houses eight computer laboratories and eight classrooms, while the HM Building houses the newly re-modeled HRM Laboratories such as the Kitchen, Food & Beverage Room, Hotel Suite and Front Desk Area. The HM Building also provides a multi-purpose area and six additional classrooms that are also equipped with air-conditioning and multimedia projection systems.

The following table is a summary of the institution’s properties:

LOCATION	TYPE	USE/COLLEGE	LOT AREA (IN SQ.M.)
Burgos and Malaspina	Land and building	Maritime	1,176
Burgos and Malaspina	Land and building	Engineering	4,839
Burgos and Malaspina	Land and building	Engineering	2,266
Burgos and Malaspina	Land and building	Football/Open court	5,803
Burgos and Malaspina	Cemented lot	Parking lot	814
Burgos and Malaspina	Land and building	Gymnasium	1,512
Burgos and Malaspina	Land and building	Sports Office	494
Burgos and Malaspina	Land and building	Main building	139
Burgos and Malaspina	Land and building	Main building	364
Burgos and Malaspina	Land and building	Main building	6,097
Burgos and Malaspina	Land		179
Hilado	Land		1,044
Hilado	Land		1,135
Hilado	Land		733
Hilado	Land		400
Hilado	Land		1,292

## *i*ACADEMY

On September 20, 2016, *i*ACADEMY had its groundbreaking ceremony of its Yakal Campus, located along Yakal Street, Makati City. The 12-storey building with penthouse was launched as *i*ACADEMY Nexus in February 2018 and is now fully operational. It houses over 100 classrooms, computer laboratories, fashion studios, green room, sound room, library with 276 seating capacity, cafeteria with 836 seating capacity and an auditorium which can seat 1,000 people. The basketball court and running track are located at the lower and upper penthouse.

### **Item 3. LEGAL PROCEEDINGS**

- a. *Agreements with PWU and Unlad.* On various dates in 2011, 2012 and 2013, the Company, together with 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 by the Company, AHC, PWU and Unlad with total principal amount of ₱513.0 million (₱65.0 million of which was extended by AHC). Upon the non-adherence to the terms and conditions stated in the loan documents, the Company and AHC served notices of default to PWU and Unlad in December 2014, and demanded the payment of the total combined amount of around ₱926.0 million, inclusive of interests, penalties, fees and taxes.

Upon failure to pay the aforesaid loan, the 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, Dr. Helena Z. Benitez (“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 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 Company was declared as the winning bidder for all extra-judicial foreclosure sales held.

On March 1, 2016, the 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 Company, PWU, Unlad, and HZB entered into a Memorandum of Agreement (“MOA”) for the extinguishment and settlement of the outstanding obligations of PWU and Unlad to the 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 Company
- Release and cancellation of mortgages over the Manila Properties to be executed by the Company

The MOA also provides that the 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 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 Company will provide the deficiency without any right of reimbursement from Unlad.

Prior to the settlement, the breakdown of the receivables of the Company and AHC from PWU and Unlad follows:

	PWU	Unlad*	Total
Principal amount	₱250,000,000	₱263,000,000	₱513,000,000
Interest**	12,651,546	10,465,046	23,116,592
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	₱280,358,911	₱584,228,136

\* Receivable from Unlad includes assigned receivable from AHC amounting to ₱73.8 million

\*\*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 Company and Unlad entered into the Deeds wherein Unlad transfers four parcels of land in Quezon City and a parcel of land in Davao to the 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 in 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 Company recognized the Quezon City and Davao properties as “Investment properties” (see Note 11).

Relative to the above, the following cases are now pending:

- (i) Complaint filed by the Heirs of the Family of Villa-Abrille relative to Unlad’s Davao Property. On October 21, 2015, the 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 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 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 Company and AHC filed the Motion to Dismiss (“First Motion to Dismiss”) before Branch 10 of the Regional Trial Court of Davao City. In the First Motion to Dismiss, the 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 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.

While the aforesaid First Motion to Dismiss is pending, the Company and AHC filed a Second Motion to Dismiss (on grounds of *res judicata* and willful and deliberate forum shopping) dated 22 March 2016 (“Second Motion to Dismiss”).

In the Second Motion to Dismiss, the 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 (Civil Case No. 20,415-90 filed before Branch 15 of the Regional 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 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 filing their respective responsive pleadings to the above-mentioned Motion(s) to Dismiss, the Trial Court issued the Order dated 20 October 2016, which granted the aforesaid 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 Company and AHC and Unlad is not a prohibited act; and; and (b) there is no allegation that the subject property shall not be used by the 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”).

On 22 February 2017, the Company and AHC received the *Notice* from the Court of Appeals that the Plaintiffs-Appellants’ appeal of the Subject *Order* is docketed as CA-G.R. CV No. 04538. The Court of Appeals required the Plaintiffs to file their Appellants’ Brief within forty five (45) days from their receipt of the said Notice. Upon receipt of their Appellants’ Brief, the Company has the same period to file its Appellee’s Brief.

After filing a Motion for Extension of time to file the Appellants’ Brief, the Plaintiffs-Appellants filed their Appellants’ Brief. In the Appellants-Brief, they reiterated that (a) their cause of action in Civil Case No. 36,430-2015 has not prescribed, (b) they have a cause of action against the Corporation to nullify the mortgage contracts over the subject property and (c) there is no *res judicata*.

While the aforesaid appeal was dismissed upon motion by the Company and AHC, by the Court of Appeals due to a defective Appellants’ Brief, the same was reinstated after the Plaintiffs-Appellants filed an Amended Appellants’ Brief and invoked the liberal application of the Rules of Court.

Considering that the other defendants have filed their Appellees’ Brief, the Court of Appeals required the Company and AHC to file their Appellees’ Brief within forty five days from receipt thereof, or until 30 April 2018.

On 30 April 2018, the Company and AHC filed their Appellees' Brief. In the Appellees' Brief, they asserted that the Subject *Order* is valid and with legal basis to dismiss the Plaintiffs' case due to (a) prescription, (b) res judicata and (c) failure to state a cause of action.

On July 16, 2018, the Court of Appeals issued a Resolution wherein it submitted the Plaintiffs' appeal for decision.

On August 6, 2018, the Court of Appeals issued the Decision wherein it denied the appeal of the Plaintiffs. The Court of Appeals affirmed the dismissal of the complaint of the Plaintiffs on the ground of res judicata and failure to state a cause of action.

The Plaintiffs then filed their Motion for Reconsideration dated August 31, 2018. In the Motion for Reconsideration, Plaintiffs insisted that their complaint could not be dismissed on the ground of failure to state a cause of action. They averred that the allegations in the complaint showed that their cause of action is the lack of authority of Unlad to mortgage the subject property in favor of Company and AHC due to the invalid transfer of the same by PWEA to Unlad.

After the Court of Appeals required the defendants to file their comment to the Motion for Reconsideration, the Company and AHC filed their Comment and Opposition dated November 6, 2018. In the Comment and Opposition, the Company and AHC primarily asserted that Plaintiffs are barred and/or prohibited to question the transfer of subject property from PWEA to Unlad on the ground of res judicata and prescription.

On December 14, 2018, the Court of Appeals denied the aforesaid Motion for Reconsideration filed by the Plaintiffs.

After filing a Motion for Extension of Time to file a Petition for Review before the Supreme Court, the Company received the Petition for Review of the Plaintiffs on March 14, 2019. In the Petition for Review, the Plaintiffs seek to reverse the aforesaid decision of the Court of Appeals and remand their complaint to the Regional Trial Court for trial.

As provided under the Rules of Court, the Supreme Court may dismiss outright the said Petition for Review for lack of merit or require the Company and AHC to file their comment thereto before submitting the case for resolution.

As at July 11, 2019, the Company and AHC have not received any Resolution from the Supreme Court in relation to the Petition for Review of the Plaintiffs.

(ii) Arbitration Case and Derivative Suit filed by Mr. Conrado Benitez II.

(a) Mr. Conrado L. Benitez II (the "Claimant") filed on June 27, 2016 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 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 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 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 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 should 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 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.

As at July 11, 2019, the case remains suspended based on the aforesaid reason.

- (b) After filing the Request for Arbitration, Mr. Conrado L. Benitez II (the "Petitioner") then filed on June 29, 2016 a derivative suit for himself and on behalf of Unlad and PWU against directors/trustees and stockholders/members of Unlad and PWU, EHT, the 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 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 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 Company and AHC filed their Joint Answer with Compulsory Counterclaim ("Joint Answer"). In the Joint Answer, the 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 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 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, the other co-defendants, namely (a) ABB, and (b) Dr. Jose Francisco and Marco Benitez, filed their respective Answer(s) to the Complaint. After the filing of their Answer(s), the other co-defendants filed (1) Notice to take Deposition Upon Oral Examination and (2) their respective Motion(s) to Set Preliminary Hearing on the Special and Affirmative Defenses raised in their respective Answers ("Motion(s)"). The said Motion and pleading were denied by the Trial Court upon motion by the Plaintiff.

While the Company, AHC and EHT also filed their respective Motion to Set Hearing on Affirmative Defenses to cause for the immediate dismissal of the case, the Trial Court denied the said Motions.

The Trial Court then issued the Order dated March 3, 2017, which 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 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.

The parties complied with the aforesaid order and proceeded to participate in the mediation hearings. During said hearings, the 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.

While said mediation hearings were ongoing, Petitioner filed an Urgent Motion (For Issuance of Temporary Restraining Order and Writ of Preliminary Injunction) ("Motion for TRO/Injunction") in relation to the construction work being initiated by the Company on the Davao Property.

While the defendants filed their respective opposition thereto, the same was eventually withdrawn upon motion by the Petitioner on May 25, 2017. The Petitioner alleged that instead of conducting hearings on the issuance of said 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.

On July 5, 2017, the Company, AHC and EHT received the Trial Court's Order dated June 23, 2017. In the Order, the parties were required to file their respective Memoranda within twenty (20) days from receipt thereof in order for the Trial Court to proceed to render judgment, full or otherwise, based on all of the pleadings and evidence submitted by the parties in relation and pursuant to Rule 4, Section 4 of the Interim Rules of Procedure Governing Intra-Corporate Controversies under Republic Act No. 8799 ("Interim Rules").

On July 25, 2017, all of the parties filed their respective Memoranda.

On February 9, 2018, the Company received the Decision dated January 19, 2018, which dismissed the case. In the Decision, the Trial Court deemed that Petitioner failed to establish fraud or bad faith on the part of the Defendants. Consequently, the Trial Court cannot contravene in the agreement among the Company, Unlad, PWU and AHC to amicably settle the outstanding obligations of PWU and Unlad to the Company.

On February 28, 2018, the Company, AHC and EHT received the Plaintiffs' Petition for Review of the aforesaid Decision filed with the Court of Appeals - Manila and docketed as C.A. G.R. No. 154654.

After the Court of Appeals required the Defendants to file their respective Comment(s), the Company, AHC and EHT jointly filed their Comment and Opposition dated September 18, 2018 to the said Petition for Review. In the said Comment and Opposition, the Company, AHC and EHT asserted that Petitioner's action to compel the parties to arbitrate is rendered moot and academic when the parties, have in good faith, amicably settled all controversies and terminated all alleged disputes among said parties prior to the filing of this suit and arbitration case.

Said position was reiterated by the other Defendants in their respective Comment(s) to the Petition for Review filed by the Petitioner.

Meanwhile, the Court of Appeals referred the case for a court-annexed mediation on January 17, 2019. The concerned parties attended the said mediation hearing wherein the parties agreed to terminate the same due to failure to reach an amicable settlement of the case.

While the aforesaid appeal was pending, the Company filed a Motion to Cancel Lis Pendens. Said Motion sought to cancel the lis pendens of the instant case annotated on the titles of the Company over the Quezon City Properties acquired from Unlad.

As at July 11, 2019, the appeal of the Petitioner and Motion to Cancel Lis Pendens of the Company are pending for resolution by the Court of Appeals.

- iii. *Ejectment Case against Philippine Women University of Davao involving Unlad's Davao Property.* On March 11, 2019, the Company filed the Complaint for Unlawful Detainer against Philippine Women's College, Inc. of Davao to recover possession of a portion of the parcel of land covered by Transfer Certificate of Title ("TCT") No. T-129545 registered under the name of the former situated along University Ave and Richardo, Matina, Davao City being used as a parking area (the "Subject Premises") by the latter.

The Subject Premises formed part of the 40,184 sq.m., more or less, (the "Property") parcel of land formerly registered under the name of Unlad Resources Development Corporation ("Unlad"). After Unlad transferred ownership of the Property to the Company, the Company demanded from PWC-Davao to vacate the Subject Premises.



Despite said demands, PWC-Davao refused to vacate the Subject Premises.

On 28 May 2019, the Company received the Answer with Compulsory Counterclaim dated 14 May 2019. In the Answer, PWC-Davao asserted the following defenses:

- (1) The defendant should be *Philippine Women's College of Davao, Inc.*;
- (2) PWC-Davao has been in an open, notorious and peaceful possession of the Subject Premises since in or about the 1950's and not by mere tolerance of or any contract with the Company;
- (3) The proceedings should be suspended in light of the pending derivative suit filed by Mr. Conrado Benitez II; and
- (4) The Company came to court with unclean hands when it allegedly took possession of the Property sans the Subject Premises.

As provided under the *Summary Rules of Procedure*, the case may be referred to Court-Annexed Mediation and Juridical Dispute Resolution. Should the parties failed to reach an amicable settlement, the instant case would proceed to pre-trial and trial proper. ("Trial Proper").

As at July 11, 2019, the Company has not received any notices and/or order from the Trial Court.

- b. Anthony Carlo A. Agustin, Suzzette A. Agustin, V-2 G. Agustin, Vincent Paul A. Agustin, Tisha Angeli Sy, Hananaiah Construction & Manpower Resources, Inc. and V.S. Heirlooms Pacifica, Inc. v. STI Education Systems Holdings, Inc.

Civil Case No. 16-14678  
Branch 42, Regional Trial Court of Bacolod City  
CA-G.R. CV No. 07140  
(Civil Case No. 16-14678)  
Court of Appeals – Cebu City

STI Education Systems Holdings, Inc. v. Hon. Elumba et al.  
CA-G.R. S.P. Case No. 11645  
Nineteenth Division  
Court of Appeals – Cebu City.

This is a case for Specific Performance filed by the Agustin Family. The Agustin family filed a Specific Performance case against the 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 Company, the price of their shares in STI WNU has been pegged at ₱400.0 million. Despite these two agreements, the Company refuses to pay the full purchase price for the STI WNU shares it acquired from the Agustin family.

In its Answer, the 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 Agustin family to a portion of the balance of the purchase price.

On June 2, 2016, the Company received the Agustin family's Reply to the Answer. In the Reply, the Agustin family is asserting that (a) the Memorandum of Agreement, Share Purchase Agreement and Deed of Absolute Sale (the "STI WNU Contracts") provide that the 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 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 Company's counsel wherein they sought the 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 Company filed its Comment/Opposition to the Agustin family's Request for Admission. In the Comment/Opposition, the 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 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.

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 Company by the Trial Court. The Agustin family asserted that the Company is prohibited from presenting parol evidence. Consequently, the Agustin family averred that the Trial Court could issue an order in their favor, and order the Company to, among others, pay the balance of the purchase price of the WNU shares as provided in the Share Purchase Agreement and Deed of Absolute Sale.

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 Company. The Trial Court also adopted the 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 Company received the Agustin family's Motion for Reconsideration. In the Motion for Reconsideration, the Agustin family reiterated its position that the 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 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.

On October 19, 2017, the Company received the Trial Court's Order dated October 3, 2017. In the Order, the Trial Court granted the Agustin's Motion for Reconsideration insofar as the proceedings in the instant case should no longer be through a full-blown trial. The Trial Court considered that an expeditious disposition of the case is warranted considering the age and medical condition of the Agustins. Consequently, the Trial Court required the parties to file their respective Memoranda with

supporting affidavits and deposition, if any, within twenty days from receipt of the Order, or until November 8, 2017.

While the Company sought for the reconsideration of the aforesaid order and suspension of the filing of the Memorandum, the Agustin family filed their Memorandum in Support of the Summary Judgment dated October 23, 2017 (“Agustins’ Memorandum”). In the said Memorandum, the Agustin family asserted that they are entitled to the (a) full purchase price of ₱400.0 million and not ₱350.0 million as asserted by the Company; (b) moral, nominal, temporal, exemplary damages; and (c) attorney’s fees.

The Company filed an Urgent Omnibus Motion to suspend the filing of the Memorandum due to its pending Motion for Reconsideration.

During the hearing on the aforesaid motions of the Company, both parties were given the opportunity to present their respective arguments on the (a) reconsideration for a summary judgment and (b) issue on the non-filing of the Memorandum of the Corporation.

Meanwhile, the presiding judge proposed that the Company should file its Memorandum, and waive the Omnibus Motion in order for the Trial Court to resolve the case through summary judgment.

While the Company insisted that the Trial Court should resolve the Omnibus Motion before proceeding to summary judgment, the Company filed and served its Memorandum without prejudice to the Omnibus Motion.

On January 29, 2018, the Company received its Order dated January 10, 2018, which denied the Company’s Motion for Reconsideration but, in the interest of justice, admitted the Memorandum of the Company. With the admission of the said Memorandum, the case was deemed submitted for resolution.

In view of the Trial Court’s order to proceed to summary judgment, the Company sought to annul the same by filing a Petition for Certiorari with application for Temporary Restraining Order and Writ of Preliminary Injunction with the Court of Appeals of Cebu City (the “Petition”). The Petition was docketed as CA-G.R. S.P. Case No. 11645. Upon receipt thereof, the Court of Appeals required the Plaintiffs to file their comment to the issuance of the Temporary Restraining Order and Writ of Preliminary Injunction.

While the Petition was pending, the Trial Court rendered its Decision dated April 4, 2018. In the Decision, the Trial Court ordered the Company to pay the Agustin family the amount of ₱50.0 million with legal interest of 6% from the filing of the case until full payment only.

On May 11, 2018, the Company filed the Motion for Reconsideration Ex Abudanti Ad Cautelam. In the said Motion, the Company asserted that the findings of the Trial Court are contrary to law and facts of the case. Moreover, the Company manifested that the filing of the said Motion is without prejudice to the Petition filed to the Court of Appeals of Cebu City, which questions the propriety of the summary judgment procedure followed by the Trial Court in the case.

Considering that the Petition was still pending with the Court of Appeals, the Company filed a Manifestation and furnished the Court of Appeals the aforesaid Motion for Reconsideration Ex Abudanti Ad Cautelam. Said Manifestation informed the Court of Appeals of the status of the case and moved for the issuance of the Temporary Restraining Order and Writ of Preliminary Injunction.

The Agustin family filed their Opposition to the said Motion. Besides reiterating the validity of findings of the Trial Court, the Agustin family raised the issue of forum shopping due to the pending Petition in the Court of Appeals of Cebu City. The Agustin family also sought the execution of the Decision dated April 4, 2018.

As to the Petition, the Agustin family filed their Opposition to the issuance of the Temporary Restraining Order and Writ of Preliminary Injunction. The Agustin family also prayed for the denial of the Petition.

Consequently, the issue on the issuance of the Temporary Restraining Order and Writ of Preliminary Injunction is also submitted for resolution by the Court of Appeals of Cebu City.

On August 29, 2018, the Company received the Order dated August 6, 2018, which denied its Motion for Reconsideration Ex Abudanti Ad Cautelam. In the same Order, the Trial Court also denied the Agustin family's prayer for the execution of the Decision dated April 4, 2018 on the ground that the same is premature.

On September 11, 2018, the Company filed and paid the corresponding docket fees for its Notice of Appeal Ex Abudanti Ad Cautelam ("Notice of Appeal") of the Decision dated April 4, 2018 and Order dated August 6, 2018.

Meanwhile, the Agustin family filed their (a) Motion for Execution Pending Appeal dated September 5, 2018 and subsequently, (b) Comment and Opposition to the Notice of Appeal dated September 21, 2018 and (c) Supplemental Comment and Opposition to the Notice of Appeal dated September 24, 2018 (collectively, "Opposition(s) to Notice of Appeal").

In response thereto, the Company filed its (a) Comment and Opposition dated September 14, 2018 to the Motion for Execution Pending Appeal and (b) Reply to the Opposition(s) to the Notice of Appeal.

After the filing of the aforesaid responsive pleadings, the (a) Motion for Execution Pending Appeal, (b) Notice of Appeal and (c) Opposition(s) to the Notice of Appeal were submitted for resolution.

On December 11, 2018, the Company received the Omnibus Order of the Trial Court. In the said Omnibus Order, the Trial Court granted the Motion for Discretionary Execution Pending Appeal. In the same order, the Trial Court affirmed the Corporation's position that the Notice of Appeal was timely filed and consequently, was given due course.

On December 13, 2018, the Corporation received the Writ of Execution dated 6 December 2018. In the said Writ, the Branch Clerk of Court ordered the sheriff of the Trial Court to cause the execution of the summary judgment in favor of the Plaintiffs.

While the records of the case was still with the Trial Court, the Company immediately filed the Urgent Motion for Reconsideration with alternative prayer for Motion to Stay Discretionary Execution Pending Appeal dated 14 December 2018 ("Motion(s)"). While the said Motions was pending, the Company also sent a letter to the Provincial Sheriff of the Regional Trial Court of Bacolod City to inform them of the aforesaid pending Motion(s) and reminded them that such incident necessarily required them to suspend any action to enforce the Writ of Execution.

After due hearing by the Trial Court on the Motion(s), the Trial Court (a) denied the Urgent Motion for Reconsideration but (b) granted the Motion to Stay Discretionary Execution Pending Appeal upon posting of a supersedeas bond amounting to One Hundred Million Pesos (the "Stay Order").

On January 24, 2019, the Company filed a Compliance with Motion. In the said pleading, the Corporation filed with the Trial Court a supersedeas bond issued by Pioneer Insurance and Surety Corporation.

Meanwhile, the Plaintiffs filed an Urgent Motion for Reconsideration, which questioned the order to stay the execution pending appeal of the summary judgment. The Plaintiffs were asserting that the Trial Court no longer has any jurisdiction to issue said order.

In response thereto, the Company filed a Comment/Opposition on January 25, 2019. In the said Comment/Opposition, the Company asserted that both the Rules of Court and jurisprudence recognize the residual jurisdiction of the Trial Court to issue such order while the records of the case was still in its possession.

On March 29, 2019, the Company received two (2) Order(s) from the Trial Court both dated March 14, 2019. In the First Order, the Trial Court denied the Urgent Motion for Reconsideration of the Agustins. Meanwhile, the Second Order provided that the Trial Court approved the supersedeas bond posted by the Company and consequently, the execution pending appeal of the judgment award was ordered stayed.

The following are the pending cases before the Court of Appeals – Cebu:

- (i) Petition for Certiorari filed by the Company (CA-G.R. S.P. Case No. 11645)

The Petition for Certiorari questioning the Trial Court's order allowing a summary judgment procedure instead of a full blown trial is pending for resolution since November 22, 2018.

- (ii) Ordinary Appeal of the Company (CA G.R. CV No. 07140)

The instant appeal seeks to reverse and set aside the Trial Court's Decision dated April 4, 2018, which ordered the Company to pay the Agustin family the amount of P50.0 million with legal interest of 6% from the filing of the case until full payment only (the "Summary Judgment").

After the approval of the Notice of Appeal and transmittal of the records of the case, the Court of Appeals required the Company to file its Appellant's Brief. In order to prepare and file the appropriate pleading/brief, the Company sought an extension to file its Appellant's Brief.

Based on the Motion for Extension of Time to File Appellant's Brief, the Company sought an additional forty-five (45) days from June 24, 2019 or until August 8, 2019 to file the Appellant's Brief.

- (iii) Petition for Certiorari filed by the Agustins (CA G.R. CV No. 12663)

After the Trial Court suspended the execution of the Summary Judgment upon posting by the Company of a supersedeas bond of One Hundred Million Pesos, the Agustin family sought to annul the Stay Order by filing a Petition for Certiorari dated 10 April 2019 before the Court of Appeals.

On June 3, 2019, the Company received the Resolution by the Court of Appeals, which dismissed the Petition for Certiorari of the Plaintiffs on technical infirmities.

On June 24, 2019, the Agustin family filed a Motion for Reconsideration on the aforesaid Resolution. In the Motion for Reconsideration, the Agustin family, among others, attached a Petition for Certiorari which rectified the technical infirmities cited in the Resolution.

Unless the Company was required by the Court of Appeals to file their comment thereto, the Motion for Reconsideration may be deemed submitted for resolution.

- c. Commissioner of Internal Revenue vs.  
STI Education Services Group, Inc.  
CTA Case No. 7984  
Court of Tax Appeals - 2nd Division

Commissioner of Internal Revenue vs.  
STI Education Services Group, Inc.  
CTA EB No. 1050  
Court of Tax Appeals - En Banc

Commissioner of Internal Revenue vs.  
STI Education Services Group, Inc.  
G.R. No. 220835  
Supreme Court - First Division

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.

On October 4, 2017, STI ESG received the decision from the Supreme Court dated July 26, 2017. In its decision, the Supreme Court denied the petition for review filed by the CIR and affirmed the Decision dated March 24, 2015 and Resolution dated September 2, 2015 of the Court of Tax Appeals En Banc in CTA EB No. 1050. The Supreme Court ruled that the Waivers of Statute of Limitations, being defective and invalid, did not extend the CIR's period to issue the subject assessments. Thus, the right of the government to assess or collect the alleged deficiency taxes is already barred by prescription. On October 25, 2017, the CIR filed a Motion for Reconsideration of the Supreme Court's decision dated July 26, 2017.

On April 5, 2018, the STI ESG received the decision from the Supreme Court dated December 14, 2017. In its decision, the Supreme Court denied the Motion for Reconsideration filed by the CIR and affirmed the Decision dated July 26, 2017. The Supreme Court ruled that there is no substantial argument to warrant a modification of the Supreme Court's decision.

Thus, the Supreme Court denied the Motion for Reconsideration with finality. The Supreme Court also resolved that no further pleadings or motions shall be entertained in the case. Thus, the Supreme Court ordered the immediate issuance of the Entry of Judgment.

On July 2, 2018, STI ESG received the Entry of Judgment issued by the Supreme Court dated May 7, 2018 which certified that its decision dated December 14, 2017 became final and executory and was recorded in the Book of Entries of Judgments on said date.

- d. Gan Tiak Kheng and Kelvin Y. Gan vs. STI College Cebu, Inc. and Amiel C. Sangalang  
Civil Case No. 15-135138  
Branch 6, Regional Trial Court  
City of Manila

Specific Performance Case. STI College Cebu, Inc. ("STI Cebu") was named defendant in a case filed by certain individuals for specific performance and damages. In their Complaint, the Plaintiffs sought the execution of Deed of Absolute Sale over a parcel of land situated in Cebu City on the bases of an alleged perfected contract to sell.

On March 15, 2016, STI ESG, as the surviving corporation in the merger between STI ESG and STI Cebu, filed a Motion to Dismiss the case based on, among others, (a) lack of jurisdiction and (b) failure to state a cause of action.

After due proceedings and filing their respective responsive pleadings and positions papers, the Defendants received on February 28, 2017 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.

After due proceedings and filing of their respective responsive pleadings to the aforesaid (a) Joint Motion and (b) Motion to Declare in Default, the Trial Court issued the Resolution dated August 16, 2017, which denied the said Motions.

After seeking an extension to file the Answer to the Plaintiffs' Amended Complaint, STI ESG filed the Consolidated Answer to the Amended Complaint on August 30, 2017. In the Consolidated Answer, Defendants asserted that there is no perfected contract to sell or of sale between STI ESG and the Plaintiffs considering (a) there is no Board approval on the sale of the Subject Property; (b) the lack of definite terms and conditions thereof; and (c) Mr. Amiel Sangalang has no authority to bind STI ESG on the alleged contract to sell or sale of the Subject Property.

While Plaintiffs opposed the (a) motion for extension and (b) subsequent filing of the Consolidated Answer, the Trial Court affirmed the admission of the Consolidated Answer and set the case for pre-trial.

While both parties were referred to court-annexed mediation and judicial dispute resolution as required under the relevant rules, the parties failed to reach an amicable settlement of the case.

On August 14, 2018, Plaintiffs filed a Motion for Leave to Admit Second Amended Complaint, whereby they sought the substitution of STI ESG as one of the Defendants.

After the filing of opposition thereto, STI ESG received the Summons dated September 26, 2018, directing it to file its Answer to the Plaintiff's Second Amended Complaint.

On October 17, 2018, the Defendants filed their Amended Consolidated Answer with Compulsory Counterclaims.

On November 8, 2018, STI ESG received the Order dated October 26, 2018 of the Trial Court. In the Order, the Trial Court set the pre-trial conference on November 14, 2018. The Trial Court also required the parties to file their respective judicial affidavit(s) of their witnesses not later than five(5) days before pre-trial.

On November 9, 2018, the Defendants filed their Amended Pre-Trial Brief and Judicial Affidavit(s) of their witnesses.

On November 14, 2018, the parties attended and participated in the scheduled pre-trial conference. Based on the plaintiffs' pre-trial brief and manifestation during the said hearing, the Plaintiffs intended to include in their list of witnesses (a) Mr. Peter K. Fernandez and (b) Mr. Restituto Bundoc. While there were no interrogatories sent to said adverse witnesses as required by the Rules of Court, the Defendants reserve their right to file the appropriate pleading on the said matter.

The Trial Court then gave the Plaintiffs six (6) hearing dates to present their witnesses. Within the said period, the Plaintiffs presented four (4) witnesses. Based on their respective testimonies, the said witnesses testified the discussions and/or communications between the Plaintiffs and Mr. Sangalang regarding the sale of the subject property.

During their respective cross-examination, the said witnesses failed to provide any document and/or evidence showing (a) the authority of Mr. Sangalang to bind STI ESG on said negotiations and (b) approval of the Board of Directors of STI ESG on the terms and conditions discussed during said negotiations.

After the Plaintiffs presented their fourth (4<sup>th</sup>) witness, the Plaintiffs orally moved for the issuance of Subpoena to Mr. Fernandez and Mr. Bundoc.

After oral arguments on the propriety of the said request, the Trial Court required the parties to submit their Memoranda of Authorities on their respective positions on or before January 24, 2019. Upon receipt thereof, the Trial Court will issue a Resolution on the said issue before the next scheduled hearing on February 12, 2019.

On January 24, 2019, the Defendants filed the Memorandum of Authorities. In the said Memorandum, Defendants asserted, among others, that the Plaintiffs failed to comply with the Rules of Court, which requires the service of written interrogatories to adverse witnesses. In the absence of such requirement, the Plaintiffs cannot require Mr. Fernandez and Mr. Bundoc to testify as their witnesses.

On February 11, 2019, the counsel of the Defendants received the written interrogatories addressed to Mr. Fernandez and Mr. Bundoc in relation to certain communications regarding the discussion over the negotiations for the sale of the Property. The counsel of the Defendants also received the Order of the Trial Court denying the request for the issuance of subpoena to Mr. Fernandez and Mr. Bundoc because the Plaintiffs failed to serve written interrogatories to said officers of STI ESG.



On February 12, 2019, the Defendants objected on the written interrogatories served by the Plaintiffs. Meanwhile, the Trial Court granted the request for written interrogatories of the Plaintiffs but allowed the Defendants to file their written cross-interrogatories and/or such appropriate pleading.

On February 19, 2019, the Defendants filed the Omnibus Motion wherein they sought for (1) the reconsideration of the February 12, 2019 Order and (2) exclusion of certain questions on the basis of objections thereto.

After the Omnibus Motion was given due course, the Trial Court issued the Order dated April 5, 2019 on the Omnibus Motion. In the Order, the Trial Court allowed the Plaintiffs to serve the Request for Written Interrogatories but excluded certain questions therein on the basis of objections of the Defendants. As provided in the Order, the Trial Court ordered Mr. Bundoc and Mr. Fernandez to file their Answer(s) to the Written Interrogatories within ten (10) days from receipt of the Request for Written Interrogatories.

Despite the filing of the Answers to the Written Interrogatories of said officers, the Plaintiffs filed Motion to Strike Out Defendants' 'Manifestation and Compliance' with Attached 'Motion to Admit Answers to Written Interrogatories and with Motion to Render Judgment on Default. In said *Motion*, the Plaintiffs insisted that the Defendants failed to file the Answer(s) to the Written Interrogatories within ten (10) days from receipt of Mr. Bundoc and Mr. Fernandez. As provided under the Rules of Court, the refusal to answer the Written Interrogatories warranted the issuance of a judgment by default.

After the aforesaid *Motion* was given due course, the Trial Court issued the *Order* dated May 27, 2019, which allowed the admission of the *Answer(s)* of Mr. Bundoc and Mr. Fernandez. The case was set for continuation of the Plaintiffs' presentation of evidence June 19, 2019.

On June 19, 2019, the Plaintiffs orally moved to be allowed to propound additional oral interrogatories to Mr. Bundoc and Mr. Fernandez. In order to expedite the proceedings, the Defendants did not object on said motion and proposed to set the examination of said witnesses for hearing.

Based on said circumstances, the Trial Court set the direct examination of Mr. Bundoc and Mr. Fernandez by the Plaintiffs on July 10, 2019 and August 1, 2019.

- e. Global Academy of Technology and Entrepreneurship, Inc.  
(formerly STI-College-Santiago, Inc.) vs.  
STI Education Services Group, Inc.  
Civil Case No. 16-02676  
Branch 58, Regional Trial Court Makati City

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 alleged 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 alleged 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 25 May 2017 or until 9 June 2017.

On 9 June 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 31 March 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 have been required to attend and participate in the court-annexed mediation, and subsequently, the judicial dispute resolution with the Trial Court. After the aforesaid proceedings, the parties failed to reach an amicable settlement, and terminated the judicial dispute resolution on October 27, 2017. As mandated by the relevant rules, the case was raffled to a new presiding judge.

The new presiding judge issued an Order setting the case for a pre-trial hearing on May 11, 2018. The pre-trial proper was re-scheduled by the Trial Court in order for the parties to pre-mark their documentary evidence before the branch clerk of court on May 23, 2018.

On May 23, 2018, both parties attended and caused the pre-marking of their respective documentary exhibits.

On August 31, 2018, the pre-trial conference commenced and terminated on the same day. The Trial Court then scheduled the presentation of the testimony of the Plaintiffs' witnesses on October 9 and 30, 2018.

On October 9 and 30, 2018, the Plaintiff presented its two witnesses.

Thereafter, the Plaintiff terminated their presentation of evidence and filed their Formal Offer of Evidence.

On December 11, 2018, STI ESG filed the Comment and Objections to the said Formal Offer of Evidence.

On February 6, 2019, the Trial Court issued the Order dated January 10, 2019. In the Order, the Trial Court denied the admission of two (2) letters issued by both parties as part of the evidence of the Plaintiff.

After the Plaintiffs filed the Motion for Reconsideration, the Trial Court admitted the aforesaid two (2) letters, and set the presentation of evidence by STI ESG.

STI ESG presented three (3) witnesses in relation to its defense that the decision not to renew the Licensing Agreement is in accordance with contractual stipulations therein, and devoid of any bad faith. Moreover, STI ESG presented evidence to show the attorney's fees it incurred in the instant case.

After the presentation of the last witness, STI ESG formally offered its evidence by filing its Formal Offer of Evidence on May 22, 2019.

After the Plaintiffs filed their Comment/Objections to the Formal Offer of Evidence, the Trial Court shall (1) issue a resolution on the Plaintiffs' Comment/Objections to our Formal Offer of Evidence, and (2) submit the case for decision.

As at July 11, 2019 STI ESG has yet to receive a copy of the resolution from the Trial Court.

**f. Tristan Jules P. Maningo representing STI Education Services Group, Inc. v. Cristian N. Monreal NPS Docket No. XV-16-INV14L01174 Office of the City Prosecutor, Taguig City ACP Vincent L. Villena**

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 13<sup>th</sup> 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 ₱201,047.63.

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 of July 11, 2019, the Office of the City Prosecutor of Taguig City has yet to issue a resolution in the instant case.

**g. Breach of contract.**

STI ESG and MOBEELITY executed a Memorandum of Agreement dated September 8, 2014 wherein STI ESG engaged the services of MOBEELITY to deploy its digital classroom pilot, also known as e-Learning Management System ("eLMS") and MOBEELITY committed to provide the necessary applications suite of the intended learning management system of STI ESG.

MOBEELITY undertook to provide STI ESG with access to the EDU 2.0 LMS (now known as "NEO") and iMEET virtual classroom. MOBEELITY committed to provide STI ESG with online and on-site technical support for the implementation of the EDU 2.0 LMS and iMEET virtual classroom. Furthermore, MOBEELITY committed to provide STI ESG with all updates and modifications to EDU 2.0 LMS and iMEET virtual classroom free of charge. Out of these two (2) platforms, STI ESG was only able to avail of and utilize the EDU 2.0 LMS under the agreement.

MOBEELITY provided STI ESG access to the EDU 2.0 LMS. EDU 2.0 LMS is a product of Cypher Learning, and MOBEELITY was an authorized reseller of this product. In accordance with the terms of the Agreement, STI ESG paid MOBEELITY the sum of ₱3.3 million as downpayment for services to be rendered by MOBEELITY for the First Semester of SY2016-2017 or from June to November 2016.

On June 12, 2016, it came to the attention of STI ESG that Cypher Learning had terminated its relationship with MOBEELITY due to the fraudulent acts committed by MOBEELITY against Cypher Learning.

Pursuant to the arbitration clause of the Memorandum dated 8 September 2014, STI ESG initiated the ad hoc arbitration to settle a dispute involving the reimbursement of Three Million Three Hundred Thousand Pesos (P3,300,000.00) by MOBEELITY due to a breach of its obligations under the Memorandum.

After due proceedings, the Arbitral Tribunal issued the arbitral award dated August 9, 2018 wherein MOBEELITY is required to pay STI ESG the amount of ₱3.3 million and arbitration cost of ₱0.9 million.

As provided by law, STI ESG has to file the appropriate petition before the Regional Trial Court for the execution of the aforesaid arbitral award.

**h. Girly G. Ico vs. Systems Technology Institute, Inc., et al.**  
**NLRC NCR Case No. 00-06-07767-04**  
**National Labor Relations Commission**

**Systems Technology Institute, Inc., vs.**  
**Hon.**  
**Renaldo O. Hernandez, Sheriff Raymond C.**  
**Lomugdang, and Girly G. Ico**  
**LER CN 10291-15**

**Systems Technology Institute, Inc., vs.**  
**Hon.**  
**Renaldo O. Hernandez, and Girly G. Ico**  
**LER CN 10-303-15**  
**National Labor Relations Commission**

**Girly G. Ico v. National Labor Relations**  
**Commission and Systems Technology**  
**Institute, Inc., and/or Monico V. Jacob**  
**(President & Chief Executive Officer),**  
**Jeanette B. Fabul (SR. VP Corporate**  
**Services Division), Peter K. Fernandez (SR**  
**VP Education Management Division),**  
**Yolanda R. Briones (Human Resources**  
**Management & Organization Development**  
**HRMOD) CA GR SP No. 147219 Sixth**  
**Division, Court of Appeals**

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 November 17, 2014, the Supreme Court issued a resolution which denied with finality STI ESG's Motion for Reconsideration.

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 13<sup>th</sup> 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, 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 the inhibition of the Labor Arbiter from continuing the execution proceedings of 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.

Before the NLRC resolved the pending Petitions filed by STI ESG, the garnished amount was released to the former employee as partial payment for the judgment award. Based on the record of the NLRC, the amount of ₱2.2 million was released for the partial execution of the judgment award of the former employee.

On February 29, 2016, the Sixth Division of the NLRC issued a Decision wherein it, among others, nullified the Writ of Execution, and ordered the inhibition of Labor Arbiter. In the same Decision, the Sixth Division of the NLRC also set a guide for the enforcement of the judgment award in favor of the former employee, which provides, among others, that the computation of the backwages of the former employee shall be from May 18, 2004 until October 30, 2006.

After the denial of the former employee's Motion for Reconsideration on the aforesaid Decision, STI ESG received on September 6, 2016 the former employee's Petition for Certiorari filed with the Court of Appeals. Said Petition questioned the aforesaid decision of the NLRC.

After the filing of their respective pleadings in relation to the former employee's Petition for Certiorari, STI ESG received on June 6, 2017 the Court of Appeals' Decision wherein it determined that there is no need to resolve the issue on the nullification of the Partial Writ of Execution because both parties agreed that the funds garnished by virtue of said Writ to the former employee shall be considered as partial satisfaction of her judgment award.

The Court of Appeals likewise clarified that the issue on the former employee's waiver of reinstatement pending appeal should have been resolved by the new labor arbiter, and not the NLRC. Contrary to the former employee's assertion that the former labor arbiter resolved the said issue, the Court of Appeals took into consideration that the NLRC validly ordered the re-raffle of the case to a new labor arbiter who should resolve all pending incidents and issues.

Without making any findings and/or rulings contrary to STI ESG's claim that the former employee waived her reinstatement pending appeal 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.

On September 19, 2017, STI ESG received the former employee's Manifestation with Omnibus Motion filed with the new labor arbiter. In the said Manifestation with Omnibus Motion, the former employee sought for (a) computation of the updated judgment award, (b) resolution of the issue on waiver of reinstatement by the former employee raised by STI ESG and (c) issuance of Writ of Execution based on the updated judgment award.

The new labor arbiter set the pre-execution hearing on 31 January 2018. During said hearing, STI ESG filed its Comment with Manifestation. In the Comment with Manifestation, the STI ESG asserted that the only issues to be resolved are the computations of the (a) backwages, (b) legal interest and (c) separation pay. STI ESG further reiterated that the former employee is entitled to receive backwages from May 2004 until October 2006 and separation pay from November 1999 until February 2016. Based on said premises, STI ESG paid the former employee ₱2.0 million in January 2018.

Based on the record, STI ESG has paid the total amount of ₱4.2 million, exclusive of withholding taxes, to the former employee. STI ESG then moved to the new labor arbiter that STI ESG be deemed to have fully paid the judgment award of the former employee. While the former employee accepted the aforesaid amount, she manifested that the same is only partial payment of the judgment award. The former employee then moved that she would be given ten (10) days to file her reply to the Comment with Manifestation.

In the hearing on February 13, 2018, the former employee filed her Reply dated February 12, 2018. In the Reply, it was argued that the alleged waiver of reinstatement pending appeal in October 2006 did not interrupt the running of backwages until present day. She insisted that the return to work order of the Corporation was (a) vague, (b) served only through her former counsel and (c) belatedly served or after four months from the Corporation's receipt of the former labor arbiter's order to reinstate her. Based on the foregoing the former employee presented her computation of her judgment award to date, which amounted to ₱11.0 million, less payments already made by STI ESG.

On February 28, 2018, STI ESG filed and served the Rejoinder. In the Rejoinder, STI ESG reiterated that the notice to return to work was (a) clear and (b) duly received by her through her former counsel. It was asserted that the former employee was fully aware of said return to work order because she refused the same by filing a counter-manifestation with the former labor arbiter. Moreover, the belated service of said return to work order does not prevent STI ESG to choose actual reinstatement pending appeal as provided in the Labor Code.

After the parties filed their respective Rejoinder and Sur-Rejoinder, the new labor arbiter granted STI ESG's motion to submit the pending issues on the computation of the former employee's judgment award for resolution.

As at July 11, 2019, the new labor arbiter has not issued any resolution on the aforesaid computation of the former employee's judgment award.

**i. Esther K. Bobis vs. STI College-Cagayan de Oro and/or Mario U. Malferrari  
NLRC CASE NO. RAB 10-09-00747-2015  
National Labor Relations Commission**

**Esther K. Bobis vs. STI College-Cagayan de Oro and Mario Malferrari, School Administrator  
NLRC-MAC-03-014355-2016  
National Labor Relations Commission**

A former IT Instructor who eventually became the IT Program Head of STI College Cagayan de Oro, a school owned by STI ESG, filed an illegal dismissal case against STI College Cagayan de Oro on the ground that she was constructively dismissed when upon returning from preventive suspension, she allegedly no longer had any work to go back to because the STI ESG-owned company purportedly removed her workplace from the school premises. For its part, STI ESG countered the complainant's claim that she was dismissed by presenting the complainant's one-liner resignation letter.

The Labor Arbiter decided that there was neither an illegal dismissal nor resignation to speak of in this case, hence, the parties were ordered to return to status quo which meant reinstatement of complainant to her former position but without backwages, separation pay, or similar benefits. Nevertheless, STI ESG was ordered to pay complainant the amount of ₱7.4 thousand representing her unpaid salary for the period March 10-30, 2014. However, the NLRC overturned the LA's decision upon a dubious motion for partial reconsideration declaring complainant to have been illegally dismissed and ordering STI ESG not only to reinstate her but also to pay her full backwages computed from the time compensation was withheld up to the date of actual reinstatement. STI ESG moved to reconsider the NLRC's decision but to no avail. At present, a Petition for Certiorari questioning the decision of the NLRC is pending before the Court of Appeals.

On May 12, 2017, STI ESG received a copy of a Motion for Execution with Prayer for Payment of Separation Pay in Lieu of Reinstatement filed by Complainant-Appellant seeking the issuance of a writ of execution for the implementation of the Resolution dated June 30, 2016 issued by the Honorable Eight Division, National Labor Relations Commission, Cagayan de Oro City. On May 22, 2017, STI ESG filed its Opposition to the Motion for Execution with Prayer for Payment of Separation Pay in Lieu of Reinstatement.

Subsequently, a hearing on the motion for execution was set on June 5, 2017. In the said hearing, STI ESG reiterated that it is amenable to reinstating complainant but as a Part-time Full Load faculty member. Complainant countered that she is not interested in reinstatement but would rather be paid her backwages and separation pay. When we asked for how much is she willing to settle the matter amicably, she insisted that she be paid the total amount of her backwages and separation pay. When

asked if STI ESG has any counter-offer on the payment of backwages and separation pay, STI ESG manifested that it already filed its opposition thereto and that there is still a need for the official computation of the same. At that point, the hearing officer showed STI ESG a computation of the backwages which amounted to ₱0.5 million. STI ESG then manifested that it will bring the matter to management. On the part of complainant, she manifested that she will file her reply to our opposition. The hearing officer then said that upon submission of said reply, the motion for execution is deemed submitted for resolution.

Also, in the motion for execution, it was also alleged that the Court of Appeals already denied the Petition for Certiorari of STI ESG. However, STI ESG did not receive any copy of said resolution by the Court of Appeals. Upon inquiry with the Court of Appeals, it appeared that the copy of the resolution dismissing the petition for certiorari was returned to sender due to "RTS-UNKNOWN ADDRESS". Apparently, the indicated address of counsel of record simply states Ortigas Ave., Extension, Cainta, Rizal. STI ESG then filed a manifestation with the Court of Appeals manifesting that it has yet to receive a copy of their minute resolution and clarifying that the complete address where a copy of the said resolution may be sent is "3<sup>rd</sup> Flr. STI Academic Center, Ortigas Avenue Extension, Cainta, Rizal 1900".

On June 2, 2017, STI ESG received a copy of the Minute Resolution dated January 12, 2017 dismissing its Petition for Certiorari based on the following grounds: a) failure to attach a copy of the Resolution dated June 30, 2017 of the NLRC; b) failure to attach the Secretary Certificate authorizing Mario Malferrari, Jr. as representative for STI ESG to file the petition for certiorari; c) failure to verify the petition; and d) failure to attach affidavit of service.

On June 21, 2017, STI ESG filed its Motion for Reconsideration.

Meanwhile, on July 12, 2017, STI ESG received an Order from the Office of the Labor Arbiter granting the Motion for Execution filed by Complainant. On July 21, 2017, STI ESG received a copy of the Writ of Execution issued by Office of the Labor Arbiter directing the payment of ₱0.5 million to Complainant and her immediate reinstatement. In compliance with the Writ of Execution, Complainant was paid the amount of ₱0.5 million and was reinstated to her former position.

On November 7, 2017, STI ESG received a copy of the Resolution of the Court of Appeals dated September 25, 2017 on its motion for reconsideration. The Court of Appeals resolved to grant the motion for reconsideration and reinstated STI ESG's petition for certiorari. Complainant was then directed to file her comment to the petition within ten (10) days from receipt of the said resolution and STI ESG was given five (5) days to file its reply to Complainant's comment.

On January 31, 2018, STI ESG received a copy of a Minute Resolution dated January 15, 2018 issued by the Court of Appeals which resolved that Complainant is deemed to have waived her filing of a comment to the petition for certiorari and directed the parties to file their respective memorandum within fifteen (15) days from receipt of said minute resolution. Thereafter, the petition for certiorari is deemed submitted for decision.

On February 15, 2018, STI ESG filed through registered mail its Memorandum with the 22<sup>nd</sup> Division, Court of Appeals, CDO. On April 25, 2018, STI ESG received a copy of Complainant's Memorandum. In a resolution of the Court of Appeals dated April 19, 2018, with the filing of the parties' respective memorandum, the Court declared the petition submitted for decision.

On July 11, 2018, STI ESG received a copy of the Decision of the 21<sup>st</sup> Division, Court of Appeals, CDO, setting aside the resolution of the NLRC declaring complainant to have been illegally dismissed and awarding the payment of back wages. In the same decision, the Court of Appeals dismissed the charge of illegal dismissal for lack of merit. However, STI College CDO was directed to pay complainant the sum of ₱7.4 thousand representing her unpaid salary for the period March 10-30, 2014.

On September 5, 2018, STI ESG received a copy of the Motion for Reconsideration filed by the complainant with the Court of Appeals (Special Former 21<sup>st</sup> Division). On October 31, 2018, STI ESG



received the resolution of the said court directing STI ESG to file its Comment to the Motion for Reconsideration filed by the complainant within 10 days from notice. On November 12, 2018, STI ESG filed its Comment to the Motion for Reconsideration of the complainant. With the filing of the Comment, the Motion for Reconsideration is deemed submitted for resolution.

On January 24, 2019, STI ESG received a copy of the Resolution of the Court of Appeals (Special Former Twenty-First [21<sup>st</sup>] Division) denying the Motion for Reconsideration filed by the complainant.

On April 22, 2019, STI ESG received a copy of the Entry of Judgment of the Decision dated June 29, 2018. With this development, STI ESG will now initiate proceedings to recover the amount of ₱0.5 million, more or less given to the complainant based on the overturned decision of the NLRC.

As at July 11, 2019, STI ESG is preparing the necessary motion for the recovery of the ₱0.5 million.

- j. Luningning Z. Brazil, Salvacion L. Garcera, and Rita S. De M vs. STI Education Services Group, Inc. and Monico V. Ja NLRC RAB V CASE NO. 07-00153-11 National Labor Relations Commission

Luningning Z. Brazil, Salvacion L. Garcera, and Rita S. De M vs. STI Education Services Group, Inc. and Monico V. Jacob NLRC LAC No. 03-001018-12 National Labor Relations Commission

Luningning Brazil, Salvacion L. Garcera, and Rita S. De Mesa vs. National Labor Relations Commission, STI Education Services Group, Inc. and Monico V. Jacob CA-G.R. SP No. 134584 Court of Appeals

Former part-time faculty members of STI College Legazpi who were erroneously issued employment contracts for regular employees filed an illegal dismissal case against STI College Legazpi, a school owned by STI ESG, following their stubborn refusal to sign their respective job offers as required by CHED. The LA rendered a Decision finding the complainants as regular employees of STI ESG; declaring the Company as guilty of illegal dismissal; and ordering the Company to pay them separation pay of ₱0.22 million, ₱0.18 million, ₱0.15 million, respectively, plus backwages, moral and exemplary damages of ₱0.2 million each, plus 10% attorney's fees.

Upon appeal to the NLRC, the case filed by one of the faculty members was dropped, while the rest of the Decision was affirmed. Accordingly, a Motion for Reconsideration of the NLRC Decision was filed wherein it prayed for the dismissal of the complaints of Brazil and Garcera as well, invoking well-settled cases as jurisprudential authorities to persuade the NLRC to dismiss the cases against the Company.

As it developed, STI ESG prevailed at the NLRC, and the complaint was dismissed. The former faculty members assailed said Decision of the NLRC at the Court of Appeals which denied the Petition.

Both parties here may have been mistaken in believing that the former faculty members have become regular faculty members by their length of service and seemingly satisfactory performance. Because of such incorrect grant of regular employment status, STI ESG, for years, have paid to complainants the salaries and benefits ought to be received by regular faculty members, which they did not deserve considering their failure to meet the qualifications set out in the MORPS and MORPHE. To punish STI ESG for such act of giving Petitioners more than what they deserve would run contrary to the basic tenets of equity and justice. In fact, STI ESG sought to remedy its mistake by formulating its two-year compliance consideration program, wherein affected teachers such as complainants shall continue to receive the same benefits they are currently enjoying, subject to the completion of their master's degree

within a period of two (2) years. Even complainants admitted that their job offers stipulated a higher monthly salary. In spite of all these, complainants chose not to sign the said job offers.

The former faculty members filed a motion for reconsideration of the said decision of the Court of Appeals. STI ESG filed its Comment on the motion for reconsideration emphasizing the following points: (1) that the instant motion for reconsideration is pro-forma and should be denied outright; and (2) that the petitioners failed to raise any substantial argument to warrant a modification of the Court's decision considering that (a) the Court of Appeals did not err in finding that the NLRC did not commit grave abuse of discretion in dismissing petitioner's complaint for illegal constructive dismissal; and (b) the Court of Appeals did not err in upholding the NLRC's finding that petitioners were mere part-time teaching personnel of STI. In a Resolution dated June 30, 2017, the Court of Appeals denied the Motion for Reconsideration filed by the former faculty members.

On September 6, 2017, STI ESG received a copy of the Petition for Review on Certiorari of the Decision of the Court of Appeals dismissing the complaint for illegal dismissal of the former faculty members with the Supreme Court. STI ESG filed its Comment to the petition on November 10, 2017.

In a Decision dated November 21, 2018, the First Division of the Supreme Court has DENIED the petition filed by petitioners and AFFIRMED the November 9, 2016 Decision as well as the June 30, 2017 Resolution of the Court of Appeals.

- k. Paz Rowena T. Del Rosario vs. STI Education Services Group Inc.  
Atty. Monico V. Jacob, et. al.  
NLRC CASE NO. RAB NCR-01-00943-16  
National Labor Relations Commission

Paz Rowena T. Del Rosario vs. STI Education Services Group Inc., Atty. Monico V. Jacob, et. al.  
NLRC LAC No. 09-002600-16  
National Labor Relations Commission

This is a case for illegal dismissal (constructive), underpayment of salary/wages, non-payment of salary/wages, separation pay, moral and exemplary damages and attorney's fees filed by a former school nurse of STI College Fairview Branch.

Complainant was cited in several instances for her excessive tardiness, negligence, and other violations of the school's Code of Conduct. On January 15, 2016, she submitted her resignation letter effective immediately and processed her clearance. On the same day, she proceeded to the NLRC and filed a request for assistance.

Complainant claimed that she was forced to resign when her benefits were reduced, she was deliberately given difficult work assignments, she was cited for several violations of the company's code of conduct to build-up a case against her and was given poor working conditions.

The labor arbiter dismissed her complaint for lack of merit saying that resignation due to the enforcement of disciplinary measures for violations does not constitute unbearable working condition, hence, her resignation does not constitute constructive dismissal.

She appealed the decision of the labor arbiter to the NLRC.

On April 21, 2017, STI College Fairview received the Decision dated March 31, 2017 of the 4<sup>th</sup> Division, NLRC, denying her appeal and affirming the labor arbiter's decision but with modification by awarding ₱75.0 thousand as financial assistance based on the higher interest of equity, social and compassionate justice.

On May 2, 2017, STI ESG filed its Motion for Partial Reconsideration of the decision of the NLRC, particularly, on the award of financial assistance in the amount of ₱75.0 thousand on the basis that she is not entitled to any financial assistance since there was no dismissal to speak of. Moreover, her failure to comply with the 30-day notice requirement in case of resignation makes her even liable for damages instead of financial assistance.

However, on June 1, 2017, STI ESG received a copy of the resolution dated May 30, 2017 of the 4<sup>th</sup> Division, NLRC denying the motion for reconsideration.

On July 28, 2017, STI ESG filed its Petition for Certiorari with prayer for the issuance of a restraining order and a writ of preliminary injunction with the Court of Appeals. On August 19, 2017, STI ESG received a copy of the resolution of the Court of Appeals dated August 9, 2017 directing complainant to comment on STI ESG's petition while holding in abeyance the action on the prayer for injunctive relief. Pending resolution of the STI ESG's prayer for the issuance of a restraining order and a writ of preliminary injunction with the Court of Appeals, on August 31, 2017, STI ESG received a copy of the Motion for Execution filed by complainant. On September 4, 2017, a notice of pre-execution conference was received by STI ESG setting the same on September 14, 2017 before the labor arbiter. On September 11, 2017, STI ESG filed an Opposition to the Motion for Execution. STI ESG, likewise, filed an Omnibus Motion for Immediate Resolution of Application for Issuance of a Restraining Order and Writ of Preliminary Injunction. In the pre-execution conference, STI ESG reiterated its opposition to the motion for execution of complainant and manifested that it has a pending application for the issuance of a restraining order and a writ of preliminary injunction with the Court of Appeals. In a Notice of Order of Execution dated October 11, 2017, the labor arbiter issued a Writ of Execution against STI ESG since no temporary restraining order was issued by the Court of Appeals for the amount of ₱76.2 thousand. On November 2, 2017, a check in the said amount was then deposited to the account of the National Labor Relations Commission for the satisfaction of the writ of execution. As per Order dated November 17, 2017 of the labor arbiter, the said amount was released to Complainant as full satisfaction of the judgment award.

On February 28, 2018, STI ESG received a Resolution dated January 5, 2018 of the Court of Appeals noting STI ESG's Omnibus Motion for Immediate Resolution of Application for Issuance of a Restraining Order and Writ of Preliminary Injunction and informing STI ESG that its Resolution dated August 9, 2017 addressed to complainant returned to the court with the annotation "RTS-No One to Receive" and directed STI ESG to inform the court of complainant's correct and current complete address. In a manifestation of compliance dated April 12, 2018, STI ESG informed the Court of Appeals that the only record of complainant's address in its possession is that which is stated in its petition which is the same as what is found in the pleadings filed relative to the case. In a Resolution dated June 21, 2018 received by STI ESG on July 5, 2018, the Court of Appeals dismissed the petition of STI ESG on the ground that it failed to include in its petition the current address of complainant.

A motion for reconsideration of the subject resolution of the Court of Appeals was filed by STI ESG on July 20, 2018. On October 31, 2018, STI ESG received a copy of the Resolution of the Court of Appeals (Former Eleventh Division) granting the motion for reconsideration. However, STI ESG was given a period of ten (10) days from notice to submit proof of actual receipt by the complainant of its petition and to furnish the court with her correct, actual and present address, otherwise, the petition will be dismissed. On November 12, 2018, STI ESG filed its manifestation with the Court of Appeals and Motion for Extension to Submit Proof of Service.

On February 20, 2019, STI ESG received a copy of the Resolution of the Court of Appeals (Fifth Division) dated January 29, 2019 granting the Motion for Extension to Submit Proof of Service. However, STI ESG was also required to show cause why its petition shall not be dismissed for failure to comply with the Resolution dated October 18, 2018. On March 4, 2019, STI ESG filed its Manifestation of Compliance manifesting that it was able to serve a copy of the petition to complainant by personal service.

On May 27, 2019, STI ESG received a copy of the Resolution dated April 29, 2019 of the Court of Appeals (Fifth Division) finding the Manifestation of Compliance filed by STI ESG to be sufficient and directed the complainant to file her comment to STI ESG's petition.

As at July 11, 2019, STI ESG has yet to receive any copy of the comment of the complainant to STI ESG's petition.

- I. Belinda Torres and Jocelyn Tumaming  
v. STI College Davao and Peter K. Fernandez  
NLRC Case No. RAB-XI-07-00748-09  
NLRC MAC No. 04-011330-2010  
CA-G.R. SP No. No. 04176-MIN  
G.R. No. 218368

The case stemmed from a Complaint for illegal dismissal filed by Belinda Torres (Ms. Torres) and Jocelyn Tumaming (Ms. Tumaming). They were formerly the Chief Executive Officer (CEO) and Chief Operating Officer (COO), respectively, of STI Davao, until they were separated from service effective June 23, 2009.

On September 03, 2009, STI Davao filed a Motion to Dismiss before the Labor Arbiter and prayed for the dismissal of the Complaint for illegal dismissal on the ground that the Labor Arbiter and the NLRC have no jurisdiction over the case. STI Davao argued that Ms. Torres and Ms. Tumaming are not mere employees, but are rather corporate officers, of STI Davao. As such, the controversy involving their removal involves an intra-corporate dispute which falls within the jurisdiction of the regular courts.

On December 16, 2009, the Labor Arbiter issued an Order which granted the Motion to Dismiss filed by STI Davao. The Labor Arbiter ruled that Ms. Torres and Ms. Tumaming are corporate officers, and are not mere employees, of STI Davao.

Not satisfied with the ruling of the Labor Arbiter, Ms. Torres and Ms. Tumaming filed an Appeal before the NLRC. On September 30, 2010, the NLRC issued a Resolution affirming the Labor Arbiter's Order dated December 16, 2009 finding that Ms. Torres and Ms. Tumaming are corporate officers whose removal from office is not within the ambit of the jurisdiction of the NLRC. While they subsequently filed a Motion for Reconsideration, such motion was denied by the NLRC.

Ms. Torres and Ms. Tumaming then elevated the case to the Court of Appeals via a Petition for Certiorari. On February 14, 2014, the Court of Appeals rendered a Decision annulling the assailed Resolutions of the NLRC and found that Ms. Torres and Ms. Tumaming are not corporate officers, but are rather mere employees, of STI Davao. The case was thus ordered to be remanded to the Labor Arbiter for reception of evidence. While STI Davao filed a Motion for Reconsideration, such motion was denied by the Court of Appeals.

STI Davao eventually elevated the case to the Supreme Court via a Petition for Review on Certiorari. Unfortunately, through a Resolution dated August 19, 2015, the Supreme Court denied the Petition. STI Davao's Motion for Reconsideration was likewise denied by the Supreme Court.

On August 23, 2017, STI Davao received a Notice of Hearing from the Office of Labor Arbiter Martin R. Castillo for a preliminary conference set on September 18, 2017. STI Davao attended the said setting. During the hearing, Torres and Tumaming proposed for the amicable settlement of their claims the payment of their separation pay, backwages, monetary benefits, as well as damages with attorney's fees. STI Davao requested that Torres and Tumaming provide the exact amount of what they are asking for the amicable settlement of their claims. Another setting was made for October 26, 2017 for the continuation of the preliminary conference.

In the October 26, 2017 hearing, Torres and Tumambing provided STI Davao with a computation of what they are willing to accept for the amicable settlement of the case. Torres is demanding the amount of P19.8 million. On the other hand, Tumambing is demanding the total amount of P13.4 million.

In the December 5, 2017 hearing, considering the substantial amount being demanded by Torres and Tumambing for the amicable settlement of their claims, no amicable settlement was reached by the parties, hence, they were directed to file their respective position papers within ten days from the receipt of the order from the Office of the Labor Arbiter. The last day of the ten-day period to file STI Davao's position paper was on February 5, 2018. However, a Motion for Extension of Time to File Position Paper were filed by STI Davao on February 5, 2018.

On February 19, 2018, STI ESG filed its position paper by registered mail. In the Position Paper, the following important points were raised: (1) the complainants' termination from employment is clearly legal having been grounded on just and valid causes since (a) the adoption of the Company's Basic Operations Manual and Code of Conduct providing, among others, disciplinary rules and regulations on willful disobedience of the lawful orders, instructions, policies and procedure of the Company, is well within the ambit of management prerogative, (b) complainants' willful disregard and violation of the Company's Basic Operations Manual and Code of Conduct providing guidelines and standards for employees to effectively go about their roles and prohibiting willful disobedience as well as failure to perform assigned tasks, constitute sufficient bases for termination of employment, (c) complainant Torres' acts or omissions in willful disregard of the Company's general work policies and procedures, amounted to gross and habitual neglect of duties, (d) complainants' willful disregard of the Company's operating procedures and systems amounted to serious misconduct, and (e) the Company's evidence sufficiently established facts and incidents upon which the loss of confidence in the complainants may fairly be made to rest considering that (i) complainants held a position of trust and confidence, and (ii) complainants' termination was based on willful breach of trust and founded on clearly established facts; (2) the School observed the requirements of due process before effecting complainants' dismissal from employment; (3) complainants are not entitled to their claims for reinstatement and the payment of monetary benefits, such as allowance, as well as damages and attorney's fees; and (4) complainants have no cause of action for illegal suspension and against individual respondent Mr. Fernandez.

On March 14, 2018, STI ESG received a copy of the Position Paper of complainants. On April 5, 2018, STI ESG filed its Reply to the Position Paper of complainants. In said reply, STI ESG emphasized the following important points: (1) the Company's prerogative to terminate the complainants' employment on just and valid causes does not run afoul with the enshrined right to security of tenure; (2) complainants' termination from employment was warranted by just and valid grounds as (a) the just and valid causes were proven with substantial evidence, and (b) the penalty of dismissal is warranted under the circumstances; (3) there is no necessity to dwell on the issue of whether the respondents observed and complied with the requirements of due process before effecting complainants' dismissal from employment; and (4) complainants are not entitled to their claim for reinstatement with payment of full backwages, and other monetary claims such as damages and attorney's fees.

In a Decision dated June 28, 2018, the labor arbiter dismissed the complaint for lack of merit. On August 2, 2018, STI ESG received a copy of the Memorandum of Appeal filed by complainants with the National Labor Relations Commission. On August 28, 2018, STI ESG filed its Answer to Appeal with the Eighth Division of the National Labor Relations Commission in Cagayan De Oro City where it was emphasized that the complainants had failed to show that the Arbiter a quo committed grave abuse of discretion and/or serious errors in rendering the assailed Decision, particularly in declaring that the complainants were lawfully terminated on the ground of loss of trust and confidence. In support of our counter-arguments to the complainants' arguments, we stressed on the following important points: (a) the Appeal is just a 90% verbatim reproduction of the facts, arguments and discussion in their Position Paper; and (b) there was no such grave error shown in the case at bar considering that there is more than sufficient basis for the School to lose the trust and confidence it bestowed upon the complainants (i) as complainant Torres demonstrated, through her repeated infractions, that she is not fit to continue undertaking the serious task and heavy responsibility of a CEO, and this holds true for complainant Tumambing, being the COO of STI Davao, (ii) the willful act of disregarding the Operating Procedures

and Systems equates to abuse of authority and, therefore, is sufficient basis for STI to lose its trust and confidence on the complainants, and (iii) the task of ensuring the integrity of the RFA by warranting the completeness and accuracy of the information and required supporting documents thereto, definitely falls within the complainants' scope of responsibilities.

In a Decision dated February 13, 2019, the Eighth Division of the National Labor Relations Commission in Cagayan De Oro City dismissed the Appeal filed by complainants and hereby affirmed the earlier Decision of Labor Arbiter Joseph Martin Castillo dated June 28, 2018. A motion for reconsideration dated March 4, 2019 was filed by complainants. On March 25, 2019, STI ESG filed its Opposition to the Motion for Reconsideration filed by complainants. In a Resolution dated March 26, 2019, the Eighth Division of the National Labor Relations Commission in Cagayan De Oro City denied the Motion for Reconsideration filed by complainants.

On June 10, 2019, STI ESG received a copy of the Petition for Certiorari filed by complainants with the Court of Appeals in Cagayan De Oro City. On July 4, 2019, STI ESG received a copy of the Resolution dated June 25, 2019 of the Court of Appeals in Cagayan De Oro City dismissing the Petition for Certiorari filed by complainants for failure to comply with the requirements for filing said petition.

As at July 11, 2019, STI ESG has yet to receive any motion for reconsideration on the said resolution of the Court of Appeals in Cagayan De Oro City dismissing the Petition for Certiorari filed by complainants.

#### **Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

Except for matters taken up during the annual meeting of stockholders held on 26 October 2018, there was no other matter submitted to a vote of security holders during the period covered by this report.

## **PART II - OPERATIONAL AND FINANCIAL INFORMATION**

#### **Item 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

##### **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 Report, the Company has 9,904,806,924 shares outstanding.

As of the last trading date which was on 29 March 2019, the high share price of the Company was P0.71 and the low share price was P0.70. As of 30 June 2019, the high share price of the Company was P0.77 and the low share price was P0.63

The Company's public float as of 31 March 2019 is 3,578,116,842 shares equivalent to 36.13% 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 two (2) years and the first and second quarters of 2018:

	High	Low
<b>2019</b>		
Second Quarter	0.77	0.63
First Quarter	0.87	0.68
<b>2018</b>		
Fourth Quarter	0.95	0.52
Third Quarter	1.17	0.59
Second Quarter	1.55	1.11
First Quarter	1.65	1.30
<b>2017</b>		
Fourth Quarter	1.93	1.49
Third Quarter	1.69	1.19
Second Quarter	1.57	1.02
First Quarter	1.23	0.95

(2)  Holders

As of 31 March 2019, there were 1,263 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 March 2019.

NAME OF STOCKHOLDER	NUMBER OF SHARES	PERCENTAGE OF OWNERSHIP
PCD NOMINEE CORP (FILIPINO)	2,601,991,295 <sup>1</sup>	26.2700%
PCD NOMINEE CORP (NON-FILIPINO)	1,779,233,161	17.9633%
PRUDENT RESOURCES, INC.	1,614,264,964	16.2978%
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: INSURANCE BUILDERS, INC.)	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 P. CASTIGADOR	399,000	0.0040%
LELEN VALDERRAMA ITF YASMIN AYN VALDERRAMA	300,000	0.0030%
LELEN VALDERRAMA ITF YADIN AYN VALDERRAMA	300,000	0.0030%
LELEN VALDERRAMA ITF GERENT ARN VALDERRAMA	300,000	0.0030%
LELEN A. VALDERRAMA	300,000	0.0030%

<sup>1</sup> Eusebio H. Tanco is the beneficial owner of 117,431,082 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 42,284,000 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.

### (3) Cash Dividends

a) On October 26, 2018, cash dividends amounting to ₱0.02 per share or the aggregate amount of ₱198.1 million were declared by the Board of Directors in favor of all stockholders on record as at November 13, 2018, payable on December 10, 2018.

b) On September 29, 2017, cash dividends amounting to ₱0.02 per share or the aggregate amount of ₱198.1 million were declared by the Board of Directors in favor of all stockholders on record as at October 16, 2017, payable on November 13, 2017.

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

In the meeting of the Board of Directors of the Company held on 15 February 2018, the Board adopted a revised policy on the declaration of dividends starting with Fiscal Year 2017-2018 in order to (1) clarify the dividend declaration policy of not less than 25% of the Company's core net income from the previous fiscal year; and (2) provide the definition of the core net income of the Company.

The Board approved a dividend declaration policy of not less than 25% of the core net income of the Company from the previous fiscal year, subject to compliance with the requirements of applicable laws and regulations, statutory limitations and/or restrictions, terms and conditions which may be imposed on the Company by lenders or other financial institutions, and the Company's investment plans and financial condition.

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

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

Dividends shall be declared and paid out of the Company's unrestricted retained earnings which shall be payable in cash, property or stock to all shareholders on the basis of outstanding stock held by them.

Unless otherwise required by law, the Board, at its sole discretion, shall determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including:

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

### (4) Recent Sales of Unregistered or Exempt Securities

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



## Item 6. MANAGEMENT’S DISCUSSION AND ANALYSIS

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

### Financial Condition

#### **March 31, 2019 vs. 2018**

The Group’s total assets as at March 31, 2019 increased by ₱359.1 million to ₱14,774.9 million from last year’s ₱14,415.8 million. This is due to the ₱1,537.1 million increase in property and equipment partially offset by the ₱1,080.2 million decrease in cash and cash equivalents.

Cash and cash equivalents decreased by ₱1,080.2 million from last year’s ₱1,857.5 million to ₱777.3 million as at March 31, 2019 as a result of continued capital outlays on expansion projects of STI ESG which were funded by the proceeds of the bond offer, as well as the payment of bank loans and interest payments made by STI ESG on its bonds. The proceeds from STI ESG’s bond issuance have been fully utilized as at March 31, 2019.

Receivables, which consist mainly of receivables for tuition and other school fees, decreased by ₱15.6 million, net of estimated credit losses (“ECLs”) recognized in relation to the adoption of Philippine Financial Reporting Standards (“PFRS”) 9, *Financial Instruments*. The balance is composed of amounts expected to be collected from students, DepEd and CHED. Outstanding receivables from DepEd for the SHS qualified voucher recipients amounted to ₱168.8 million as at March 31, 2019, posting an increase of ₱58.8 million from the March 31, 2018 balance while outstanding receivables from CHED amounted to ₱42.1 million as at March 31, 2019. Receivables from students decreased by ₱8.4 million. On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board (“UniFAST”) and STI ESG signed a memorandum of agreement to avail of the Tertiary Education Subsidy (“TES”) and Student Loan Program (“SLP”) for STI ESG students under the Universal Access to Quality Tertiary Education Act (“UAQTEA”) and its Implementing Rules and Regulations (“IRR”). Republic Act No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED-recognized LUCs is ₱40,000. Students enrolled in select HEIs who are qualified to receive the TES, are entitled to ₱60,000. The subsidy is for tuition and other related school fees and should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to Persons with Disabilities (“PWDs”) and graduates of programs with licensure exams amounting to ₱30,000 per annum and ₱10,000, respectively. Under the Voucher and TES Programs, DepEd and CHED, respectively, pay directly the schools where these students enrolled.

Inventories increased by 13% or ₱18.7 million substantially representing the increase in new sets of tertiary uniforms, SHS textbooks, educational and promotional materials in preparation for the coming School Year (“SY”) 2019-2020.

Prepaid expenses and other current assets decreased by ₱33.0 million or 24% from ₱135.8 million to ₱102.8 million due to the decrease in prepaid subscriptions and licenses and prepaid taxes.

Prepaid subscriptions and licenses pertain substantially to eLMS, Microsoft and Adobe Acrobat subscriptions of the Group, including the Sophos firewall and licenses for various software obtained by

iACADEMY for its student activities, which are recognized as expense over the period of coverage. Prepaid licenses decreased by ₱6.3 million from the balance as at March 31, 2018 as payment for renewal of SY 2019-2020 annual Microsoft subscriptions and other licenses was made after March 31, 2019 or beyond the period covered by the report.

Prepaid taxes decreased by ₱32.9 million, net of input VAT recognized and subsequently charged to expense for the period and those applied against output taxes during the year.

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

Property and equipment, net of accumulated depreciation, climbed by 18% or ₱1,537.1 million from ₱8,426.8 million to ₱9,963.9 million as at March 31, 2018 and March 31, 2019, respectively, driven mostly by STI ESG's expansion projects. The construction works in STI San Jose del Monte have been completed as at March 31, 2019 while the newly constructed buildings of STI Sta. Mesa and STI Pasay-EDSA have been substantially completed as at March 31, 2019. These schools are already accepting tertiary and senior high school students for the first semester of SY 2019-2020. Meanwhile, STI Lipa started operations in its new building in August 2018, specifically from the ground up to the fourth floor. The remaining works from the 5<sup>th</sup> floor up to the roof-deck and the basketball gymnasium at the 7<sup>th</sup> floor were completed in March 2019. The construction-in-progress account includes costs related to the replacement of three (3) elevators at iACADEMY Plaza in Buendia Ave., Makati City amounting to ₱10.6 million as at March 31, 2019. Installation of the new elevators is 95% complete and these are expected to be operational in July 2019.

Investment properties declined by ₱31.0 million from ₱1,863.7 million to ₱1,832.7 million representing depreciation expense recognized for the period.

Investments in and advances to associates and joint ventures increased by ₱2.3 million from ₱41.9 million to ₱44.2 million as at March 31, 2018 and 2019, respectively, due to the share in associates' income, net of dividends received from an associate of STI ESG, for the year ended March 31, 2019.

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

Deferred tax assets (“DTA”) rose by ₱19.6 million substantially due to taxes applicable to remeasurement loss on pension liability, tuition and other school fees collected in advance and adjustments resulting from the adoption of PFRS 9. Following statutory regulations, tuition and other school fees which are collected in advance are subject to income tax upon receipt. Bad debts ascertained to be worthless and uncollectible are considered as deductible for tax purposes when these receivables are written off. Remeasurement loss, related to pension expense, is presented net of taxes in the current year’s statement of comprehensive income (loss).

Pension assets amounted to ₱53.5 million and nil as at March 31, 2018 and 2019, respectively. This is due to the computed actuarial loss on pension assets arising from the decline in value of equity shares forming part of pension assets. The Group offsets its pension assets and liabilities for presentation in the consolidated statements of financial position since pension assets are restricted for the settlement of pension liabilities only.

Goodwill, intangible and other noncurrent assets increased by ₱12.2 million from ₱561.5 million to ₱573.7 million as at March 31, 2019. In January 2018, STI ESG entered into a contract to sell with a real estate developer for the acquisition of a lot in Iloilo City with a total area of 2,615 sq. m. for the price of ₱183.0 million plus value-added tax, less other applicable taxes. STI ESG made a down payment amounting to ₱67.5 million in January 2018, net of the ₱200.0 thousand reservation fee paid on November 29, 2017. The remaining balance in the amount of ₱128.1 million is being paid without interest in eighteen (18) equal monthly installments of ₱7.1 million starting January 2018 up to June 2019. The lot will be the future site of STI Iloilo. On February 15, 2019, STI ESG and the shareholders of NAMEI Polytechnic Institute, Inc. and NAMEI Polytechnic Institute of Mandaluyong, Inc. (collectively referred to as “NAMEI”) entered into a share purchase agreement for the sale of approximately 92% of the 50,000 outstanding shares of NAMEI Polytechnic Institute, Inc. and 99% of the 10,000 outstanding shares of NAMEI Polytechnic Institute of Mandaluyong, Inc. Both shares have a par value of ₱10.0 each. In January 2019, STI ESG made a deposit of ₱14.0 million which was held in escrow with a law firm. This amount is to be treated as part of the purchase price at closing date. Another ₱36.0 million was paid on February 15, 2019. On the same date, STI ESG paid ₱10.0 million to NAMEI as deposit for future subscription in shares of NAMEI and another ₱10.0 million representing STI ESG’s share in the transaction costs and all other fees and expenses to be incurred under the agreement. In relation to this, STI ESG recognized ₱70.0 million as deposit for the purchase of shares of NAMEI. On April 1, 2019, Deeds of Assignment were executed by the shareholders of NAMEI transferring and conveying ownership of 94% of NAMEI Polytechnic Institute, Inc. and 100% ownership of NAMEI Polytechnic Institute of Mandaluyong, Inc. to STI ESG. This resulted to the acquisition of NAMEI as a subsidiary of STI ESG effective April 1, 2019. Consequently, as at March 31, 2019, the deposits for asset acquisitions increased by ₱155.5 million representing payments made for the acquisition of a lot in Iloilo City and deposits made for the purchase of shares of NAMEI as discussed above. STI ESG and STI WNU conduct annual impairment testing of goodwill recognized through business combinations. Impairment testing as at March 31, 2019 showed that the Group’s cash-generating units’ (“CGUs”) recoverable amounts were higher than their carrying amounts except for the goodwill related to STI Tuguegarao and STI Pagadian. For the year ended March 31, 2019, the Group recognized impairment loss on goodwill aggregating to ₱17.0 million related to these schools since their recoverable amounts were lower compared to their carrying amounts. Noncurrent advances to suppliers decreased by ₱145.7 million due to reclassification to “Property and Equipment” as STI ESG capitalized the cost of construction works based on the percentage of completion of the projects as at March 31, 2019.

Accounts payable and other current liabilities increased by ₱91.7 million substantially due to obligations to contractors in relation to construction and repairs in various STI ESG campuses.

Current portion of interest-bearing loans and borrowings under the Corporate Notes Facility with China Bank increased by ₱132.2 million to ₱299.6 million, representing amounts due within one year, net of principal payments made during the year aggregating to ₱134.4 million and ₱63.0 million by STI ESG and STI WNU, respectively. Meanwhile, iACADEMY made full drawdown from its ₱800.0 million term loan facility with China Banking Corporation amounting to ₱470.0 million. This resulted to the increase in the

noncurrent portion, net of the reclassification made to current portion of interest-bearing loans and borrowings, amounting to ₱141.9 million.

Current portion and noncurrent portion of obligations under finance lease decreased by ₱0.6 million and ₱2.7 million, respectively, as at March 31, 2019 as payments were made during the year.

Unearned tuition and other school fees increased by 24% or ₱36.0 million from ₱149.4 million as at March 31, 2018 to ₱185.4 million as at March 31, 2019, substantially attributed to advance payments of tuition and other school fees of incoming students for SY 2019-2020 and the portion of the assessment fees of the August batch of tertiary students for the second semester of SY 2018-2019 ending in May 2019. The unearned revenue will be recognized as income over the related term.

Income tax payable decreased by ₱5.4 million as at March 31, 2019 from ₱17.5 million last March 31, 2018 due to lower taxable income.

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

Pension liabilities increased by 79% to ₱76.1 million as at March 31, 2019 representing additional retirement obligations and additional liability recognized due to the impact of unrealized remeasurement loss recognized from the decline in the market value of the investment in equity securities of the pension plan assets of the Group for the year ended March 31, 2019.

Other noncurrent liabilities increased by ₱1.9 million representing advance rent and security deposits received from new lease agreements. This amount is net of the payments made by STI Novaliches to STI Diamond amounting to ₱8.0 million as a result of the conveyance of the latter's net assets to the former in August 2016.

As at March 31, 2019, cumulative actuarial gain decreased by ₱75.8 million from ₱96.7 million to ₱20.9 million as at March 31, 2018 and 2019, respectively, due to the impact of unrealized remeasurement loss resulting from the decline in market value of the investment in equity securities of the pension plan assets.

The Group's fair value change in equity instruments designated at FVOCI is up by ₱3.6 million substantially representing increase in the fair market value of STI ESG's shares in DLSCM.

Other equity reserve was adjusted by ₱2.7 million reflecting the impact of the merger between iACADEMY and Neschester on the Parent Company's accounts.

Other comprehensive income associated with the noncurrent asset held for sale shown in the equity side of the audited consolidated statements of financial position amounting to ₱90.6 million represents STI ESG's cumulative share in Maestro Holdings' unrealized mark-to-market gain on available-for-sale financial assets, cumulative actuarial gain on pension liabilities, remeasurement loss on life insurance reserves and other equity reserve, net of the non-controlling interests in STI ESG, up to June 30, 2017, which is the date of reclassification.

The Group's share in associates' cumulative actuarial gain amounted to ₱0.3 million as at March 31, 2019, up by 49% from ₱0.2 million recorded as at March 31, 2018.

Retained earnings increased by ₱0.9 million from ₱4,611.4 million to ₱4,612.3 million as at March 31, 2018 and 2019, respectively. This is due to the net income attributable to equity holders of the Group amounting to ₱281.0 million and the realized fair value gain on equity instruments designated at FVOCI amounting to ₱37.1 million resulting from the sale of shares in DLSC. Dividends of ₱198.1 million were declared by the Parent Company and adjustments on the initial application of PFRS 9 amounting to ₱129.1 million, net of tax, were recognized for the period beginning April 1, 2018.

### **March 31, 2018 vs. 2017**

The Group's total assets as at March 31, 2018 increased by ₱363.5 million to ₱14,415.8 million from ₱14,052.3 million as at March 31, 2017. This is due to the ₱1,551.3 million increase in property and equipment partially offset by the ₱1,341.2 million decrease in cash and cash equivalents. Eight floors of iACADEMY's Yakal campus were fully occupied as at March 31, 2018 while the remaining six floors were due for completion by mid-July of 2018. Construction of this Yakal campus was funded through internally generated funds and a term loan from China Bank.

Cash and cash equivalents decreased by ₱1,341.2 million from ₱3,198.7 million to ₱1,857.5 million as at March 31, 2018 as a result of continued capital outlays on expansion projects of STI ESG which were funded by the proceeds of the bond offer, as well as the payment of bank loans and interest payments made by STI ESG on its bonds.

Receivables, which consist mainly of receivables for tuition and other school fees, increased by ₱74.9 million or 17%. The balance is composed of amounts expected to be collected from students and from DepEd. Receivables from students increased by ₱36.8 million. Outstanding receivables from DepEd for the SHS qualified voucher recipients amounted to ₱110.1 million as at March 31, 2018, posting an increase of ₱58.9 million from the March 31, 2017 balance. On October 23, 2017, DepEd released DepEd Order No. 54 or the "Guidelines on the Implementation of the SHS Voucher Program for SY 2017-2018." This DepEd order states that vouchers will now be paid once every school year instead of the original twice-a-year payment. The vouchers are expected to be collected within 8-12 weeks from date of submission of billing statements to DepEd.

Inventories rose by 13% or ₱16.0 million substantially due to increase in stock of SHS uniforms in preparation for the coming SY 2018-2019.

Prepaid expenses and other current assets decreased by ₱13.2 million or 9% from ₱149.0 million to ₱135.8 million. This is largely due to the reclassification of input VAT amounting to ₱46.8 million from prepaid taxes to "Land" under "Property and Equipment", thus forming part of its acquisition cost. As a background, in January 2017, STI ESG purchased three parcels of land along EDSA, Pasay City with a combined land area of 3,911 square meters. This will be the site of the nine-storey STI Academic Center Pasay-EDSA with roof deck, where the existing students of STI Taft, a separate corporate entity then, will eventually transfer. On August 30, 2017, SEC approved the merger of STI Taft and STI ESG, with STI ESG as the surviving entity. With the approval of the merger, the related input tax on the purchase of the said EDSA properties amounting to ₱46.8 million, was reclassified as part of the acquisition cost of land. In another development, STI ESG entered into a contract to sell in January 2018 for the acquisition of a lot situated at Barangay San Rafael, Iloilo City for ₱183.05 million. STI ESG paid 30% down payment, inclusive of VAT and related taxes, amounting to ₱67.5 million in the same month. This is net of ₱0.2 million reservation fee. STI ESG recognized input tax amounting to ₱22.0 million. This lot is earmarked as the future site of STI Iloilo. These transactions, partially offset by real property taxes on investment properties and business taxes paid by STI ESG covering the period January to December 2018, brought down prepaid taxes by ₱17.0 million from the ₱122.7 million balance as at March 31, 2017. Prepaid subscriptions and licenses pertain substantially to eLMS, Microsoft, Adobe Acrobat subscription, Sophos firewall and licenses for various software obtained by iACADEMY for its student activities, which are

amortized over the period of coverage. Prepaid licenses increased by ₱9.8 million primarily due to prepayment of Microsoft subscriptions covering the period February 2018 to January 2019.

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

Property and equipment, net of accumulated depreciation, climbed by 23% or ₱1,551.2 million from ₱6,875.6 million to ₱8,426.8 million as at March 31, 2017 and March 31, 2018, respectively. As part of the continued expansion projects, STI ESG acquired parcels of land in Lipa and Legazpi amounting to ₱99.1 million and ₱76.4 million, respectively, inclusive of taxes and registration fees. These acquisitions were funded by the proceeds from the bond offer. The cost of acquisition of EDSA properties increased likewise with the reclassification of input tax amounting to ₱46.8 million as part of the cost of land. The renovation costs of STI Sta. Maria and the fit out work on a newly constructed building, which was leased to be the new site of STI Malaybalay, also contributed to the increase. The total related contract costs amounted to ₱69.0 million, inclusive of materials, equipment, furniture and fixtures, cost of labor and overhead and all other costs necessary for the completion of these projects. The construction projects in Sta. Maria and Malaybalay were completed in January 2018. The construction-in-progress account likewise increased significantly as the construction projects for the new sites of STI Lipa, STI Sta. Mesa, STI Pasay-EDSA and a green field school in San Jose del Monte continued in full swing. STI Lipa started operations in the new building in August 2018, specifically from the ground up to the fourth floor. The remaining works from the 5<sup>th</sup> floor up to the roof deck and the basketball gymnasium at the 7<sup>th</sup> floor were completed in March 2019. The rest of the buildings were substantially completed in March 2019.

As at March 31, 2018, the building, machineries and equipment and construction-in-progress account include costs incurred for the land development and building of iACADEMY's Yakal campus. The building opened and was launched as iACADEMY Nexus on February 12, 2018. Of the fourteen floors in the building, eight floors are now utilized as classrooms, office and parking of iACADEMY. The rest of the six floors, including finishing works, were completed by August 2018. The cost allocated to these floors is still recognized as construction-in-progress with a balance of ₱23.7 million as at March 31, 2018.

STI ESG reclassified its investments in Maestro Holdings amounting to ₱716.6 million as "Noncurrent Asset Available for Sale" in June 2017 and presented the same under the current assets portion of the consolidated Statements of Financial Position. "Investments in and advances to associates and joint ventures" consequently decreased by the same amount. Equity share in net losses amounting to ₱222.0 million recognized during the period also contributed to the decrease in the "Investments in and advances to associates and joint ventures" account.

Available for Sale Financial Assets increased by ₱16.5 million from ₱51.6 million to ₱68.1 million as at March 31, 2017 and March 31, 2018, respectively. Deposit for the purchase of proprietary shares in a development in Batangas amounting to ₱16.1 million was reclassified from Other Noncurrent Assets to Available-for-sale Financial Assets in December 2017.

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

Goodwill, intangible and other noncurrent assets increased by ₱134.3 million to ₱561.5 million as at March 31, 2018 largely due to additional ₱136.3 million noncurrent advances to suppliers/contractors in connection with construction activities for the period.

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

Accounts payable and other current liabilities increased by ₱322.2 million largely due to the additional payables recognized by iACADEMY and by STI ESG in relation to construction works on the former’s Yakal campus and in various STI ESG campuses.

Short-term loans and current portion of interest-bearing loans and borrowings under the Corporate Notes Facility with China Bank decreased by ₱645.4 million net of reclassification amounting to ₱167.4 million from noncurrent to current portion of the Corporate Notes Facility.

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

On the other hand, iACADEMY made its first drawdown on September 29, 2017 from the ₱800.0 million term loan facility arranged with China Banking Corporation to fully settle the ₱200.0 million bridge loan used for the construction of its Yakal campus.

In addition, STI ESG and STI WNU remitted principal payments to China Bank amounting to ₱40.8 million and ₱27.0 million, respectively during the year ended March 31, 2018.

Noncurrent portion of interest-bearing borrowings increased by a net amount of ₱154.8 million resulting from the reclassification of ₱167.4 million to current liability and iACADEMY’s recognition of ₱330.0 million drawdown from its term loan facility less ₱7.8 million deferred transaction costs.

Current portion and noncurrent portion of obligations under finance lease increased by ₱1.5 million and ₱7.5 million, respectively, as at March 31, 2018 with the acquisition of property and equipment under finance lease.

Unearned tuition and other school fees increased by 49% or ₱49.1 million from ₱100.3 million as at March 31, 2017 to ₱149.4 million as at March 31, 2018, substantially attributed to advance payments of tuition and other school fees of incoming students for SY 2018-2019. The unearned revenue will be recognized as income over the incoming school term of the STI ESG schools and STI WNU and over the remaining months of iACADEMY’s school term.

Income tax payable decreased to ₱17.5 million as at March 31, 2018 from ₱19.6 million last March 31, 2017 due to lower taxable income.

STI ESG listed its ₱3.0 Billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the PDEx secondary market on March 23, 2017. This is the first tranche of its ₱5 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. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on a non-banking day, of each year commencing on June 23, 2017, until and including the relevant maturity dates. The Bonds Payable is carried in the books at ₱2,951.9 million and ₱2,947.0 million as at March 31, 2018 and

2017, respectively, net of deferred finance charges representing bond issue costs with carrying value of ₱48.1 million and ₱53.0 million, as at March 31, 2018 and 2017, respectively.

Pension liabilities decreased by 12% to ₱42.5 million as of March 31, 2018 due to the impact of remeasurement unrealized gains recognized based on actuarial reports.

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

As at March 31, 2018, Cumulative actuarial gain increased by ₱52.3 million from ₱44.4 million to ₱96.7 million as at March 31, 2017 and 2018, respectively, due to the impact of unrealized remeasurement gains recognized from the improved market value of the investment in equity securities of the pension plan assets.

The Group's unrealized mark-to-market gains on available-for-sale financial assets increased by ₱0.4 million largely due to the higher market value of the Manulife shares held by STI ESG.

Other comprehensive income associated with the noncurrent asset held for sale shown in the equity side of the audited consolidated statements of financial position amounting to ₱90.6 million represents STI ESG's cumulative share in Maestro Holdings' unrealized mark-to-market gain on available-for-sale financial assets, cumulative actuarial gain on pension liabilities, remeasurement loss on life insurance reserves and other equity reserve, net of the non-controlling interests in STI ESG, up to June 30, 2017, which is the date of reclassification.

The Group's share in associates' unrealized mark-to-market loss on available-for-sale financial assets of ₱16.2 million reported as at March 31, 2017 decreased substantially as at March 31, 2018. This amount as at March 31, 2017 corresponds to the unrealized mark-to-market losses attributable to the 20% investment share in Maestro Holdings and is part of the reclassification made in June 2017.

The Group's share in associates' cumulative actuarial gain declined from ₱0.7 million as at March 31, 2017 to ₱0.2 million as at March 31, 2018. The balance shown as at March 31, 2018 does not include any amount pertaining to the reclassified noncurrent asset held for sale.

The Group's share in associates' remeasurement losses on life insurance reserves is the result of the retrospective application of the change in the valuation methodology of PhilLife's life insurance reserves for traditional products from Net Premium Valuation ("NPV") to Gross Premium Valuation ("GPV") in accordance with Insurance Commission Circular Letters 2016-66 and 2017-36, "Valuation for Life Insurance Policy Reserves" effective starting January 1, 2017. The balance of ₱18.1 million as at March 31, 2017 corresponds to the 20% investment share in Maestro Holdings and is part of the reclassification made in June 2017.

The Group's share in associates' other equity reserve of ₱0.7 million reported as at March 31, 2017 likewise corresponds to the 20% investment share in Maestro Holdings and is part of the reclassification made in June 2017.

Retained earnings increased by ₱307.9 million as a result of this year's net income earned less dividends declared.



## Results of Operations

### Years ended March 31, 2019 vs. 2018

The enrollment figures at the start of the school year of the schools under STI Holdings, inclusive of June late enrollees and the August college freshmen batch of STI ESG, are as follows:

	SY 2018-2019	SY 2017-2018	Increase (Decrease)	
			Enrollees	Percentage
<b>STI ESG</b>				
Owned schools	44,298	54,366	(10,068)	(18.5%)
Franchised schools	32,543	42,165	(9,622)	(22.8%)
	<b>76,841</b>	<b>96,531</b>	<b>(19,690)</b>	<b>(20.4%)</b>
<b>iACADEMY</b>	2,291	1,728	563	32.6%
<b>STI WNU</b>	6,665	6,772	(107)	(1.6%)
<b>Total Enrollees</b>	<b>85,797</b>	<b>105,031</b>	<b>(19,234)</b>	<b>(18.3%)</b>

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

	SY 2018-2019			
	CHED	TESDA	DEPED*	TOTAL
<b>STI ESG</b>	38,582	1,843	36,416	76,841
<b>iACADEMY</b>	1,121	-	1,170	2,291
<b>STI WNU</b>	3,499	-	3,166	6,665
<b>Total</b>	<b>43,202</b>	<b>1,843</b>	<b>40,752</b>	<b>85,797</b>

Proportion of CHED:TESDA:DepEd	<b>50%</b>	<b>2%</b>	<b>48%</b>	<b>100%</b>
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	SY 2017-2018			
	CHED	TESDA	DEPED*	TOTAL
<b>STI ESG</b>	40,147	2,191	54,193	96,531
<b>iACADEMY</b>	783	-	945	1,728
<b>STI WNU</b>	3,336	-	3,436	6,772
<b>Total</b>	<b>44,266</b>	<b>2,191</b>	<b>58,574</b>	<b>105,031</b>

Proportion of CHED:TESDA:DepEd	<b>42%</b>	<b>2%</b>	<b>56%</b>	<b>100%</b>
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\* For STI ESG and iACADEMY, these represent the number of enrolled SHS students while for STI WNU, this is the total of 2,218 SHS students and the 948 students enrolled in basic education for SY 2017-2018 and 2,496 SHS students and the 940 students enrolled in basic education for SY 2017-2018.

In line with the Group's thrust to continue providing an opportunity for fresh Grade 12 graduates to pursue their tertiary education this SY 2018-2019, STI ESG accepted two freshmen batches. Classes for the first batch started in June 2018 while classes for the second batch started in August 2018.

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

- accommodating late enrollees who waited for acceptance by SUCs/LUCs in anticipation of the free college education under the Universal Access to Quality Tertiary Education Act;
- preventing the displacement of STI ESG faculty members who may not have enough teaching load due to low turnout of freshmen college enrollees for the June class opening for the same reason cited above, and;
- moving forward, adjusting the school calendar of STI schools nationwide to eventually align it with the calendar of public colleges as well as other private HEIs not only in the Philippines but in the ASEAN region as well.

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

Total revenues for the year amounted to ₱2,752.6 million, lower by ₱330.1 million from revenues generated last year of ₱3,082.7 million.

Tuition and other school fees is posted at ₱2,346.3 million for the year ended March 31, 2019 or a 10% decline of ₱266.4 million from the same period last year due to the lower-than-expected turnout of college freshman enrollees. SHS enrollment also dropped significantly this year as the STI Network held the graduation of over 30,000 Grade 12 students who belonged to the first batch of SHS graduates under the K to 12 program of the government. Meanwhile, enrollment in iACADEMY increased by 33% or 563 students.

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

Sale of educational materials and supplies decreased by ₱17.7 million or 10%. The sale of uniforms scaled up with the entry of the freshmen college students. On the other hand, the sale of textbooks and uniforms for SHS went down due to the decline in the number of SHS enrollees.

Cost of educational services increased by 5% or ₱45.0 million from ₱882.1 million last year to ₱927.1 million this year. Depreciation on the newly completed STI ESG and iACADEMY buildings raised depreciation and amortization expenses by ₱58.0 million. STI Lipa started operations in its new building in August 2018, specifically from the ground up to the fourth floor. The related depreciation on these occupied floors was recorded during the current period and contributed to the said increased expense. Cost of student activities and programs increased significantly by ₱15.7 million as activities like student conventions, hotel immersions, culinary and tourism exposures, bartending seminars and educational tours were undertaken this year. Escalation on rental rates of renewed lease agreements increased direct rent expense by ₱0.2 million. On the other hand, instructors' salaries and benefits decreased by ₱25.2 million substantially due to the reduced number of part-time faculty members concomitant with the lower turn out of enrollees.

Cost of educational materials and supplies sold decreased by ₱11.3 million, largely due to decreased sale of textbooks.

Gross profit decreased by ₱363.8 million from ₱2,068.7 million last year to ₱1,704.9 million this year. The gross profit margin slightly decreased by 5 percentage points, from 67% to 62%.

General and administrative expenses increased by 10% or ₱114.2 million from ₱1,194.3 million last year to ₱1,308.5 million this year. The highest increase was registered by advertising and promotion costs which increased year-on-year by ₱44.2 million as the marketing campaign for both SHS and Tertiary programs were intensified in time for the opening of classes for SY 2018-2019. Salaries and benefits increased by ₱19.0 million due to filling up of vacancies and merit increases given to deserving employees. Goodwill previously recognized through business combinations allocated to STI Tuguegarao and STI Pagadian aggregating to ₱17.0 million was impaired for the year ended March 31, 2019. Depreciation expense increased by ₱11.7 million due to depreciation recognized after completion of building construction for STI Lipa, STI Malaybalay and iACADEMY's Nexus building and renovation of STI Sta. Maria building. Costs of security, janitorial and other outside services increased by ₱10.4 million largely due to security guards posted in the Parent Company's Quezon City and Davao properties as well as in iACADEMY's Nexus campus. Light and water expenses increased by ₱9.3 million due to the higher expenses recognized by the schools for the year compared to last year, as the average rate per kilowatt-hour of electricity increased and as utility costs for newly-completed buildings were recorded. The Group recognized ECL resulting from the adoption of PFRS 9 based on the Group's historical credit loss experience adjusted with forward-looking information. The most recent receivables are assigned with lower loss rates. Estimated loss rates vary over time and increase as the receivables age and as credit risks increase with the likelihood of the receivables becoming impaired. The Group recognized a provision for ECL amounting to ₱74.9 million for the year ended March 31, 2019. The Group's receivables pertaining to the recently concluded SY 2018-2019 are higher compared to the receivables from students pertaining to the previous period. Receivables pertaining to SY 2017-2018 likewise registered an improvement in 2019 due to subsequent collections received from the students. Thus, the Group recognized lower provision for ECL for the year ended March 31, 2019 compared with the provision for doubtful accounts for the year ended March 31, 2018 amounting to ₱82.2 million or an improvement of ₱7.3 million.

The Group's operating income, that is, income before other income and expenses and income tax, thus declined by 55% from ₱874.3 million last year to ₱396.4 million this year.

Equity in net loss of associates and joint ventures amounting to ₱222.0 million for the year ended March 31, 2018 pertains largely to the share of STI ESG in the loss of Maestro Holdings up to end of June 2017. With the reclassification of the carrying value of STI ESG's 20% ownership in Maestro Holdings to noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for its investment in Maestro Holdings as at June 27, 2017. By way of explanation, this loss arose from the decision of PhilPlans to fully recognize the mandated discount interest rate imposed by the Insurance Commission ("IC") on the reserves of pre-need companies. The IC is the government regulatory agency supervising pre-need companies. In November 2012, the IC issued Circular Letter 23-2012 relating to the Valuation of Transitory Pre-need Reserves. The IC mandated a gradual decrease in the discount interest rate to be used for valuing the reserves to provide regulatory leeway for the compliance to this circular. The old basket of plans previously approved by the SEC when the pre-need companies were under its supervision were using higher discount rate. The circular mandated that for the years 2012 to 2016, the discount interest rate shall be 8%; for 2017, 7.25%; for 2018, 6.5% and for 2019 onwards 6%. In July 2017, PhilPlans opted to have an early adoption of the 6% discount interest rate starting January 2017. This means bigger allocation to pre-need reserves from its trust funds, thus recognizing a higher expense item.

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

Accordingly, the Group has made the necessary adjustments to recognize its share in the restated net earnings and comprehensive income of Maestro Holdings.

The equity in net earnings of associates and joint ventures amounting to ₱3.2 million for the year ended March 31, 2019 does not include any share in the operations of PhilPlans or any of the other subsidiaries of Maestro Holdings after STI ESG's BOD approved the disposal of its 20% stake in Maestro Holdings on June 27, 2017. With this decision to dispose of the Maestro Holdings investment, STI ESG's investment in Maestro Holdings was reclassified to "Noncurrent asset held for sale" under the current assets portion of the unaudited interim condensed consolidated statements of financial position. STI ESG then ceased the use of the equity method of accounting for its investment in Maestro Holdings on June 30, 2017.

Rental income increased by ₱12.0 million or 10% due to the substantial occupancy of the investment properties owned by STI ESG.

Interest expenses on loans increased by ₱9.4 million year-on-year mainly due to interest incurred on STI ESG's bond issue charged to expense, net of borrowing costs capitalized as part of the cost of the related capital expenditure based on accounting standards in the recognition of borrowing costs. Interest on the loans of STI WNU and iACADEMY were also charged to expense as construction projects were already completed.

Interest income for the year amounted to ₱21.1 million mainly due to interest earned from short-term placements of the proceeds from STI ESG's bond issue.

The gain on sale of property and equipment amounting to ₱1.0 million substantially represents gain on disposal of fully depreciated air conditioning units of STI Global City, which were replaced by inverter air conditioners to save on cost of electricity.

Dividend and other income increased by ₱3.0 million representing an increase in dividends received from De Los Santos Medical Center (formerly De Los Santos General Hospital) and dividends received from STI Marikina, an associate of STI ESG, for the year ended March 31, 2019.

Provision for income tax declined by 45% due to lower taxable income for the current period as compared to last year.

Net income decreased by ₱218.7 million from ₱502.8 million last year to ₱284.1 million for the current year.

Total Comprehensive Income for the year ended March 31, 2019 amounted to ₱207.2 million, a decline of ₱474.3 million compared to ₱681.5 million for the year ended March 31, 2018 driven primarily by the decline in operating income due to lower revenues. The report for last year includes the Group's share in its associates' unrealized mark-to-market gain on available for sale financial assets amounting to ₱125.0 million. Remeasurement gain on pension liability, net of applicable taxes, of ₱53.0 million, was recognized last year while remeasurement loss on pension liability amounting to ₱76.8 million, likewise net of taxes, was recorded this year due to the decline in the value of equity shares forming part of pension assets.

Fair value change in equity instruments at FVOCI amounted to ₱0.3 million this year compared to unrealized mark-to-market gain on available-for-sale financial assets of ₱0.4 million 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 of associates and joint ventures, interest expense and interest income decreased by 28% or ₱392.3 million to ₱1,000.1 million from last year's ₱1,392.4 million. EBITDA margin likewise declined from 45% last year to 36% this year.

Core income, computed as the consolidated net income after income tax derived from the Group's main business of education and other recurring income, amounted to ₱280.0 million for the year ended March 31, 2019 compared to last year's ₱724.8 million.

#### Years ended March 31, 2018 vs. 2017

The steady increase in the number of enrollees in STI ESG owned and franchised schools, as well as in iACADEMY and STI WNU, resulted in revenue growth of 5% or ₱149.7 million, reaching ₱3,082.7 million for the fiscal year ended March 31, 2018.

The enrollment at the start of SY 2017-2018 of the schools under STI Holdings are as follows:

	SY 2017-2018	SY 2016-2017	Increase (Decrease)	
			Enrollees	Percentage
<b>STI ESG</b>				
Owned schools	54,366	52,687	1,679	3.2%
Franchised schools	42,165	43,592	(1,427)	(3.3)%
	96,531	96,279	252	0.3%
<b>iACADEMY</b>	1,728	1,375	353	26%
<b>STI WNU</b>	6,772	6,073	699	12%
<b>Total Enrollees</b>	<b>105,031</b>	<b>103,727</b>	<b>1,304</b>	<b>1%</b>

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

	SY 2017-2018			
	CHED	TESDA	DEPED*	TOTAL
<b>STI ESG</b>	40,147	2,191	54,193	96,531
<b>iACADEMY</b>	783	-	945	1,728
<b>STI WNU</b>	3,336	-	3,436	6,772
<b>Total</b>	<b>44,266</b>	<b>2,191</b>	<b>58,574</b>	<b>105,031</b>

Proportion of CHED:TESDA:DepEd	42%	2%	56%	100%
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	SY 2016-2017			
	CHED	TESDA	DEPED*	TOTAL
<b>STI ESG</b>	53,016	5,692	37,571	96,279
<b>iACADEMY</b>	945	-	430	1,375
<b>STI WNU</b>	3,989	-	2,084	6,073
<b>Total</b>	<b>57,950</b>	<b>5,692</b>	<b>40,085</b>	<b>103,727</b>

Proportion of CHED:TESDA:DepEd	56%	5%	39%	100%
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\* For STI ESG and iACADEMY, these represent the number of enrolled SHS students while for STI WNU, this is the total of 2,496 SHS students and the 940 students enrolled in basic education for SY 2017-2018 and 1,205 SHS students and the 879 students enrolled in basic education for SY 2016-2017.

Tuition and other school fees for the year increased by ₱73.8 million or 3%. While there was only a 1% increase in the total number of students of the Group from 103,727 in SY 2016-2017 to 105,031 students in SY 2017-2018, the related increase in revenues is higher.

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

Sale of educational materials and supplies increased by ₱24.8 million or 16% largely due to increased sale of SHS textbooks.

Other revenues increased by 182% or ₱40.6 million from ₱22.2 million for the year ended March 31, 2017 to ₱62.8 million for the same period in 2018, substantially due to fees for the use of the enrolment and e-Learning Management systems.

Cost of educational services increased by 7% or ₱58.2 million year-on-year mainly due to costs associated with the operation of STI Sta. Maria which was consolidated in the year ended March 31, 2018 with the costs of the Group. STI Sta. Maria became a 100% STI ESG subsidiary in April 2017. In addition, faculty salaries and benefits increased by 8% or ₱25.9 million attributed to the salaries of instructors who handled the remedial classes of SHS students in April and May 2017 and due to salary alignment of SHS teachers who passed the Licensure Examination for Teachers (“LET”) and tertiary instructors who earned their Master’s degrees. Depreciation and amortization increased by ₱21.7 million substantially attributed to the impact of depreciation recognized for the STI Las Piñas campus building which was completed in July 2016, as well as other completed construction and renovation projects. STI ESG also held the first K to 12 program Grade 12 graduation which increased the commencement costs from ₱16.9 million last year to ₱34.6 million or by ₱17.7 million in SY 2017-2018. Software maintenance cost increased by ₱6.2 million due to cloud services of PLDT for connectivity and data storage cost of the enrollment system, as database was moved from onsite premise servers to cloud. The cost increases were partially offset by the decrease of ₱4.5 million in cost of student activities and programs due to a February 2017 CHED Memorandum on the imposition of a moratorium on field trips and other similar activities covered under CHED Memorandum No. 17 Series of 2012. This moratorium was lifted during SY 2017-18. Thus, STI ESG plans to bring back and continue these annual activities of the students in the coming school years.

Cost of educational materials and supplies sold increased by ₱11.1 million, largely due to increased sale of textbooks, net of the rebates received from the acquisition of these textbooks amounting to ₱5.5 million.

Gross profit increased by ₱80.5 million from ₱1,988.2 million for the year ended March 31, 2017 to ₱2,068.7 million generated for the year ended March 31, 2018. The gross profit margin, however, slightly decreased by 1 percentage point, from 68% to 67%. The decrease is largely due to the mix of students that the Group has. In SY 2016-2017, the proportion of students is 56:5:39 where the CHED students accounted for 56% of total student population as against the SHS students’ share of 39%. This SY 2017-2018, the proportion is 42:2:56 where CHED students account for 42% and SHS students make up 56% of total student population. The Group’s experience is that higher revenues and higher margins are derived from CHED students. The new batch of CHED first year students is expected to come starting SY 2018-2019.

General and administrative expenses increased by 12% or ₱128.2 million year-on-year. Personnel costs increased by ₱22.4 million or 7% as plantilla positions were filled up and salary increases given to deserving employees. Costs of security, janitorial and other outside services increased by ₱20.9 million due to the consolidation of operations of STI Sta. Maria as well as additional costs incurred by STI Las Piñas and various other schools for additional security and janitorial personnel. Further, security guards posted in the Parent Company’s Quezon City and Davao properties resulted in additional ₱7.5 million cost. Professional fees increased by ₱17.9 million largely due to expenses incurred in relation to the merger of STI Taft and STI Dagupan with STI ESG, special audits in connection with the disposal of

Maestro Holdings, and various legal and labor-related cases. Light and water expenses increased substantially by ₱16.4 million due to the cost incurred by STI Sta. Maria which is consolidated in the year ended March 31, 2018, and higher expenses recognized by the schools for the year compared to previous year, as the average rate per kilowatt-hour of electricity increased. Advertising and promotion expense increased by ₱13.1 million as the marketing campaign for both SHS and Tertiary programs were intensified. Following STI ESG's Receivables Impairment policy, STI Sta. Maria recognized impairment expense amounting to ₱7.4 million on its outstanding receivables from its students as of March 31, 2018. This contributed substantially to the ₱11.6 million increase in Provision for doubtful accounts of the Group. Taxes and licenses increased by ₱8.0 million due to real property taxes on investment properties.

The Group's operating income, that is, income before other income and expenses and income tax, thus declined by 5% from ₱922.1 million to ₱874.3 million for the year ended March 31, 2018.

Equity in net loss of associates and joint ventures amounting to ₱222.0 million for the year ended March 31, 2018 pertains largely to the share of STI ESG in the loss of Maestro Holdings up to end of June 2017. With the reclassification of the carrying value of STI ESG's 20% ownership in Maestro Holdings to noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for its investment in Maestro Holdings as at June 27, 2017. By way of explanation, this loss arose from the decision of PhilPlans to fully recognize the mandated discount interest rate imposed by the IC on the reserves of pre-need companies. The IC is the government regulatory agency supervising pre-need companies. In November 2012, the IC issued Circular Letter 23-2012 relating to the Valuation of Transitory Pre-need Reserves. The IC mandated a gradual decrease in the discount interest rate to be used for valuing the reserves to provide regulatory leeway for the compliance to this circular. The old basket of plans previously approved by the SEC when the pre-need companies were under its supervision were using higher discount rate. The circular mandated that for the years 2012 to 2016, the discount interest rate shall be 8%; for 2017, 7.25%; for 2018, 6.5% and for 2019 onwards 6%. In July 2017, PhilPlans opted to have an early adoption of the 6% discount interest rate starting January 2017. This means bigger allocation to pre-need reserves from its trust funds, thus recognizing a higher expense item.

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

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

Rental income increased by ₱3.2 million or 3% due to the substantial occupancy of the investment properties owned by STI ESG.

Interest expenses on loans increased by 177% or ₱140.2 million year-on-year mainly due to interest incurred on STI ESG's bond issue charged to expense, net of borrowing costs capitalized as part of the cost of the related capital expenditure based on accounting standards in the recognition of borrowing costs. Interest on STI WNU's loan was also charged to expense as construction projects were already completed.

Interest income rose by ₱23.6 million mainly due to interest earned from short-term placements of the proceeds from STI ESG's bond issue. Dividend and other income increased by ₱1.3 million representing increase in dividends received from De Los Santos Medical Center (formerly De Los Santos General Hospital).

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 and residual interest has been transferred. With this, STI Diamond was derecognized as a subsidiary of STI ESG for an amount equal to the present value of the related transfer price of ₱60.8 million which is presented as “Effect of derecognition of a subsidiary” in the audited consolidated statements of comprehensive income of the Group for the year ended March 31, 2017.

Provision for income tax declined by 22% due to lower taxable income for the year ended March 31, 2018 as compared to same period in 2017.

Net income decreased by ₱55.6 million largely due to the substantial increase in interest expenses charged to operations.

Fair values of the Group’s investment in available-for-sale financial assets decreased by ₱0.4 million from unrealized gain of ₱0.8 million for the year ended March 31, 2017 to unrealized gain of ₱0.4 million for the same period in 2018. The unrealized mark-to-market gains of ₱0.4 million this year is substantially attributed to the higher market value of the Manulife shares held by STI ESG while the ₱0.9 million fair value adjustment last year includes unrealized gains from Manulife as well as other club shares held by STI ESG.

The Group’s share in associates’ unrealized mark-to-market loss on available-for-sale financial assets amounting to ₱148.3 million for the year ended March 31, 2017, improved to ₱125.0 million unrealized mark-to-market gain on available-for-sale financial assets for the same period in 2018, as an associate recognized fair value gains on its investment in equities. This also includes STI ESG’s share for the period ended June 30, 2017 in the restated unrealized mark-to-market gain on available-for-sale financial assets of Maestro Holdings amounting to ₱125.0 million resulting from the improved market value of certain AFS equity securities under profit or loss (see discussions in foregoing paragraphs).

STI ESG, STI WNU and iACADEMY reported total remeasurement gains on pension liability of ₱53.0 million this year, net of income tax effect, substantially due to the higher market value of the investment in equity securities forming part of the pension plan assets of STI ESG.

The Group’s share in associates’ remeasurement gain on pension liability declined by ₱18.8 million from ₱19.0 million to ₱0.2 million for the year ended March 31, 2018, as several associates posted lower actuarial adjustments in 2018.

The Group’s share in associates’ remeasurement loss on life insurance reserves of ₱4.0 million for the year ended March 31, 2017 improved to remeasurement gain of ₱0.2 million for the same period in 2018.

Overall, other comprehensive loss of ₱103.5 million turned to ₱178.7 million other comprehensive income for the year ended March 31, 2018, reflecting an improvement in the market conditions in the equities market compared to same period in 2017.

The Group posted total comprehensive income of ₱681.5 million for the year ended March 31, 2018 as compared to ₱455.0 million for the same period in 2017.

Earnings before interest, taxes, depreciation and amortization or EBITDA, computed as net income excluding provision for income tax, depreciation and amortization, equity in net losses of associates and joint ventures, interest expense, interest income, and effect of derecognition of a subsidiary, slightly decreased by 1% or ₱20.2 million year-on-year. EBITDA margin likewise declined from 48% to 45%.

Core income, computed as the consolidated net income after income tax derived from the Group’s main business of education and other recurring income, amounted to ₱724.8 million for the year ended March 31, 2018 compared to the same period in 2017 of ₱863.2 million.



## Financial Highlights and Key Performance Indicators

	March 31		Increase (Decrease)	
	2019	2018	Amount	%
<i>(in millions except margins, financial ratios and earnings per share)</i>				
<b>Condensed Statements of Financial Position</b>				
Total assets	14,774.9	14,415.8	359.1	2
Current assets	2,257.4	3,367.4	(1,110.0)	(33)
Cash and cash equivalents	777.3	1,857.5	(1,080.2)	(58)
Equity attributable to equity holders of the parent	8,630.7	8,705.4	(74.7)	(1)
Total liabilities	6,047.4	5,613.4	434.0	8
Current liabilities	1,444.7	1,190.7	254.0	21
<b>Financial ratios</b>				
Debt-to-equity ratio <sup>(1)</sup>	0.67	0.62	0.05	8
Current ratio <sup>(2)</sup>	1.56	2.83	(1.27)	(45)
Asset to equity ratio <sup>(3)</sup>	1.69	1.64	0.05	3
	Year ended March 31		Increase (Decrease)	
	2019	2018	Amount	%
<b>Condensed Statements of Income</b>				
Revenues	2,752.6	3,082.7	(330.1)	(11)
Direct costs <sup>(4)</sup>	1,047.6	1,014.0	33.6	3
Gross profit	1,705.0	2,068.7	(363.7)	(18)
Operating expenses	1,308.5	1,194.3	114.2	10
Operating profit	396.4	874.3	(477.9)	(55)
Other income (expenses) - net	(69.4)	(293.7)	224.3	(76)
Income before income tax	327.1	580.6	(253.5)	(44)
Net income	284.1	502.8	(218.7)	(43)
EBITDA <sup>(5)</sup>	1,000.1	1,392.4	(392.3)	(28)
Core income <sup>(6)</sup>	280.0	724.8	(444.8)	(61)
Net income attributable to equity holders of the parent company	281.0	496.0	(215.0)	(43)
Earnings per share <sup>(7)</sup>	0.028	0.050	(0.022)	(44)
<b>Condensed Statements of Cash Flows</b>				
Net cash from operating activities	749.4	1,375.5	(626.1)	(46)
Net cash used in investing activities	(1,647.2)	(1,780.1)	132.9	(7)
Net cash used in financing activities	(182.4)	(936.6)	754.2	(81)

## Financial Soundness Indicators

	Year ended March 31		Increase (Decrease)	
	2019	2018	Amount	%
<b>Liquidity Ratios</b>				
Current ratio <sup>(2)</sup>	1.56	2.83	(1.27)	(45)
Quick ratio <sup>(8)</sup>	0.89	1.99	(1.10)	(55)
Cash ratio <sup>(9)</sup>	0.54	1.56	(1.02)	(65)
<b>Solvency ratios</b>				
Debt-to-equity ratio <sup>(1)</sup>	0.67	0.62	0.05	8
Asset to equity ratio <sup>(3)</sup>	1.69	1.64	0.05	3
Interest coverage ratio <sup>(10)</sup>	2.43	3.65	(1.22)	(33)
Debt service cover ratio <sup>(11)</sup>	1.70	3.25	(1.55)	(48)
<b>Profitability ratios</b>				
EBITDA margin <sup>(12)</sup>	36%	45%	(9)	(20)
Gross profit margin <sup>(13)</sup>	62%	67%	(5)	(7)
Operating profit margin <sup>(14)</sup>	14%	28%	(14)	(50)
Net profit margin <sup>(15)</sup>	10%	16%	(6)	(38)
Return on equity <sup>(16)</sup>	3%	6%	(3)	(50)
Return on assets <sup>(17)</sup>	2%	4%	(2)	(50)

<sup>(1)</sup> Debt-to-equity ratio is measured as total liabilities excluding unearned tuition and other school fees divided by total equity

<sup>(2)</sup> Current ratio is measured as current assets divided by current liabilities.

<sup>(3)</sup> Asset to equity ratio is measured as total assets divided by total equity.

<sup>(4)</sup> Direct costs is calculated by adding the costs of educational services and educational materials and supplies sold.

<sup>(5)</sup> 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, and nonrecurring gains/losses such as effect of derecognition of a subsidiary.

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

<sup>(7)</sup> 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

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

<sup>(9)</sup> Cash ratio is measured as cash and cash equivalents divided by current liabilities.

<sup>(10)</sup> Interest coverage ratio is measured as Net income excluding provision for income tax and interest expense divided by interest expense.

<sup>(11)</sup> Debt service cover ratio is measured as EBITDA divided by total principal and interest due for the next 12 months.

<sup>(12)</sup> EBITDA margin is measured as EBITDA divided by total revenues.

<sup>(13)</sup> Gross profit margin is measured as gross profit divided by total revenues.

<sup>(14)</sup> Operating profit margin is measured as operating profit divided by total revenues.

<sup>(15)</sup> Net profit margin is measured as net income after income tax divided by total revenues.

<sup>(16)</sup> 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.

<sup>(17)</sup> 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 judiciously utilized to minimize financing cost. The debt service cover ratio, as a bank requirement, is also monitored on a regular basis. The debt service cover ratio is equivalent to EBITDA divided by total principal and interest due for the next twelve months. The Group monitors its debt service cover 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 cover ratio not lower than 1.05:1.00.

As at March 31, 2019 and March 31, 2018, the Group's debt service cover ratio is 1.70:1.00 and 3.25:1.00, 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. The interest rates for the STI ESG bonds are, however, fixed for the 7-year bonds and the 10-year bonds.

**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 March 31, 2019 and March 31, 2018, the Group's debt-to-equity ratio is 0.67:1.00 and 0.62:1.00, 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. Except as provided in Note 34 of the Notes to the Audited Consolidated Financial Statements attached as part of "Exhibits and Schedules" the Group has no other financial and capital commitments.
- c. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

- d. On June 3, 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 book value of the investment in De Los Medical Center amounted to ₱29.0 million and ₱25.9 million as at March 31, 2019 and 2018, respectively.
- e. There are no material events and uncertainties known to management that would address the past and would have an impact on future operations of the Group.
- f. 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 34 of the Notes to Audited Consolidated Financial Statements.
- g. 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 18, 19, 34 and 35 of the Notes to Audited Consolidated Financial Statements. 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.
- h. There are no significant elements of income or loss that did not arise from the Group’s continuing operations.
- i. 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. As discussed in Note 1 of the Notes to Audited Consolidated Financial Statements, STI ESG has notified CHED of the change in its school calendar, particularly starting with SY 2018-2019’s college freshmen students. The core business and revenues of the Group, which are mainly from tuition and other school fees, are recognized as income over the corresponding academic year to which they pertain. Accordingly, revenue is expected to be lower during the first quarter of its fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group.
- j. On March 23, 2017, STI ESG listed its ₱3.0 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 3-year shelf registration will end on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on a non-banking day, of each year commencing on June 23, 2017, until and including the relevant maturity dates (see Note 19 of the Audited Consolidated Financial Statements).
- k. On April 21, 2017, STI ESG, Mr. Tony Tan Caktiong (“TTC”), STI Tanauan, and Injap Investments, Inc. (“Injap”), referred collectively as the Joint Venture Parties, entered into an agreement to transform STI Tanauan into a Joint Venture Company which shall operate a farm-to-table school that offers courses ranging from farm production to food services.

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

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

On June 21, 2017, in separate meetings, the stockholders and the BOD of STI Tanauan approved the increase in the authorized capital stock of the corporation from ₱1.0 million divided into 10,000 shares with a par value of ₱100 to ₱75.0 million divided into 750,000 shares with a par value of ₱100. The increase will be funded through the declaration of stock dividends and cash subscriptions by the shareholders. In the same meeting, the stockholders and the BOD approved the declaration of 150,000 shares as stock dividends with an aggregate par value of ₱15.0 million to be distributed to stockholders of record as of March 31, 2017 based on the unrestricted retained earnings of STI Tanauan as shown in its audited financial statements as of March 31, 2017.

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

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

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

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

- l. On September 29, 2017, the BOD of the Parent Company adopted a policy on the declaration of dividends starting with Fiscal Year 2017-2018. The BOD approved a dividend declaration policy of not less than 25% of the core income of STI Holdings from the previous fiscal year, subject to compliance with the requirements of applicable laws and regulations, statutory limitations and/ or restrictions, terms and conditions which may be imposed on STI Holdings by lenders or other financial institutions, and STI Holdings' investment plans and financial condition (see Note 21 of the Notes to Audited Consolidated Financial Statements).
- m. In January 2018, STI ESG entered into a contract to sell with Heva Management and Development Corporation for the acquisition of a lot in Iloilo City with a total area of 2,615 square meters for a price of ₱183.0 million plus value added tax, less applicable taxes. STI ESG made a down payment amounting to ₱67.5 million in January 2018, net of the ₱200.0 thousand reservation fee paid on November 29, 2017 (see Note 16). The remaining balance in the amount of ₱128.1 million shall be paid in eighteen equal monthly installments, without interest, of ₱7.1 million starting January 2018 up to June 2019. The lot will be the future site of STI Iloilo (see Notes 16 and 34 of the Audited Consolidated Financial Statements).
- n. On December 17, 2018, the CHED, UniFAST and STI ESG signed a memorandum of agreement to avail of the TES and SLP for its students under the UAQTEA and its IRR. The Republic Act No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who shall enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations of the UNIFAST, enrolled in SUCs or CHED recognized LUCs is ₱40,000. Students enrolled in select HEIs who are qualified to receive the TES are entitled to ₱60,000 as subsidy for Tuition and other related school fees. This grant should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to PWDs and graduates of programs with licensure exams amounting to ₱30,000 per annum and ₱10,000, respectively. Under the Voucher and TES Programs, DepEd and CHED, respectively, pay directly the schools where these students enrolled.

- o. On February 15, 2019 STI ESG and the shareholders of NAMEI Polytechnic Institute, Inc. and NAMEI Polytechnic Institute of Mandaluyong, Inc. (collectively referred to as “NAMEI”) entered into a share purchase agreement for the sale of approximately 92% the 50,000 outstanding shares of Namei Polytechnic Institute, Inc. and 99% of the 10,000 outstanding shares of NAMEI Polytechnic Institute of Mandaluyong, Inc., both with par value of ₱10.0 each. In January 2019, STI ESG made a deposit of ₱14.0 million which was held in escrow with a law firm. This amount is to be treated as part of the purchase price at closing date. Another ₱36.0 million was paid on February 15, 2019. On the same date, STI ESG paid ₱10.0 million to NAMEI as deposit for future subscription in shares of NAMEI and another ₱10.0 million representing STI ESG’s share in the transaction costs and all other fees and expenses to be incurred under the agreement. On April 1, 2019, Deeds of Assignment were executed by the shareholders of NAMEI transferring and conveying ownership of 94% of outstanding shares of NAMEI Polytechnic Institute, Inc. and 100% ownership of NAMEI Polytechnic Institute of Mandaluyong, Inc. to STI ESG. This resulted to the acquisition of NAMEI as a subsidiary of STI ESG effective April 1, 2019.
- p. On May 7, 2019, STI ESG and China Bank entered into a seven-year term loan agreement up to the amount of ₱1,200.0 million. The credit facility is available for a period of one year from May 7, 2019, the date of signing of the loan agreement. The proceeds of this loan shall be used for the (i) financing of campus expansion projects (ii) acquisition of schools (iii) refinancing of short-term loans incurred for projects and (iv) other general corporate purposes. As at July 11, 2019, STI ESG has not made any drawdown from the facility.

## **Item 7. FINANCIAL STATEMENTS –**

The March 31, 2019 Audited Consolidated Financial Statements and Schedules listed in the accompanying index to Supplementary Schedules are incorporated by reference to this SEC Form 17-A.

## **Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES**

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 26 October 2018, as external auditors for the ensuing fiscal year.

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

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

2. There has not been any disagreement between the Company and said accounting firm with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedure.

As stated in the March 31, 2019 “Statement of Management Responsibility for Financial Statements”, SGV is the appointed independent 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.

The 2017 Manual on Corporate Governance provides that, the Audit Committee should evaluate and determine the non-audit work of the External Auditor, and periodically review the non-audit fees paid to him in relation to the total fees paid to the External Auditor and to the Corporation’s overall consultancy expenses. The Audit Committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence (As defined by the Code of Ethics for Professional Accountants).

In the Organizational Meeting of the Board of Directors immediately succeeding the stockholders' meeting held on 26 October 2018, the following were elected as the Chairman and Members of the Audit Committee of the Company to serve as such for the ensuing year and until the election and qualification of their successors:

Chairman: Jesli A. Lapus, Independent Director

Members: Robert G. Vergara, Independent Director  
Presbitero J. Velasco, Jr., Independent Director  
Martin K. Tanco

The Company engaged SGV for the annual audit covering the period from April 1, 2018 to March 31, 2019 for ₱1,331,000.00. The engagement letter dated February 26, 2019 for the year-end audit was received by the Company on same date.

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

	2018-2019	2017-2018
Audit Fees	₱ 1,331	P 1,210
Tax Fees		-
All Other Fees	₱ 145*	P 556

\*Represents professional fees paid for the 2018 Corporate Governance Seminar attended by all the members of the Board and officers of STI Holdings and its group, amounting to P145,000.

## PART III - CONTROL AND COMPENSATION INFORMATION

### Item 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

#### A) Directors and Executive Officers

##### (1) Directors, Independent Directors and Executive Officers

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

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

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

- (a) Eusebio H. Tanco
- (b) Monico V. Jacob
- (c) Joseph Augustin L. Tanco
- (d) Ma. Vanessa Rose L. Tanco
- (e) Martin K. Tanco
- (f) Rainerio M. Borja
- (g) Paolo Martin O. Bautista
- (h) Presbitero J. Velasco, Jr.
- (i) Jesli A. Lapus
- (j) Robert G. Vergara

All of the foregoing incumbent directors have been nominated to the Board for the ensuing year. Messrs. Robert G. Vergara and Jesli A. Lapus as well as Justice Presbitero J. Velasco, Jr. 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. Vergara and Lapus and with Justice Velasco.

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 Corporate Governance Committee prior to the annual stockholders’ meeting in accordance with the following procedure:

- (1) All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity of the would-be nominees and shall be submitted to the Corporate Governance Committee and the Corporate Secretary.
- (2) The Corporate Governance Committee shall pre-screen the qualifications and prepare a Final List of all Candidates.
- (3) After the nomination, the Corporate Governance Committee shall prepare a Final List of Candidates to be submitted to the Board of Directors, which shall contain all the information regarding the background and experience of the nominees required to be ascertained and made known under the Securities Regulation Code and relevant rules and regulations.
- (4) Said Final List of Candidates shall be disclosed in the reports required by law, rules and regulations to be submitted to the Securities Exchange Commission, 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 Corporate Governance Committee is Mr. Robert G. Vergara. Mr. Jesli A. Lapus, Justice Presbitero J. Velasco, Jr. and Atty. Arsenio C. Cabrera are members of the Corporate Governance Committee.

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) Jesli A. Lapus –Independent director from 4 October 2013 up to the present
- (9) Robert G. Vergara – independent director since 27 July 2017 up to the present
- (10) Presbitero J. Velasco, Jr. – independent director since 26 October 2018 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, 69, Filipino, Chairman of the Board, Executive Director**

Mr. Tanco has been Chairman of STI Holdings since 17 March 2010. He is also the Chairman of the Executive Committee 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., GROW Vite, Inc., Delos Santos-STI College, STI West Negros University, iACADEMY, 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., International Hardwood & Veneer Corp, and CEO of Classic Finance Inc.

Mr. Tanco is also a director in PhilPlans First, Inc., 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., , 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, 74, Filipino, President and CEO, Executive Director**

Mr. Jacob has been the President and CEO of STI Holdings since 17 March 2010. He is likewise a member of the Executive Committee 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., Global Resource for Outsourced Workers, Inc., and Rosehills Memorial Phils., Inc. He is also the President of PhilPlans First, Inc.

Mr. Jacob is a non-Executive Director in Asian Terminals, Inc., and an Independent Director in Jollibee Foods Corp., Rockwell Land Corp., and Lopez Holdings Corp., Phoenix Petroleum Phils., Inc. all publicly-listed companies. He also serves as a member of the board of directors of 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, 38, Filipino, Executive Director**

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

Mr. Tanco is currently the President and Chief Executive Officer of Maestro Holdings, Inc., 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, PhilsFirst Insurance Corporation, 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, 41, Filipino, Executive Director**

Ms. Tanco has been a Director of STI Holdings since 27 October 2010.

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

Ms. Tanco obtained her Master's 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, 53, Filipino, Non-Executive 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, 50, Filipino, Executive 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, of STI Holdings.

Mr. Bautista is also a director of STI Education Services Group, Inc.

Mr. Bautista is a director of Maestro Holdings, Inc. (formerly STI Investments, Inc.), PhilLife and Philplans. He is also an advisor to its Investment Committees. 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, 57, Filipino, Non-Executive Director**

Mr. Borja has been a Director of STI Holdings since 19 December 2012. He is likewise a member of the Executive Committee 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 34,000 people in the Philippines, as well as delivery centers in Australia and China, for a total of 24 sites. Under Mr. Borja's leadership, the Asia teams provide distinct capabilities to offer low-cost, high quality solutions to clients across the globe.

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

Before joining EGS in 2012, Mr. Borja 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.

#### **Jesli A. Lapus, 69, Filipino, Lead Independent Director**

Mr. Lapus has been an Independent Director of STI Holdings since 4 October 2013. He is the Chairman of the Audit Committee and member of the Corporate Governance Committee of STI Holdings.

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

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

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

With a solid track record as a prominent professional executive in the private sector behind him, Mr. Lapus has the distinction of having served in the cabinets of three (3) Philippine Presidents namely: President Gloria Macapagal-Arroyo, President Fidel Ramos and President Corazon Aquino in the following capacities: Secretary, Department of Trade and Industry (2010); Secretary, Department of

Education (2006-2010); President and CEO, The Land Bank of the Philippines (1992-1998); Undersecretary, Department of Agrarian Reform (1987-89).

Mr. Lapus earned his Doctor of Public Administration (honoris causa) from Polytechnic 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, 58, Filipino, Independent Director**

Mr. Vergara has been an Independent Director of STI Holdings since 27 July 2017. He is the Chairman of the Corporate Governance Committee and a member of the Audit Committee of STI Holdings.

He was recently appointed as an Independent Director of SM Investments Corporation (SMIC) on April 24, 2019.

He is currently the President of Vergara Advisory Management, Inc. founded in May 2018.

Mr. Vergara served as the President and General Manager of the Government Service Insurance System from September 2010 to October 2016.

Mr. Vergara was the Managing Director and Founding Partner of Cannizaro (Hong Kong) Limited from October 2006 to September 2010. He was also a Limited Partner in Cannizaro Capital Partners LLP from October 2006 to September 2010. From 2002 to 2006, Mr. Vergara was the Managing Director of Lionhart (Hong Kong) Ltd.

Mr. Vergara was a Principal in Morgan Stanley Dean Witter Asia Ltd. from 1997-2001. He also served as the Managing Director of IFM Asia Ltd. from 1990 to 1997.

Mr. Vergara obtained his Master in Business Administration from Harvard Graduate School of Business Administration. He graduated Magna Cum Laude from Ateneo De Manila University with Bachelor of Science degrees in Management Engineering and Mathematics.

**Presbitero J. Velasco, Jr., 70, Filipino, Independent Director**

Justice Velasco has been an Independent Director of STI Holdings since 26 October 2018. He is a member of the Audit and Corporate Governance Committees of STI Holdings.

Justice Velasco was a Senior Associate Justice of the Supreme Court of the Philippines. He was appointed to the Supreme Court on 31 March 2006. He was the Chairman of the Third Division as well as the Chairman of the House of Representatives Electoral Tribunal. He also served as a member of the Presidential Electoral Tribunal.

Prior to his appointment to the Supreme Court, Justice Velasco engaged in private law practice for 20 years. During this period, he served the Integrated Bar of the Philippines in various capacities, including as its National President in 1987.

Justice Velasco joined the public sector in 1993 as a regular member of the Judicial and Bar Council. He served as the Undersecretary of the Department of Justice from 1995 to 1998 and was appointed to the Court of Appeals in 1998.

Justice Velasco obtained his Bachelor of Arts degree in Political Science and Bachelor of Laws from the University of the Philippines.

**Yolanda M. Bautista, 67, Filipino, Treasurer**

Ms. Bautista has served as the Treasurer of STI Holdings since 17 March 2010. She is likewise a member of the Executive Committee 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., 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 University of Sto. Thomas with a Bachelor of Science degree in Commerce, major in Accounting.

**Arsenio C. Cabrera, Jr., 59, Filipino, Corporate Secretary**

Atty. Arsenio C. Cabrera, Jr. was elected Corporate Secretary of STI Holdings on 17 March 2010. He is also the current Corporate Information Officer of the Company and a member of the Corporate Governance Committee 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 Agustin Tanco Foundation, Inc., Amina, Inc., Arani Realty Corporation, Asiateleservices, Inc., BOIE Drug, Inc., BOIE, Incorporated, BOIE Prime, Inc., Bountiful Geomines, Inc., Calatagan Bay Realty, Inc., Canlubang Golf and Country Club, Inc., Cement Center, Inc., Classic Finance, Inc., Comm & Sense, Inc., Digitalme Services, Inc., Drysor, Inc., DLS-STI Colleges, Inc., DLS-STI College Quezon Avenue, Inc., ESA Group of Companies, Inc., EUJO Phils. Incorporated, Eximious Holdings, Inc., First Optima Realty Corporation, GEOGRACE Resources Philippines, Inc., Gurango Software Corporation, Heritage Park Management, Inc., Information & Communications Technology Academy, Inc., International Hardwood & Veneer Company of the Philippines, Juska, Inc., Lasik Surgery, Inc., Lorenzo Shipping Corporation, Maestro Holdings, Inc., Manila Bay Hosiery Mills, Inc., Masbate13 Philippines, Inc., Megacore Holdings, Inc., Metropolitan City Train Systems, Inc., Mina Tierra Gracia, Inc., NiHAO Mineral Resources International, Inc., Oregalore, Inc., Palisades Condominium Corporation, Pay Philexchange, Inc., Philippine American Drug Company, Philippine First Condominium Corporation, 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., Sinoma Energy Conservation (Cebu) Waste Heat Recovery Co., Inc., Sonak Holdings, Inc., STI Education Services Group, Inc., STI West Negros University, Inc., Tantivy Holdings, Inc., Techglobal Data Center, Inc., TechZone Philippines, Inc., Total Consolidated Asset Management, Inc., Trend Developers, Inc., Venture Securities, Inc., Villa Development Corporation, Vital Ventures Management Corp. and WVC Development Corporation.

Atty. Cabrera also serves as Chairman of Excelsior Holdings, Inc., Bauhinia 17 Equity Holdings, Inc. and Grand Monaco Estate Developers, Inc.

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, 44, 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 & Eagle Land Development Corporation, STI College Batangas, Inc., STI College of Kalookan, Inc., STI Dagupan, Inc., STI Diamond College, Inc. and STI Tuguegarao, Inc. She also serves as Assistant Corporate Secretary in a number of other corporations: Amica Corporation, Banclife Insurance Co., Inc., Coastal Bay Chemicals, Inc., Lorenzo Shipping Corporation, Palisades Condominium Corporation, Philhealthcare, Inc., Philippines First Insurance Co., Inc., Philippine First Condominium Corporation, Philippine Life Financial Assurance Corporation, STI Education Services Group, Inc. 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 4<sup>th</sup> 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.

Attendance details of each director in 2018 Board of Directors and Committee meetings:

Date of Meetings	Attendance	
	Directors Present	Directors Absent
15 February 2018 – Board of Directors Meeting	Eusebio H. Tanco, Monico V. Jacob, Johnip G. Cua, Rainerio M. Borja, Maria Vanessa Rose L. Tanco, Jesli A. Lapus and Robert G. Vergara	Joseph Augustin L. Tanco, Martin K. Tanco, Paolo Martin O. Bautista and Teodoro L. Locsin, Jr.
12 July 2018 – Executive Committee Meeting	Eusebio H. Tanco, Monico V. Jacob, Yolanda M. Bautista, Martin K. Tanco and Rainerio M. Borja	
12 July 2018 – Audit Committee Meeting	Robert G. Vergara, Martin K. Tanco, Paolo Martin O. Bautista and Jesli A. Lapus	
6 September 2018 – Corporate Governance Committee	Jesli A. Lapus, Robert G. Vergara and Arsenio C. Cabrera	
26 October 2018 – Board of Directors Meeting	Eusebio H. Tanco, Monico V. Jacob, Martin K. Tanco, Joseph Augustin L. Tanco, Paolo Martin O. Bautista, Jesli A. Lapus, Rainerio M. Borja and Robert G. Vergara	Maria Vanessa Rose L. Tanco and Teodoro L. Locsin, Jr.
26 October 2018 – Organizational Meeting of the Board of Directors	Eusebio H. Tanco, Monico V. Jacob, Martin K. Tanco, Joseph Augustin L. Tanco, Paolo Martin O. Bautista, Jesli A. Lapus, Rainerio M. Borja, Robert G. Vergara and Presbitero J. Velasco, Jr.	Maria Vanessa Rose L. Tanco,
17 December 2018 – Board of Directors Meeting	Eusebio H. Tanco, Monico V. Jacob, Martin K. Tanco, Joseph Augustin L. Tanco, Paolo Martin O. Bautista, Maria Vanessa Rose L. Tanco, Jesli A. Lapus, Rainerio M. Borja and Presbitero J. Velasco, Jr.	Robert G. Vergara

(2) Significant Employees

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



(3) Family Relationships

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 4<sup>th</sup> civil degree, either by consanguinity or affinity among the current Directors other than those already disclosed in this report.

(4) Involvement in Certain Legal Proceedings

None of the above named directors and executive officers of the Company have been involved in any of the following events for the past five (5) years and up to the date of this SEC Form 17-A:

- (a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (b) any conviction by final judgment;
- (c) being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- (d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

## **Item 10. EXECUTIVE COMPENSATION**

(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 2016-2017 up to 2018-2019, 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 2016-2017, 2017-2018 and 2018-2019. The amounts set forth in the table below have been prepared based on what the Company paid its directors and named executive officers as a group and other officers for the fiscal years ended 31 March 2016-2017, 2017-2018 and 2018-2019 and what the Company expects to pay for the fiscal year ended 31 March 2019-2020.

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	2016-2017	2,720,354.74	-	-
	2017-2018	2,678,685.20	-	-
	2018-2019	3,867,627.98	-	-
	2019-2020	3,867,627.98 <sup>1</sup>	-	-
All Named Executive Officers <sup>2</sup> and Board of Directors as a Group	2016-2017			511,764.74
	2017-2018			1,262,745.20
	2018-2019			545,614.11
	2019-2020			545,614.11 <sup>1</sup>

Notes:

<sup>1</sup> Figures are estimated amounts.

<sup>2</sup> 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 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(1) Security Ownership of Certain Record and Beneficial Owners and Management

(a) Security Ownership of Certain Record/Beneficial Owners as of 31 March 2019

As of 31 March 2019, the following stockholders are the only owners of more than 5% of the Company's voting capital stock, whether directly or indirectly, as record owner or beneficial owner.

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	2,601,991,295 <sup>2</sup>	26.2700 %
Common	PCD Nominee 37/F Tower I, Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City		Non-Filipino	1,779,233,161	17.9633 %
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-thru PCD Filipino)  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-thru PCD Filipino)  Total	1,253,666,793  117,431,082 ----- 1,371,097,875 =====	12.66%  1.18% ----- 13.84% =====
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-thru PCD Filipino)  Total	794,343,934  1,005,000 ----- 795,348,934 =====	8.02%  .01% ----- 8.03% =====

<sup>2</sup> Eusebio H. Tanco is the beneficial owner of 117,431,082 shares. Prudent Resources, Inc. is the beneficial owner of 5,335,000 shares. Eujo Philippines, Inc. is the beneficial owner of 42,284,000 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	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)	763,873,130	7.71%
			(Indirect-thru PCD Filipino)	42,284,000	0.43%
				806,157,130	8.14%
			Total		
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)	626,776,992	6.33%
			(Indirect-thru PCD Filipino)	3,000,000	0.03%
				629,776,992	6.36%
			Total		
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)	397,908,895	4.02%
			(Indirect-thru PCD Filipino)	102,524,000	1.03%
				500,432,895	5.05%
			Total		

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 March 2019

The following table sets forth as of 31 March 2019, 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	Direct	Filipino	12.66%
		117,431,082	Indirect - thru PCD		1.18%
		1,371,097,875			13.84%
		Total			

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership		Citizenship	Percent of Class
Common	Monico V. Jacob (Director, President and CEO)	1 33,784,056 ----- 33,784,057 =====	Direct Indirect - thru PCD  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 - thru PCD  Total	Filipino	0.00% 0.05% ----- 0.05% =====
Common	Arsenio C. Cabrera, Jr. (Corporate Secretary)	6,500,000	Indirect - thru PCD	Filipino	0.07%
Common	Joseph Augustin L. Tanco (Director and VP for Investor Relations)	1 2,000,000 ----- 2,000,001 =====	Direct Indirect - thru PCD  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 - thru PCD	Filipino	0.03%
Common	Ma. Vanessa Rose L. Tanco (Director)	1 558,000 ----- 558,001 =====	Direct Indirect - thru PCD	Filipino	0.00% 0.01% ----- 0.01% =====
Common	Martin K. Tanco (Director)	78,357,100	Indirect - thru PCD	Filipino	0.80%
Common	Rainerio M. Borja (Director)	1,000,000	Indirect - thru PCD	Filipino	0.01%
Common	Jesli A. Lapus (Lead Independent Director)	6,000,000	Indirect - thru PCD	Filipino	0.06%
Common	Robert G. Vergara (Independent Director)	1,000	Direct	Filipino	0.00%
Common	Presbitero J. Velasco, Jr. (Independent Director)	1,000	Direct	Filipino	0.00%
Common	Directors and Officers as a Group	1,507,549,035	Direct and Indirect	Filipino	15.22%

(c) Voting Trust Holders of 5% or More

As of 31 March 2019, no person holds at least 5% or more of a class under a voting trust or similar agreement.

(d) Changes in Control

There is no change of control in the Company since 1 April 2014

## **Item 12. CERTAIN RELATIONSHIPS AND RELATED 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 Company has the following major transactions with related parties:

### **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.

### **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 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.

### **Acquisition of Neschester**

On August 2, 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 owned one hundred percent (100%) of the issued, outstanding and authorized capital stock of Neschester.

The major asset of Neschester was a parcel of land in Makati City with an area of 2,332.5 square meters. On September 20, 2016, iACADEMY had its groundbreaking ceremony of its Yakal Campus on this parcel of land located along Yakal Street, Makati City. The 12-storey building with penthouse was launched as iACADEMY Nexus in February 2018 and is now fully operational.

On September 7, 2017, the Board of Directors (“BOD”) of Neschester and the Board of Governors of iACADEMY approved the merger of the two companies with iACADEMY as the surviving corporation. The stockholders of both companies confirmed, ratified and approved the merger on the same date. The Plan of Merger between iACADEMY and Neschester and the related increase in the authorized capital stock of iACADEMY were filed with the SEC on January 24, 2018 and January 30, 2018, respectively. On April 10, 2018, the SEC approved the Plan of Merger and the increase in authorized capital stock of iACADEMY.

### **Acquisition of iACADEMY**

On September 27, 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 November 9, 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.

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

For further details, refer to Note 31, Related Party Transactions, of the Audited Consolidated Financial Statements.

### **Transactions with Promoters**

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

## **PART IV – CORPORATE GOVERNANCE**

### **Item 13. CORPORATE GOVERNANCE**

The 2018 Integrated Annual Corporate Governance Report (“2018 I-ACGR”) of STI Holdings was submitted to the SEC and PSE on 29 May 2019 and posted in the Company’s Official Website <http://www.stiholdings.com/> on 30 May 2019. This is pursuant to SEC Memorandum Circular No. 15, Series of 2017, on the submission of the 2018 I-ACGR of all Publicly-Listed Companies.

The Company did not deviate from the provisions of the 2017 Manual on Corporate Governance which was submitted to the SEC and PSE on 31 May 2017 and posted in the Company’s Official Website on the same date. This is pursuant to SEC Memorandum Circular No. 19 dated 22 November 2016, series of 2016. 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. For 2018, the in-house corporate governance seminar was held on 13 December.

The Company's Board of Directors and Management, employees and Stockholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization.

The purpose of the Company is to maximize the organization's long-term success, creating sustainable value for its stockholders, stakeholders and the nation.

## PART V – EXHIBITS AND SCHEDULES

### Item 14. Exhibits and Reports on SEC Form 17 – C

(a) Exhibits and Schedules

Statement of Management's Responsibility for Financial Statements  
Report of Independent Auditors  
Audited Financial Statements and Notes for the fiscal year ended 31 March 2019  
Schedule A. Financial Assets in Equity Securities  
Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties  
Schedule C. Amounts Receivable from/Payable to Related Parties which are eliminated during the Consolidation of Financial Statements  
Schedule D. Intangible Assets – Other Assets  
Schedule E. Long term debt  
Schedule F. Indebtedness to Related Parties (Long Term Loans from Related Companies)  
Schedule G. Guarantees of Securities of Other Issuers  
Schedule H. Capital Stock  
Schedule I. Retained Earnings Available for Dividend Declaration  
Schedule J. Map of the Relationships Between and Among the Company and its ultimate Parent Company  
Schedule K. Schedule of All the Effective Standards and Interpretations as of March 31, 2019  
Schedule L. Financial Soundness Indicators

(b) Reports on SEC Form 17 – C (from April 2018 – March 2019)

1. Item 9 – Other Events filed with SEC on 30 April 2018

LEGAZPI CITY – STI Education Services Group, Inc. (STI ESG) marked the construction of STI Academic Center Legazpi on April 26, 2018 in a groundbreaking ceremony. The academic center has an earmarked budget of approximately PHP391M to be invested in top-of-the-line facilities and equipment.

2. Item 4 – Resignation of Registrant's Director filed with SEC on 28 June 2018

STI Education Systems Holdings, Inc. (the "Company") received a letter of resignation from Mr. Johnip G. Cua, an independent director of the Company.

The resignation of Mr. Cua will be taken up during the next Board meeting of the Company.

The resignation of Mr. Cua is not due to any disagreement with the Company on any matter relating to its operations, policies or practices.

3. Item 9 – Other Events filed with SEC on 18 July 2018

STI Holdings, owner of one of the biggest networks of private schools in the country, breached the three-billion-peso mark in revenues, P3.08 billion to be exact, as its schools managed to sustain positive enrollment numbers for the academic year 2017-2018.



4. Item 9 – Other Events filed with SEC on 17 August 2018

STI Holdings, proprietor of one of the biggest networks of private schools in the country, has posted total assets worth 15.9 billion as of June 30, 2018, which is about 1.5 billion higher than the asset balance it had three months before.

5. Item 9 – Other Events filed with SEC on 3 September 2018

The Annual Stockholders' Meeting of STI Education Systems Holdings, Inc. ("STI ESH") shall be held on 26 October 2018 at 3:00 p.m. at 7th Floor Lobby, STI Holdings Center, 6764 Ayala Avenue, Makati City. STI ESH's stockholders of record as of 26 September 2018 shall be entitled to notice of and to vote at the Annual Stockholders' Meeting.

6. Item 9 – Other Events filed with SEC on 6 September 2018

Nominations for Election of Board of Directors – At the 6<sup>th</sup> September 2018 meeting of the Corporate Governance Committee, the following individuals were pre-screened and determined to possess the qualifications required and none of the disqualifications provided for by law, relevant rules and regulations and the Company's Manual on Corporate Governance to become members of the Company's Board of Directors:

1. Eusebio H. Tanco
  2. Monico V. Jacob
  3. Maria Vanessa Rose L. Tanco
  4. Joseph Augustin L. Tanco
  5. Martin K. Tanco
  6. Rainerio M. Borja
  7. Paolo Martin O. Bautista
  8. Teodoro L. Locsin, Jr.
- Independent Directors:
9. Jesli A. Lapus
  10. Robert G. Vergara
  11. Justice Presbitero J. Velasco, Jr.

7. Item 9 – Other Events filed with SEC on 8 October 2018

The updated student population for the first semester of School Year 2018-2019 of all schools under the umbrella of STI Education Systems Holdings, Inc., namely STI Education Services Group, STI West Negros University and iACADEMY, is Eighty Five Thousand Seven Hundred Ninety Seven (85,797). The figure includes enrollment for the June and August 2018 batches for STI Education Services Group tertiary as well as late enrollment for all schools.

8. Item 9 – Other Events filed with SEC on 26 October 2018

At the meeting of the Board of Directors of STI Education Systems Holdings, Inc. (the "Company") held on 26 October 2018, the Board approved the declaration of cash dividends in the amount of Two Centavos (Php0.02) per share or an aggregate amount of One Hundred Ninety Eight Million Ninety Six Thousand One Hundred Thirty Eight Pesos and 48/100 (Php 198,096,138.48) (the "Cash Dividends") from the retained earnings of the Company as of 31 March 2018 based on the Audited Financial Statements as of 31 March 2018. The Cash Dividends are payable to stockholders of record as of 13 November 2018 and shall be payable on 10 December 2018 and upon compliance with all necessary regulations.

9. Amended SEC form 17-C, Item 9– Other Events filed with SEC on 30 October 2018

Please be advised that, in a meeting of the Board of Directors of STI Education Systems Holdings, Inc. (the "Company") held on 26 October 2018, the Board approved the declaration of cash dividends in the amount of Two Centavos (Php0.02) per share or an aggregate amount of One Hundred Ninety Eight Million Ninety Six Thousand One Hundred Thirty Eight Pesos and 48/100 (Php 198,096,138.48) (the "Cash Dividends") from the **unrestricted** retained earnings of the Company as of 31 March 2018 based on the Audited Financial Statements as of 31 March 2018. The Cash Dividends are payable to stockholders of record as of 13 November 2018 and shall be payable on 10 December 2018 and upon compliance with all necessary regulations.

10. Item 4 – Election of Directors and Officers filed with SEC on 30 October 2018

At the Annual Stockholders' Meeting of STI Education Systems Holdings, Inc. (the "Company") held on 26 October 2018, at the 7<sup>th</sup> Floor Lobby, STI Holdings Center, 6764 Ayala Avenue, Makati City, the stockholders elected the following Directors of the Company to serve as such for the ensuing year and until the election and qualification of their successors:

1. Eusebio H. Tanco
2. Monico V. Jacob
3. Martin K. Tanco
4. Joseph Augustin L. Tanco
5. Maria Vanessa Rose L. Tanco
6. Rainerio M. Borja
7. Paolo Martin O. Bautista

Independent Directors:

1. Jesli A. Lapus
2. Robert G. Vergara
3. Presbitero J. Velasco, Jr.

In the Organizational Meeting of the Board of Directors immediately succeeding the stockholders' meeting, the following were elected officers of the Company to serve as such for the ensuing year and until the election and qualification of their successors:

Eusebio H. Tanco	Chairman
Monico V. Jacob	President & Chief Executive Officer
Yolanda M. Bautista	Treasurer & Chief finance Officer
Joseph Augustin L. Tanco	Vice President for Investor Relations
Paolo Martin O. Bautista	Vice President and Chief Investment Officer
Franchini Vina Z. Cordova	Investor Relations Officer
Arsenio C. Cabrera, Jr.	Corporate Secretary/Compliance Officer
Anna Carmina S. Herrera	Assistant Corporate Secretary
Elizabeth M. Guerrero	Alternate Corporate Information Officer

The following directors and officers were elected as Chairman and Members of the various committees of the Company:

Executive Committee

Chairman:

Eusebio H. Tanco

Members:

Monico V. Jacob  
Yolanda M. Bautista  
Martin K. Tanco  
Rainerio M. Borja

Audit Committee

Chairman: Jesli A. Lapus

Members: Presbitero J. Velasco, Jr.  
Robert G. Vergara  
Martin K. Tanco

Corporate Governance Committee

Chairman: Robert G. Vergara

Members: Jesli A. Lapus  
Presbitero J. Velasco, Jr  
Atty. Arsenio C. Cabrera, Jr.

Item 9 – Other Events filed with SEC on 30 October 2018

The stockholders appointed SyCip Gorres Velayo & Company as the Corporation's external auditor for the fiscal year ending 31 March 2019.

11. Item 9 – Other Events filed with SEC on 15 November 2018

STI Holdings, which owns one of the largest networks of private schools in the Philippines, posted a net income of P131.8 million during the last three months ending September 30, 2018.

12. Item 9 – Other Events filed with SEC on 15 February 2019

STI Holdings, which owns one of the largest networks of private schools in the Philippines, recorded a net income of P190.4 million for the past nine months ending December 31, 2018.

13. Item 9 – Other Events filed with SEC on 20 February 2019

STI Education Systems Holdings, Inc. ("STI Holdings") subsidiary, STI Education Services Group, Inc. ("STI ESG"), acquires 94% of issued capital stock of NAMEI Polytechnic Institute, Inc. ("NPII") and 99% of NAMEI Polytechnic Institute of Mandaluyong, Inc. ("NPIM").

STI ESG, driven by a desire to provide relevant education and world-class opportunities to youth across the country, acquires NAMEI Polytechnic Institute, Inc., an educational institution that offers courses in Maritime Transportation and Marine Engineering and Naval Architecture and NAMEI Polytechnic Institute of Mandaluyong, Inc. which offers primary and secondary education programs.

The acquisition of NAMEI will expand the tertiary course offerings of the network of schools owned and operated by STI ESG.

14. Item 9 – Other Events filed with SEC on 13 March 2019

STI Education Services Group, Inc. (STI ESG) inaugurated its newest academic center, a prime hub of world-class education, located at CM Recto Avenue, Barangay 6, Lipa City on February 20, 2019.

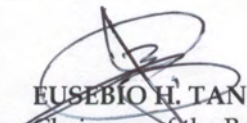
15. Item 9 – Other Events filed with SEC on 20 March 2019

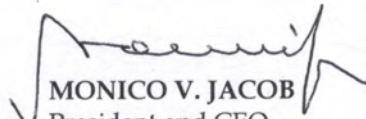
STI Education Services Group, Inc. (STI ESG) inaugurated two new academic centers in San Jose del Monte, Bulacan and Sta. Mesa, Manila on March 4 and 11, 2019, respectively.

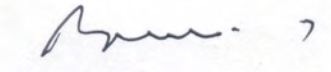
**SIGNATURES**

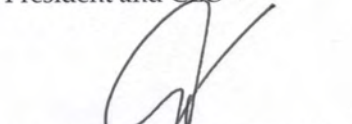
Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the registrant by the undersigned, thereunto duly authorized in the City of Makati on July 15, 2019.

**STI EDUCATION SYSTEMS HOLDINGS, INC.**  
By:

  
**EUSEBIO H. TANCO**  
Chairman of the Board

  
**MONICO V. JACOB**  
President and CEO

  
**YOLANDA M. BAUTISTA**  
Treasurer

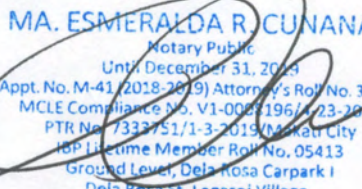
  
**ARSENIO C. CABRERA, JR.**  
Corporate Secretary

**JUL 15 2019**

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_, affiants exhibiting to me their respective Passport or SSS Numbers, as follows:

<u>Names</u>	<u>CTC/Passport/SSS Numbers</u>	<u>Date and Place of Issuance</u>
Eusebio H. Tanco	Passport No. P0992946B	11 March 2019, DFA Manila, Philippines
Monico V. Jacob	Passport No. EC7728486	17 May 2016, DFA NCR East, Philippines
Yolanda M. Bautista	SSS No. 03-2678038-9	
Arsenio C. Cabrera, Jr.	Passport No. P0055009A	26 August 2016, DFA NCR South, Philippines

Doc. No. 460;  
Page No. 99;  
Book No. XXVII  
Series of 2019.

  
**MA. ESMERALDA R. CUNANAN**  
Notary Public  
Until December 31, 2024  
Appt. No. M-41 (2018-2019) Attorney's Roll No. 34582  
MCLE Compliance No. V1-005196/1-23-2018  
PTR No. 7333751/1-3-2019 (Makati City)  
I&P Lifetime Member Roll No. 05413  
Ground Level, Dela Rosa Carpark I  
Dela Rosa St. Legaspi Village,  
Makati City



# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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### COMPANY NAME

S	T	I	E	D	U	C	A	T	I	O	N	S	Y	S	T	E	M	S	H	O	L	D	I	N	G	S		
I	N	C	.	A	N	D	S	U	B	S	I	D	I	A	R	I	E	S										

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

7	t	h	F	l	o	o	r	,	S	T	I	H	o	l	d	i	n	g	s	C	e	n	t	e	r	
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Form Type  
1 7 - A

Department requiring the report  
C R M D

Secondary License Type, If Applicable

### COMPANY INFORMATION

Company's Email Address <b>info@stiholdings.com.ph</b>	Company's Telephone Number <b>(632) 844 9553</b>	Mobile Number <b>N/A</b>
No. of Stockholders <b>1,263</b>	Annual Meeting (Month / Day) <b>Last Friday of September</b>	Fiscal Year (Month / Day) <b>03/31</b>

### CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

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

### CONTACT PERSON'S ADDRESS

<b>5/F SGV-II BUILDING, 6758 AYALA AVENUE, MAKATI CITY</b>
------------------------------------------------------------

**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.





**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

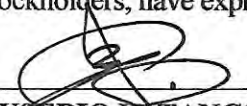
The management of **STI Education Systems Holdings, Inc. and subsidiaries (the Group)** is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended March 31, 2019, 2018 and 2017, in accordance with accounting 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 that are free from material misstatement, whether due to fraud or error.

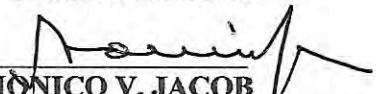
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the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

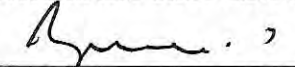
The Board of Directors is responsible for overseeing the Group's financial reporting process.

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 the 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. BAUTISTA**  
 Treasurer and Chief Financial Officer

Signed this 11th of July 2019

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

**JUL 15 2019**

SUBSCRIBED AND SWORN to me this \_\_\_\_\_ day of \_\_\_\_\_, 2019 at MAKATI CITY City. Affiants exhibited to me their respective Passport/SSS numbers/Drivers License Numbers and Tax Identification Numbers as follows:

<u>Name</u>	<u>Number</u>	<u>Date/Place of Issuance</u>
Eusebio H. Tanco	Passport No. PO992946B	11/03/19, DFA Manila
Monico V. Jacob	Passport No. EC7728486	05/17/16, DFA NCR East
Yolanda M. Bautista	SSS No. 03-2678038-9	Makati City

Doc/ No. 488  
 Page No. 99  
 Book No. XXXVIII  
 Series of 2019

**MA. ESMERALDA R. CUNANAN**  
 Notary Public  
 Until December 31, 2019  
 Appt. No. M-41 (2018-2019) Attorney's Roll No. 34562  
 MCLE Compliance No. V1-0008198/1-23-2018  
 PTR No. 733751/1-3-2019 Makati City  
 IBP Lifetime Member Roll No. 95413  
 Ground Level, Dona Rosa Carpark I  
 Date Recd. at: \_\_\_\_\_





Building a better working world

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

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

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

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
STI Education Systems Holdings, Inc.  
7th Floor, STI Holdings Center  
6764 Ayala Avenue  
Makati City

### 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, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended March 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

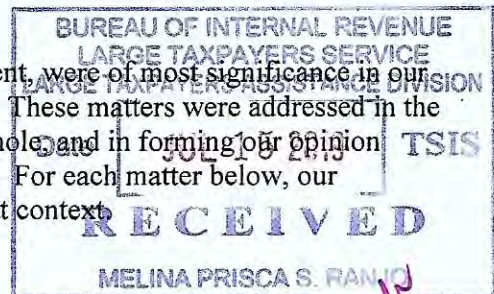
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period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

### Basis for Opinion

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

### Key Audit Matters

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





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

### ***Impairment of Goodwill***

Under PFRS, the Group is required to annually test the amount of goodwill for impairment. As at March 31, 2019, the Group's goodwill attributable to each of the Group's cash-generating units (CGUs) that are expected to benefit from the business combination (i.e., each school operation) amounted to ₱224.2 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgments and is based on assumptions, specifically discount rate, forecasted revenue growth, earnings before interest, taxes, depreciation and amortization (EBITDA) margins and long-term growth rate.

The Group's disclosures about goodwill are included in Notes 5 and 16 to the consolidated financial statements.

### ***Audit response***

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

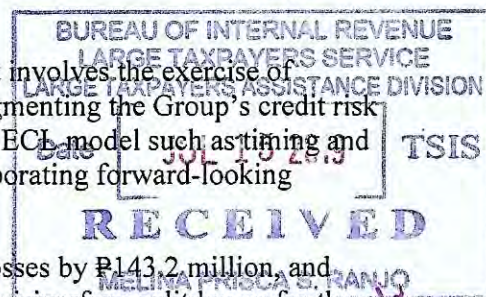
### ***Adoption of PFRS 9, Financial Instruments***

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

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

The application of the ECL model increased the allowance for credit losses by ₱143.2 million, and decreased retained earnings by ₱129.1 million as at April 1, 2018. Provision for credit losses for the year ended March 31, 2019 amounted to ₱74.9 million.

The disclosures on the transition adjustments and details of the allowance for credit losses are included in Notes 2, 5 and 7 of the consolidated financial statements.





*Audit Response*

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

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

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

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

*Adoption of PFRS 15, Revenue from Contracts with Customers*

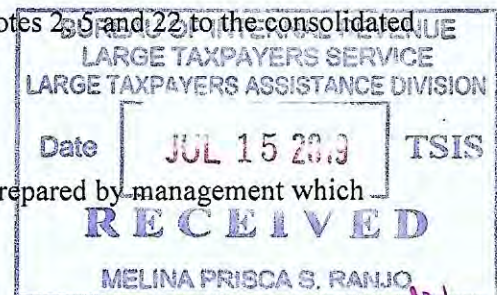
Effective April 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under the modified retrospective approach.

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

The disclosures related to the adoption of PFRS 15 are included in Notes 25 and 22 to the consolidated financial statements.

*Audit Response*

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





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

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

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

### **Other Information**

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

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.

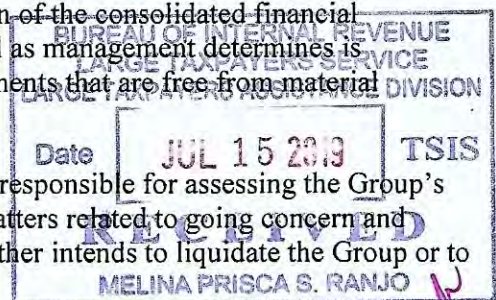
If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **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.

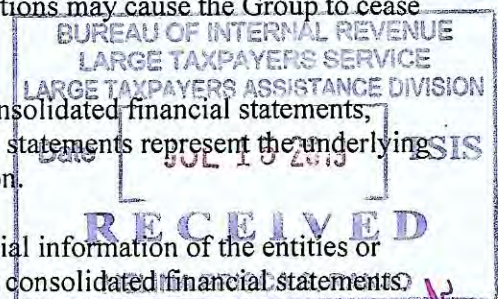
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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.

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

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

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

SYCIP GORRES VELAYO & CO.

*Benjamin N. Villacorte*

Benjamin N. Villacorte

Partner

CPA Certificate No. 111562

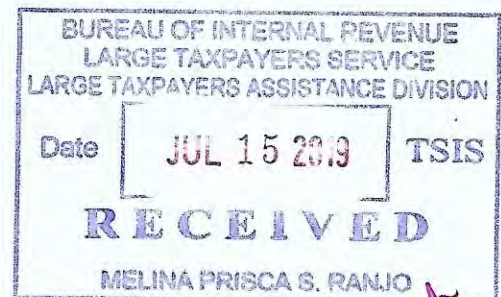
SEC Accreditation No. 1539-AR-1 (Group A),  
March 26, 2019, valid until March 25, 2022

Tax Identification No. 242-917-987

BIR Accreditation No. 08-001998-120-2019,  
January 28, 2019, valid until January 27, 2022

PTR No. 7332630, January 3, 2019, Makati City

July 11, 2019





**STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	March 31	
	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 6, 35 and 36)	₱777,341,535	₱1,857,507,750
Receivables (Notes 7, 22, 29, 35 and 36)	502,410,971	517,981,482
Inventories (Note 8)	158,273,906	139,581,592
Prepaid expenses and other current assets (Notes 9, 28, 29, 35 and 36)	102,779,019	135,778,279
	<b>1,540,805,431</b>	<b>2,650,849,103</b>
Noncurrent asset held for sale (Notes 10 and 13)	716,586,558	716,586,558
<b>Total Current Assets</b>	<b>2,257,391,989</b>	<b>3,367,435,661</b>
<b>Noncurrent Assets</b>		
Property and equipment (Notes 11 and 29)	9,963,945,229	8,426,842,079
Investment properties (Note 12)	1,832,675,897	1,863,718,647
Investments in and advances to associates and joint ventures (Notes 13, 14 and 36)	44,178,391	41,871,654
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 15, 35 and 36)	50,503,208	-
Available-for-sale (AFS) financial assets (Notes 15, 35 and 36)	-	68,093,740
Deferred tax assets - net (Note 30)	52,524,017	32,897,980
Pension assets - net (Note 28)	-	53,474,883
Goodwill, intangible and other noncurrent assets (Notes 16, 29, 35 and 36)	573,656,343	561,494,360
<b>Total Noncurrent Assets</b>	<b>12,517,483,085</b>	<b>11,048,393,343</b>
<b>TOTAL ASSETS</b>	<b>₱14,774,875,074</b>	<b>₱14,415,829,004</b>

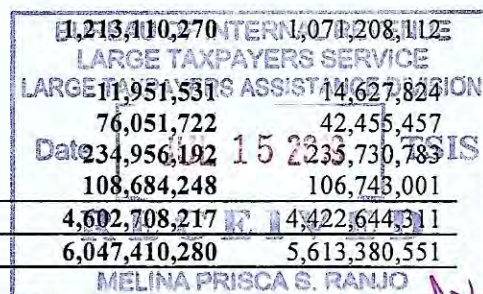
**LIABILITIES AND EQUITY**

**Current Liabilities**

Accounts payable and other current liabilities (Notes 1, 17, 35 and 36)	₱941,074,456	₱849,343,048
Current portion of interest-bearing loans and borrowings (Notes 18, 35 and 36)	299,600,000	167,400,000
Current portion of obligations under finance lease (Notes 29, 35 and 36)	6,500,632	7,134,449
Unearned tuition and other school fees (Note 22)	185,395,888	149,368,406
Income tax payable	12,131,087	17,490,337
<b>Total Current Liabilities</b>	<b>1,444,702,063</b>	<b>1,190,736,240</b>

**Noncurrent Liabilities**

Bonds payable (Note 19)	2,957,954,254	2,951,879,134
Interest-bearing loans and borrowings - net of current portion (Notes 18, 35 and 36)	1,213,410,270	1,078,208,112
Obligations under finance lease - net of current portion (Notes 29, 35 and 36)	1,951,531	14,627,821
Pension liabilities - net (Note 28)	76,051,722	42,455,457
Deferred tax liabilities (Note 30)	234,956,192	235,730,783
Other noncurrent liabilities (Notes 20, 35 and 36)	108,684,248	106,743,001
<b>Total Noncurrent Liabilities</b>	<b>4,602,708,217</b>	<b>4,422,644,311</b>
<b>Total Liabilities (Carried Forward)</b>	<b>6,047,410,280</b>	<b>5,613,380,551</b>

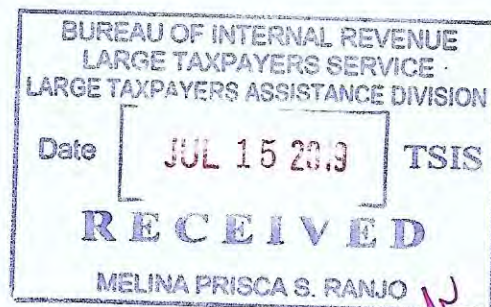


(Forward)



	March 31	
	2019	2018
Total Liabilities (Brought Forward)	P6,047,410,280	P5,613,380,551
<b>Equity Attributable to Equity Holders of the Parent Company</b> (Note 21)		
Capital stock	4,952,403,462	4,952,403,462
Additional paid-in capital	1,119,127,301	1,119,127,301
Cost of shares held by a subsidiary	(498,142,921)	(498,142,921)
Cumulative actuarial gain	20,950,751	96,727,608
Fair value change in equity instruments at FVOCI (Notes 2 and 15)	3,623,046	-
Unrealized mark-to-market gain on AFS financial assets (Note 15)	-	847,989
Other equity reserve (Note 3)	(1,670,477,910)	(1,667,792,370)
Other comprehensive income associated with noncurrent asset held for sale (Notes 10 and 13)	90,645,302	90,645,302
Share in associates':		
Cumulative actuarial gain (Note 13)	321,569	215,592
Fair value change in equity instruments designated at FVOCI (Note 13)	(114)	-
Unrealized mark-to-market loss on AFS financial assets (Note 13)	-	(114)
Retained earnings	4,612,253,086	4,611,356,907
Total Equity Attributable to Equity Holders of the Parent Company	8,630,703,572	8,705,388,756
<b>Equity Attributable to Non-controlling Interests</b>	96,761,222	97,059,697
Total Equity	8,727,464,794	8,802,448,453
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P14,774,875,074</b>	<b>P14,415,829,004</b>

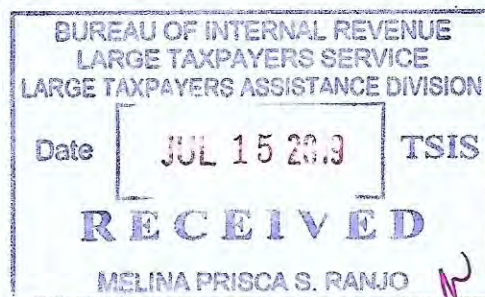
See accompanying Notes to Consolidated Financial Statements.





**STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

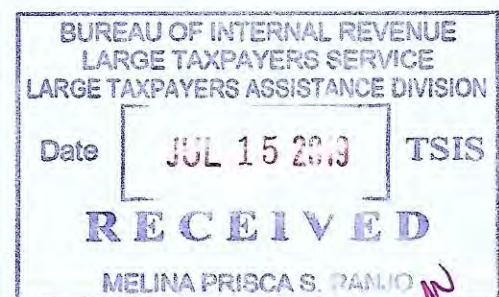
	Years Ended March 31		
	2019	2018	2017
<b>REVENUES (Note 22)</b>			
Sale of services:			
Tuition and other school fees	₱2,346,326,130	₱2,612,702,587	₱2,538,918,364
Educational services	166,922,124	208,333,217	199,155,782
Royalty fees	15,717,540	20,545,886	19,148,926
Others	62,991,152	62,786,149	22,234,062
Sale of educational materials and supplies	160,629,516	178,303,107	153,502,823
	<u>2,752,586,462</u>	<u>3,082,670,946</u>	<u>2,932,959,957</u>
<b>COSTS AND EXPENSES</b>			
Cost of educational services (Note 24)	927,061,275	882,087,561	823,940,675
Cost of educational materials and supplies sold (Note 25)	120,584,389	131,916,522	120,843,322
General and administrative expenses (Note 26)	1,308,511,642	1,194,318,933	1,066,094,306
	<u>2,356,157,306</u>	<u>2,208,323,016</u>	<u>2,010,878,303</u>
<b>INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX</b>	<u>396,429,156</u>	<u>874,347,930</u>	<u>922,081,654</u>
<b>OTHER INCOME (EXPENSES)</b>			
Equity in net earnings (losses) of associates and joint ventures (Note 13)	3,190,368	(222,036,414)	(244,097,915)
Interest expense (Note 23)	(228,817,821)	(219,411,899)	(79,245,342)
Rental income (Notes 12, 29 and 31)	126,584,078	114,629,851	111,477,617
Interest income (Note 23)	21,114,324	28,527,141	4,907,330
Dividend and other income (Note 15)	7,556,194	4,555,297	3,264,786
Gain on sale of property and equipment	1,021,000	14,790	135,199
Effect of derecognition of a subsidiary (Note 20)	-	-	(60,829,455)
	<u>(69,351,857)</u>	<u>(293,721,234)</u>	<u>(264,387,780)</u>
<b>INCOME BEFORE INCOME TAX</b>	<u>327,077,299</u>	<u>580,626,696</u>	<u>657,693,874</u>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)</b>			
Current	43,570,914	84,487,773	103,832,952
Deferred	(613,870)	(6,679,096)	(4,561,593)
	<u>42,957,044</u>	<u>77,808,677</u>	<u>99,271,359</u>
<b>NET INCOME (Carried Forward)</b>	<u>284,120,255</u>	<u>502,818,019</u>	<u>558,422,515</u>





	Years Ended March 31		
	2019	2018	2017
<b>NET INCOME</b> <i>(Brought Forward)</i>	<b>₱284,120,255</b>	<b>₱502,818,019</b>	<b>₱558,422,515</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Items not to be reclassified to profit or loss in subsequent years:			
Remeasurement gain (loss) on pension liability (Note 28)	(85,151,601)	58,838,953	32,270,210
Fair value change in equity instruments at FVOCI (Note 15)	(230,380)	-	-
Share in associates' remeasurement gain on pension liability (Note 13)	105,778	176,372	18,979,723
Income tax effect	8,377,962	(5,882,268)	(3,227,021)
	<b>(76,898,241)</b>	<b>53,133,057</b>	<b>48,022,912</b>
Items to be reclassified to profit or loss in subsequent years:			
Share in associates' unrealized mark-to-market gain (loss) on AFS financial assets (Note 13)	-	124,968,590	(148,323,150)
Unrealized mark-to-market gain on available-for-sale financial assets (Note 15)	-	391,610	847,120
Share in associates' remeasurement gain (loss) on life insurance reserves (Note 13)	-	226,977	(4,022,703)
	-	<b>125,587,177</b>	<b>(151,498,733)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>	<b>(76,898,241)</b>	<b>178,720,234</b>	<b>(103,475,821)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱207,222,014</b>	<b>₱681,538,253</b>	<b>₱454,946,694</b>
<b>Net Income Attributable To</b>			
Equity holders of the Parent Company	₱280,983,764	₱496,017,439	₱550,204,057
Non-controlling interests	3,136,491	6,800,580	8,218,458
	<b>₱284,120,255</b>	<b>₱502,818,019</b>	<b>₱558,422,515</b>
<b>Total Comprehensive Income Attributable To</b>			
Equity holders of the Parent Company	₱205,045,242	₱672,418,815	₱448,129,130
Non-controlling interests	2,176,772	9,119,438	6,817,564
	<b>₱207,222,014</b>	<b>₱681,538,253</b>	<b>₱454,946,694</b>
<b>Basic/Diluted Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company</b> (Note 32)	<b>₱0.028</b>	<b>₱0.050</b>	<b>₱0.056</b>

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, 2019, 2018 AND 2017**

Equity Attributable to Equity Holders of the Parent Company (Note 21)																	
	Capital Stock	Additional Paid-in Capital	Cost of Shares Held by a Subsidiary	Cumulative Actuarial Gain	Fair value Change in Equity FVOCI (Note 15)	Unrealized Mark-to-market Gain (Loss) on Available-for-sale Financial Assets (Note 15)	Other Equity Reserve	Other Comprehensive Income Associated with Noncurrent Asset Held for Sale	Share in Associates' Cumulative Gain(Loss) (Note 13)	Share in Associate' Fair Value Change in Equity Instruments Designated at FVOCI (Note 13)	Share in Associates' Unrealized Gain (Loss) on Available-for-sale Financial Assets (Note 13)	Share in Associates' Remeasurement Gain (Loss) on Life Insurance Reserves	Share in Associates' Equity Reserves'	Retained Earnings	Total	Equity Attributable to Non-controlling Interests	Total Equity
Balance at April 1, 2018, as previously reported	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱96,727,608	₱-	₱847,989	(₱1,667,792,370)	₱90,645,302	₱215,592	₱-	(114)	₱-	₱-	₱4,611,356,907	₱8,705,388,756	₱97,059,697	₱8,802,448,453
Effect of adoption of PFRS 9 (Note 2)	-	-	-	-	41,024,337	(847,989)	-	-	-	(114)	114	-	-	(129,099,450)	(88,923,102)	-	(88,923,102)
Balance at April 1, 2018, as restated	4,952,403,462	1,119,127,301	(498,142,921)	96,727,608	41,024,337	-	(1,667,792,370)	90,645,302	215,592	(114)	-	-	-	4,482,257,457	8,616,465,654	97,059,697	8,713,525,351
Net income	-	-	-	-	-	-	-	-	-	-	-	-	-	280,983,764	280,983,764	3,136,491	284,120,255
Other comprehensive income (loss)	-	-	-	(75,776,857)	(267,642)	-	-	-	105,977	-	-	-	-	-	(75,938,522)	(959,719)	(76,898,241)
Total comprehensive income	-	-	-	(75,776,857)	(267,642)	-	-	-	105,977	-	-	-	-	280,983,764	205,045,242	2,176,772	207,222,014
Effect of merger of subsidiaries (Note 3)	-	-	-	-	-	-	(2,685,540)	-	-	-	-	-	-	-	(2,685,540)	-	(2,685,540)
Dividend declaration (Note 21)	-	-	-	-	-	-	-	-	-	-	-	-	-	(188,121,784)	(188,121,784)	-	(188,121,784)
Share of non-controlling interest on dividends declared by a subsidiary (Note 21)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,475,247)	(2,475,247)
Realized fair value adjustment on equity instruments at FVOCI (Note 15)	-	-	-	-	(37,133,649)	-	-	-	-	-	-	-	-	37,133,649	-	-	-
Balance at March 31, 2019	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱20,950,751	₱3,623,046	₱-	(₱1,670,477,910)	₱90,645,302	₱321,569	(₱114)	₱-	₱-	₱-	₱4,612,253,086	₱8,630,703,572	₱96,761,222	₱8,727,464,794



Equity Attributable to Equity Holders of the Parent Company (Note 21)

	Capital Stock	Additional Paid-in Capital	Cost of Shares Held by a Subsidiary	Cumulative Actuarial Gain	Fair value Change in Equity Instruments at FVOCI (Note 15)	Unrealized Mark-to-market Gain (Loss) on Available-for-sale Financial Assets (Note 15)	Other Equity Reserve	Comprehensive Income Associated with Noncurrent Asset Held for Sale	Share in Associates' Cumulative Actuarial Gain(Loss) (Note 13)	Share in Associate' Fair Value Change in Equity Instruments Designated at FVOCI (Note 13)	Share in Associates' Unrealized Mark-to-market Gain (Loss) on Available-for-sale Financial Assets (Note 13)	Share in Associates' Remeasurement Gain (Loss) on Life Insurance Reserves	Share in Associates' Equity Reserves'	Retained Earnings	Total	Equity Attributable to Non-controlling Interests	Total Equity
Balance at April 1, 2017	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱44,398,122	₱-	₱462,127	(₱1,667,792,370)	₱-	₱722,894	₱-	(₱16,188,913)	(₱18,078,114)	₱718,885	₱4,303,426,945	₱8,221,057,418	₱91,240,164	₱8,312,297,582
Net income	-	-	-	-	-	-	-	-	-	-	-	-	-	496,017,439	496,017,439	6,800,580	502,818,019
Other comprehensive income (loss)	-	-	-	52,329,486	-	385,862	-	-	169,358	-	123,292,735	223,935	-	-	176,401,376	2,318,858	178,720,234
Total comprehensive income	-	-	-	52,329,486	-	385,862	-	-	169,358	-	123,292,735	223,935	-	496,017,439	672,418,815	9,119,438	681,538,253
Reclassification to noncurrent asset held for sale	-	-	-	-	-	-	-	90,645,302	(676,660)	-	(107,103,936)	17,854,179	(718,885)	-	-	-	-
Dividend declaration (Note 21)	-	-	-	-	-	-	-	-	-	-	-	-	-	(188,087,477)	(188,087,477)	-	(188,087,477)
Share of non-controlling interest on dividends declared by a subsidiary (Note 21)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,299,905)	(3,299,905)
Balance at March 31, 2018	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱96,727,608	₱-	₱847,989	(₱1,667,792,370)	₱90,645,302	₱215,592	₱-	(₱114)	₱-	₱-	₱4,611,356,907	₱8,705,388,756	₱97,059,697	₱8,802,448,453



Equity Attributable to Equity Holders of the Parent Company (Note 21)

	Capital Stock	Additional Paid-in Capital	Cost of Shares Held by a Subsidiary	Cumulative Actuarial Gain	Fair value Change in Equity Instruments at FVOCI (Note 15)	Unrealized Mark-to-market Gain (Loss) on Available-for-sale Financial Assets (Note 14)	Other Equity Reserve	Other comprehensive income associated with noncurrent asset held for sale	Share in Associates' Cumulative Actuarial Gain (Loss) (Note 13)	Share in associate' Fair value change in equity instruments designated at FVOCI (Note 13)	Share in Associates' Unrealized Mark-to-market Gain (Loss) on Available-for-sale Financial Assets (Note 12)	Share in Associates' Remeasurement Gain (Loss) on Life Insurance Reserves	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)	-	(₱18,002,502)	₱-	₱130,146,706	(₱14,109,316)	₱-	₱3,941,272,868	₱7,967,864,904	₱89,330,153	₱8,057,195,057
Net income	-	-	-	-	-	-	-	-	-	-	-	-	-	550,204,057	550,204,057	8,218,458	558,422,515
Other comprehensive income (loss)	-	-	-	28,668,325	-	835,769	-	-	18,725,396	-	(146,335,619)	(3,968,798)	-	-	(102,074,927)	(1,400,894)	(103,475,821)
Total comprehensive income	-	-	-	28,668,325	-	835,769	-	-	18,725,396	-	(146,335,619)	(3,968,798)	-	550,204,057	448,129,130	6,817,564	454,946,694
Dividend declaration (Note 21)	-	-	-	-	-	-	-	-	-	-	-	-	-	(188,049,980)	(188,049,980)	-	(188,049,980)
Acquisition of non-controlling interests (Notes 3 and 21)	-	-	-	-	-	-	(9,519,771)	-	-	-	-	-	-	-	(9,519,771)	9,519,771	-
Share in associates' acquisition of its subsidiary's non-controlling interests (Note 13)	-	-	-	-	-	-	-	-	-	-	-	-	718,885	-	718,885	9,763	728,648
Disposal of shares held by a subsidiary (Note 21)	-	47,834	1,866,416	-	-	-	-	-	-	-	-	-	-	-	1,914,250	-	1,914,250
Share of non-controlling interest on dividends declared by a subsidiary (Note 21)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,437,087)	(14,437,087)
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)	₱-	₱722,894	₱-	(₱16,188,913)	(₱18,078,114)	₱718,885	₱4,303,426,945	₱8,221,057,418	₱91,240,164	₱8,312,297,582

See accompanying Notes to Consolidated Financial Statements.



**STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended March 31		
	2019	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱327,077,299	₱580,626,696	₱657,693,874
Adjustments to reconcile income before income tax to net cash flows:			
Depreciation and amortization (Notes 11, 12 and 16)	468,539,399	398,836,776	375,621,499
Interest expense (Note 23)	228,817,821	219,411,899	79,245,342
Interest income (Notes 23)	(21,114,324)	(28,527,141)	(4,907,330)
Provision for impairment loss on goodwill (Note 16)	17,035,240	-	-
Dividend income (Note 15)	(7,556,194)	(4,438,297)	(3,264,786)
Net change in pension assets and liabilities (Note 28)	3,295,069	2,787,099	4,986,604
Equity in net earnings (losses) of associates and joint ventures (Note 13)	(3,190,368)	222,036,414	244,097,915
Gain on sale of property and equipment	(1,021,000)	(14,790)	(135,199)
Provision for impairment loss on investments in and advances to an associate (Note 26)	-	591,839	1,643,844
Effect of derecognition of a subsidiary (Note 20)	-	-	60,829,455
Operating income before working capital changes	1,011,882,942	1,391,310,495	1,415,811,218
Decrease (increase) in:			
Receivables	(171,774,390)	(44,359,784)	(140,068,422)
Inventories	(18,692,314)	(17,194,516)	(83,893,498)
Prepaid expenses and other current assets	31,630,095	20,077,929	(52,471,204)
Increase (decrease) in:			
Accounts payable and other current liabilities	(159,567,688)	44,352,600	(147,291,865)
Unearned tuition and other school fees	82,511,704	49,047,458	46,216,182
Other noncurrent liabilities	633,317	(12,610,608)	30,871,502
Net cash generated from operations	776,623,666	1,430,623,574	1,069,173,913
Income and other taxes paid	(48,203,560)	(83,612,782)	(131,955,347)
Interest received	21,026,655	28,527,141	4,786,080
Net cash from operating activities	749,446,761	1,375,537,933	942,004,646
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of:			
Property and equipment (Notes 3, 11 and 37)	(1,675,879,289)	(1,614,691,820)	(1,578,753,015)
Investment properties (Notes 12 and 37)	-	(3,631,991)	(34,352,144)
Subsidiary, net of cash acquired (Note 3)	-	5,828,110	-
Increase in:			
Investments in and advances to associates and joint ventures	(88,064,875)	(548,841)	(1,643,844)
Intangible and other noncurrent assets	48,705,455	(183,108,754)	(45,178,798)
Dividends received	9,350,238	5,974,052	4,626,924
Proceeds from sale of property and equipment	1,167,000	16,000	352,436
Proceeds from sale of equity instruments at FVOCI (Note 15)	57,536,500	-	-
Net cash used in investing activities	(1,647,184,971)	(1,790,163,244)	(1,654,948,441)

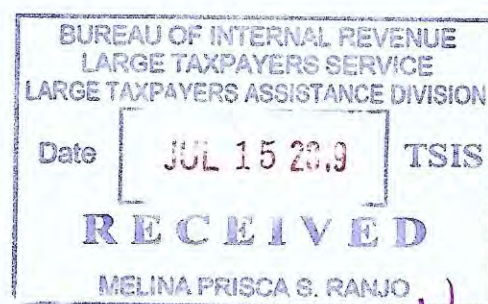
(Forward)





	Years Ended March 31		
	2019	2018	2017
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from:			
Availment of long-term loans	₱470,000,000	₱570,000,000	₱-
Issuance of bonds (Note 19)	-	-	3,000,000,000
Availment of short-term loans (Note 18)	-	-	1,993,000,000
Payments of:			
Long-term loans (Note 18)	-	(40,800,000)	(166,800,000)
Obligations under finance lease (Note 29)	(7,877,299)	(6,917,665)	(6,004,730)
Short-term loans (Note 18)	(197,400,000)	(1,012,000,000)	(1,248,000,000)
Long-term loan transaction costs (Note 18)	-	(7,791,888)	-
Bond issuance costs (Note 19)	-	(845,760)	(52,971,362)
Interest paid	(254,307,928)	(238,385,492)	(76,111,185)
Dividends paid	(190,367,531)	(186,549,784)	(181,786,027)
Dividends paid to non-controlling interests (Note 21)	(2,475,247)	(3,299,906)	(14,437,088)
Net cash from (used in) financing activities	(182,428,005)	(926,590,495)	3,246,889,608
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,080,166,215)</b>	<b>(1,341,215,806)</b>	<b>2,533,945,813</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,857,507,750</b>	<b>3,198,723,556</b>	<b>664,777,743</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>₱777,341,535</b>	<b>₱1,857,507,750</b>	<b>₱3,198,723,556</b>

See accompanying Notes to Consolidated Financial Statements.





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

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**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.

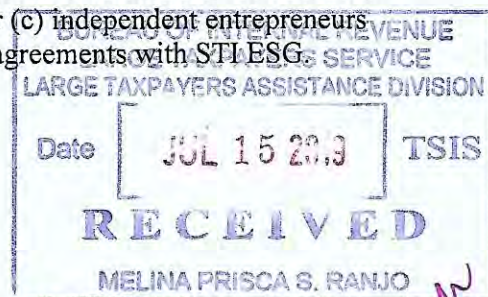
STI Holdings’ registered office address, which is also its principal place of business, is 7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City.

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. STI Holdings’ ownership of STI ESG is at 98.66% as at March 31, 2019 and 2018.

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.



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.

Prior to School Year (“SY”) 2019-2020, STI schools start the school calendar every June of each year.

On June 14, 2018, STI ESG informed the Commission on Higher Education (“CHED”) of the decision of its Board of Directors (“BOD”) to admit two batches of incoming college freshmen students for SY 2018-2019. The Group requested CHED for endorsement of this move to accept the second batch of college freshmen enrollees that would start in August 2018. On June 29, 2018, CHED noted the decision of STI ESG citing that the decision to move the school calendar is part of the institution’s academic freedom, provided that it would not violate existing rules on the same. CHED also advised STI ESG to coordinate with the respective CHED Regional Offices on the usual guidance and procedures in implementing the planned school calendar.

With this development, STI ESG made adjustments in the school calendar of its schools. For SY2019-2020, classes for SHS start in June and for the tertiary, classes start in July.

#### *Merger with Several Majority and Wholly-owned Subsidiaries*

On December 9, 2010, STI ESG’s stockholders approved the following mergers:

- Phase 1: The merger of three (3) majority owned schools and fourteen (14) wholly-owned schools with STI ESG, with STI ESG as the surviving entity. The Phase 1 merger was approved by the CHED and the SEC on March 15, 2011 and May 6, 2011, respectively.
- Phase 2: The merger of one (1) majority owned school and eight (8) wholly-owned pre-operating schools with STI ESG, with STI ESG as the surviving entity. The Phase 2 merger was approved by the CHED and the SEC on July 18, 2011 and August 31, 2011, respectively.

On September 25, 2013, STI ESG’s BOD approved an amendment to the Phase 1 and 2 mergers whereby STI ESG would issue shares at par value, to the stockholders of the non-controlling interests. In 2014, STI ESG issued 1.9 million additional shares at par value to the stockholders of one of the merged schools. As at July 11, 2019, the amendment is pending approval by the SEC.

Also on September 25, 2013, the BOD of the STI ESG approved the Phase 3 merger whereby STI College Taft, Inc. (“STI Taft”) and STI College Dagupan, Inc. (“STI Dagupan”) will be merged with STI ESG as the surviving entity. On August 5, 2016, STI ESG filed its application for merger with the SEC with endorsement from the Department of Education (“DepEd”) and CHED. On August 30, 2017, the SEC approved the application for the merger of STI Taft and STI Dagupan with STI ESG. In December 2017, STI ESG subscribed to 5,952,273 of its own shares and issued a total of 5,311 shares to minority holders of the absorbed entities with a par value of ₱1.0 per share at a price of ₱1.82 per share. Consequently, STI ESG’s capital stock



increased by ₱5.9 million from ₱3,081.9 million to ₱3,087.8 million and STI ESG recognized treasury shares amounting to ₱10.8 million. Similarly, additional paid-in capital increased by ₱7.0 million from ₱379.9 million to ₱386.9 million.

As at July 11, 2019, STI ESG's request for confirmatory ruling on the tax-free merger from the Bureau of Internal Revenue ("BIR") is still pending.

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

In October 2013, the Parent Company acquired majority ownership interest in STI WNU. The consideration for the acquisition of STI WNU includes contingent consideration amounting to ₱151.5 million. As at March 31, 2019 and 2018, the Parent Company owns 99.5% of STI WNU.

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

On December 9, 2015, the SEC approved the amendment of STI WNU's Articles of Incorporation 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 Philippine and/or foreign registered ships operating in the Philippine and/or international waters.

On September 21, 2018, the SEC approved the amendment of STI WNU's Articles of Incorporation allowing the latter to provide technical-vocational education training services under the Technical Education and Skills Development Authority ("TESDA") and/or operate a Training Center as well as an Assessment Center, in relation to the said services.

In previous years, the school calendar of STI WNU starts in June of each year. For SY 2019-2020, classes of SHS start in June and for the tertiary, classes start in July.

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

iACADEMY is a premier school that specializes in course offerings in animation, multimedia arts and design, fashion design and technology, software engineering, game development and real estate management. It also offers SHS. It started in 2002 as a wholly-owned subsidiary of STI ESG until its acquisition by STI Holdings in September 2016. Classes are conducted at the school's Nexus building along Yakal St. in Makati City, with top of the line multimedia arts laboratories and computer suites.

On September 27, 2016, the Parent Company purchased 100.0 million of 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 (see Note 3). As at March 31, 2019 and 2018, 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 up to April 26, 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 Information (“HEIs”) in the Philippines. This GA applies only to the iACADEMY Plaza campus.

On May 31, 2019, iACADEMY and DePaul decided to terminate the licensing agreement to offer a Graduate Business Program in light of demands of the industry and explore other potential projects that iACADEMY and DePaul may jointly pursue in the future.

On September 7, 2017, the Board of Governors (“BOG”) of iACADEMY approved the merger of iACADEMY and Neschester Corporation (“Neschester”), with iACADEMY as the surviving entity. The stockholders of both companies confirmed, ratified and approved the merger on the same date. The Plan of Merger between iACADEMY and Neschester was filed with the SEC on January 24, 2018 and was approved on April 10, 2018. In addition, on September 7, 2017, the Stockholders and BOG of iACADEMY also approved the increase in authorized capital stock from ₱500.0 million to ₱1.0 billion. The increase in authorized capital stock was likewise approved by the SEC on April 10, 2018. On May 11, 2018, iACADEMY issued 494,896,694 shares to STI Holdings in exchange for the net assets of Neschester as a result of the merger.

On December 4, 2018, iACADEMY and Neschester requested for a confirmatory ruling on the tax-free merger from the BIR. As at July 11, 2019, the request is pending with the BIR.

iACADEMY starts the classes for its college students in July while the SHS students start classes in August.

e. Neschester

Neschester was incorporated on December 10, 2007 primarily 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, Neschester became a wholly-owned subsidiary of STI Holdings (see Note 3).

The major asset of Neschester is a parcel of land in Yakal, Makati City. This is now the site of iACADEMY’s Nexus campus (see Note 11).

Effective April 10, 2018, Neschester ceased to be a subsidiary of the Parent Company pursuant to the merger with iACADEMY, as approved by the SEC.



f. Attenborough Holdings Corp. (“AHC”)

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 34).

Since February 2015, STI Holdings owns 100% of AHC.

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 34).

The establishment, operation, administration and management of schools are subject to the existing laws, rules and regulations, policies, and standards of the DepEd, TESDA and the CHED pursuant to Batas Pambansa Bilang 232, otherwise known as the “Education Act of 1982,” Republic Act (“RA”) No. 7796, otherwise known as the “TESDA Act of 1994,” and RA No. 7722, otherwise known as the “Higher Education Act of 1994,” respectively.

The accompanying consolidated financial statements were approved and authorized for issuance by the BOD of STI Holdings on July 11, 2019.

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## 2. Basis of Preparation and Summary of the Group’s Significant Accounting Policies

### Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for equity instruments at FVOCI and AFS financial assets, which have been measured at fair value. The consolidated financial statements are presented in Philippine peso (₱), which is the Group’s functional and presentation currency, and all values are rounded to the nearest peso, except when otherwise indicated.

### Statement of Compliance

As at and for the year ended March 31, 2019, the accompanying consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the Philippines which includes all applicable Philippine Financial Reporting Standards (“PFRS”).

As at and for the years ended March 31, 2018 and 2017, the accompanying consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the Philippines which includes all applicable PFRSs 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 until June 2017.

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries.



Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company controls an investee, if and only if, the Parent Company has:

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

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The consolidated financial statements include the accounts of STI College of Kalookan, Inc. ("STI Caloocan") as at March 31, 2019 and 2018 and for the years ended March 31, 2019, 2018 and 2017 and STI Diamond College, Inc. ("STI Diamond") for the five-month period ended August 31, 2016. Both STI Caloocan and STI Diamond are non-stock corporations and controlled by STI ESG by virtue of management contracts. STI Diamond was deconsolidated in September 2016.

The Group 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 Group obtains control over the subsidiary and ceases when the Group 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 Group gains control until the date the Group 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.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

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

Subsidiaries	Principal Activities	Effective Percentage of Ownership					
		2019		2018		2017	
		Direct	Indirect	Direct	Indirect	Direct	Indirect
STI ESG	Educational Institution	99	–	99	–	99	–
STI WNU	Educational Institution	99	–	99	–	99	–
iACADEMY	Educational Institution	100	–	100	–	100	–
AHC	Holding Company	100	–	100	–	100	–
STI College Tuguegarao, Inc. ("STI Tuguegarao")	Educational Institution	–	99	–	99	–	99
STI Caloocan <sup>(a)</sup>	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



Subsidiaries	Principal Activities	Effective Percentage of Ownership					
		2019		2018		2017	
		Direct	Indirect	Direct	Indirect	Direct	Indirect
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. (“STI Novaliches”)	Educational Institution	–	99	–	99	–	99
STI College of Santa Maria, Inc. (STI Sta. Maria) <sup>(b)</sup>	Educational Institution	–	99	–	99	–	–
De Los Santos-STI College <sup>(c)</sup>	Educational Institution	–	51	–	51	–	51
STI College Quezon Avenue, Inc. (“STI QA”) <sup>(d)</sup>	Educational Institution	–	51	–	51	–	51
STI Dagupan <sup>(e)</sup>	Educational Institution	–	–	–	–	–	99
STI Taft <sup>(e)</sup>	Educational Institution	–	–	–	–	–	99
Neschester Corporation <sup>(f)</sup>	Real Estate	–	–	100	–	100	–

<sup>(a)</sup> A subsidiary of STI ESG through a management contract (See Note 5)

<sup>(b)</sup> A subsidiary starting April 2017.

<sup>(c)</sup> 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.

<sup>(d)</sup> A wholly-owned subsidiary of De Los Santos-STI College

<sup>(e)</sup> On August 30 2017, the SEC approved the merger of STI Taft and STI Dagupan with STI ESG, with STI ESG as the surviving entity (see Note 20).

<sup>(f)</sup> On April 10 2018, the SEC approved the merger of Neschester and iACADEMY, with iACADEMY as the surviving entity (see Note 3).

**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 Tuguegarao, STI Diamond (consolidated until August 2016), STI Caloocan, STI Iloilo and Neschester Corporation (consolidated until March 31, 2018), 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 statements of financial position, separately from equity attributable to equity holders of the Parent Company.

On transactions with non-controlling interests without loss of control, the difference between the fair value of the consideration and the book value of the share in the net assets acquired or disposed is treated as an equity transaction and is presented as part of “Other equity reserve” within equity section in the consolidated statements of financial position.

Other equity reserves are derecognized when the related asset or liability where they arise are derecognized.

#### 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 beginning after April 1, 2018. Adoption of these pronouncements did not have any significant impact on the Group’s financial position or performance unless otherwise indicated.

- *Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the



accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

The Group has no share-based payment transaction. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9*, *Financial Instruments*, with *PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and applies that approach retrospectively to financial assets designated on the transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issuance of insurance contracts.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces Philippine Accounting Standards ("PAS") 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

The Group applied PFRS 9 using modified retrospective approach, with an initial application date of April 1, 2018. The Group chose not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:

- Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7 will be retained for the comparative periods. Accordingly, the information presented for 2018 does not reflect the requirements of PFRS 9.
- The Group will disclose the accounting policies for both the current period and the comparative periods, one applying PFRS 9 beginning April 1, 2018 and one applying PAS 39 as at March 31, 2018.
- As comparative information is not restated, the Group is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with PAS 1, *Presentation of Consolidated Financial Statements*.

As at April 1, 2018, the Group has reviewed and assessed all of its existing financial assets and financial liabilities.



The effect of adopting PFRS 9 follows:

	Adjustments	As at April 1, 2018
Increase (decrease) in:		
Receivables	(b)	(₱143,193,782)
Deferred tax asset	(b)	14,094,332
Equity instruments at FVOCI	(a)	41,024,337
AFS financial assets	(a)	(847,989)
<b>Total Assets</b>		<b>(₱88,923,102)</b>
Retained earnings	(b)	(₱129,099,450)
Fair value change in equity instruments at FVOCI	(a)	41,024,337
Unrealized market-to-market gain on AFS financial assets	(a)	(847,989)
<b>Total Liabilities and Equity</b>		<b>(₱88,923,102)</b>

The nature of these adjustments are described below:

(a) *Classification and measurement*

PFRS 9 requires the Group to classify debt instruments based on the contractual cash flow characteristics of the assets and the business model for managing those assets. These factors determine whether the financial assets are measured at amortized cost, FVOCI, or fair value through profit or loss (“FVPL”).

The assessment of the Group’s business model was made based on the facts and circumstances that exist as of the date of initial application, April 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest (“SPPI”) was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have significant impact to the Group. The following are the changes in the classification of the Group’s financial assets:

- Cash and cash equivalents; receivables (except for advances to officers and employees); and rental and utility deposits under “Goodwill, intangible and other noncurrent assets” account classified as *loans and receivables* as at March 31, 2018 are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are classified and measured as *financial assets at amortized cost* beginning April 1, 2018.
- Equity investment in listed and non-listed companies classified as AFS financial assets as at March 31, 2018 are classified and measured as *equity instruments designated at FVOCI* beginning April 1, 2018. The adoption of PFRS 9 resulted in a fair value adjustment on equity instruments designated at FVOCI amounting to ₱40.2 million. In addition, unrealized market-to-market gain on AFS financial assets of ₱0.8 million was reclassified to “Fair value change in equity instruments at FVOCI” account in the equity section of the consolidated statement of financial position as at April 1, 2018.



- The Group elected to irrevocably classify its listed and non-listed equity investments under this category at the date of initial application as it intends to hold these instruments as strategic investments for the foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior periods.

There were no changes on the classification and measurement of financial liabilities. As at March 31, 2019 and 2018, the Group does not hold financial liabilities designated at FVPL.

In summary, upon the adoption of PFRS 9, the Group had the following required or elected reclassifications as at April 1, 2018:

Financial Assets	Category	PAS 39 measurement		PFRS 9 measurement		
		Amount	Fair Value Adjustment	Expected Credit Loss	Amount	Category
Cash and cash equivalents	L&R <sup>1</sup>	₱1,857,507,750	₱-	₱-	₱1,857,507,750	AC <sup>2</sup>
Receivables						
Tuition and other school fees	L&R	390,740,341	-	(143,193,782)	247,546,559	AC
Educational services	L&R	40,014,195	-	-	40,014,195	AC
Rent, utilities and other related receivables	L&R	36,430,823	-	-	36,430,823	AC
Advances to associate, and joint ventures	L&R	143,751	-	-	143,751	AC
Other receivables	L&R	26,147,411	-	-	28,907,861	AC
Rental and utility deposits (under <i>Goodwill, intangible and other noncurrent assets</i> account)	L&R	52,109,918	-	-	52,109,918	AC
Equity instruments designated at FVOCI/AFS	AFS	68,093,740	40,176,348	-	108,270,088	FVOCI

<sup>1</sup>L&R: Loans and receivables

<sup>2</sup>AC: Amortized cost

#### (b) Impairment

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. PFRS 9 requires the Group to record ECL for trade and other receivables and for other debt financial assets not classified as at FVPL, together with contract assets, loan commitments and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted using the asset's original effective interest rate, or an approximation thereof. The Group has established ECL models that are based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group has applied the simplified approach and recorded lifetime ECL on receivables from students. The simplified approach does not require the Group to track the changes in credit risk, but instead, requires the Group to recognize a provision on impairment based on lifetime ECLs at each reporting date.

The Group applied the general approach to the other remaining financial assets which had no significant deterioration in credit risk since its initial recognition.

The Group's financial assets are considered to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is considered credit-impaired by the Group when there is no reasonable expectation of recovering the contractual cash flows. Evidence of impairment may also include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



The following table reconciles the prior period's closing impairment allowance measured in accordance with PAS 39 to the opening impairment allowance determined in accordance with PFRS 9 as at April 1, 2018:

	Allowance for Impairment Under PAS 39 as at March 31, 2018	Remeasurement	ECL under PFRS 9 as at April 1, 2018
<b>Loans and receivables under PAS 39/Financial assets at amortized cost under PFRS 9</b>			
Receivables:			
Tuition and other school fees	₱127,759,964	₱143,193,782	₱268,953,746
Rent, utilities and other related receivables	58,830	–	58,830
Other receivables	2,701,620	–	2,701,620
	<u>₱130,520,414</u>	<u>₱143,193,782</u>	<u>₱271,714,196</u>

▪ PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related interpretations and applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of April 1, 2018. Under this method, PFRS 15 can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the method only to those contracts that are not completed as at April 1, 2018. In addition, the Group applied PFRS 15 guidance to a portfolio of contracts with similar characteristics as the entity reasonably expects that the effects on the consolidated financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts within that portfolio.





The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to significant revenue streams of the Group are set out below. Under PFRS 15, revenue is recognized when a customer obtains control of the goods or services.

<b>Revenue Stream</b>	<b>Nature and Timing of Satisfaction of Performance Obligation</b>	<b>Nature of Change in Accounting Policy</b>
Tuition and other school fees	Revenues from tuition and other school fees are recognized as income over the corresponding school term to which they pertain. The Group's obligation is to provide educational services to its students. Fees received pertaining to the school year commencing after the financial reporting date are recorded under the "Unearned tuition and other school fees" account in the consolidated statement of financial position. Unearned tuition and other school fees also include the portion of student assessment initially recorded as a liability account at the start of the school term and recognized to earned income proportionately until the end of the related term.	No change under PFRS 15. Revenue is recognized over the contract period using the output method as the service is provided. Unearned tuition and other school fees is classified as contract liabilities upon adoption of PFRS 15.
Educational services and royalty fees	Revenues from educational services and royalty fees are recognized based on a percentage of franchise schools' monthly receipts over a period of time as the fee accrued in accordance with the substance of the relevant agreements.	No change under PFRS 15. Revenue is recognized over the contract period based on a percentage of monthly franchise receipts.
Sale of educational materials and supplies	Revenues are recognized when the customer obtains control of the educational materials and supplies which is upon the customer's receipt of the goods.	No change under PFRS 15. Revenue is recognized at a point in time.
Other revenues	Other revenues substantially pertain to revenues related to the use of software such as eLearning Management System ("eLMS"), enrollment system, Microsoft and Adobe acrobat subscriptions of franchised schools. These revenues are recognized based on the number of ongoing students of the schools.	No change under PFRS 15. Revenue is recognized over the related school year based on a fixed rate per student.

The adoption of PFRS 15 did not have a significant impact on the Group's consolidated financial statements as at and for the year ended March 31, 2019.



- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at FVPL. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments did not have any material impact to the Group.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

The amendments did not have impact on the Group's consolidated financial statements since the Group's current practice is in line with the clarifications issued.

- Philippine Interpretation International Financial Reporting Interpretations Committee ("IFRIC")-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or nonmonetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

The adoption of these amendments did not have any impact on the consolidated financial statements.



### Standards Issued but Not Yet Effective

The standards and interpretations that are issued but not yet effective for the year ended March 31, 2019 are listed below. The Group intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the consolidated financial statements except otherwise stated:

#### *Effective in fiscal year 2020*

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are SPPI on the principal amount outstanding and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

- PFRS 16, *Leases*

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

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

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

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

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group is currently assessing the impact of adopting PFRS 16.



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

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

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

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

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

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the ECL model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on the Group's consolidated financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.



The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

- *Annual Improvements to PFRSs 2015-2017 Cycle*

- *Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- *Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application, permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.



- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

*Effective in fiscal year 2021*

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

*Effective in fiscal year 2022*

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.



The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issuance of insurance contracts.

#### *Deferred effectivity*

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. 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 FRSC postponed the original effective date of April 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 amendments are not applicable since the Group does not have activities that are connected with sale or contribution of assets between an investor and its associates or joint ventures.

The Group has not early adopted the previously mentioned standards. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to March 31, 2019 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the annual consolidated financial statements when these amendments are adopted.

#### 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 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 PFRS 9, is measured at fair value with changes in fair value recognized in profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill acquired in a business combination is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.





Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in this circumstance 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/noncurrent classification. An asset is current when:

- It is expected to be realized or intended to be sold or consumed in the normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realized within twelve months after the reporting period, or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

#### Fair Value Measurement

The Group measures financial instruments such as equity instruments at FVOCI/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 Note 36 to the consolidated financial statements.

Fair value is the estimated 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 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. The current practice of the Group is to involve external valuers every two to three years depending on the circumstances including market conditions and requirements. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing 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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### a. Financial assets

*Effective beginning April 1, 2018*

*Initial recognition and measurement.* Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. It is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

*Subsequent measurement.* For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

As at March 31, 2019, the Group has no debt instruments at FVOCI and financial assets at FVPL.

a. *Financial assets at amortized cost (debt instruments).* The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and



- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest (“EIR”) method, less any impairment in value. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group’s financial assets at amortized cost include cash and cash equivalents, receivables (except for advances to officers and employees) and rental and utility deposits under “Goodwill, intangible and other noncurrent assets” account as at March 31, 2019.

- b. *Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).* Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading nor are contingent consideration recognized in a business combination in accordance with PFRS 3. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed and non-listed equity investments under this category.

*Impairment of financial assets.* The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

*Stage 1: 12-month ECL.* For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

*Stage 2: Lifetime ECL - not credit-impaired.* For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.



*Stage 3: Lifetime ECL - credit-impaired.* Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; or
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of “investment grade”, or when the exposure is less than 30 days past due. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses external credit ratings both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECL. For exposures without external credit ratings, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

*Determining the stage for impairment.* The Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of a default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

For receivable from students, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. As for the other financial assets, the Group applied a general approach in the calculation since these accounts had no significant deterioration in credit risk since their initial recognition.

*Modification of financial assets.* Where possible, the Group seeks to modify or re-negotiate the terms of its receivables from other parties. This may involve extending payment due dates, changing interest rates and agreeing to new payment conditions. The Group continuously reviews such accounts after modification of terms to ensure that payments are still likely to occur. The Group may also subsequently determine that the credit risk on such assets has significantly improved after modification, depending on the credit performance of the assets.

*Write-off policy.* The Group writes off a financial asset after a certain period since the time the receivable has been determined to be impaired. Receivables are written off when the bad debts are likely to be irrecoverable and or it is uneconomic to pursue further the collection of the receivable after efforts made by the Group.

Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.



*Reclassification of financial assets.* The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

*Effective prior to April 1, 2018*

*Initial recognition and measurement.* Financial assets are classified as financial assets at FVPL, loans and receivables, held-to-maturity ("HTM") investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates the designation of such assets at each financial year-end.

Financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way purchases) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

As at March 31, 2018, the Group does not have financial assets at FVPL, HTM investments or derivatives.

*Subsequent measurement.* The subsequent measurement of financial assets depends on their classification as described below:

*a. Loans and receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. Such financial assets are carried at amortized cost using the EIR method. This method uses an EIR that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognized in the consolidated statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest earned is recognized as "Interest income" in profit or loss in the consolidated statements of comprehensive income. Assets in the category are included in the current assets except for maturities greater than 12 months after the end of the reporting period, which are classified as noncurrent assets.

As at March 31, 2018, the Group's cash and cash equivalents, receivables (except for advances to officers and employees), and deposits (included under the "Goodwill, intangible and other noncurrent assets" account) are classified in this category.

*b. AFS financial assets.* AFS financial assets are those non-derivative financial assets that are not classified as financial assets at FVPL, loans and receivables or HTM investments. They are purchased and held indefinitely, and maybe sold in response to liquidity requirements or changes in market conditions.



After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses being recognized under “Unrealized mark-to-market gain on AFS financial assets” account in OCI until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recorded in OCI is included in profit or loss. Interest earned on the investments is reported as interest income using the effective interest rate method. Dividends earned on investments are recognized in the consolidated statements of comprehensive income when the right to receive payment has been established. AFS financial assets are classified as noncurrent assets unless the intention is to dispose of such assets within 12 months from the financial reporting date.

The fair value of AFS financial assets consisting of any investments that are actively traded in organized financial markets is determined by reference to market closing quotes as at financial reporting date. The Group’s investments in club and ordinary shares are classified in this category.

Unlisted investments in shares of stock, for which no quoted market prices and no other reliable sources of their fair values are available, are carried at cost.

*Impairment of financial assets.* The Group assesses, at each financial reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred “loss event”) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

a. *Financial assets carried at amortized cost.* For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the consolidated statements of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If in a subsequent year, the amount of the estimated impairment loss increases or





decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, any amounts formerly charged are credited to profit or loss.

- b. *Quoted AFS financial assets.* In the case of equity investments classified as AFS financial assets, an objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. “Significant” is to be evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in OCI under the “Unrealized mark-to-market gain on available-for-sale financial assets” account, is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed in profit or loss; increases in fair value after impairment are recognized directly in OCI.
- c. *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.

*Applicable to All Periods Presented*

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

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement;
- The Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.



b. Financial liabilities

*Initial recognition and measurement.* Financial liabilities are classified as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are recognized initially at fair value and in the case of other financial liabilities, net of directly attributable transaction costs.

As at March 31, 2019 and 2018, the Group has no financial liabilities at FVPL or derivative liabilities designated as hedging instruments. The Group's financial liabilities as at March 31, 2019 and 2018 are measured at amortized cost.

*Subsequent measurement.* After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss in the consolidated statement of comprehensive income. This category generally applies to interest-bearing loans and borrowings.

As at March 31, 2019 and 2018, the Group's financial liabilities includes interest-bearing loans and borrowings, bonds payable, accounts payable and other current liabilities (excluding government and other statutory liabilities), obligations under finance lease and other noncurrent liabilities (excluding advance rent and deferred lease liability) which are classified as loans and borrowings.

*Derecognition.* A financial liability is derecognized when the obligation under the liability is discharged or canceled 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

c. Offsetting of financial instruments

Financial assets and liabilities are offset with the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories

Inventories are valued at the lower of cost and net realizable value ("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.

### 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.

### Noncurrent Asset Held for Sale

The Group classifies a noncurrent asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such noncurrent asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale.

The criteria for held for sale classification are regarded as met only when the asset is available for immediate sale in its present condition and the sale is highly probable. Management must be committed to a plan to sell, which is expected to be completed within one year from the date of the classification, and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Actions required to complete the plan to sell should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Equity method of accounting for investment in shares of an associate ceases upon classification of the investment as a noncurrent asset held for sale. Noncurrent asset held for sale is presented separately as part of current assets in the consolidated statement of financial position.

### Property and Equipment

Property and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment in value, excluding the costs of day-to-day servicing. The initial cost of property and equipment comprises its 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:

<u>Asset Type</u>	<u>Number of Years</u>
Buildings	20 to 25 years
Office and school equipment	3 to 5 years
Office furniture and fixtures	3 to 5 years
Leasehold improvements	5 years or terms of the lease agreement, whichever is shorter



<u>Asset Type</u>	<u>Number of Years</u>
Transportation equipment	3 to 5 years or terms of the lease agreement, whichever is shorter
Computer equipment and peripherals	3 years
Library holdings	5 years
Machineries and equipment	10 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. The carrying amount includes the cost of constructing a significant portion of an existing investment property if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Depreciation of buildings is computed on a straight-line basis over 20 to 25 years. The asset's useful life and method of depreciation are reviewed and adjusted, if appropriate, at each financial year-end.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statements of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of 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.

Construction-in-progress represents structures under construction and is stated at cost less any impairment in value. This includes the cost of construction and other direct costs, including any interest on borrowed funds during the construction period. Construction-in-progress is not depreciated until the relevant assets are completed and become available for use, capital appreciation and or rental purposes.



### Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the year less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalizable rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to 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.

### 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 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:

Associate	Principal Activities	Effective Percentage of Ownership					
		2019		2018		2017	
		Direct	Indirect	Direct	Indirect	Direct	Indirect
Accent Healthcare/STI-Banawe, Inc. ("STI Accent") <sup>(a)</sup>	Medical and related services	49	–	49	–	49	–
STI College Alabang, Inc. ("STI Alabang")	Educational Institution	40	–	40	–	40	–
Synergia <sup>(a)</sup>	Management Consulting Services	30	–	30	–	30	–
STI Marikina	Educational Institution	24	–	24	–	24	–

(Forward)



Associate	Principal Activities	Effective Percentage of Ownership					
		2019		2018		2017	
		Direct	Indirect	Direct	Indirect	Direct	Indirect
Maestro Holdings <sup>(b)</sup>	Holding Company	20	–	20	–	20	–
GROW	Recruitment Agency	17	2	17	2	17	2
STI Holdings	Holding Company	5	–	5	–	5	–

<sup>(a)</sup>Dormant entities

<sup>(b)</sup>Reclassified as asset held for sale in June 2017

### Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization in the case of intangible assets with finite lives, and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated 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 CGU 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 three years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in 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 CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded securities or other available fair value indicators.



Impairment losses are recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset, except for assets previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognized in equity up to the amount of any previous revaluation.

For nonfinancial assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, 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.

#### Unearned Tuition and Other School Fees

Unearned tuition and other school fees refer to the portion of student assessment initially recorded as a liability account at the start of the school term and recognized to earned income proportionately until the end of the related school term. This also includes advance payment for tuition and other school fees for the school year commencing after the financial reporting date. This represents contract liabilities under PFRS 15.

#### 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 consolidated statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.





#### Capital Stock and Additional Paid-in Capital

Common stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of 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 net income attributed to equity holders of the Parent Company for the year by the weighted average number of shares issued and outstanding after giving retroactive effect to any stock split and stock dividend declaration, if any.

Diluted EPS is calculated by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive convertible common shares.

#### Revenue

##### *Effective beginning April 1, 2018*

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses whether it is acting as a principal or an agent in every revenue 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 ("VAT").

Following are contract balances relative to the adoption of PFRS 15:

##### *Receivables*

Receivables represent the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

##### *Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized. Contract liabilities are recognized as revenue when the Group performs its performance obligations under the contract. The Group's unearned tuition and other school fees represent contract liabilities which will be recognized as revenue when the related educational services are rendered.



*Effective prior to April 1, 2018*

The Group recognizes revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow into the entity and specific criteria have been met for each of the Group's activities described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

There were no changes in the recognition of the Groups's revenue upon adoption of PFRS 15.

The following specific recognition criteria must also be met before revenue is recognized:

*Tuition and Other School Fees.* Revenue from tuition and other school fees is satisfied over time using the output method and is recognized as income over the corresponding school term to which they pertain using the output method on the basis of the time lapsed over the service period. Fees received pertaining to the school year commencing after the financial reporting date are recorded under the "Unearned tuition and other school fees" account in the consolidated statements of financial position. Unearned tuition and other school fees are amortized over the related school term.

*Educational Services and Royalty Fees.* Revenue from educational services and royalty fees is satisfied over time based on a percentage of monthly franchise receipts and is recognized on an accrual basis in accordance with the terms of the licensing agreements.

*Sale of Educational Materials and Supplies.* Revenue is satisfied at a point in time and is recognized at the time of sale when control of the goods or services are transferred to the customer.

*Other Revenues.* Other revenues mainly pertain to the revenue related to the use of software licenses by franchised schools. These are recognized over the related school year based on the number of ongoing students of the schools and a fixed rate per student

Following are the revenue streams outside the scope of PFRS 15:

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

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

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

#### Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in profit or loss in the year these are incurred.



Pension Costs

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

<u>Entity</u>	<u>Type of Plan</u>
STI ESG	Funded, noncontributory defined benefit plan
STI WNU	Funded, noncontributory defined benefit plan
iACADEMY	Unfunded, 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

The pension expense and the liability recognized by the Group were computed using assumptions and methods that are consistent with PAS 19.

*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 OCI.

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.

*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 “Prepaid taxes” under the “Prepaid expenses and other current assets” account or “Accounts payable and other current liabilities” account in the consolidated statement of financial position.

#### Operating Segment

For management purposes, the Group is organized into business units based on the geographical location of the students and assets. Financial information about operating segments is presented in Note 4.

#### Contingencies

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.

#### Events after the Reporting Period

Post year-end events that provide additional information about the Group’s financial position at the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

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### 3. **Acquisitions and Business Combinations**

#### 2019

As discussed in Note 1, on April 10, 2018, the SEC approved the merger of iACADEMY and Neschester with iACADEMY as the surviving entity. Consequently, iACADEMY issued 494,896,694 shares to the Parent Company in exchange for the net assets of Neschester and recognized “Other equity reserve” reduction amounting to ₱2.7 million for Neschester’s deferred tax asset on NOLCO which will no longer be utilized as a result of the merger.



2018

*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 the acquired school’s assets and liabilities for a price of ₱20.0 million. The assignment of the net assets was retroactive to April 1, 2017.

The purchase price consideration has been allocated to the assets and liabilities based on the fair values at the date of acquisition resulting in goodwill amounting to ₱1.8 million. The carrying values of the financial assets and liabilities and other assets recognized at the date of acquisition approximate their fair values due to the short-term nature of the transactions.

The following are the identifiable assets and liabilities as of the date of acquisition:

<i>Assets</i>	
Cash and cash equivalents	₱7,828,110
Receivables	8,483,088
Inventories	674,354
Prepaid expenses	2,356,576
Property and equipment-net	1,529,891
	20,872,019
<i>Liabilities</i>	
Accounts payable and other current liabilities	2,648,715
Total identifiable net assets at fair value	18,223,304
Purchase consideration transferred	20,000,000
Goodwill	₱1,776,696

Analysis of cash flow on acquisition is as follows:

Cash paid	(₱2,000,000)
Cash acquired from the subsidiary	7,828,110
Net cash inflow on acquisition	₱5,828,110

*STI Dagupan.* On August 30, 2017, the SEC approved the application for the merger of STI Dagupan with STI ESG, with STI ESG as the surviving entity. In December 2017, STI ESG subscribed to 664,437 of its own shares and issued a total of 865 shares to minority holders with a par value of ₱1.0 per share, in exchange for book value per share of ₱1.82 or an aggregate cost of ₱1.2 million.

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 ₱200.0 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 effective March 31, 2017.



Neschester has no operations and its major asset is a parcel of land in Yakal St. Makati City which is now the site of iACADEMY's Nexus campus. The acquisition of Neschester was accounted for as an asset acquisition (see Note 5). The allocated acquisition cost of the land, recognized under "Property and equipment" account, amounted to ₱359.5 million.

*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 to 750,000 shares with ₱100 par value per share. On the same date, the BOD of STI Taft approved the conversion of STI Taft's advances from STI ESG amounting to ₱49.0 million to deposit for future stock subscriptions. On April 4, 2016, the SEC approved STI Taft's increase in authorized capital stock to ₱75.0 million. Consequently, the deposit for future stock subscriptions was reclassified as part of the investment cost. As at March 31, 2017, STI Taft is a 99.9%-owned subsidiary of STI ESG. This transaction resulted in the dilution of the non-controlling interest and an equity adjustment of ₱11.3 million for the year ended March 31, 2017.

On August 30, 2017, the SEC approved the application for merger of STI Taft with STI ESG, with STI ESG as the surviving entity. In December 2017, STI ESG subscribed to 5,287,836 of its own shares and issued a total of 4,446 shares to minority holders of with par value of ₱1.0 per share, in exchange for book value per share of ₱1.82 or an aggregate cost of ₱9.6 million.

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#### 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 such as effect of derecognition of a subsidiary.





The following table shows the reconciliation of the consolidated net income to consolidated EBITDA:

	2019	2018	2017
Consolidated net income	<b>₱284,120,255</b>	₱502,818,019	₱558,422,515
Depreciation and amortization (see Notes 11, 12 and 16)	<b>468,539,399</b>	398,836,776	375,621,499
Interest expense	<b>228,817,821</b>	219,411,899	79,245,342
Provision for income tax	<b>42,957,044</b>	77,808,677	99,271,359
Interest income	<b>(21,114,324)</b>	(28,527,141)	(4,907,330)
Equity in net losses (earnings) of associates and joint ventures (see Note 13)	<b>(3,190,368)</b>	222,036,414	244,097,915
Effect of derecognition of a subsidiary	-	-	60,829,455
<b>Consolidated EBITDA</b>	<b>₱1,000,129,827</b>	<b>₱1,392,384,644</b>	<b>₱1,412,580,755</b>

#### Inter-Segment Transactions

Segment revenue, segment expenses and operating results include transfers among geographical segments. The transfers are accounted for at market prices charged to unrelated customers for similar services. Such transfers are eliminated upon consolidation.



Geographical Segment Data

The following tables present revenue and income information regarding geographical segments for the years ended March 31, 2019, 2018 and 2017:

	2019					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
<b>Revenues</b>						
External revenue	₱1,650,592,929	₱114,476,219	₱629,889,898	₱283,519,333	₱74,108,083	₱2,752,586,462
<b>Results</b>						
Income (loss) before other income (expenses) and income tax	155,381,328	(2,696,212)	211,826,170	45,931,802	(14,013,932)	396,429,156
Interest expense	(221,185,668)	–	(121)	(7,632,032)	–	(228,817,821)
Other income	129,900,900	128,000	1,192,602	4,132,594	(192,824)	135,161,272
Provision for income tax	(38,753,061)	–	–	(4,203,983)	–	(42,957,044)
Interest income	19,590,541	51,912	539,087	909,292	23,492	21,114,324
Equity in net earnings of associates and joint ventures	3,190,368	–	–	–	–	3,190,368
<b>Net Income (Loss)</b>	<b>₱48,124,408</b>	<b>(₱2,516,300)</b>	<b>₱213,557,738</b>	<b>₱39,137,673</b>	<b>(₱14,183,264)</b>	<b>₱284,120,255</b>
<b>EBITDA</b>						<b>₱1,000,129,827</b>

	2018					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
<b>Revenues</b>						
External revenue	₱1,881,164,072	₱137,130,546	₱682,081,346	₱294,336,309	₱87,958,673	₱3,082,670,946
<b>Results</b>						
Income (loss) before other income and income tax	548,633,149	17,897,080	257,182,223	55,546,214	(4,910,736)	874,347,930
Equity in net losses of associates and joint ventures	(222,036,414)	–	–	–	–	(222,036,414)
Interest expense	(210,981,377)	–	(9,164)	(8,421,358)	–	(219,411,899)
Other income	115,634,997	60,000	1,243,528	2,138,909	122,504	119,199,938
Provision for income tax	(73,170,026)	–	–	(4,638,651)	–	(77,808,677)
Interest income	27,812,300	71,317	167,874	448,301	27,349	28,527,141
<b>Net Income</b>	<b>₱185,892,629</b>	<b>₱18,028,397</b>	<b>₱258,584,461</b>	<b>₱45,073,415</b>	<b>(₱4,760,883)</b>	<b>₱502,818,019</b>
<b>EBITDA</b>						<b>₱1,392,384,644</b>



2017

	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
<b>Revenues</b>						
External revenue	₱1,836,727,660	₱97,241,868	₱634,017,925	₱271,085,360	₱93,887,144	₱2,932,959,957
<b>Results</b>						
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	(244,097,915)	–	–	–	–	(244,097,915)
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)
<b>Net Income</b>	<b>₱232,058,096</b>	<b>₱26,301,664</b>	<b>₱240,310,722</b>	<b>₱45,589,998</b>	<b>₱14,162,035</b>	<b>₱558,422,515</b>
<b>EBITDA</b>						<b>₱1,412,580,755</b>

The following tables present certain assets and liabilities information regarding geographical segments as at March 31, 2019 and 2018:

	March 31, 2019					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
<b>Assets and Liabilities</b>						
Segment assets <sup>(a)</sup>	₱11,959,731,960	₱108,113,352	₱933,535,224	₱595,586,649	₱140,418,589	₱13,737,385,774
Noncurrent asset held for sale	716,586,558	–	–	–	–	716,586,558
Investments in and advances to associates and joint ventures	44,178,391	–	–	–	–	44,178,391
Goodwill	208,519,102	–	–	15,681,232	–	224,200,334
Deferred tax assets - net	39,532,541	894,713	843,452	11,211,469	41,842	52,524,017
<b>Total Assets</b>	<b>₱12,968,548,552</b>	<b>₱109,008,065</b>	<b>₱934,378,676</b>	<b>₱622,479,350</b>	<b>₱140,460,431</b>	<b>₱14,774,875,074</b>
Segment liabilities <sup>(b)</sup>	₱1,056,192,730	₱31,643,191	₱86,971,535	₱40,079,723	₱32,398,502	₱1,247,285,681
Interest-bearing loans and borrowings	1,393,710,270	–	–	119,000,000	–	1,512,710,270
Bonds payable	2,957,954,254	–	–	–	–	2,957,954,254
Pension liabilities - net	25,616,583	5,614,191	10,616,437	31,972,566	2,231,945	76,051,722
Obligations under finance lease	18,415,114	–	–	37,049	–	18,452,163
Deferred tax liabilities	234,956,192	–	–	–	–	234,956,192
<b>Total Liabilities</b>	<b>₱5,686,845,143</b>	<b>₱37,257,382</b>	<b>₱97,587,972</b>	<b>₱191,089,338</b>	<b>₱34,630,447</b>	<b>₱6,047,410,282</b>
<b>Other Segment Information</b>						
Capital expenditure -						
Property and equipment						₱1,968,458,849
Depreciation and amortization						468,539,399
Noncash expenses other than depreciation and amortization						103,975,125

<sup>(a)</sup> Segment assets exclude noncurrent asset held for sale, investments in and advances to associates and joint ventures, net pension assets, goodwill and net deferred tax assets.

<sup>(b)</sup> Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, net pension liabilities, obligations under finance lease and deferred tax liabilities.



March 31, 2018

	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
<b>Assets and Liabilities</b>						
Segment assets <sup>(a)</sup>	₱11,439,012,452	₱132,951,846	₱922,464,706	₱683,618,491	₱151,714,860	₱13,329,762,355
Noncurrent asset held for sale	716,586,558	–	–	–	–	716,586,558
Investments in and advances to associates and joint ventures	41,871,654	–	–	–	–	41,871,654
Pension assets - net	53,474,883	–	–	–	–	53,474,883
Goodwill	225,554,342	–	–	15,681,232	–	241,235,574
Deferred tax assets	24,899,250	916,408	345,862	6,693,489	42,971	32,897,980
<b>Total Assets</b>	<b>₱12,501,399,139</b>	<b>₱133,868,254</b>	<b>₱922,810,568</b>	<b>₱705,993,212</b>	<b>₱151,757,831</b>	<b>₱14,415,829,004</b>
Segment liabilities <sup>(b)</sup>	₱894,382,099	₱50,474,180	₱100,258,912	₱40,286,714	₱37,542,887	₱1,122,944,792
Interest-bearing loans and borrowings	1,056,608,112	–	–	182,000,000	–	1,238,608,112
Bonds payable	2,951,879,134	–	–	–	–	2,951,879,134
Pension liabilities - net	10,500,694	39,293	400,120	31,504,743	10,607	42,455,457
Obligations under finance lease	21,512,977	–	–	249,296	–	21,762,273
Deferred tax liabilities	235,730,783	–	–	–	–	235,730,783
<b>Total Liabilities</b>	<b>₱5,170,613,799</b>	<b>₱50,513,473</b>	<b>₱100,659,032</b>	<b>₱254,040,753</b>	<b>₱37,553,494</b>	<b>₱5,613,380,551</b>
<b>Other Segment Information</b>						
Capital expenditure -						
Property and equipment						₱1,906,079,177
Depreciation and amortization						398,836,776
<b>Noncash expenses other than depreciation and amortization</b>						<b>101,270,162</b>

<sup>(a)</sup> Segment assets exclude noncurrent asset held for sale, investments in and advances to associates and joint ventures, net pension assets, goodwill and net deferred tax assets.

<sup>(b)</sup> Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, net pension liabilities, obligations under finance lease and deferred tax liabilities.



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## 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 STI Novaliches resulting in the deconsolidation of STI Diamond (see Note 20).

*Asset Acquisitions.* 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 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.

### *Classification and Measurement of Financial Assets (Upon Adoption of PFRS 9)*

#### *a. Contractual Cash Flows Assessment*

For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

“Principal” for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset if there are payments of principal or amortization of the premium/discount. “Interest” is defined as the compensation for the time value of money and credit risk although it can also include compensation for other lending risks such as liquidity, administrative costs and profit margin.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.



In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

b. *Evaluation of Business Model in Managing Financial Instruments*

The Group determines its business model at the level that best reflects how it manages financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis but at a higher level of aggregated portfolios.

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group, various risks and the expected frequency, value, timing, as well as the manner of compensation for them.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

*Estimating Allowance for Doubtful Accounts*

*Upon Adoption of PFRS 9*

a. *Measurement of ECL*

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the EIR. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the credit-adjusted EIR.

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default ("PD"), Loss Given Default ("LGD"), and Exposure at Default ("EAD"), defined as follows:

- *Probability of Default.* PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD.



- *Loss Given Default.* LGD represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money.
- *Exposure at Default.* EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

Receivables, net of ECL, amounted to ₱502.4 million as at March 31, 2019 (see Note 7). Provision for ECL on receivables recognized in the consolidated financial statements amounted to ₱74.9 million in 2019 (see Notes 7 and 26).

b. *Simplified Approach for Receivables from Students*

The Group applies the simplified approach to receivables from students. The Group develops loss rates based on days past due for each grouping of receivables based on school term. The methodology is initially based on the Group's historical observed default rates. The Group will then adjust the historical credit loss experience using forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The Group's impairment calculations are outputs of statistical models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the impairment models that are considered accounting judgments and estimates include:

- The Group's criteria for defining default and for assessing if there has been a significant increase in credit risk;
- The segmentation of financial assets when impairment is assessed on a collective basis;
- The choice of inputs and the various formulas used in the impairment calculation;
- Determination of relationships between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the impairment models.

It is the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. There have been no significant changes in estimation techniques or significant assumptions used in the ECL models.

c. *Incorporation of Forward-looking Information*

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.



The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: unemployment rates and inflation rates. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of a default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

#### *Prior to PFRS 9 Adoption*

The Group reviews its receivables and advances to associates and joint ventures and other related parties at each reporting date to assess whether an allowance for impairment loss should be recorded in the consolidated statement of financial position. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant receivables and advances, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the receivables and advances since it was granted or acquired.

Receivables, net of allowance for doubtful accounts, amounted to ₱518.0 million as at March 31, 2018 (see Note 7). Provision for doubtful accounts on receivables recognized in the consolidated financial statements amounted to ₱82.2 million and ₱70.6 million in 2018 and 2017, respectively (see Notes 7 and 26).

#### *Revenue Recognition Upon Adoption of PFRS 15*

##### *a. Tuition and Other School Fees, Educational Services and Royalty Fees Over Time*

The Group concluded that tuition and other school fees educational services, and royalty fees are to be recognized over time using the output method on the basis of time lapsed over the service period as it provides a representation of the Group's performance in transferring control of the services to the students and franchisees, respectively, because they simultaneously receive and consume the benefits of the Group's performance as it performs.

##### *b. Sale of Educational Materials and Supplies at a Point in Time*

Revenue from the sale of educational materials and supplies is recognized at a point in time when the control of the asset is transferred to the customer, generally upon receipt of the goods by franchisees and students. It is also the point in which the customer has a present right to payment for the asset and the Group has transferred physical possession of the asset.





*Noncurrent Asset Held for Sale.* On June 27, 2017, STI ESG's BOD approved the disposition of STI ESG's shares in Maestro Holdings to enable the Group to focus on its core business of offering educational services. Management considered the investment in the shares of Maestro Holdings to meet the criteria to be classified as held for sale for the following reasons:

- The BOD approved the disposition of the shares in Maestro Holdings
- The investment in the shares of Maestro Holdings is available for immediate sale in its present condition
- Actions to locate a buyer and complete the sale have been initiated
- The shares will be sold at a price approximating its current fair value
- Management expects to complete the sale within one year from the date of classification

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if there is sufficient evidence that the Group remains committed to its plan to sell the asset.

As a result of the classification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for its investment in Maestro Holdings effective June 30, 2017. The carrying value as at June 30, 2017, which is the date of reclassification of the noncurrent asset held for sale, amounted to ₱716.6 million (see Notes 10 and 13).

As at March 31, 2019, management reassessed the classification of its investment in Maestro Holdings and still assessed it to be held for sale. Management has ongoing discussions with potential buyers and expects to complete the sale within one year from March 31, 2019 (see Note 10).

As at March 31, 2019 and 2018, there was no write-down of the noncurrent asset held for sale as the carrying amount did not fall below its fair value less costs to sell. Condensed financial information of Maestro Holdings as at and for the three months ended June 30, 2017 are disclosed in Note 13.

*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 34).

#### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Estimating Useful Lives of Nonfinancial Assets.* Management determines the estimated useful lives and the related depreciation and amortization charges for its property and equipment, investment properties (excluding land) and intangible assets based on the period over which the property and equipment, investment properties and intangible assets are expected to provide economic benefits. Management's estimation of the useful lives of property and equipment, investment properties and intangible assets is based on a collective assessment of industry practice, internal technical evaluation, and experience with similar assets while for intangible assets with a finite life, estimated useful life is based on economic useful benefit of the intangible assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial



obsolescence and legal or other limits on the use of the assets. A reduction in the estimated useful lives of property and equipment, investment properties and intangible assets would increase recorded expenses and decrease noncurrent assets.

There were no changes in the estimated useful lives of the Group's property and equipment, investment properties and intangible assets in 2019 and 2018.

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

	<b>2019</b>	2018
Property and equipment (excluding land and construction in-progress) (see Note 11)	<b>₱6,227,744,219</b>	₱4,425,873,189
Investment properties (excluding land) (see Note 12)	<b>519,290,338</b>	550,333,088
Intangible assets (see Note 16)	<b>10,002,084</b>	17,307,719

*Impairment of Nonfinancial Assets.* PFRSs require 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 11, 12, 13 and 16, respectively. There were no impairment losses in 2019, 2018 and 2017.

*Goodwill.* Acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date. It also requires the acquirer to recognize any goodwill as the excess of the acquisition cost over the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The Group's business acquisitions have resulted in goodwill which is subject to an annual impairment testing. This requires an estimation of the value in use of the CGUs to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The recoverable amounts of CGUs have been determined based on 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 ("WACC") is the overall required return on the Group. Pre-tax discount rates of 11.55% to 12.29% were used in 2019 and 11.50% to 12.30% in 2018. The Group's growth rate used in extrapolating cash flows beyond the period covered by its recent budgets was 5.0% in 2019 and 2018.



Impairment testing as at March 31, 2019 and 2018 showed that the CGUs' recoverable amounts were higher than their carrying amounts except for the Goodwill related to STI Tuguegarao and STI Pagadian. For the year ended March 31, 2019, the Group recognized impairment loss on goodwill related to these CGUs since their recoverable amounts were lower compared to their carrying amounts. These were assessed as impaired due to recurring losses. Hence, provision for impairment in value was recognized for the goodwill assigned to STI Tuguegarao and STI Pagadian aggregating to ₱17.0 million and nil for the years ended March 31, 2019 and 2018, respectively (see Note 26). Goodwill amounted to ₱224.2 million and ₱241.2 million as at March 31, 2019 and 2018, respectively (see Note 16).

*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.

Deferred tax assets recognized amounted to ₱54.5 million and ₱40.6 million as at March 31, 2019 and 2018, respectively (see Note 30). Deductible temporary differences and unused carryforward benefits of NOLCO and MCIT for which no deferred tax assets were recognized by the Group amounted to ₱132.6 million and ₱86.1 million at March 31, 2019 and 2018, respectively (see Note 30).

*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 28 and included among others, discount rate and future salary increases. In accordance with Revised PAS 19, *Employee Benefits*, actual results that differ from the Group's assumptions are included in OCI and are not reclassified to profit or loss in subsequent periods. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other pension obligations.

The carrying value of net pension assets amounted to nil and ₱53.5 million as at March 31, 2019 and 2018, respectively. The carrying value of net pension liabilities amounted to ₱76.1 million and ₱42.5 million as at March 31, 2019 and 2018, respectively (see Note 28).

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## 6. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	<b>₱475,643,933</b>	₱820,934,331
Cash equivalents	<b>301,697,602</b>	1,036,573,419
	<b>₱777,341,535</b>	₱1,857,507,750

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are short-term placements which are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates.

Interest earned from cash in banks and cash equivalents amounted to ₱20.8 million, ₱27.7 million and ₱3.4 million in 2019, 2018 and 2017, respectively (see Note 23).



## 7. Receivables

	2019	2018
Tuition and other school fees	<b>₱609,022,183</b>	₱516,500,305
Educational services (see Note 31)	<b>54,755,086</b>	40,014,195
Rent, utilities and other related receivables (see Note 31)	<b>38,882,542</b>	36,430,823
Advances to officers and employees (see Note 31)	<b>22,765,753</b>	24,505,141
Dividends receivable	<b>811,277</b>	-
Current portion of advances to associates, joint ventures and other related parties (see Note 31)	-	143,571
Others	<b>24,662,828</b>	28,907,861
	<b>750,899,669</b>	646,501,896
Less allowance for ECL/doubtful accounts	<b>248,488,698</b>	128,520,414
	<b>₱502,410,971</b>	₱517,981,482

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

- a. Tuition and other school fees receivables include receivables from students, DepEd and CHED. These receivables are noninterest-bearing and are normally collected on or before the date of major examinations while receivables from DepEd and CHED are expected to be collected within the next reporting period.
- b. Educational services receivables pertain to receivables from franchisees arising from educational services, royalty fees and other charges. These receivables are generally noninterest-bearing and are normally collected within 30 days. Interest is charged on past due accounts.  
  
Interest earned from past due accounts amounted to ₱0.3 million, ₱0.6 million and ₱1.5 million in 2019, 2018 and 2017, respectively (see Note 23).
- c. Rent, utilities and other related receivables are normally collected within 30 days.
- d. Advances to officers and employees are normally liquidated within one month (see Note 31).
- e. For the terms and conditions relating to advances to associates, joint ventures and other related parties, refer to Note 31.
- f. Other receivables mainly include receivables from a former franchisee, vendors and SSS amounting to ₱1.6 million, ₱5.4 million and ₱3.0 million, respectively, as at March 31, 2019 and amounting to ₱1.6 million, ₱4.6 million and ₱2.8 million, respectively, as at March 31, 2018. These receivables are expected to be collected within the next reporting period.



The movements in the allowance for ECL/doubtful accounts are as follows:

	2019		
	Tuition and Other School Fees	Others	Total
Balance at beginning of year, as previously reported	P125,759,964	P2,760,450	P128,520,414
Effect of adoption of PFRS 9 (see Note 2)	143,193,782	–	143,193,782
Balance at beginning of the year, as restated	268,953,746	2,760,450	271,714,196
Provisions (see Note 26)	74,780,667	115,512	74,896,179
Write-off	(98,121,677)	–	(98,121,677)
Balance at end of year	<b>P245,612,736</b>	<b>P2,875,962</b>	<b>P248,488,698</b>

	2018		
	Tuition and Other School Fees	Others	Total
Balance at beginning of year	P121,104,957	P2,647,537	P123,752,494
Provisions (see Note 26)	82,102,024	112,913	82,214,937
Write-off	(77,447,017)	–	(77,447,017)
Balance at end of year	P125,759,964	P2,760,450	P128,520,414

## 8. Inventories

	2019	2018
At net realizable values:		
Educational materials	P139,549,603	P124,412,501
Promotional materials	15,929,935	12,710,309
School materials and supplies	2,794,368	2,458,782
	<b>P158,273,906</b>	<b>P139,581,592</b>

The cost of inventories carried at net realizable value amounted to P169.2 million and P150.5 million as at March 31, 2019 and 2018, respectively. Allowance for inventory obsolescence amounted to P10.9 million as at March 31, 2019 and 2018. Provision for inventory obsolescence resulting from excess of cost over net realizable value of inventories amounted to P0.04 million, P1.1 million and nil in 2019, 2018 and 2017, respectively (see Note 26).

Inventory items amounting to nil and P0.8 million were written off in 2019 and 2018, respectively.

Inventories charged to cost of educational materials and supplies sold amounted to P120.6 million, P131.9 million and P120.8 million in 2019, 2018 and 2017, respectively (see Note 25).

Educational materials include inventory of school uniforms amounting to P128.0 million and P114.4 million as at March 31, 2019 and 2018, respectively. This also includes textbooks and other educational-related materials amounting to P11.5 million and P10.0 million as at March 31, 2019 and 2018, respectively.



Promotional materials primarily pertain to marketing materials and proware materials amounting to ₱5.7 million and ₱3.6 million, respectively, as at March 31, 2019 and ₱10.2 million and ₱9.1 million, respectively, as at March 31, 2018.

## 9. Prepaid Expenses and Other Current Assets

	2019	2018
Prepaid taxes	₱77,431,503	₱105,657,910
Prepaid rent	6,839,005	6,444,172
Prepaid subscriptions and licenses	5,620,514	12,029,975
Excess contributions to CEAP (see Note 28)	3,102,625	3,518,596
Software maintenance cost	2,273,472	2,205,737
Prepaid insurance	1,046,780	766,864
Others	6,465,120	5,155,025
	<b>₱102,779,019</b>	<b>₱135,778,279</b>

Prepaid taxes represent CWT, input VAT, prepaid business, and real property taxes. Most of the input VAT are from the purchase of uniforms and acquisition of a lot in Iloilo City. STI ESG entered into a contract to sell in January 2018 for the acquisition of a lot situated at Barangay San Rafael, Iloilo City from which STI ESG recognized input VAT amounting to ₱22.0 million. This lot is the future site of STI Iloilo. Prepaid business and real property taxes are recognized as expense over the period of coverage.

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

Prepaid subscriptions and licenses as at March 31, 2019 primarily pertain to Adobe Acrobat and Sophos Firewall license subscriptions while the March 31, 2018 balance includes Microsoft license subscriptions. These subscriptions are recognized as expense over the period of coverage.

Excess contributions to CEAP pertains 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 60 when they left the service or when De Los Santos-STI College has already advanced the benefits of qualified employees. The excess contributions will be offset against De Los Santos-STI College's and STI QA's future required contributions to CEAP.

Software maintenance cost includes annual support and maintenance charges for the use of the Group's accounting and enrollment systems which are amortized in accordance with the terms of the agreements.

Prepaid insurance represents fire insurance coverage on building, including equipment and furniture, health coverage of employees and life and accident insurance of the students which were paid in advance and are recognized as expense over the period of coverage, which is normally within next reporting period.



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## 10. Noncurrent Asset Held for Sale

### Maestro Holdings

Noncurrent asset held for sale amounting to ₱716.6 million as at March 31, 2019 and 2018, represents the carrying value of STI ESG's 20% ownership in Maestro Holdings. Maestro Holdings owns 100% of PhilPlans, 99.89% of PhilhealthCare, Inc. ("PhilCare"), 70.6% of Philippine Life Financial Assurance Corporation ("PhilLife") and 100% of Banclife Insurance Co. Inc. ("Banclife"). On June 27, 2017, STI ESG's BOD approved the disposal of its 20% stake in Maestro Holdings to enable the Group to focus on its core business of offering educational services. Management has ongoing discussions with potential buyers and expects to complete the sale within one year from March 31, 2019.

With the classification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for its investment in Maestro Holdings on June 30, 2017 (Note 13).

As at March 31, 2019 and 2018, there was no write-down of the noncurrent asset held for sale as the carrying amount did not fall below its fair value less cost to sell.

Condensed financial information of Maestro Holdings as at and for the three months ended June 30, 2017 are disclosed in Note 13.

### STI College Tagum, Inc.

On March 27, 2019, STI ESG and STI College Tagum, Inc., the assignee, entered into a deed of assignment to assign, sell, transfer and set over unto the assignee, the assets of STI Tagum, a branch of STI ESG for a sum of ₱7.0 million. The sale is effective on April 1, 2019.



## 11. Property and Equipment

2019

	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment (see Note 29)	Computer Equipment and Peripherals	Library Holdings	Construction In-Progress	Total
<b>Cost, Net of Accumulated Depreciation and Amortization</b>										
Balance at beginning of year	₱3,204,905,313	₱3,985,803,927	₱148,478,348	₱75,819,583	₱91,392,275	₱27,979,880	₱77,331,343	₱19,067,833	₱796,063,577	₱8,426,842,079
Additions	5,381	141,855,838	203,548,769	54,515,580	17,875,446	10,123,603	60,081,362	13,952,621	1,466,500,249	1,968,458,849
Reclassifications	-	1,714,182,446	8,551,866	232,367	8,537,537	-	(258,317)	27,611	(1,731,273,510)	-
Disposal	-	-	(11)	-	-	(4,173,617)	(147,619)	-	-	(4,321,247)
Depreciation and amortization (see Notes 24 and 26)	-	(228,693,017)	(67,947,927)	(36,500,832)	(35,314,473)	(10,580,868)	(39,845,269)	(8,152,066)	-	(427,034,452)
<b>Balance at end of year</b>	<b>₱3,204,910,694</b>	<b>₱5,613,149,194</b>	<b>₱292,631,045</b>	<b>₱94,066,698</b>	<b>₱82,490,785</b>	<b>₱23,348,998</b>	<b>₱97,161,500</b>	<b>₱24,895,999</b>	<b>₱531,290,316</b>	<b>₱9,963,945,229</b>
<b>At March 31, 2019:</b>										
Cost	₱3,204,910,694	₱6,876,860,665	₱822,169,963	₱355,145,680	₱429,886,653	₱78,408,853	₱510,799,098	₱211,218,676	₱531,290,316	₱13,020,690,598
Accumulated depreciation and amortization	-	1,263,711,471	529,538,918	261,078,982	347,395,868	55,059,855	413,637,598	186,322,677	-	3,056,745,369
<b>Net book value</b>	<b>₱3,204,910,694</b>	<b>₱5,613,149,194</b>	<b>₱292,631,045</b>	<b>₱94,066,698</b>	<b>₱82,490,785</b>	<b>₱23,348,998</b>	<b>₱97,161,500</b>	<b>₱24,895,999</b>	<b>₱531,290,316</b>	<b>₱9,963,945,229</b>

2018

	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment (see Note 29)	Computer Equipment and Peripherals	Library Holdings	Construction In-Progress	Total
<b>Cost, Net of Accumulated Depreciation and Amortization</b>										
Balance at beginning 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
Additions	220,044,713	142,444,914	41,765,102	28,118,876	58,007,013	23,404,636	62,630,631	9,308,373	1,320,354,919	1,906,079,177
Reclassifications	-	807,586,524	291,650	-	2,171,867	-	16,200	(42,167)	(810,024,074)	-
Disposal	-	-	(1,205)	-	-	(330,000)	(5)	-	-	(331,210)
Effect of a business combination (see Note 3)	-	-	462,403	14,750	-	-	923,020	129,718	-	1,529,891
Depreciation and amortization (see Notes 24 and 26)	-	(180,075,063)	(61,977,213)	(33,514,048)	(29,123,390)	(9,790,736)	(33,152,401)	(8,373,765)	-	(356,006,616)
<b>Balance at end of year</b>	<b>₱3,204,905,313</b>	<b>₱3,985,803,927</b>	<b>₱148,478,348</b>	<b>₱75,819,583</b>	<b>₱91,392,275</b>	<b>₱27,979,880</b>	<b>₱77,331,343</b>	<b>₱19,067,833</b>	<b>₱796,063,577</b>	<b>₱8,426,842,079</b>
<b>At March 31, 2018:</b>										
Cost	₱3,204,905,313	₱5,020,822,380	₱614,119,790	₱300,518,648	₱419,615,412	₱82,594,881	₱451,931,852	₱197,266,055	₱796,063,577	₱11,087,837,908
Accumulated depreciation and amortization	-	1,035,018,453	465,641,442	224,699,065	328,223,137	54,615,001	374,600,509	178,198,222	-	2,660,995,829
<b>Net book value</b>	<b>₱3,204,905,313</b>	<b>₱3,985,803,927</b>	<b>₱148,478,348</b>	<b>₱75,819,583</b>	<b>₱91,392,275</b>	<b>₱27,979,880</b>	<b>₱77,331,343</b>	<b>₱19,067,833</b>	<b>₱796,063,577</b>	<b>₱8,426,842,079</b>





### Additions

*Acquisitions.* In January 2017, STI ESG purchased three parcels of land in P. Celle corner EDSA, Pasay City with a combined land area of 3,911 square meters for a total cost of ₱552.4 million. As at March 31, 2019 and 2018, the aggregate cost of the land amounted to ₱601.8 million inclusive of taxes, registration and other fees related to the acquisition. This will be the site of the nine-storey STI Academic Center Pasay-EDSA, with roof deck, which is expected to accommodate up to 6,500 senior high school and college students.

On July 5, 2017, STI ESG executed a Deed of Absolute Sale with Abacus Global Technovisions, Inc. for the purchase of a parcel of land with an area of 2,873 square meters situated at Poblacion, City of Lipa, Province of Batangas for a total consideration of ₱86.2 million. On the same date, STI ESG executed Deeds of Absolute Sale with Asean Commodity Enterprises for the purchase of land aggregating to 349 square meters at Poblacion, City of Lipa, Province of Batangas for a total consideration of ₱10.5 million. As at March 31, 2019 and 2018, the aggregate cost of the land amounted to ₱99.0 million inclusive of taxes, registration and other fees related to the acquisition. This is the current site of STI Lipa.

On September 30, 2017, STI ESG purchased a parcel of land located along Rizal Street, Legazpi City with an area of 4,149 square meters for a total cost of ₱74.7 million. As at March 31, 2019 and 2018, the aggregate cost of the land amounted to ₱76.4 million inclusive of taxes, registration and other fees related to the acquisition. This will be the future site of STI Academic Center Legazpi.

*Property and Equipment under Construction.* As at March 31, 2019, the construction-in-progress account includes costs incurred for the following: (a) remaining works for construction of school buildings of STI Sta. Mesa and STI Pasay-EDSA; (b) repairs and renovation of the basic education school facilities of STI WNU; and (c) replacement and installation of three (3) elevators at iACADEMY Plaza in Buendia Avenue, Makati City.

The related contract costs amounted to ₱2,692.2 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects. iACADEMY's Yakal campus building was launched as iACADEMY Nexus last February 12, 2018 and is now operational. Installation of new elevators at iACADEMY Plaza is 95% complete and will be operational in July 2019; while the renovation of STI WNU school facilities were completed in June 2019. STI Lipa started operations in the new building in August 2018, specifically from the ground up to the fourth floor. The remaining works from the fifth floor up to the roof deck and the basketball gymnasium at the seventh floor were completed in March 2019. The school building for STI San Jose del Monte was completed in March 2019.

The newly constructed buildings of STI Sta. Mesa and STI Pasay-EDSA have been substantially completed as at March 31, 2019. The construction-in-progress account as at March 31, 2019 is substantially attributed to the portions of the school buildings of STI Sta. Mesa and STI Pasay-EDSA with remaining ongoing works. These schools are already accepting tertiary and SHS students for the first semester of SY 2019-2020.

As at March 31, 2018, the construction in-progress account includes costs incurred for the following: (a) construction of school buildings which will be the new site of STI Lipa, STI Sta. Mesa, STI Pasay-EDSA and STI San Jose del Monte; (b) construction of firing range and renovation of the University Gymnasium of STI WNU; and (c) remaining development of iACADEMY's Yakal campus. The related contract costs amounted to ₱3,794.3 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects.



*Capitalized Borrowing Costs.* Total borrowing costs capitalized as part of property and equipment amounted to ₱49.1 million and ₱28.6 million in 2019 and 2018, respectively. The average interest capitalization rates were 5.96% and 4.28% for STI ESG and iACADEMY, respectively, in 2019; and 5.96% and 3.82% for STI ESG and iACADEMY, respectively, in 2018, 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 ₱15.4 million and ₱20.2 million as at March 31, 2019 and 2018, respectively (see Note 29).

#### Collaterals

Transportation equipment, which were acquired under finance lease, are mortgaged as security for the related finance lease liabilities as at March 31, 2019 and 2018.

On July 6, 2017, iACADEMY's BOG authorized iACADEMY to obtain a long-term loan amounting to ₱800.0 million for the construction of its Yakal campus and the re-financing of the bridge loan from a local bank in the amount of ₱200.0 million. The long-term loan is secured by a real estate mortgage on the Yakal land and the building now constructed, and all other facilities, machineries, equipment and improvements therein (see Note 18). As at March 31, 2019 and 2018, the total carrying value of the mortgaged land, building, machineries and equipment amounted to ₱1,527.3 million and ₱1,101.9 million, respectively.

## 12. Investment Properties

	2019		
	Land	Condominium Units and Buildings	Total
Cost -			
Balance at beginning and end of year	₱1,313,385,559	₱665,357,550	₱1,978,743,109
Accumulated depreciation:			
Balance at beginning of year	-	115,024,462	115,024,462
Depreciation (see Note 26)	-	31,042,750	31,042,750
Balance at end of year	-	146,067,212	146,067,212
Net book value	₱1,313,385,559	₱519,290,338	₱1,832,675,897
	2018		
	Land	Condominium Units and Buildings	Total
Cost:			
Balance at beginning of year	₱1,309,753,568	₱665,357,550	₱1,975,111,118
Additions	3,631,991	-	3,631,991
Balance at end of year	1,313,385,559	665,357,550	1,978,743,109
Accumulated depreciation:			
Balance at beginning of year	-	83,879,584	83,879,584
Depreciation (see Note 26)	-	31,144,878	31,144,878
Balance at end of year	-	115,024,462	115,024,462
Net book value	₱1,313,385,559	₱550,333,088	₱1,863,718,647

As at March 31, 2019 and 2018, investment properties primarily 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 34) for a total dacion price of ₱911.0 million as settlement of the outstanding obligations of Unlad and PWU to the Parent Company, 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 34). 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.

Fair Value

The fair values of the Group’s investment properties were determined by an independent professionally qualified appraiser accredited by SEC. The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Management assessed that the fair value of these properties at March 31, 2019 is not significantly different from the fair value determined as at March 31, 2018.

*Land*

Level 3 fair value of land has been derived using the market approach. The market approach is a comparative approach to value that consider the sale 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 price of comparable land in close proximity (external factor) are adjusted for differences in key attributes (internal factors) such as location and size.

Using the latest available valuation report as at March 31, 2018, the following shows the valuation technique used in measuring the fair value of the land, as well as the significant unobservable inputs used:

Fair value of Quezon City and Davao properties	₱2,114,503,000
Valuation technique	Market approach
Unobservable input	Net price per square meter, location, size, depth, influence, and time element
Relationship of unobservable inputs to fair value	The higher the price per square meter, the higher the fair value
Fair value of Quezon City and Davao properties	₱118,072,000
Valuation technique	Market approach
Unobservable input	Net price per square meter
Relationship of unobservable inputs to fair value	The higher the price per square meter, the higher the fair value



*Condominium Units and Buildings*

Level 3 fair values of STI ESG's condominium units have also been derived using the market approach.

Using the latest available valuation report as at March 31, 2018, the following table shows the valuation technique used in measuring the fair value of STI ESG's building, as well as the significant unobservable inputs used:

Fair value	₱1,252,842,000
Valuation technique	Market approach
Unobservable input	Net price per square meter
Relationship of unobservable inputs to fair value	The higher the price per square meter, the higher the fair value

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, 2019 and 2018, the fair value of the Parent Company's buildings and improvements under investment properties amounted to ₱43.0 million.

The highest and best use of the Quezon City and Davao properties is commercial land development and institutional land development, respectively, while the highest and best use of STI ESG's land and building is commercial utility.

Rental

Rental income earned from investment properties amounted to ₱101.5 million, ₱93.2 million and ₱83.9 million in 2019, 2018 and 2017, respectively (see Note 29). Direct operating expenses, including real property taxes, insurance, janitorial, security services and repairs and maintenance, arising from investment properties amounted to ₱4.6 million, ₱14.4 million and ₱0.8 million in 2019, 2018 and 2017, respectively.

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**13. Investments in and Advances to Associates and Joint Ventures**

	2019	2018
<b>Investments at Equity</b>		
<b>Acquisition cost:</b>		
Balance at beginning of year	₱46,563,407	₱220,681,533
Reversal	-	(43,000)
Reclassification to noncurrent asset held for sale (see Note 10)	-	(174,075,126)
Balance at end of year	<b>46,563,407</b>	46,563,407
<b>Accumulated equity in net earnings:</b>		
Balance at beginning of year	1,918,323,519	2,592,530,676
Equity in net earnings (losses)	3,190,368	(222,036,414)
Dividends received	(989,409)	(1,535,756)
Reclassification to noncurrent asset held for sale (see Note 10)	-	(450,634,987)
Balance at end of year	<b>1,920,524,478</b>	1,918,323,519

(Forward)



	2019	2018
<b>Accumulated share in associates' other comprehensive loss:</b>		
Balance at beginning of year	(₱1,923,015,272)	(₱1,957,239,414)
Unrealized mark-to-market gain (loss) on AFS financial assets	-	124,968,590
Remeasurement gain on pension liability	105,778	176,372
Remeasurement gain on life insurance reserves	-	226,977
Reclassification to noncurrent asset held for sale (see Note 10)	-	(91,147,797)
Balance at end of year	<b>(1,922,909,494)</b>	<b>(1,923,015,272)</b>
<b>Share in associates' other equity reserve:</b>		
Balance at beginning of year	-	728,648
Reclassification to noncurrent asset held for sale (see Note 10)	-	(728,648)
Balance at end of year	-	-
	<b>44,178,391</b>	<b>41,871,654</b>
<b>Advances</b> (see Note 31)	<b>37,868,986</b>	<b>37,868,986</b>
Less allowance for impairment loss	<b>37,868,986</b>	<b>37,868,986</b>
	-	-
	<b>₱44,178,391</b>	<b>₱41,871,654</b>

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:

	2019	2018
Balance at beginning of year	<b>₱37,868,986</b>	₱37,277,147
Provision for impairment (see Note 26)	-	591,839
Balance at end of year	<b>₱37,868,986</b>	₱37,868,986

The equity in net losses amounting to ₱222.0 million for the year ended March 31, 2018 pertains substantially to the share of STI ESG in the loss of PhilPlans for the three-month period ended June 30, 2017 amounting to ₱218.2 million, arising from the latter's full recognition of the mandated discount interest rate imposed by the Insurance Commission (IC) on the reserves of pre-need companies. IC is the government regulatory agency supervising pre-need companies. In November 2012, the IC issued Circular Letter 23-2012 relating to the Valuation of Transitory Pre-need Reserves. The circular mandated that for the years 2012-2016, the discount interest rate shall be 8%; for 2017, 7.25%; for 2018, 6.5% and for 2019 onwards, 6%. The purpose of this Circular is to provide regulatory leeway for the old basket of plans previously approved by the SEC when the pre-need companies were under its supervision. In July 2017, PhilPlans opted to have an early adoption of the 6% discount interest rate starting January 2017. This means higher allocation to pre-need reserves from its trust funds, thus recognizing a bigger expense item (see Note 10).



The carrying values of the Group's investments in and advances to associates and joint ventures are as follows:

	2019	2018
Associates:		
STI Accent	<b>₱37,868,986</b>	₱37,868,986
STI Alabang	<b>24,873,546</b>	23,225,758
GROW	<b>16,248,742</b>	15,199,031
Joint venture -		
PHEI (see Note 14)	<b>3,056,103</b>	3,446,865
	<b>82,047,377</b>	79,740,640
Allowance for impairment loss	<b>37,868,986</b>	37,868,986
	<b>₱44,178,391</b>	₱41,871,654

As at March 31, 2019 and 2018, the carrying amount of the investments in STI Marikina, Synergia and STI-PHNS amounted to nil. The Group received dividends from STI Marikina which was recognized as income amounting to ₱2.0 million and nil in 2019 and 2018, respectively.

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

*Maestro Holdings.* Maestro Holdings is a holding company that holds investments in PhilPlans, PhilCare, PhilLife and Banclife. PhilPlans is a leading pre-need company, providing innovative pension, education and life plans. It owns 65% of Rosehills Memorial Management, Inc. ("RMMI"), a company engaged in the operation and management of a memorial park, memorial and interment services and sale of memorial products. PhilCare is a Health Maintenance Organization ("HMO") that provides effective and quality health services and operates through its own clinics and through nationwide accredited clinics and hospitals. PhilLife provides financial services, such as individual, family and group life insurance, investment plans and loan privilege programs. Banclife is formerly engaged in life insurance business in the Philippines. It ceased operations in March 2013.

Condensed financial information for Maestro Holdings is as follows:

	June 30, 2017	March 31, 2017
Current assets	₱5,324,841,521	₱5,359,021,990
Noncurrent assets	38,954,994,859	39,365,900,062
Current liabilities	(3,822,814,937)	(4,699,748,798)
Noncurrent liabilities	(36,416,273,771)	(35,593,250,762)
Total equity	4,040,747,672	4,431,922,492
Less equity attributable to equity holders of non-controlling interests	(458,421,345)	(358,379,894)
Equity attributable to equity holders of the parent company	3,582,326,327	4,073,542,598
Proportion of the Group's ownership	20%	20%
Carrying amount of the investment	₱716,586,558	₱814,846,444



	June 30, 2017 (Three Months)	March 31, 2017
Revenues	₱1,530,208,762	₱9,074,321,307
Expenses	(2,538,092,480)	(9,301,746,619)
Provision for income tax	(4,384,215)	(991,651,559)
Loss from operations	(1,012,267,933)	(1,219,076,871)
Other comprehensive income (loss)	624,885,148	(665,834,942)
Total comprehensive loss	(387,382,785)	(1,884,911,813)
Less total comprehensive income attributable to equity holders of non-controlling interests	103,625,679	36,996,581
Total comprehensive loss attributable to equity holders of the parent company	(491,008,464)	(1,921,908,394)
Proportion of the Group's ownership	20%	20%
Share in total comprehensive loss	(₱98,201,693)	(₱384,381,679)

*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 aggregate financial information of individually immaterial associates follows:

	As at March 31		
	2019	2018	2017
Current assets	₱168,750,426	₱151,461,875	₱124,099,948
Noncurrent assets	48,214,696	37,978,667	34,475,792
Current liabilities	(144,719,686)	(132,038,222)	(112,396,042)
Noncurrent liabilities	(11,647,634)	(10,022,871)	(5,400,271)
	<b>₱60,597,802</b>	<b>₱47,379,449</b>	<b>₱40,779,427</b>

	For the Years Ended March 31		
	2019	2018	2017
Revenues	₱459,885,883	₱393,216,180	₱331,404,510
Expenses	404,747,328	391,963,354	303,618,688
Total comprehensive income	<b>₱55,138,555</b>	<b>₱1,252,826</b>	<b>₱27,785,822</b>
Share in total comprehensive income	<b>₱3,296,146</b>	<b>₱457,389</b>	<b>₱6,519,408</b>

STI Accent is engaged in providing medical and other related services. It ceased operations on June 20, 2012 after the contract of usufruct between STI Accent and Dr. Fe Del Mundo Medical Center Foundation Philippines, Inc. to operate the hospital and its related healthcare service businesses was rescinded in May 2012. As at March 31, 2019 and 2018, allowance for impairment loss on STI ESG's investment in STI Accent and related advances amounted to ₱37.9 million.

For terms and conditions relating to advances to associates and joint ventures, refer to Note 31.

#### 14. 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. As a result of the JVA, the parties incorporated STI-PHNS where 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 of STI-PHNS ratified the resolution approving the cessation of the business activities of STI-PHNS effective March 1, 2013 and approved the resolution to shorten the corporate term of STI-PHNS until June 30, 2017. On the same date, the BOD of Summit Technologies, Inc. ("Summit") ratified the resolution approving the cessation of operations and closure of the business of Summit effective February 28, 2013 and March 1, 2013, respectively, and approved the resolution to shorten the corporate term of Summit until June 30, 2017. Summit is a 89.51%-subsidiary of STI-PHNS. Summit is primarily engaged in encoding, transcribing, translating or converting information, data, documents, files and records of whatever form into usable electronic information or database for use with software programs or other information or database application. The amendment to the STI-PHNS' and Summit's Articles of Incorporation for shortening of the corporate term were approved by the SEC on July 12, 2016 and June 7, 2016, respectively.

The allowance for impairment loss on STI ESG's investment in STI-PHNS amounted to ₱5.6 million as at March 31, 2019 and 2018.

The Group's share in the net losses of its joint ventures amounted to ₱0.4 million and ₱2.2 million for the year ended March 31, 2019 and 2018, respectively, and share in net earnings amounted to ₱0.5 million for the year ended March 31, 2017, which are all individually immaterial.





**15. Equity Instruments at Fair Value through Other Comprehensive Income and Available-for-sale Financial Assets**

	2019	2018
Quoted equity shares	<b>₱4,700,845</b>	₱4,931,225
Unquoted equity shares	<b>45,802,363</b>	63,162,515
	<b>₱50,503,208</b>	₱68,093,740

a. Equity Shares

*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 “Fair value change in equity instruments at FVOCI/unrealized mark-to market gain on AFS 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.

*Unquoted Equity Shares*

Unquoted equity shares pertain to shares which are not listed in a stock exchange. The Group recognized an increase in the unrealized fair value adjustment on these equity instruments designated at FVOCI amounting to ₱40.2 million on April 1, 2018 (see Note 2) as part of the transition adjustments resulting from the effect of adoption of PFRS 9. On December 12, 2018, De Los Santos-STI College and Metro Pacific Hospital Holdings, Inc. (“MPHHI”) entered into a deed of absolute sale wherein De Los Santos-STI College sold its 79,399 common shares of stock in De Los Santos Medical Center, Inc. (“DLSMC”), formerly De Los Santos General Hospital, to MPHHI for a total consideration of ₱39.7 million. Similarly, on February 7, 2019, De Los Santos-STI College and MPHHI entered into another deed of absolute sale wherein De Los Santos-STI College sold its remaining 35,674 common shares of stock in DLSMC to MPHHI for a total consideration of ₱17.8 million. At the date of sale, the fair value of the shares is equal to the total consideration. These transactions resulted in realized fair value gain on financial assets designated at FVOCI amounting to ₱37.1 million which was directly recognized to retained earnings.

Dividend income earned from DLSMC shares as equity instruments at FVOCI/AFS financial assets amounted to ₱5.5 million, ₱4.4 million and ₱3.3 million in 2019, 2018 and 2017, respectively.



The rollforward analysis of the “Fair value change in equity instruments at FVOCI/unrealized mark-to-market gain on AFS financial assets” account follows:

	2019	2018
Balance at beginning of year, as previously stated	₱853,421	₱461,811
Effect of adoption of PFRS 9 (see Note 2)	40,176,348	–
Balance at beginning of year, as restated	41,029,769	461,811
Realized fair value adjustment on disposal of equity instruments designated at FVOCI	(37,133,649)	–
Fair value change	(230,380)	391,610
Balance at end of year (see Note 21)	₱3,665,740	₱853,421

b. Pledged Shares

On June 3, 2013, STI ESG executed a deed of pledge on all of its DLSCM 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 DLSCM as associates of the Group effective June 2013. Consequently, STI ESG’s effective percentage ownership in DLSCM and De Los Santos - STI Megaclinic was diluted and such was reclassified to equity instruments designated at FVOCI. The carrying value of the pledged investment in DLSCM amounted to ₱29.0 million and ₱25.9 million as at March 31, 2019 and 2018, respectively.

## 16. Goodwill, Intangible and Other Noncurrent Assets

	2019	2018
Goodwill	₱224,200,334	₱241,235,574
Deposits for asset acquisitions	231,735,901	76,270,833
Rental and utility deposits (see Note 29)	65,559,832	51,520,552
Deferred input VAT	22,637,773	3,906,938
Advances to suppliers	13,614,325	169,277,560
Intangible assets	10,002,084	17,307,719
Others	5,906,094	1,975,184
	₱573,656,343	₱561,494,360

### Goodwill

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

	2019	2018
STI Caloocan	₱64,147,877	₱64,147,877
STI Cubao	28,327,670	28,327,670
STI Pasay-EDSA (formerly STI Makati and STI Taft)	22,292,630	–
STI Novaliches (see Note 20)	21,803,322	21,803,322
STI Bacolod	15,681,232	15,681,232
STI Global City	11,360,085	11,360,085

(Forward)



	2019	2018
STI Sta. Mesa (formerly STI Shaw)	₱11,213,342	₱11,213,342
STI Lipa	8,857,790	8,857,790
STI Ortigas-Cainta	7,476,448	7,476,448
STI Dagupan	6,835,818	6,835,818
STI Meycauayan	5,460,587	5,460,587
STI Tanauan	4,873,058	4,873,058
STI Iloilo	3,806,173	3,806,173
STI Las Piñas	2,922,530	2,922,530
STI Batangas	2,585,492	2,585,492
STI Kalibo	2,474,216	2,474,216
STI Naga	2,305,368	2,305,368
STI Sta Maria (see Note 3)	1,776,696	1,776,696
STI Taft	-	19,030,844
STI Tuguegarao	-	13,638,360
STI Pagadian	-	3,396,880
STI Makati	-	3,261,786
	<b>₱224,200,334</b>	<b>₱241,235,574</b>

As a result of the deconsolidation of STI Diamond as discussed in Note 20, the Group reallocated the associated goodwill to STI Novaliches in 2017. The assets and liabilities of STI Diamond have all been transferred to STI Novaliches.

Management performs its annual impairment test every March 31 of each reporting period for all the CGUs. The recoverable amounts are computed based on value-in-use calculations using cash flow projections. Future cash flows are discounted using a pre-tax discount rate of 11.55% to 12.29% in 2019 (2018: 11.50% to 12.30%). The cash flow projections are based on a five-year financial planning period as approved by senior management. The growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 5.00% in 2019 and 2018. Management used forecasted revenue growth of 3.00% to 49.00% (2018: 2.00% to 32.00%) on most CGUs while management used forecasted revenue growth of 4.00% to 125.00% (2018: 3.00% to 118.00%) on select CGUs with expansion projects in 2019.

Provision for impairment of goodwill amounted to ₱17.0 million in 2019 and nil in 2018 and 2017, respectively (see Note 26).

*Key assumptions used in the value-in-use calculations*

The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

- Forecasted revenue growth - Revenue forecasts are management's best estimates considering factors such as historical/industry trend, target market analysis, government regulations and other economic factors.
- EBITDA margins - It is a measure of a firm's profit that includes all expenses except interest and income tax expenses. It is the difference between operating revenues and operating expenses. Earnings before tax differs for each CGU and are based on historical data and future plans for each CGU which may be affected by expected capital expenditures and number of projected students.
- Discount rate - Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate



calculation is based on the specific circumstances of the Group and its operating segments and is derived from its WACC. The Group used the WACC rate as affected by beta of companies with similar activities and capital structure with the CGUs. WACC is also affected by costs of debt and capital based on average lending rates for 10-year term due to assumption that the CGUs will exist beyond 10 years.

- Long-term growth rate - Rates are based on published industry research.

#### *Sensitivity to changes in assumptions*

With regard to the assessment of value-in-use of the CGUs, management believes that a reasonably possible change in the assumptions would not cause the carrying values of the CGUs to materially exceed their recoverable amounts.

#### Deposits for Asset Acquisitions

This account consists of deposits for the purchase of a property in Iloilo and shares of NAMEI.

The property in Iloilo has been identified as the future site of STI Academic Center Iloilo and is the subject of a Contract to Sell. As discussed in Note 34, monthly installments of ₱7.1 million are being made up to June 2019. The rights, title and interest in the property shall be conveyed to STI ESG upon full payment of the purchase price and upon full compliance with all the obligations as stipulated in the Contract to Sell.

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

#### Rental and Utility Deposits

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

#### Advances to Suppliers

Advances to suppliers primarily pertain to advance payments made in relation to the acquisition of property and equipment and construction of buildings (see Note 11). These will be reclassified to the “Property and equipment” account when the goods are received or the services are rendered.

#### Intangible Assets

Intangible assets represent the Group’s accounting and school management software which are being amortized over their estimated useful lives.



The rollforward analyses of this account follow:

	2019	2018
Cost, net of accumulated amortization:		
Balance at beginning of year	₱17,307,719	₱27,400,516
Additions	3,156,562	1,592,485
Amortization (see Note 26)	(10,462,197)	(11,685,282)
Balance at end of year	<u>₱10,002,084</u>	<u>₱17,307,719</u>
Cost	₱65,267,265	₱62,110,703
Accumulated amortization	55,265,181	44,802,984
Net carrying amount	<u>₱10,002,084</u>	<u>₱17,307,719</u>

### 17. Accounts Payable and Other Current Liabilities

	2019	2018
Accounts payable (see Note 31)	₱606,558,186	₱517,387,683
Nontrade payable	67,000,000	67,000,000
Dividends payable (see Note 21)	24,570,020	26,815,767
Accrued expenses:		
Contracted services	51,182,166	32,306,912
Rent	42,316,464	46,348,807
School-related expenses	39,896,759	41,253,424
Salaries, wages and benefits	18,244,333	20,000,943
Interest	12,974,999	10,584,218
Utilities	6,806,925	5,855,548
Advertising and promotion	3,130,143	3,537,635
Others	5,926,405	7,431,392
Statutory payables	24,316,077	23,111,901
Current portion of payable to STI Diamond (see Note 20)	11,727,550	7,053,619
Student organization fund	6,575,662	5,398,120
Network events fund	6,160,295	8,857,657
Current portion of refundable deposits	5,508,189	5,432,332
Others	8,180,283	20,967,090
	<u>₱941,074,456</u>	<u>₱849,343,048</u>

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. Dividends payable pertains to dividends declared and are due on demand.
- c. Accrued expenses, network events fund, student organization fund and other payables are expected to be settled within the next fiscal year.
- d. Statutory payables primarily include taxes payable and other payables to government agencies. These are normally settled within 30 days.



- e. Refundable deposits pertain to security deposits from existing lease agreements and are expected to be settled in accordance with the terms of the lease agreements.
- f. For terms and conditions with related parties, refer to Note 31.

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**18. Interest-bearing Loans and Borrowings**

	2019	2018
Corporate notes facility	<b>₱719,000,000</b>	₱916,400,000
Term loan facility	<b>793,710,270</b>	322,208,112
	<b>1,512,710,270</b>	1,238,608,112
Less current portion	<b>299,600,000</b>	167,400,000
	<b>₱1,213,110,270</b>	₱1,071,208,112

*\*Net of unamortized capitalized loan transaction cost of ₱6.3 million and ₱7.8 million as at March 31, 2019 and 2018, respectively.*

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 were 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 loans with interest ranging from 4.34% to 4.75%. STI ESG has made payments totaling to ₱134.4 million, ₱40.8 million and ₱100.8 million in 2019, 2018 and 2017, 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. In addition, an Amendment and Supplemental Agreement was also executed by the parties on the same date. The Amendment and Supplemental Agreement allowed STI WNU to draw up to ₱300.0 million from the facility.

On December 19, 2014, STI ESG advised China Bank that it will not be availing of tranche 2 of the Credit Facility Agreement thus limiting the facility available to STI ESG to ₱1,500 million. On the same date, STI WNU availed the amount of ₱300.0 million under the same terms and conditions as that of STI ESG’s Credit Facility, which has a term of seven (7) years 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 and is subject to annual repricing every January 31. This loan is secured by a Comprehensive Surety issued by the Parent Company.



STI WNU has made payments on the Corporate Notes Facility totaling to ₱63.0 million and ₱27.0 million as at March 31, 2019 and 2018, respectively. The payments includes prepayments amounting to ₱20.0 million made on January 31, 2019 and ₱10.0 million made on July 31, 2018. Such prepayments were applied to amortizations due on January 31, 2021 and July 31, 2019, respectively.

These loans are unsecured and are due based on the following schedule:

	STI ESG	STI WNU
2020	₱240,000,000	₱59,600,000
2021	240,000,000	59,400,000
2022	120,000,000	–
	<b>₱600,000,000</b>	<b>₱119,000,000</b>

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 is required to maintain a debt-to-equity ratio of not more than 1.00:1.00 and debt service cover ratio of not less than 1.10:1.00.

Breakdown of the Group's Credit Facility Agreement follows:

	2019	2018
Balance at beginning of year	<b>₱916,400,000</b>	₱984,200,000
Repayments	<b>197,400,000</b>	67,800,000
Balance at end of year	<b>719,000,000</b>	916,400,000
Less current portion	<b>299,600,000</b>	167,400,000
Noncurrent portion	<b>₱419,400,000</b>	₱749,000,000

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 (PDST-R2) plus a margin of 1.50% per annum which interest rate shall in no case be lower than 3.75% per annum or (2) the 3-month benchmark rate plus a margin of 1.50% per annum which interest rate shall in no case be lower than 3.50% per annum.
- b) amendments on the required financial ratios, whereby STI ESG shall maintain the following ratios which shall be computed based on the consolidated financial statements:
  - (1) Debt-to-equity ratio of not more than 1.50x, computed by dividing total debt by total equity. For the purpose of this computation, total debt shall exclude unearned tuition and other school fees;
  - (2) Debt service cover ratio of a minimum of 1.05x.

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 1.50x, 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 cover ratio of a minimum of 1.10x for STI WNU remained the same.



As at March 31, 2019 and 2018, STI ESG and STI WNU have complied with the above covenants.

Term Loan Facility

On September 28, 2017, iACADEMY, as Borrower, and Neschester, as Third Party Mortgagor, entered into an Omnibus Loan and Security Agreement (“Omnibus Agreement”) with China Bank granting iACADEMY a Term Loan Facility amounting to ₱800.0 million to refinance the ₱200.0 million short-term loan and partially finance the cost of construction of iACADEMY’s Yakal campus. The long-term loan is secured by a real estate mortgage on the Yakal land and the building now constructed, and all other facilities, machineries equipment and improvements therein (see Note 11). The long-term loan shall mature on the 10th year anniversary of the initial drawdown on the Term Loan Facility (the Loan Maturity Date). The maturity date of subsequent drawdowns made within the availability period shall coincide with the Loan Maturity Date.

iACADEMY made the following drawdowns:

<u>Date of drawdown</u>	<u>Amount</u>	<u>Interest at drawdown date</u>
September 29, 2017	₱200,000,000	4.4025%
January 10, 2018	130,000,000	4.4057%
April 5, 2018	240,000,000	4.6932%
May 15, 2018	130,000,000	5.1928%
October 26, 2018	100,000,000	7.9266%
	<u>₱800,000,00</u>	

On September 28, 2018, the total drawdown amounting to ₱700.0 million was repriced at an interest rate of 6.8444%. The loan facility has a term of 10 years, with a 3-year grace period on the principal repayment. The principal is payable semi-annually starting September 29, 2020, while the interest is payable semi-annually in arrears every March 29 and September 29 of each year. The interest rate shall be repriced one business day prior to each of the later interest payment date of the two relevant interest periods. Interest rate is determined based on the 1-year PHP BVAL reference rate plus a margin of 1.50%.

Future repayment of the loan principal under the Omnibus Agreement follows:

<u>Fiscal year ending March 31</u>	<u>Amount</u>
2021	₱106,666,667
2022	106,666,667
2023	106,666,667
2024	106,666,667
2025	106,666,667
2026	106,666,667
2027	106,666,667
2028	53,333,331
	<u>₱800,000,000</u>

iACADEMY incurred costs related to the availment of the loan amounting to ₱8.2 million. These costs are capitalized and amortized using the EIR method. These are presented as a contra-liability account in the consolidated statements of financial position. The carrying value of the transaction costs amounted to ₱6.3 million and ₱7.8 million as at March 31, 2019 and 2018, respectively. Amortization of transaction costs recognized as interest expense amounted to ₱1.5 million and ₱0.4 million in 2019 and 2018, respectively.





The related borrowing costs capitalized as part of “Building” amounted to ₱13.5 million and ₱11.2 million as at March 31, 2019 and 2018, respectively (see Note 11).

The Omnibus 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 service cover and debt-to-equity ratios. The required financial ratios are:

- (1) Debt service cover ratio of a minimum of 1.05x, which is the ratio of EBITDA for immediately preceding twelve (12) months to debt service due in the next 12 months.
- (2) Debt-to-equity ratio of not more than 2.0x, computed by dividing total liabilities (excluding unearned tuition and other school fees) by total equity.

As at March 31 2019, iACADEMY has complied with the above covenants.

On March 26, 2018, China Banking Corporation gave its consent on the request of iACADEMY to waive the required debt-to-equity ratio covenant of not more than 2.0x, provided that failure of the iAcademy to comply with the required debt-to-equity ratio of not more than 2.0x starting April 1, 2019 shall be deemed a breach. iACADEMY’s debt-to-equity ratio as at March 31, 2018 is 2.24. On May 11, 2018, iACADEMY increased its issued capital stock from ₱200.0 million to ₱694.9 million (see Note 1).

#### Short-term Loans

On August 1, 2016, iACADEMY obtained a short-term loan from China Bank amounting to ₱200.0 million. The loan is subject to 3.75% interest per annum until September 29, 2017. Total interest expense from the loan amounted to nil in 2018 and ₱3.1 million in 2017. The loan was treated as bridge financing for the construction of the building for/ the Yakal campus of iACADEMY. Interest on this loan was capitalized starting January 1, 2017 as part of the cost of the building. STI Holdings signed as co-maker for this bridge financing. On September 29, 2017, this bridge loan was fully paid from the term loan facility arranged with China Bank.

STI ESG availed of loans from Bank of the Philippine Islands amounting to ₱240.0 million and ₱1,793.0 million for the years ended March 31, 2018 and 2017, respectively; and made payments aggregating to ₱785.0 million and ₱1,248.0 million for the years ended March 31, 2018 and 2017, respectively. These loans are subject to interest rates ranging from 3.20% to 3.75%. The proceeds from these loans were used for working capital requirements.

#### Seven-year Term Loan

On May 7, 2019, STI ESG and China Bank entered into a seven-year term loan agreement up to the amount of ₱1,200.0 million. The credit facility is available for a period of one year from May 7, 2019, the date of signing of the loan agreement. The proceeds of this loan shall be used for the (i) financing of campus expansion projects (ii) acquisition of schools (iii) refinancing of short-term loans incurred for projects and (iv) other general corporate purposes. As at July 11, 2019, STI ESG has not made any drawdown from the facility.

#### Interest Expense

Starting February 1, 2016, the one-year PDST-F on the Credit Facility Agreement was changed to PDST-R2 as the basis for determining the interest rate 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.



On October 29, 2018, the Bankers Association of the Philippines launched the PHP Bloomberg Valuation Service (“BVAL”) Reference Rates replacing the set of PDST Reference Rates (PDST-R1 & PDST-R2). Hence, starting the interest period January 31, 2019, the benchmark rate for the loans of STI ESG and STI WNU is the BVAL reference rate for one-year tenor.

Interest expense on the loans amounted to ₱74.6 million, ₱54.3 million and ₱71.6 million in 2019, 2018 and 2017, respectively (see Note 23).

## 19. Bonds Payable

	2019	2018
Principal:		
Fixed rate bonds due 2024	₱2,180,000,000	₱2,180,000,000
Fixed rate bonds due 2027	820,000,000	820,000,000
	<b>3,000,000,000</b>	3,000,000,000
Less unamortized debt issuance costs	42,045,746	48,120,866
	<b>₱2,957,954,254</b>	₱2,951,879,134

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 would end on March 9, 2020. 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. The bonds were rated ‘PRS Aa’ by the Philippine Rating Services Corporation (“PhilRatings”) in 2017. Proceeds of the issuance were used to finance the campus expansion projects, refinancing of the short-term loans incurred for the acquisition of land, and for other general corporate requirements of STI ESG.

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. Under PFRS 9, subsequent reassessment is required when there has been a change in the terms of the contract that significantly modifies the cash flows.

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

Issued	Interest Payable	Term	Interest Rate	Principal Amount	Carrying Value as at March 31		Features	
					2019	2018		
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	₱2,150,449,125	₱2,145,524,770	Callable on the 3rd month after the 5th anniversary of Issue Date and on the 6th anniversary of Issue Date	
2017	Quarterly	10 years	6.3756%	820,000,000	807,505,129	806,354,364	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date	
					₱3,000,000,000	₱2,957,954,254	₱2,951,879,134	



### Covenants

The bonds provide certain restrictions and requirements with respect to, among others, change in majority ownership and management, merger or consolidation with other corporation resulting in loss of control over the overall resulting entity and sale, lease, transfer or otherwise disposal of all or substantially all of its assets. The Credit Facility Agreement also contains, among others, covenants regarding incurring additional debt and declaration of dividends. STI ESG is required to maintain a debt-to-equity ratio of not more than 1.50:1.00 and debt service cover ratio of not less than 1.05:1.00 computed based on the consolidated financial statements. STI ESG has complied with the above covenants.

STI ESG's debt-to-equity and debt service cover ratios as at March 31, 2019 and 2018 are as follows:

	2019	2018
Total liabilities*	<b>₱4,407,031,500</b>	₱4,215,264,337
Total equity	<b>6,569,707,487</b>	6,621,659,346
Debt-to-equity	<b>0.67:1.00</b>	0.64:1.00

\*Excluding unearned tuition and other school fees

	2019	2018
EBITDA	<b>₱806,111,804</b>	₱1,219,382,693
Total interest-bearing liabilities	<b>462,616,744</b>	353,487,492
Debt service cover	<b>1.74:1.00</b>	3.45:1.00

\*\*EBITDA for the last twelve months

\*\*\*Total principal and interest due for the next twelve months

### Bond Issuance Costs

In 2017, STI ESG incurred costs related to the issuance of the bonds amounting to ₱53.9 million. These costs are capitalized and amortized using the effective interest rate method. The carrying value of the unamortized bond issuance costs amounted to ₱42.0 million and ₱48.1 million as at March 31, 2019 and 2018, respectively. Amortization of bond issuance costs amounting to ₱7.3 million, ₱5.7 million and ₱0.1 million in 2019, 2018 and 2017, respectively, were recognized as part of the "Interest expense" account in the consolidated statements of comprehensive income (see Note 23).

### Interest Expense

Interest expense (including amortization of bond issuance costs), net of amount capitalized as property and equipment, associated with the bonds payable recognized in the consolidated statements of comprehensive income amounted to ₱150.7 million, ₱162.0 million and ₱4.6 million in 2019, 2018 and 2017, respectively (see Notes 11 and 23).

## 20. Other Noncurrent Liabilities

	2019	2018
Advance rent (see Note 29)	<b>₱47,901,355</b>	₱36,101,395
Payable to STI Diamond - net of current portion	<b>38,336,143</b>	50,063,693
Refundable deposit - net of current portion (see Note 29)	<b>19,902,451</b>	18,151,424
Deferred lease liability (see Note 29)	<b>2,438,532</b>	2,426,489
Deferred output VAT	<b>105,767</b>	-
	<b>₱108,684,248</b>	₱106,743,001



On August 16, 2016, STI Diamond entered into a Deed of Assignment with STI Novaliches where STI Diamond assigned, transferred and conveyed in a manner absolute and irrevocable, and free and clear of all liens and encumbrances, to STI Novaliches all its rights, title and interest in its assets and liabilities for a price of ₱75.7 million, payable quarterly over five years. Consequently, the management contract between 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 statements of comprehensive income for the year ended March 31, 2017, represents the present value of the purchase price. As at March 31, 2019 and 2018, the total carrying value of the unpaid purchase price amounted to ₱50.0 million and ₱57.1 million, respectively. The current portion of the payable amounting to ₱11.7 million and ₱7.1 million is recorded under the “Accounts payable and other current liabilities” account as at March 31, 2019 and 2018, respectively (see Note 17).

Advance rent pertains to collection received by the Group which will be earned and applied in periods more than one year after the reporting date.

Refundable deposits are held by the Group throughout the term of the lease and are refunded in full to the lessee at the end of the lease term if the lessee has performed fully and observed all of the conditions and provisions in the lease. Refundable deposits are presented in the consolidated statements of financial position at amortized cost. The difference between the fair value at initial recognition and the notional amount of the refundable deposit is charged to “Deferred lease liability” and amortized on a straight-line basis over the respective lease term.

## 21. Equity

### Capital Stock

Details as at March 31, 2019 and 2018 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:

Date of Approval	Number of Shares		Issue/ Offer Price
	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, 2019 and 2018, the Parent Company has a total number of shareholders on record of 1,263 and 1,259, respectively.



Cost of Shares Held by a Subsidiary

This account represents STI Holdings shares owned by STI ESG as at March 31, 2019 and 2018 which are treated as treasury shares in the consolidated statements of financial position.

Details of the account are as follows:

	2019	2018
Number of shares	<b>500,433,895</b>	500,433,895
Cost	<b>₱498,142,921</b>	₱498,142,921

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 received by STI ESG related to these shares amounting to ₱10.0 million each year were offset against the dividends declared in 2019, 2018 and 2017 as shown in the consolidated statements of changes in equity.

Other Comprehensive Income (Loss)

	2019		
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Cumulative actuarial gain (see Note 28)	<b>₱20,950,751</b>	<b>₱479,211</b>	<b>₱21,429,962</b>
Fair value changes in equity instruments at FVOCI (see Note 15)	<b>3,623,046</b>	<b>42,694</b>	<b>3,665,740</b>
Share in associates' cumulative actuarial gain (see Note 13)	<b>321,569</b>	<b>(199)</b>	<b>321,370</b>
Share in associates' unrealized fair value loss on equity instruments designated at FVOCI (see Note 13)	<b>(114)</b>	<b>(2)</b>	<b>(116)</b>
	<b>₱24,895,252</b>	<b>₱521,704</b>	<b>₱25,416,956</b>

	2018		
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Cumulative actuarial gain (see Note 28)	<b>₱96,727,608</b>	<b>₱479,211</b>	<b>₱97,206,819</b>
Unrealized mark-to-market gain on AFS financial assets (see Note 15)	<b>847,989</b>	<b>5,432</b>	<b>853,421</b>
Share in associates' cumulative actuarial gain (see Note 13)	<b>215,592</b>	<b>–</b>	<b>215,592</b>
Share in associates' unrealized mark-to-market loss on AFS financial assets (see Note 13)	<b>(114)</b>	<b>(2)</b>	<b>(116)</b>
	<b>₱97,791,075</b>	<b>₱484,641</b>	<b>₱98,275,716</b>



	2017		
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Cumulative actuarial gain (see Note 28)	₱44,398,122	₱479,211	₱44,877,333
Unrealized mark-to-market loss (gain) on AFS financial assets (see Note 15)	462,127	(316)	461,811
Share in associates' unrealized mark-to-market loss on AFS financial assets (see Note 13)	(16,188,913)	(221,552)	(16,410,465)
Share in associates' remeasurement loss on life insurance reserves (see Note 13)	(18,078,114)	(245,537)	(18,323,651)
Share in associates' cumulative actuarial gain (see Note 13)	722,894	10,107	733,001
Share in associates' other equity reserve	718,885	9,764	728,649
	<u>₱12,035,001</u>	<u>₱31,677</u>	<u>₱12,066,678</u>

Other Comprehensive Income and Other Equity Reserves associated with Noncurrent Asset Held for Sale

As at March 31, 2019 and 2018, the cumulative balance of other comprehensive income associated with noncurrent asset held for sale consists of:

	Attributable to Equity Holders of the Parent Company	Non-controlling Interests	Total
Share in associates':			
Fair value change in equity instruments at FVOCI	₱107,103,936	₱1,454,685	₱108,558,621
Remeasurement loss on life insurance reserves	(17,854,179)	(242,495)	(18,096,674)
Cumulative actuarial gain	676,660	9,190	685,850
Other equity reserve	718,885	9,764	728,649
	<u>₱90,645,302</u>	<u>₱1,231,144</u>	<u>₱91,876,446</u>

Retained Earnings

- a) On October 26, 2018, 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 November 13, 2018, payable on December 10, 2018.

On September 29, 2017, 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 16, 2017, payable on November 13, 2017.

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 20, 2016.

As at March 31, 2019 and 2018, long-outstanding unclaimed dividends amounting to ₱11.0 million and ₱11.9 million, respectively, pertains to dividend declarations from 1998 to 2016, recognized as "Dividends payable" under "Accounts payable and other current liabilities" account (see Note 17).



- b) Consolidated retained earnings include undeclared retained earnings of subsidiaries and share in net earnings of associates amounting to ₱3,152.0 million and ₱3,145.6 million as at March 31, 2019 and 2018, 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 ₱1,457.7 million and ₱1,462.0 million as at March 31, 2019 and 2018, respectively.

*Policy on Dividends Declaration*

On September 29, 2017, the Parent Company's BOD adopted a policy on the declaration of dividends starting with Fiscal Year 2017-2018.

The BOD approved a dividend declaration policy of not less than 25% of the core income of STI Holdings from the previous fiscal year, subject to compliance with the requirements of applicable laws and regulations, statutory limitations and/or restrictions, terms and conditions which may be imposed on STI Holdings by lenders or other financial institutions, and its investment plans and financial condition.

Core income is defined as consolidated net income after income tax derived from STI Holdings's main business which is education, and other recurring income.

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

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

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

Other Equity Reserve and Non-controlling Interests

- a. As discussed in Note 3, the Parent Company acquired 100% ownership of iACADEMY from STI ESG in September 2016. 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".

In April 2018, the Parent Company recognized other equity reserve amounting to ₱2.7 million as a result of the merger of iACADEMY and Neschester (see Note 3).



- b. As discussed in Note 3, on April 4, 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. STI Taft became a 99.9%-owned subsidiary of STI ESG. 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.

On August 30, 2017, the SEC approved the application for merger of STI Taft and STI ESG, with STI ESG as the surviving entity. In December 2017, STI ESG subscribed to 5,287,836 of its own shares and issued a total of 4,446 shares to minority holders with par value of ₱1.0 per share, at a price of ₱1.82 per share or an aggregate cost of ₱9.6 million.

- c. On August 30, 2017, the SEC approved the application for merger of STI Dagupan with STI ESG, with STI ESG as the surviving entity. In December 2017, STI ESG subscribed to 664,437 shares and issued a total of 865 shares to minority holders with par value of ₱1.0 per share, at a price of ₱1.82 per share or an aggregate cost of ₱1.2 million.

*Phase 2 merger.* In 2018, STI ESG recognized ₱2.1 million adjustment to “Other equity reserve” account related to the issuance of shares to the non-controlling interest of the merged entity during the Phase 2 merger.

- d. In 2017, the Group also recognized its share in adjustment amounting to ₱10.2 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 13).
- e. Dividends declared by subsidiaries to non-controlling interest owners amounted to ₱2.5 million, ₱3.3 million and ₱14.4 million in 2019, 2018 and 2017, respectively.

## 22. Revenues

### Disaggregated Revenue Information

The table below shows the disaggregation of revenues of the Group by type of services or goods for the years ended March 31, 2019, 2018 and 2017:

	2019	2018	2017
Tuition and other school fees	<b>₱2,346,326,130</b>	₱2,612,702,587	₱2,538,918,364
Educational services	<b>166,922,124</b>	208,333,217	199,155,782
Sale of educational materials and supplies	<b>160,629,516</b>	178,303,107	153,502,823
Royalty fees	<b>15,717,540</b>	20,545,886	19,148,926
Other revenues	<b>62,991,152</b>	62,786,149	22,234,062
<b>Total consolidated revenue</b>	<b>₱2,752,586,462</b>	<b>₱3,082,670,946</b>	<b>₱2,932,959,957</b>

### Timing of revenue recognition

	2019	2018	2017
Services transferred over time	<b>₱2,591,956,946</b>	₱2,904,367,839	₱2,779,457,134
Goods and services transferred at a point time	<b>160,629,516</b>	178,303,107	153,502,823
	<b>2,752,586,462</b>	<b>3,082,670,946</b>	<b>2,932,959,957</b>





Contract Balances

The Group's receivables are disclosed in Note 7 while the contract liabilities are presented as "Unearned tuition and other school fees" in the consolidated statements of financial position. Significant changes in the contract liability include the adoption of the new revenue standard and the implementation of the second batch of tertiary students that extends cash collection after the end of the reporting period.

Set out below is the amount of revenue recognized from:

	<b>2019</b>
Amounts included in contract liabilities at the beginning of the year	<b>₱134,754,159</b>
Performance obligations satisfied in previous years	-

Performance Obligations

The performance obligation related to revenue from tuition and other school fees, educational services, and royalty fees are satisfied over time since the student and the franchisees receive and consume the benefit provided by the Group's performance. The payment for these services is normally due within the related school term.

On the other hand, the performance obligations related to the sale of educational materials and supplies and other revenues are satisfied upon receipt by the customers since the control of the goods and products is transferred at this point. The payment for the sale of educational materials and supplies is generally due within 30 days from delivery.

As at March 31, 2019, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) follows:

	<b>2019</b>
Within one year	<b>₱185,395,888</b>
More than one year	-

The remaining performance obligations which are expected to be satisfied within one year pertains to the advance payment for tuition and other school fees for the school year commencing after the financial reporting date and will be recognized as tuition and other school fees within one year. On the other hand, the performance obligations that are expected to be satisfied in more than one year pertain to payments received in advance by STI ESG but which are expected to be satisfied in more than one year. This covers tuition and other school fees for the entire program of certain scholars, net of the amount of fees related to the performance obligations that will be satisfied within one year.

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**23. Interest Income and Interest Expense**

Sources of interest income are as follows:

	<b>2019</b>	2018	2017
Cash and cash equivalents (see Note 6)	<b>₱20,750,729</b>	₱27,722,535	₱3,371,379
Past due accounts receivables (see Note 7)	<b>271,068</b>	602,352	1,472,985
Others	<b>92,527</b>	202,254	62,966
	<b>₱21,114,324</b>	₱28,527,141	₱4,907,330



Sources of interest expense are as follows:

	2019	2018	2017
Interest on bonds payable (see Note 19)	<b>₱143,436,340</b>	₱155,541,451	₱4,472,631
Interest-bearing loans and borrowings (see Note 18)	<b>74,649,525</b>	54,346,029	71,595,015
Amortization of bond issuance costs (see Note 19)	<b>7,251,360</b>	6,453,589	121,250
Obligations under finance lease (see Note 29)	<b>1,146,491</b>	1,334,147	2,713,547
Others	<b>2,334,105</b>	1,736,683	342,899
	<b>₱228,817,821</b>	₱219,411,899	₱79,245,342

**24. Cost of Educational Services**

	2019	2018	2017
Faculty salaries and benefits (see Notes 27 and 28)	<b>₱344,389,653</b>	₱369,602,766	₱343,736,134
Depreciation and amortization (see Note 11)	<b>284,333,160</b>	226,293,347	204,617,024
Student activities and programs	<b>146,766,009</b>	131,067,506	134,087,888
Rental (see Note 29)	<b>105,371,770</b>	105,142,007	100,751,332
School materials and supplies	<b>14,876,265</b>	14,292,901	14,598,501
Software maintenance	<b>14,080,823</b>	17,059,078	9,432,849
Courseware development costs	<b>2,202,058</b>	1,285,625	1,553,931
Others	<b>15,041,537</b>	17,344,331	15,163,016
	<b>₱927,061,275</b>	₱882,087,561	₱823,940,675

**25. Cost of Educational Materials and Supplies Sold**

	2019	2018	2017
Educational materials and supplies	<b>₱104,055,641</b>	₱115,578,747	₱106,680,695
Promotional materials	<b>15,583,102</b>	15,028,535	12,819,174
Others	<b>945,646</b>	1,309,240	1,343,453
	<b>₱120,584,389</b>	₱131,916,522	₱120,843,322

**26. General and Administrative Expenses**

	2019	2018	2017
Salaries, wages and benefits (see Notes 27 and 28)	<b>₱341,870,129</b>	₱322,823,847	₱300,442,373
Depreciation and amortization (see Notes 11, 12 and 16)	<b>184,206,239</b>	172,543,429	171,004,475
Light and water	<b>140,336,912</b>	131,056,313	114,666,208
Provisions for impairment loss on:			
Receivables (see Note 7)	<b>74,896,179</b>	82,214,937	70,577,287
Goodwill (see Note 16)	<b>17,035,240</b>	-	-

(Forward)



	2019	2018	2017
Investments in and advances to associates and joint ventures (see Note 13)	P-	P591,839	P1,643,844
Outside services	120,638,771	110,261,517	89,356,089
Professional fees	75,097,175	77,001,661	58,310,075
Advertising and promotions	73,737,761	29,504,100	16,369,980
Rental (see Note 29)	62,604,931	61,576,885	56,024,433
Taxes and licenses	42,508,124	47,571,833	39,517,111
Transportation	32,811,822	29,951,267	29,820,396
Repairs and maintenance	24,194,975	23,427,436	21,639,288
Meetings and conferences	22,331,705	19,807,155	18,950,866
Office supplies	20,748,567	20,189,861	15,194,753
Entertainment, amusement and recreation	18,463,734	17,163,999	16,834,601
Insurance	14,822,631	11,868,058	10,583,947
Communication	13,668,191	11,589,826	11,235,848
Software maintenance	2,859,491	2,929,618	2,203,386
Association dues	1,695,424	1,657,161	1,362,117
Excess of cost over net realizable value of inventories (see Note 8)	43,403	1,074,439	-
Others	23,940,238	19,513,752	20,357,229
	<b>P1,308,511,642</b>	<b>P1,194,318,933</b>	<b>P1,066,094,306</b>

## 27. Personnel Costs

	2019	2018	2017
Salaries and wages (see Notes 24 and 26)	P606,198,314	P608,737,425	P563,493,729
Pension expense (see Note 28)	12,000,303	17,388,947	17,643,671
Other employee benefits	68,061,165	66,300,241	63,041,107
	<b>P686,259,782</b>	<b>P692,426,613</b>	<b>P644,178,507</b>

## 28. Pension Plans

### Defined Benefit Plans

The Group (except iACADEMY, De Los Santos-STI College and STI QA) has separate, funded, noncontributory, defined benefit pension plans covering substantially all of its faculty and regular employees. The benefits are based on the faculties' and employees' salaries and length of service.

Under the existing regulatory framework, RA No. 7641 ("Retirement Pay Law") requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Retirement benefits are payable in the event of termination of employment due to: (i) early, normal, or late retirement; (ii) physical disability; (iii) voluntary resignation; or (iv) involuntary separation from service. For plan members retiring under normal, early or late terms, the retirement benefit is equal to a percentage of final monthly salary for every year of credited service.



In case of involuntary separation from service, the benefit is determined in accordance with the Termination Pay provision under the Philippine Labor Code or similar legislation on involuntary termination.

The funds are administered by a trustee bank under the supervision of the Board of Trustees of the plan. The Board of Trustees is responsible for the investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (Investment policy). The Board of Trustees implements the Investment policy in accordance with the investment strategy as well as various principles and objectives.

The Group offsets its pension assets and pension liabilities on a per company basis for presentation in the consolidated statements of financial position since pension assets are restricted for the settlement of pension liabilities only.

The following tables summarize the components of the Group's net pension expense recognized in the consolidated statements of comprehensive income and the net pension assets/liabilities recognized in the consolidated statements of financial position:

	2019	2018	2017
Pension expense (recognized under the "Salaries, wages and benefits" account):			
Current service cost	<b>₱12,772,524</b>	₱15,263,799	₱13,968,053
Net interest cost (income)	<b>(901,491)</b>	1,828,704	3,437,638
	<b>₱11,871,033</b>	₱17,092,503	₱17,405,691
Net pension liabilities (assets) (recognized in the consolidated statements of financial position):			
Pension liabilities	<b>₱76,051,722</b>	₱42,455,457	₱48,092,221
Pension assets	-	(53,474,883)	(2,763,398)
	<b>₱76,051,722</b>	(₱11,019,426)	₱45,328,823
	2019	2018	2017
Present value of defined benefit obligations	<b>₱194,680,346</b>	₱153,548,419	₱176,920,560
Fair value of plan assets	<b>(118,628,624)</b>	(164,567,845)	(131,591,737)
	<b>₱76,051,722</b>	(₱11,019,426)	₱45,328,823
Changes in the present value of defined benefit obligations:			
Balance at beginning of year	<b>₱153,548,419</b>	₱176,920,560	₱158,196,309
Current service cost	<b>12,772,524</b>	15,263,799	13,968,053
Interest cost	<b>10,225,238</b>	8,418,109	8,125,510
Benefits paid	<b>(6,054,850)</b>	(8,755,296)	(4,179,469)
Actuarial loss (gain) on obligations:			
Deviations of experience from assumptions	<b>12,100,479</b>	(10,519,652)	2,200,643
Financial assumptions	<b>12,088,536</b>	(27,796,763)	(1,390,486)
Demographic assumptions	-	17,662	-
Balance at end of year	<b>₱194,680,346</b>	₱153,548,419	₱176,920,560



	2019	2018	2017
Changes in the fair value of plan assets:			
Balance at beginning of year	<b>₱164,567,845</b>	₱131,591,737	₱85,583,879
Contributions	<b>8,705,235</b>	14,601,799	12,419,088
Interest income	<b>11,126,729</b>	6,589,405	4,687,872
Benefits paid	<b>(6,054,850)</b>	(8,755,296)	(4,179,469)
Actuarial gain (loss) on plan assets	<b>(59,716,335)</b>	20,540,200	33,080,367
Balance at end of year	<b>₱118,628,624</b>	₱164,567,845	₱131,591,737
Actual return (loss) on plan assets	<b>(₱48,589,606)</b>	₱27,129,605	₱37,768,239

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

	March 31, 2019	March 31, 2018	March 31, 2017
Discount rate	<b>5.83%–5.96%</b>	6.54%–7.06%	5.00%–5.69%
Future salary increases	<b>4.00%–5.00%</b>	4.00%–5.00%	4.00%–6.00%

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The major categories of the Group's total plan assets as a percentage of the fair value of the total plan assets are as follows:

	2019	2018	2017
Cash and cash equivalents	<b>54%</b>	35%	38%
Investment in debt securities	<b>4%</b>	3%	4%
Investments in equity securities	<b>42%</b>	62%	58%
	<b>100%</b>	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:

	2019	2018
Cash	<b>₱2,141</b>	₱1,257
Short-term fixed income	<b>63,787,679</b>	57,418,549
Investments in:		
Equity securities	<b>49,676,952</b>	102,011,760
Government securities	<b>5,153,487</b>	5,125,781
Others	<b>8,365</b>	10,498
	<b>₱118,628,624</b>	₱164,567,845

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



*Investments in Equity Securities.* Investments in equity securities pertain to ESG's Retirement Fund investment in the shares of the Parent Company which has a fair value of ₱0.71 and ₱1.46 per share as at March 31, 2019 and 2018, respectively.

Total unrealized gain from investments in equity securities of related parties amounted to ₱14.7 million and ₱67.1 million as at March 2019 and 2018, 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.

*Investments in Government Securities.* Investments in government securities include treasury bills and fixed-term treasury notes with maturities ranging from one to thirteen years and bear interest rates ranging from 3.25% to 6.25%. These securities are fully guaranteed by the Government of the Republic of the Philippines.

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 42% equity instruments, 55% short-term fixed income and 3% debt instruments while cash and cash equivalents are kept at a minimum level.

The average duration of the defined benefit obligation at the end of the period is 20 years.

Shown below is the maturity analysis of the undiscounted benefit payments as at March 31:

	<b>2019</b>	<b>2018</b>
Less than one year	<b>₱40,668,128</b>	₱17,739,973
More than one year to five years	<b>44,865,129</b>	48,222,730
More than five years to ten years	<b>99,941,289</b>	107,806,368
More than ten years to fifteen years	<b>163,445,581</b>	151,564,329
More than fifteen years to twenty years	<b>201,137,663</b>	238,151,764
More than twenty years	<b>529,383,343</b>	380,560,387

The expected contribution of the Group in 2020 is ₱9.4 million.

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

	<b>Effect on Present Value of Define Benefit Obligation</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Discount rates			
Increase by 1%	<b>(₱15,328,053)</b>	(₱14,545,266)	(₱15,363,055)
Decrease by 1%	<b>18,272,659</b>	17,031,781	18,444,900
Future salary increases			
Increase by 1%	<b>18,283,245</b>	17,256,324	18,223,671
Decrease by 1%	<b>(15,982,164)</b>	(15,136,916)	(15,632,710)
Employee turnover			
Increase by 10%	<b>1,951,350</b>	1,796,509	2,150,583
Decrease by 10%	<b>(1,951,350)</b>	(1,796,509)	(2,150,583)



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, 2019 and 2018, the Group is in compliance with the requirements of RA No. 7641.

As at March 31, 2019 and 2018, De Los Santos-STI College and STI QA have excess contributions to CEAP amounting to ₱3.1 million and ₱3.5 million, respectively. These excess contributions are classified as prepaid expense and will be offset against De Los Santos-STI College and STI QA’s future required contributions to CEAP (see Note 9).

Philippine Interpretations Committee 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 2019, 2018 and 2017 amounted to ₱0.1 million, ₱0.3 million and ₱0.2 million, respectively.

Total pension expense recognized in profit or loss follows:

	<b>2019</b>	2018	2017
Defined benefit plans	<b>₱11,871,033</b>	₱17,092,503	₱17,405,691
Defined contribution plans	<b>129,270</b>	296,444	237,980
	<b>₱12,000,303</b>	₱17,388,947	₱17,643,671



## 29. 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:

	<b>March 31</b>	
	<b>2019</b>	2018
Within one year	<b>₱7,768,282</b>	₱8,469,651
After one year but not more than five years	<b>13,170,352</b>	15,441,938
Total minimum lease payments	<b>20,938,634</b>	23,911,589
Less amount representing interest	<b>2,486,471</b>	2,149,316
Present value of lease payments	<b>18,452,163</b>	21,762,273
Less current portion of obligations under finance lease	<b>6,500,632</b>	7,134,449
Noncurrent portion of obligations under finance lease	<b>₱11,951,531</b>	₱14,627,824

Interest expense from finance lease amounted to ₱1.1 million, ₱1.3 million and ₱2.7 million in 2019, 2018 and 2017, respectively (see Note 23).

### 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.

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. The sublease area covers a portion of ground and eight floors, ninth to the eleventh floor, parking and storage area.

iACADEMY received refundable deposits as security for its observance and faithful compliance with the terms and conditions of the lease agreements and advanced rental payment which will be applied on the last two months of the lease, presented under “Other noncurrent liabilities” in the consolidated statements of financial position (see Note 20).

The sublease agreement with PhilLife was terminated on March 31, 2019.

A telecommunication company entered into a sublease contract with iACADEMY, for its cell site for a period of 3 years effective May 1, 2018 until April 30, 2021.

On March 15, 2019, iACADEMY entered into a sublease agreement, as lessor, on their leased building, particularly the fourth floor, with another third party, for a period of three years ending March 14, 2022.

Total rental income amounted to ₱126.6 million, ₱114.6 million and ₱111.5 million in 2019, 2018 and 2017, respectively (see Notes 12 and 31).





Future minimum rental receivable for the remaining lease terms as at March 31 follow:

	<b>March 31</b>	
	<b>2019</b>	2018
Within one year	<b>₱84,942,462</b>	₱96,694,557
After one year but not more than five years	<b>103,392,016</b>	158,761,490
<b>Total</b>	<b>₱188,334,478</b>	<b>₱255,456,047</b>

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”) 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 year advance rent.

On May 2, 2014, iACADEMY entered into a lease agreement with Metrobank Trust and Banking Group 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.

Total rental expense charged to operations amounted to ₱168.0 million, ₱166.7 million and ₱156.8 million in March 31, 2019, 2018 and 2017, respectively (see Notes 24 and 26).

Certain subsidiaries also paid the lessors refundable deposits equivalent to several months of rental payments as security for their observance and faithful compliance with the terms and conditions of the agreement (see Note 16).

Future minimum rental payables under the lease agreements as at March 31 follow:

	<b>2019</b>	2018
Within one year	<b>₱126,459,084</b>	₱132,775,192
After one year but not more than five years	<b>341,488,483</b>	350,342,173
More than five years	<b>385,447,093</b>	429,653,744
<b>Total</b>	<b>₱853,394,660</b>	<b>₱912,771,109</b>

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### 30. Income Tax

All domestic subsidiaries qualifying as private educational institutions are subject to tax under RA No. 8424, “An Act Amending the National Internal Revenue Code, as amended, and For Other Purposes” which was passed into law effective January 1, 1998. Title II Chapter IV - Tax on Corporation - Sec 27(B) of the said Act defines and provides that: a “Proprietary Educational Institution” is any private school maintained and administered by private individuals or groups with an issued permit to operate from DepEd, CHED, or TESDA, as the case may be, in accordance with the existing laws and regulations and shall pay a tax of ten percent (10.00%) on its taxable income.



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

	2019	2018
Deferred tax assets:		
Allowance for doubtful accounts	₱24,677,118	₱12,766,164
Unearned tuition and other school fees	14,475,848	13,147,249
Pension liabilities	7,556,592	4,237,147
Advance rent	4,606,413	3,608,596
Excess of:		
Rental under operating lease computed on a straight-line basis	2,030,063	3,036,526
Cost over net realizable value of inventories	1,093,436	1,089,096
PFRS 9 adjustment (accretion/amortization)	86,731	-
NOLCO	-	2,685,540
	<b>54,526,201</b>	40,570,318
Deferred tax liabilities:		
Unamortized debt issue costs	(1,793,040)	(2,115,706)
Excess of fair value over carrying value of net assets acquired in business combination	(209,144)	(209,144)
Pension assets	-	(5,347,488)
	<b>(2,002,184)</b>	(7,672,338)
Net deferred tax assets	<b>₱52,524,017</b>	₱32,897,980
Deferred tax liabilities:		
Excess of fair values over carrying values of net assets acquired in business combination (see Note 3)	₱124,094,492	₱124,869,083
Excess of fair value over dacion price (see Notes 12 and 34)	110,861,700	110,861,700
	<b>₱234,956,192</b>	₱235,730,783

Certain deferred tax assets of the Group were not recognized as at March 31, 2019 and 2018 as it is not probable that future taxable profits will be sufficient against which these can be utilized.

The following are the deductible temporary differences and unused NOLCO and MCIT for which no deferred tax assets were recognized:

	2019	2018
NOLCO	₱93,182,157	₱42,111,456
Allowance for:		
Advances to associates	37,868,986	37,868,986
Allowance for doubtful accounts	858,771	858,771
MCIT	402,125	378,255
Pension liability	242,908	83,985
Acquisition-related expenses	-	4,773,584
	<b>₱132,554,947</b>	₱86,075,037

As at March 31, 2019 and 2018, the Group also did not recognize any deferred tax assets on the provision for impairment losses on investment in and advances to an associate and goodwill 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	Amount
March 31, 2016	March 31, 2019	₱24,933,693
December 31, 2016	December 31, 2019	4,034,630
March 31, 2017	March 31, 2020	19,507,928
December 31, 2017	December 31, 2020	810,672
March 31, 2018	March 31, 2021	23,470,776
March 31, 2019	March 31, 2022	51,074,500
		123,832,199
Less:		
	Expired in 2018	22,876,556
	Applied in 2018	7,773,486
		<u>₱93,182,157</u>

The reconciliation of the provision for income tax on income before income tax computed at the effect of the applicable statutory income tax rate to the provision for income tax as shown in the consolidated statements of comprehensive income is summarized as follows:

	2019	2018	2017
Provision for income tax at statutory income tax rate	<b>₱98,123,190</b>	₱174,188,009	₱197,308,162
Income tax effects of:			
Difference in 10% and 30% tax rate	<b>(53,714,612)</b>	(154,865,059)	(197,654,840)
Interest income already subjected to final tax	<b>(6,225,219)</b>	(8,316,761)	(1,011,414)
Nondeductible expenses	<b>475,911</b>	123,849	257,482
Equity in net losses (earnings) of associates and joint ventures	<b>(471,672)</b>	66,610,924	73,229,375
Effect of derecognition of a subsidiary	-	-	18,248,837
Others	<b>4,769,446</b>	67,715	8,893,757
	<b>₱42,957,044</b>	₱77,808,677	₱99,271,359

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

### 31. 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:

Related Party	Amount of Transactions during the Year			Outstanding Receivable (Payable)		Terms	Conditions
	2019	2018	2017	2019	2018		
<b>Associates</b>							
<b>STI Accent</b>							
Reimbursement for various expenses and other charges	₱-	₱591,839	₱1,643,844	₱37,868,986	₱37,868,986	30 days upon receipt of billings; noninterest-bearing	Unsecured; with provision for ECL
<b>GROW</b>							
Rental income and other charges	232,379	-	-	7,033,994	6,931,016	30 days upon receipt of billings	Unsecured; no impairment
Reimbursement for various expenses	-	29,025	27,418	-	143,571	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
<b>STI Alabang</b>							
Educational services and sale of educational materials and supplies	14,563,510	19,762,175	17,015,977	539,737	435,759	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
<b>STI Marikina</b>							
Educational services and sale of educational materials and supplies	14,797,696	20,889,990	15,003,907	97,000	84,956	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
<b>Affiliates*</b>							
<b>PhilCare</b>							
Rental income and other charges	16,575,728	17,122,248	18,259,373	835,427	4,054,001	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	6,671,764	4,695,098	3,379,102	(20,125)	(28,449)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposits	-	-	-	(1,820,984)	(1,820,984)	Refundable upon end of contract	Unsecured
Reimbursement for various expenses	99,395	-	-	(11,741)	-	30 days upon receipt of billings; noninterest-bearing	Unsecured
<b>Phil First Insurance Co., Inc.</b>							
Utilities and other charges	101,703	216,552	214,505	29,473	27,732	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental and other charges	4,105,046	3,961,159	3,904,865	(456,534)	(303,673)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Insurance	7,157,155	5,071,370	4,552,984	(60,944)	(19,829)	30 days upon receipt of billings; noninterest-bearing	Unsecured
<b>Philippines First Condominium Corporation</b>							
Association dues and other charges	11,276,082	11,586,012	12,296,975	(898,030)	(1,331,539)	30 days upon receipt of billings; noninterest-bearing	Unsecured
<b>PhilLife</b>							
Rental income, utilities and other charges	17,133,268	12,998,288	13,948,768	1,212,561	486,550	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
<b>Officers and employees</b>							
Advances for various expenses	35,381,850	30,512,898	18,845,003	22,765,753	24,505,141	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
<b>Others</b>							
Rental income and other charges	4,394,599	5,656,366	3,089,246	1,721,262	2,043,402	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Advertising and promotion charges	400,000	370,000	535,000	(150,000)	(100,000)	30 days upon receipt of billings; noninterest-bearing	Unsecured
				<b>₱68,685,835</b>	<b>₱72,976,640</b>		

\*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:

	2019	2018
Educational services (see Note 7)	<b>₱636,737</b>	₱520,715
Advances to officers and employees (see Note 7)	<b>22,765,753</b>	24,505,141
Rent, utilities and other related receivables (see Note 7)	<b>10,832,717</b>	13,542,701
Current portion of advances to associates, joint ventures and other related parties (see Note 7)	-	143,571
Advances to associates and joint ventures (see Note 13)	<b>37,868,986</b>	37,868,986
Accounts payable (see Note 17)	<b>(3,418,358)</b>	(3,604,474)
	<b>₱68,685,835</b>	₱72,976,640

Outstanding balances of transactions with subsidiaries from the Parent Company's point of view which were eliminated at the consolidated financial statements are as follow:

Category	Amount of Transactions for the Year			Outstanding Receivable (Payable)			Terms	Conditions
	2019	2018	2017	2019	2018	2017		
<b>Subsidiaries</b>								
<b>STI ESG</b>								
Advisory fee	<b>₱14,400,000</b>	₱14,400,000	₱14,400,000	₱-	₱-	₱-	30 days upon receipt of billings; Noninterest-bearing	Unsecured
Reimbursements	<b>73,123</b>	3,945	324,615	-	-	-	30 days upon receipt of billings; noninterest-bearing	Unsecured
Dividends paid	<b>10,008,658</b>	10,008,658	10,008,658	-	-	-	Due and demandable; noninterest-bearing	Unsecured
Dividend received	<b>182,437,382</b>	243,249,844	1,064,218,072	-	-	-	Due and demandable; noninterest-bearing	Unsecured
<b>STI WNU</b>								
Advisory fee	<b>3,600,000</b>	3,600,000	3,600,000	-	-	-	30 days upon receipt of billings; noninterest-bearing	Unsecured
Dividends received	<b>24,215,776</b>	-	-	-	-	-	Due and demandable; noninterest-bearing	Unsecured
Subscription payable	<b>(25,227,650)</b>	(5,000,000)	(5,000,000)	-	(25,227,650)	(30,227,650)	Noninterest-bearing	Unsecured
<b>AHC</b>								
Payable to AHC	-	-	-	<b>(63,778,000)</b>	(63,778,000)	(63,778,000)	Payable upon demand; noninterest-bearing	Unsecured
Subscription payable	-	-	-	<b>(64,000,000)</b>	(64,000,000)	(64,000,000)	Noninterest-bearing	Unsecured
<b>iACADEMY</b>								
Advisory fee	<b>580,000</b>	-	-	-	-	-	30 days upon receipt of billings; Noninterest-bearing	Unsecured
Advances	-	-	(285,112,827)	-	-	-	Within 1 year; Noninterest-bearing	Unsecured

### Compensation and Benefits of Key Management Personnel

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

	2019	2018	2017
Short-term employee benefits	<b>₱53,628,984</b>	₱50,049,111	₱52,647,911
Post-employment benefits	<b>3,206,230</b>	2,266,417	2,053,780
	<b>₱56,835,214</b>	₱52,315,528	₱54,701,691



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### 32. Basic and Diluted Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company

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

	2019	2018	2017
Net income attributable to equity holders of STI Holdings	<b>₱280,983,764</b>	₱496,017,439	₱550,204,057
Common shares outstanding at beginning and end of year (see Note 21)	<b>9,904,806,924</b>	9,904,806,924	9,904,806,924
Basic and diluted earnings per share on net income attributable to equity holders of STI Holdings	<b>₱0.028</b>	₱0.050	₱0.056

The basic and diluted earnings per share are the same for the years ended March 31, 2019, 2018 and 2017 as there are no dilutive potential common shares.

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### 33. 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 ESG 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 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 11, 2019, there has been no sale nor issuance of GOKs. Hence, pursuant to Section 17.2 (a) of the Securities Regulation Code (“SRC”), STI ESG is not required to file the reports required under Section 17 of the SRC.

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### 34. 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, Dr. Helena Z. Benitez (“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 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.

Consequently, the Parent Company recognized the Quezon City and Davao properties as “Investment properties” (see Note 12).



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") before Branch 10 of the Regional Trial Court of Davao City. 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, AHC and STI Holdings filed an (1) Omnibus Motion, which seeks to expunge Plaintiffs' Comment/Opposition to the First Motion to Dismiss for belatedly filing the same, and (2) 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 (Civil Case No. 20,415-90 filed before Branch 15 of the Regional 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 filing their respective responsive pleadings to the above-mentioned Motion(s) to Dismiss, the Trial Court issued the Order dated October 20, 2016, 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").

On February 22, 2017, the Parent Company and AHC received the Notice from the Court of Appeals that the Plaintiffs' appeal is docketed as CA-G.R. CV No. 04538. The Court of Appeals required the Plaintiffs to file their Appellants' Brief within forty five (45) days from their receipt of the said Notice. Upon receipt of their Appellants' Brief, the Parent Company and AHC have the same period to file their Appellees' Brief.

After filing a Motion for Extension of time to file the Appellants' Brief, the Plaintiffs filed their Appellants' Brief. In the Appellants-Brief, they reiterated that (a) their cause of action in Civil Case No. 36,430-2015 has not prescribed, (b) they have a cause of action against the Corporation to nullify the mortgage contracts over the subject property and (c) there is no res judicata.

While co-Respondents PWEA and Unlad filed their joint Appellees' Brief, the Parent Company and AHC filed an Omnibus Motion on June 21, 2017. In the Omnibus Motion, the Parent Company and AHC moved to dismiss the Plaintiffs' appeal because the Appellants' Brief did not comply with the mandatory requirements on the content thereof and period to file the same as provided in Sections 7 and 13 of Rule 44 in relation to Section 1 of Rule 50 of the Rules of the Court. The Parent Company and AHC likewise moved to suspend the filing of the Appellees' Brief pending the resolution of the said motion to dismiss appeal.

On August 1, 2017, the Parent Company and AHC received the Resolution of the Court of Appeals. In the Resolution, the Court of Appeals, among others, (a) noted the filing of the Omnibus Motion, and (b) required Plaintiffs' to file their Comment thereto within ten (10) days from their receipt of the Resolution.

The Plaintiffs filed their Comment with Motion to declare the Parent Company and AHC to have deemed waived their right to file their Appellees' Brief. In the said Comment with Motion, Plaintiffs invoked the liberal application of the *Rules of Court* to excuse the defects in their Appellants' Brief. Moreover, Plaintiffs moved that the Parent Company and AHC be declared to have waived their right to file their Appellants' Brief because the period to file the same has lapsed.



On September 15, 2017, the Parent Company and AHC filed a Motion to Admit Reply with Comment/Opposition. In the said Reply with Comment/Opposition, they asserted that the defects in the Plaintiffs' Appellants' Brief are inexcusable. Moreover, the filing of the Omnibus Motion to seek the dismissal of the Appeal suspends the period to file an Appellees' Brief until its resolution.

On October 19, 2017, the Parent Company and AHC received the Court of Appeals' Resolution, which dismissed the Plaintiffs' appeal based on defects in their Appellants' Brief.

On November 21, 2017, the Parent Company and AHC received Plaintiffs' Omnibus Motion (1) for reconsideration to the dismissal of the appeal and (2) admit the amended Appellants' Brief. In the Omnibus Motion, Plaintiffs asserted that the appeal should be reinstated because they have cured all the defects in their Appellants' Brief.

After the parties have filed their respective responsive pleadings to the Plaintiffs-Appellants' Omnibus Motion, the Court of Appeals issued the Resolution dated March 1, 2018, which out of liberality, reinstated the Plaintiffs'-Appellants' appeal. Meanwhile, the Court of Appeals required the Parent Company and AHC to file their Appellees' Brief within forty five days from receipt thereof, or until April 30, 2018.

On April 30, 2018, the Parent Company and AHC filed their Appellees' Brief. In the Appellees Brief the Parent Company and AHC asserted that the Subject Orders are valid and with legal basis to dismiss the Plaintiffs' case due to (1) prescription, (2) res judicata and (3) failure to state a cause of action.

On July 16, 2018, the Court of Appeals issued a Resolution wherein it submitted the Plaintiffs' appeal for decision.

On August 6, 2018, the Court of Appeals issued the Decision wherein it denied the appeal of the Plaintiffs. The Court of Appeals affirmed the dismissal of the complaint of the Plaintiffs on the ground of res judicata and failure to state a cause of action.

The Plaintiffs then filed their Motion for Reconsideration dated August 31, 2018. In the Motion for Reconsideration, Plaintiffs insisted that their complaint could not be dismissed on the ground of failure to state a cause of action. They averred that the allegations in the complaint showed that their cause of action is the lack of authority of Unlad to mortgage the subject property in favor of Parent Company and AHC due to the invalid transfer of the same by PWEA to Unlad.

After the Court of Appeals required the defendants to file their comment to the Motion for Reconsideration, the Parent Company and AHC filed their Comment and Opposition dated November 6, 2018. In the Comment and Opposition, the Parent Company and AHC primarily asserted that Plaintiffs are barred and/or prohibited to question the transfer of subject property from PWEA to Unlad on the ground of res judicata and prescription.

On December 14, 2018, the Court of Appeals denied the aforesaid Motion for Reconsideration filed by the Plaintiffs.

After filing a Motion for Extension of Time to file a Petition for Review before the Supreme Court, the Parent Company received the Petition for Review of the Plaintiffs on March 14, 2019. In the Petition for Review, the Plaintiffs seek to reverse the aforesaid decision of the Court of Appeals and remand their complaint to the Regional Trial Court for trial.



As at July 11, 2019, the Parent Company and AHC have not received any Resolution from the Supreme Court in relation to the Petition for Review of the Plaintiffs.

(ii). *Arbitration Case and Derivative Suit filed by Mr. Conrado Benitez II.*

- a. Mr. Conrado L. Benitez II (the “Claimant”) filed on June 28, 2016 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 of 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.

As at July 11, 2019, the case remains suspended based on the aforesaid reason.

- b. After filing the Request for Arbitration, Mr. Conrado L. Benitez II (the "Petitioner") then filed on June 29, 2016 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, the other co-defendants, namely (a) ABB, and (b) Dr. Jose Francisco and Marco Benitez, filed their respective Answer(s) to the Complaint. After the filing of their Answer(s), the other co-defendants filed (1) Notice to take Deposition Upon Oral Examination and (2) their respective Motion(s) to Set Preliminary Hearing on the Special and Affirmative Defenses raised in their respective Answers ("Motion(s)"). The said Motion and pleading were denied by the Trial Court upon motion by the Plaintiff.



While the Parent Company, AHC and EHT also filed their respective Motion to Set Hearing on Affirmative Defenses to cause for the immediate dismissal of the case, the Trial Court denied the said Motions.

The Trial Court then issued the Order dated March 3, 2017, which 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 needed to be clarified and/or resolved, and/or (c) submit the case for judgment based on the pleadings and evidence submitted by the parties.

The parties complied with the aforesaid order and proceeded to participate in the mediation hearings. During said hearings, 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.

While said mediation hearings were ongoing, Petitioner filed an Urgent Motion (For Issuance of Temporary Restraining Order and Writ of Preliminary Injunction) (“Motion for TRO/Injunction”) in relation to the construction work being initiated by the Parent Company on the Davao Property.

While the defendants filed their respective opposition thereto, the same was eventually withdrawn upon motion by the Petitioner on May 25, 2017. The Petitioner alleged that instead of conducting hearings on the issuance of said 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.

On July 5, 2017, the Parent Company, AHC and EHT received the Trial Court’s Order dated June 23, 2017. In the Order, the parties were required to file their respective Memoranda within twenty (20) days from receipt thereof in order for the Trial Court to proceed to render judgment, full or otherwise, based on all of the pleadings and evidence submitted by the parties in relation and pursuant to Rule 4, Section 4 of the Interim Rules of Procedure Governing Intra-Corporate Controversies under Republic Act No. 8799 (“Interim Rules”).

On July 25, 2017, all of the parties filed their respective Memoranda. With the filing of their respective Memoranda, the case was submitted for resolution.



On February 9, 2018, the Parent Company received the Decision dated January 19, 2018, which dismissed the case. In the Decision, the Trial Court deemed that Petitioner failed to establish fraud or bad faith on the part of the Defendants. Consequently, the Trial Court cannot contravene in the agreement among the Parent Company, Unlad, PWU and AHC to amicably settle the outstanding obligations of PWU and Unlad to AHC and the Parent Company.

On February 28, 2018, the Parent Company, AHC and EHT received the Plaintiffs' Petition for Review of the aforesaid Decision filed with the Court of Appeals – Manila and docketed as C.A. G.R. No. 154654.

After the Court of Appeals required the Defendants to file their respective Comment(s), the Parent Company, AHC and EHT jointly filed their Comment and Opposition dated September 18, 2018 to the said Petition for Review. In the said Comment and Opposition, the Parent Company, AHC and EHT asserted that Petitioner's action to compel the parties to arbitrate is rendered moot and academic when the parties, have in good faith, amicably settled all controversies and terminated all alleged disputes among said parties prior to the filing of this suit and arbitration case.

Said position was reiterated by the other Defendants in their respective Comment(s) to the Petition for Review filed by the Petitioner.

Meanwhile, the Court of Appeals referred the case for a court-annexed mediation on January 17, 2019. The concerned parties attended the said mediation hearing wherein the parties agreed to terminate the same due to failure to reach an amicable settlement of the case.

While the aforesaid appeal was pending, the Parent Company filed a Motion to Cancel Lis Pendens. Said Motion sought to cancel the lis pendens of the instant case annotated on the titles of the Parent Company over the Quezon City Properties acquired from Unlad.

As at July 11, 2019, the appeal of the Petitioner and Motion to Cancel Lis Pendens of the Company are pending for resolution by the Court of Appeals.

(iii) *Ejectment Case against Philippine Women University of Davao involving Unlad's Davao Property.* On March 11, 2019, the Parent Company filed the Complaint for Unlawful Detainer against Philippine Women's College, Inc. of Davao to recover possession of a portion of the parcel of land covered by Transfer Certificate of Title ("TCT") No. T-129545 registered under the name of the former situated along University Ave and Richardo, Matina, Davao City being used as a parking area (the "Subject Premises") by the latter.

The Subject Premises formed part of the 40,184 sq.m., more or less, (the "Property") parcel of land formerly registered under the name of Unlad Resources Development Corporation ("Unlad"). After Unlad transferred ownership of the Property to the Parent Company, the Parent Company demanded from PWC-Davao to vacate the Subject Premises.

Despite said demands, PWC-Davao refused to vacate the Subject Premises.



On May 28, 2019, the Parent Company received the Answer with Compulsory Counterclaim dated May 14, 2019. In the Answer, PWC-Davao asserted the following defenses:

- (1) The defendant should be *Philippine Women's College of Davao, Inc.*;
- (2) PWC-Davao has been in an open, notorious and peaceful possession of the Subject Premises since in or about the 1950's and not by mere tolerance of or any contract with the Parent Company;
- (3) The proceedings should be suspended in light of the pending derivative suit filed by Mr. Conrado Benitez II; and
- (4) The Parent Company came to court with unclean hands when it allegedly took possession of the Property sans the Subject Premises.

As provided under the *Summary Rules of Procedure*, the case may be referred to Court-Annexed Mediation and Juridical Dispute Resolution ("Mediation Stage"). Should the parties fail to reach an amicable settlement, the instant case would proceed to pre-trial and trial proper ("Trial Proper").

As at July 11, 2019, the Parent Company has not received any notice and/or order from the Trial Court.

- 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.

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.

On October 19, 2017, the Parent Company received the Trial Court's Order dated October 3, 2017. In the Order, the Trial Court granted the Agustin's Motion for Reconsideration insofar as the proceedings in the instant case should no longer be through a full blown trial. The Trial Court considered that an expeditious disposition of the case is warranted considering the age and medical condition of the Agustins. Consequently, the Trial Court required the parties to file their respective Memoranda with supporting affidavits and deposition, if any, within twenty days from receipt of the Order, or until November 8, 2017.





While the Parent Company sought for the reconsideration of the aforesaid order and suspension of the filing of the Memorandum, the Agustin filed their Memorandum in Support of the Summary Judgment dated October 23, 2017 (“Agustins’ Memorandum”). In the Agustins’ Memorandum, the Agustins asserted that they are entitled to the (a) full purchase price of ₱400.0 million and not ₱350.0 million as asserted by the Parent Company; (b) moral, nominal, temporal, exemplary damages; and (c) attorney’s fees.

The Parent Company filed an Urgent Omnibus Motion to suspend the filing of the Memorandum due to its pending Motion for Reconsideration.

During the hearing on the aforesaid motions of the Parent Company, both parties were given the opportunity to present their respective arguments on the (a) reconsideration for a summary judgment and (b) issue on the non-filing of the Memorandum of the Corporation.

Meanwhile, the presiding judge proposed that the Parent Company should file its Memorandum, and waive the Omnibus Motion in order for the Trial Court to resolve the case through summary judgment.

While the Corporation insisted that the Trial Court should resolved the Omnibus Motion before proceeding to summary judgment, the Parent Company filed and served its Memorandum without prejudice to the Omnibus Motion.

On January 29, 2018, the Parent Company received its Order dated January 10, 2018, which denied the Parent Company’s Motion for Reconsideration but, in the interest of justice, admitted the Memorandum of the Corporation. With the admission of the said Memorandum, the case was deemed submitted for resolution.

In view of the Trial Court’s order to proceed to summary judgment, the Parent Company sought to annul the same by filing a Petition for Certiorari with application for Temporary Restraining Order and Writ of Preliminary Injunction with the Court of Appeals of Cebu City (the “Petition”). The Petition was docketed as CA-G.R. S.P. Case No. 11645. Upon receipt thereof, the Court of Appeals required the Plaintiffs to file their comment to the issuance of the Temporary Restraining Order and Writ of Preliminary Injunction.

While the Petition was pending, the Trial Court rendered its Decision dated April 4, 2018. In the Decision, the Trial Court ordered the Parent Company to pay the Agustin family the amount of ₱50.0 million with legal interest of 6% from the filing of the case until full payment only.

On May 11, 2018, the Parent Company filed the Motion for Reconsideration Ex Abudanti Ad Cautelam. In the said Motion, the Parent Company asserted that the findings of the Trial Court are contrary to law and facts of the case. Moreover, the Parent Company manifested that the filing of the said Motion is without prejudice to the Petition filed to the Court of Appeals of Cebu City, which questions the propriety of the summary judgment procedure followed by the Trial Court in the case.

Considering that the Petition was still pending with the Court of Appeals, the Parent Company filed a Manifestation and furnished the Court of Appeals the aforesaid Motion for Reconsideration Ex Abudanti Ad Cautelam. Said Manifestation informed the Court of Appeals of the status of the case and moved for the issuance of the Temporary Restraining Order and Writ of Preliminary Injunction.



The Agustin family filed their Opposition to the said Motion. Besides reiterating the validity of findings of the Trial Court, the Agustin family raised the issue of forum shopping due to the pending Petition in the Court of Appeals of Cebu City. The Agustin family also sought the execution of the Decision dated April 4, 2018.

As to the Petition, the Agustin family filed their Opposition to the issuance of the Temporary Restraining Order and Writ of Preliminary Injunction. The Agustin family also prayed for the denial of the Petition. Consequently, the issue on the issuance of the Temporary Restraining Order and Writ of Preliminary Injunction is also submitted for resolution by the Court of Appeals of Cebu City.

On August 29, 2018, the Parent Company received the Order dated August 6, 2018, which denied its Motion for Reconsideration Ex Abudanti Ad Cautelam. In the same Order, the trial court also denied the Agustins family's prayer for the execution of the decision on April 4, 2018 and Order on August 8, 2018.

On September 11, 2018, the Parent Company filed and paid the corresponding docket fees for its Notice of Appeal Ex Abudanti Ad Cautelam ("Notice of Appeal") of the Decision dated April 4, 2018 and Order dated August 6, 2018.

Meanwhile, the Agustin family filed their (a) Motion for Execution Pending Appeal dated September 5, 2018 and subsequently, (b) Comment and Opposition to the Notice of Appeal dated September 21, 2018 and (c) Supplemental Comment and Opposition to the Notice of Appeal dated September 24, 2018 (collectively, "Opposition(s) to Notice of Appeal").

In response thereto, the Parent Company filed its (a) Comment and Opposition dated September 14, 2018 to the Motion for Execution Pending Appeal and (b) Reply to the Opposition(s) to the Notice of Appeal.

After the filing of the aforesaid responsive pleadings, the (a) Motion for Execution Pending Appeal, (b) Notice of Appeal and (c) Opposition(s) to the Notice of Appeal are submitted for resolution.

On December 11, 2018, the Parent Company received the Omnibus Order of the Trial Court. In the said Omnibus Order, the Trial Court granted the Motion for Discretionary Execution Pending Appeal. In the same order, the Trial Court affirmed the Parent Company's position that the Notice of Appeal was timely filed and consequently, was given due course.

On December 13, 2018, the Parent Company received the Writ of Execution dated December 6, 2018. In the said Writ, the Branch Clerk of Court ordered the sheriff of the Trial Court to cause the execution of the summary judgment in favor of the Plaintiffs.

While the record of the case was still with the Trial Court, the Parent Company immediately filed the Urgent Motion for Reconsideration with alternative prayer for Motion to Stay Discretionary Execution Pending Appeal dated December 14, 2018 ("Motion(s)"). While the said Motions was pending, the Parent Company also sent a letter to the Provincial Sheriff of the Regional Trial Court of Bacolod City to inform them of the aforesaid pending Motion(s) and reminded them that such incident necessarily required them to suspend any action to enforce the Writ of Execution.

After due hearing by the Trial Court on the Motion(s), the Trial Court (a) denied the Urgent Motion for Reconsideration but (b) granted the Motion to Stay Discretionary Execution Pending



Appeal upon posting of a supersedeas bond amounting to One Hundred Million Pesos (₱100.0 million) (the “Stay Order”).

On January 24, 2019, the Parent Company filed a Compliance with Motion. In the said pleading, the Parent Company filed with the Trial Court a supersedeas bond issued by Pioneer Insurance and Surety Corporation.

Meanwhile, the Plaintiffs filed an Urgent Motion for Reconsideration, which questioned the order to stay the execution pending appeal of the summary judgment. The Plaintiffs were asserting that the Trial Court no longer has any jurisdiction to issue said order.

In response thereto, the Parent Company filed a Comment/Opposition on January 25, 2019. In the said Comment/Opposition, the Parent Company asserted that both the Rules of Court and jurisprudence recognize the residual jurisdiction of the Trial Court to issue such order while the records of the case was still in its possession.

On March 29, 2019, the Parent Company received two (2) Order(s) from the Trial Court both dated March 14, 2019. In the First Order, the Trial Court denied the Urgent Motion for Reconsideration of the Agustins. Meanwhile, the Second Order provided that the Trial Court approved the supersedeas bond posted by the Parent Company and consequently, the execution pending appeal of the judgment award was ordered stayed.

The following are the pending cases before the Court of Appeals – Cebu:

(i) *Petition for Certiorari filed by the Parent Company (CA-G.R. S.P. Case No. 11645)*

The Petition for Certiorari questioning the Trial Court’s order allowing a summary judgment procedure instead of a full blown trial is pending for resolution since November 22, 2018.

(ii) *Ordinary Appeal of the Parent Company (CA G.R. CV No. 07140)*

The instant appeal seeks to reverse and set aside the Trial Court’s Decision dated April 4, 2018, which ordered the Parent Company to pay the Agustin family the amount of ₱50.0 million with legal interest of 6% from the filing of the case until full payment only (the “Summary Judgment”).

After the approval of the Notice of Appeal and transmittal of the records of the case, the Court of Appeals required the Parent Company to file its Appellant’s Brief. In order to prepare and file the appropriate pleading/brief, the Parent Company sought an extension to file its Appellant’s Brief.

Based on the Motion for Extension of Time to File Appellant’s Brief, the Parent Company sought an additional forty-five (45) days from June 24, 2019 or until August 8, 2019 to file the Appellant’s Brief.

(iii) *Petition for Certiorari filed by the Agustins (CA G.R. CV No. 12663)*

After the Trial Court suspended the execution of the Summary Judgment upon posting by the Parent Company of a supersedeas bond of One Hundred Million Pesos, the Agustin family sought to annul the Stay Order by filing a Petition for Certiorari dated April 10, 2019 before the Court of Appeals.



On June 3, 2019, the Parent Company received the Resolution by the Court of Appeals, which dismissed the Petition for Certiorari of the Plaintiffs on technical infirmities.

On June 24, 2019, the Agustin family filed a Motion for Reconsideration on the aforesaid Resolution. In the Motion for Reconsideration, the Agustin family, among others, attached a Petition for Certiorari which rectified the technical infirmities cited in the Resolution.

As at July 11, 2019, the Company will wait for the appropriate Notice/Resolution by the Court of Appeals on the Petition for Certiorari filed by the Agustins.

- 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 ended 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.

On October 4, 2017, the STI ESG received the decision from the Supreme Court dated July 26, 2017. In its decision, the Supreme Court denied the petition for review filed by the CIR and affirmed the Decision dated March 24, 2015 and Resolution dated September 2, 2015 of the Court of Tax Appeals En Banc in CTA EB No. 1050. The Supreme Court ruled that the Waivers of Statute of Limitations, being defective and invalid, did not extend the CIR's period to issue the subject assessments. Thus, the right of the government to assess or collect the alleged deficiency



taxes is already barred by prescription. On October 25, 2017, the CIR has filed a Motion for Reconsideration of the Supreme Court's decision dated July 26, 2017.

On April 5, 2018, the STI ESG received the decision from the Supreme Court dated December 14, 2017. In its decision, the Supreme Court denied the Motion for Reconsideration filed by the CIR and affirmed the Decision dated July 26, 2017. The Supreme Court ruled that there is no substantial argument to warrant a modification of the Supreme Court's decision.

Thus, the Supreme Court denied the Motion for Reconsideration with finality. The Supreme Court also resolved that no further pleadings or motions shall be entertained in the case. Thus, the Supreme Court ordered the immediate issuance of the Entry of Judgment.

On July 2, 2018, STI ESG received the Entry of Judgment issued by the Supreme Court dated May 7, 2018 which certified that its decision dated December 14, 2017 became final and executory and was recorded in the Book of Entries of Judgments on the said date.

d. *Labor Cases.*

- i. A former employee filed a Petition with the Supreme Court after the Court of Appeals denied the former employee's claims and rendered prior decisions in favor of 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 November 17, 2014, the Supreme Court issued a resolution which denied with finality STI ESG's Motion for Reconsideration. As a result of the decision, STI ESG recognized a provision amounting to ₱3.0 million representing the estimated compensation to be made to the former employee.

On October 20, 2015, a Bank Order to release was issued to one of 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 15 days because of the filing of STI ESG's Petition questioning, among others, the Writ of Execution issued by the labor arbiter, which was docketed as LER-CN-10291-15.

While the Petition was pending for resolution by the NLRC and without any injunction order being issued by the said Commission, the garnished amount of ₱2.2 million was released to the former employee.

On March 1, 2016, the former employee filed an Entry of Appearance with Manifestation/Motion for Computation dated February 24, 2016. In the said motion, the former employee sought for computation of her backwages, inclusive of monetary equivalent of leaves and 13<sup>th</sup> month pay from July 22, 2004 until the same is actually paid. In addition, the former employee waived the reinstatement aspect of the March 31, 2016 decision of labor arbiter, and sought the payment of separation pay.

As mentioned in an earlier paragraph, on October 19, 2015, STI ESG filed a Petition with the NLRC, docketed as LER-CN-10291-15, to (1) annul the Writ of Execution issued by



labor arbiter for the amount of ₱2.2 million, and (2) order the payment of separation pay in favor of the former employee instead of reinstatement as Chief Operating Officer of STI-Makati.

In the said Petition, 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 the 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 the 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.

Before the NLRC resolved the pending Petitions filed by STI ESG, the garnished amount was released to the former employee as partial payment for the judgment award. Based on the record of the NLRC, the amount of ₱2.2 million was released for the partial execution of the judgment award of the former employee.

On February 29, 2016, the Sixth Division of the NLRC issued a Decision wherein it, among others, nullified the Writ of Execution, and ordered the inhibition of labor arbiter. In the same Decision, the Sixth Division of the NLRC also set a guide for the enforcement of the judgment award in favor of the former employee, which provides, among others, that the computation of the backwages of the former employee shall be from May 18, 2004 until October 30, 2006.

After the denial of the former employee's Motion for Reconsideration on the aforesaid Decision, STI ESG received on September 6, 2016 the former employee's Petition for Certiorari filed with the Court of Appeals. Said Petition questioned the aforesaid decision of the NLRC.

After the filing of their respective pleadings in relation to the former employee's Petition for Certiorari, STI ESG received on June 6, 2017 the Court of Appeals' Decision wherein it determined that there is no need to resolve the issue on the nullification of the Partial Writ of Execution because both parties agreed that the funds garnished by virtue of said Writ to the former employee shall be considered as partial satisfaction of her judgment award.

The Court of Appeals likewise clarified that the issue on the former employee's waiver of reinstatement pending appeal should have been resolved by the new labor arbiter, and not the NLRC. Contrary to the former employee's assertion that the former labor arbiter



resolved the said issue, the Court of Appeals took into consideration that the NLRC validly ordered the re-raffle of the case to a new labor arbiter who should resolve all pending incidents and issues.

Without making any findings and/or rulings contrary to STI ESG's claim that the former employee waived her reinstatement pending appeal in October 2006 and consequently invalidated her assertion that her backwages should be computed from May 2004 until present day, the Court of Appeals affirmed the re-raffle of the execution proceedings of the former employee's judgment award to a new labor arbiter to make an independent determination of all pending incidents and issues.

Considering the aforesaid Decision did not prejudice STI ESG's position, STI ESG decided to refer all pending issues on the execution of the judgment award of the former employee, including the waiver of backwages pending appeal, to the new labor arbiter.

On September 19, 2017, STI ESG received the former employee's Manifestation with Omnibus Motion filed with the new labor arbiter. In the said Manifestation with Omnibus Motion, the former employee sought for (a) computation of the updated judgment award, (b) resolution of the issue on waiver of reinstatement by the former employee raised by STI ESG and (c) issuance of Writ of Execution based on the updated judgment award.

The new labor arbiter set the pre-execution hearing on January 31, 2018. During the said hearing, STI ESG filed its Comment with Manifestation. In the Comment with Manifestation, STI ESG asserted that the only issues to be resolved are the computations of the (a) backwages, (b) legal interest and (c) separation pay. STI ESG further reiterated that the former employee is entitled to receive backwages from May 2004 until October 2006 and separation pay from November 1999 until February 2016. Based on said premises, STI ESG paid the former employee ₱2.0 million in January 2018.

Based on the record, STI ESG has paid the total amount of ₱4.2 million, exclusive of withholding taxes, to the former employee. STI ESG then moved to the new labor arbiter that STI ESG be deemed to have fully paid the judgment award of the former employee. While the former employee accepted the aforesaid amount, she manifested that the same is only partial payment of the judgment award, and moved that she would be given ten (10) days to file her reply to the Comment with Manifestation.

In the hearing on February 13, 2018, the former employee filed her Reply dated February 12, 2018. In the Reply, it was argued that the alleged waiver of reinstatement pending appeal in October 2006 did not interrupt the running of backwages until present day. She insisted that the return to work order of STI ESG was (a) vague, (b) served only through her former counsel and (c) belatedly served or after four (4) months from STI ESG's receipt of the former labor arbiter's order to reinstate her. Based on the foregoing the former employee presented her computation of her judgment award to date, which amounted to ₱11.0 million, less payments already made by STI ESG.

On February 28, 2018, STI ESG filed and served the Rejoinder. In the Rejoinder, STI ESG reiterated that the notice to return to work was (a) clear and (b) duly received by her through her former counsel. It was asserted that the former employee was fully aware of said return to work order because she refused the same by filing a counter-manifestation with the former labor arbiter. Moreover, the belated service of said return to work order does not prevent STI ESG to choose actual reinstatement pending appeal as provided in the Labor Code.



After the parties filed their respective Rejoinder and Sur-Rejoinder, the new labor arbiter granted STI ESG's motion to submit the pending issues on the computation of the former employee's judgment award for resolution.

As at July 11, 2019, the new labor arbiter has not issued any resolution on the aforesaid computation of the former employee's judgment award.

- ii. A former IT Instructor who eventually became the IT Program Head of STI College Cagayan de Oro, a school owned by STI ESG, filed an illegal dismissal case against STI College Cagayan de Oro on the ground that she was constructively dismissed when upon returning from preventive suspension, she allegedly no longer had any work to go back to because the STI ESG-owned company purportedly removed her workplace from the school premises. For its part, STI ESG countered the complainant's claim that she was dismissed by presenting the complainant's one-liner resignation letter.

The Labor Arbiter ("LA") decided that there was neither an illegal dismissal nor resignation to speak of in this case, hence, the parties were ordered to return to status quo which meant reinstatement of complainant to her former position but without backwages, separation pay, or similar benefits. Nevertheless, STI ESG was ordered to pay complainant the amount of ₱7.4 thousand representing her unpaid salary for the period March 10-30, 2014. However, the NLRC overturned the labor arbiter's decision upon a dubious motion for partial reconsideration declaring complainant to have been illegally dismissed and ordering STI ESG not only to reinstate her but also to pay her full backwages computed from the time compensation was withheld up to the date of actual reinstatement. STI ESG moved to reconsider the NLRC's decision but to no avail. At present, a Petition for Certiorari questioning the decision of the NLRC is pending before the Court of Appeals.

On May 12, 2017, STI ESG received a copy of a Motion for Execution with Prayer for Payment of Separation Pay in Lieu of Reinstatement filed by Complainant-Appellant seeking the issuance of a writ of execution for the implementation of the Resolution dated June 30, 2016 issued by the Honorable Eight Division, National Labor Relations Commission, Cagayan de Oro City. On May 22, 2017, STI ESG filed its Opposition to the Motion for Execution with Prayer for Payment of Separation Pay in Lieu of Reinstatement.

Subsequently, a hearing on the motion for execution was set on June 5, 2017. In the said hearing, STI ESG reiterated that it is amenable to reinstating complainant but as a Part-time Full Load faculty member. Complainant countered that she is not interested in reinstatement but would rather be paid her backwages and separation pay. When asked for how much is she willing to settle the matter amicably, she insisted that she be paid the total amount of her backwages and separation pay. When asked if STI ESG has any counter-offer on the payment of backwages and separation pay, STI ESG manifested that it already filed its opposition thereto and that there is still a need for the official computation of the same. At that point, the hearing officer showed STI ESG a computation of the backwages which amounted to ₱0.5 million. STI ESG then manifested that it will bring the matter to management. On the part of the complainant, she manifested that she will file her reply to STI ESG's opposition. The hearing officer then said that upon submission of said reply, the motion for execution is deemed submitted for resolution.

Also, in the motion for execution, it was also alleged that the Court of Appeals already denied the Petition for Certiorari of STI ESG. However, STI ESG did not receive any copy of the said resolution by the Court of Appeals. Upon inquiry with the Court of Appeals, it appeared that the copy of the resolution dismissing the petition for certiorari was returned to





sender due to “RTS-UNKNOWN ADDRESS”. Apparently, the indicated address of counsel of record simply states Ortigas Ave., Extension, Cainta, Rizal. STI ESG then filed a manifestation with the Court of Appeals manifesting that it has yet to receive a copy of their minute resolution and clarifying that the complete address where a copy of the said resolution may be sent is “3<sup>rd</sup> Flr. STI Academic Center, Ortigas Avenue Extension, Cainta, Rizal 1900”.

On June 2, 2017, STI ESG received a copy of the Minute Resolution dated January 12, 2017 dismissing its Petition for Certiorari based on the following grounds: a) failure to attach a copy of the Resolution dated June 30, 2017 of the NLRC; b) failure to attach the Secretary Certificate authorizing Mario Malferrari, Jr. as representative for STI ESG to file the petition for certiorari; c) failure to verify the petition; and d) failure to attach affidavit of service.

On June 21, 2017, STI ESG filed its Motion for Reconsideration.

Meanwhile, on July 12, 2017, STI ESG received an Order from the Office of the Labor Arbiter granting the Motion for Execution filed by Complainant. On July 21, 2017, STI ESG received a copy of the Writ of Execution issued by Office of the Labor Arbiter directing the payment of ₱0.5 million to Complainant and her immediate reinstatement. In compliance with the Writ of Execution, Complainant was paid the amount of ₱0.5 million and was reinstated to her former position.

On November 7, 2017, STI ESG received a copy of the Resolution of the Court of Appeals dated September 25, 2017 on its motion for reconsideration. The Court of Appeals resolved to grant the motion for reconsideration and reinstated STI ESG’s petition for certiorari. The complainant was then directed to file her comment to the petition within ten (10) days from receipt of the said resolution and STI ESG was given five (5) days to file its reply to Complainant’s comment.

On January 31, 2018, STI ESG received a copy of a Minute Resolution dated January 15, 2018 issued by the Court of Appeals which resolved that Complainant is deemed to have waived her filing of a comment to the petition for certiorari and directed the parties to file their respective memorandum within fifteen (15) days from receipt of said minute resolution. Thereafter, the petition for certiorari is deemed submitted for decision.

On February 15, 2018, STI ESG filed through registered mail its Memorandum with the 22<sup>nd</sup> Division, Court of Appeals, CDO. On April 25, 2018, STI ESG received a copy of Complainant’s Memorandum. In a resolution of the Court of Appeals dated April 19, 2018, with the filing of the parties’ respective memorandum, the Court declared the petition submitted for decision.

On July 11, 2018, STI ESG received a copy of the Decision of the 21st Division, Court of Appeals, CDO, setting aside the resolution of the NLRC declaring complainant to have been illegally dismissed and awarding the payment of backwages. In the same decision, the Court of Appeals dismissed the charge of illegal dismissal for lack of merit. However, STI College CDO was directed to pay complainant the sum of ₱7.4 thousand representing her unpaid salary for the period March 10-30, 2014.

On September 5, 2018, STI ESG received a copy of the Motion for Reconsideration filed by the complainant with the Court of Appeals (Special Former Twenty-First [21st] Division). On October 31, 2018, STI ESG received the resolution of the said court directing STI ESG to file its Comment to the Motion for Reconsideration filed by the complainant within ten



(10) days from notice. On November 12, 2018, STI ESG filed its Comment to the Motion for Reconsideration of the complainant. With the filing of the Comment, the Motion for Reconsideration is deemed submitted for resolution.

On January 24, 2019, STI ESG received a copy of the Resolution of the Court of Appeals (Special Former Twenty-First [21<sup>st</sup>] Division) denying the Motion for Reconsideration filed by the complainant. On April 22, 2019, STI ESG received a copy of the Entry of Judgment of the Decision dated June 29, 2018. With this development, STI ESG will now initiate proceedings to recover the amount of ₱0.5 million, more or less given to the complainant based on the overturned decision of the NLRC.

As at July 11, 2019, STI ESG is preparing the necessary motion for the recovery of the ₱0.5 million.

- iii. Former part-time faculty members of STI College Legazpi who were erroneously issued employment contracts for regular employees filed an illegal dismissal case against STI College Legazpi, a school owned by STI ESG, following their stubborn refusal to sign their respective job offers as required by CHED. The labor arbiter rendered a Decision finding the complainants as regular employees of STI ESG; declaring STI ESG as guilty of illegal dismissal; and ordering STI ESG to pay them separation pay of ₱0.22 million, ₱0.18 million, ₱0.15 million, respectively, plus backwages, moral and exemplary damages of ₱0.2 million each, plus 10% attorney's fees.

Upon appeal to the NLRC, the case filed by one of the faculty members was dropped, while the rest of the Decision was affirmed. Accordingly, a Motion for Reconsideration of the NLRC Decision was filed wherein it prayed for the dismissal of the complaints of Brazil and Garcera as well, invoking well-settled cases as jurisprudential authorities to persuade the NLRC to dismiss the cases against STI ESG.

As it developed, STI ESG prevailed at the NLRC, and the complaint was dismissed. The former faculty members assailed said Decision of the NLRC at the Court of Appeals which denied the Petition.

Both parties here may have been mistaken in believing that the former faculty members have become regular faculty members by their length of service and seemingly satisfactory performance. Because of such incorrect grant of regular employment status, STI ESG, for years, have paid to complainants the salaries and benefits ought to be received by regular faculty members, which they did not deserve considering their failure to meet the qualifications set out in the MORPS and MORPHE. To punish STI ESG for such act of giving Petitioners more than what they deserve would run contrary to the basic tenets of equity and justice. In fact, STI ESG sought to remedy its mistake by formulating its two-year compliance consideration program, wherein affected teachers such as complainants shall continue to receive the same benefits they are currently enjoying, subject to the completion of their master's degree within a period of two (2) years. Even complainants admitted that their job offers stipulated a higher monthly salary. In spite of all these, complainants chose not to sign the said job offers.

The former faculty members filed a motion for reconsideration of the said decision of the Court of Appeals. STI ESG filed its Comment on the motion for reconsideration emphasizing the following points: (1) that the instant motion for reconsideration is pro-forma and should be denied outright; and (2) that the petitioners failed to raise any substantial argument to warrant a modification of the Court's decision considering that



(a) the Court of Appeals did not err in finding that the NLRC did not commit grave abuse of discretion in dismissing petitioner's complaint for illegal constructive dismissal; and  
(b) the Court of Appeals did not err in upholding the NLRC's finding that petitioners were mere part-time teaching personnel of STI ESG. In a Resolution dated June 30, 2017, the Court of Appeals denied the Motion for Reconsideration filed by the former faculty members.

On September 6, 2017, STI ESG received a copy of the Petition for Review on Certiorari of the Decision of the Court of Appeals dismissing the complaint for illegal dismissal of the former faculty members with the Supreme Court. STI ESG filed its Comment to the petition on November 10, 2017.

In a decision dated November 21, 2018, the First Division of the Supreme Court denied the petition filed by petitioners and affirmed the November 9, 2016 Decision as well as the June 30, 2017 Resolution of the Court of Appeals.

- iv. This is a case for illegal dismissal (constructive), underpayment of salary/wages, non-payment of salary/wages, separation pay, moral and exemplary damages and attorney's fees filed by a former school nurse of STI College Fairview Branch.

The complainant was cited in several instances for her excessive tardiness, negligence, and other violations of the school's Code of Conduct. On January 15, 2016, she submitted her resignation letter effective immediately and processed her clearance. On the same day, she proceeded to the NLRC and filed a request for assistance.

The complainant claimed that she was forced to resign when her benefits were reduced, she was deliberately given difficult work assignments, she was cited for several violations of the company's code of conduct to build-up a case against her and was given poor working conditions.

The labor arbiter dismissed her complaint for lack of merit saying that resignation due to the enforcement of disciplinary measures for violations does not constitute unbearable working condition, hence, her resignation does not constitute constructive dismissal.

The complainant appealed the decision of the labor arbiter to the NLRC.

On April 21, 2017, STI College Fairview received the Decision dated March 31, 2017 of the 4<sup>th</sup> Division, NLRC, denying her appeal and affirming the labor arbiter's decision but with modification by awarding ₱75.0 thousand as financial assistance based on the higher interest of equity, social and compassionate justice.

On May 2, 2017, STI ESG filed its Motion for Partial Reconsideration of the decision of the NLRC, particularly, on the award of financial assistance in the amount of ₱75.0 thousand on the basis that she is not entitled to any financial assistance since there was no dismissal to speak of. Moreover, her failure to comply with the 30-day notice requirement in case of resignation makes her even liable for damages instead of financial assistance.

However, on June 1, 2017, STI ESG received a copy of the resolution dated May 30, 2017 of the 4<sup>th</sup> Division, NLRC denying the motion for reconsideration. On July 28, 2017, STI ESG filed its Petition for Certiorari with prayer for the issuance of a restraining order and a writ of preliminary injunction with the Court of Appeals. On August 19, 2017, STI ESG received a copy of the resolution of the Court of Appeals dated August 9, 2017 directing



complainant to comment on STI ESG's petition while holding in abeyance the action on the prayer for injunctive relief. Pending resolution of the STI ESG's prayer for the issuance of a restraining order and a writ of preliminary injunction with the Court of Appeals, on August 31, 2017, STI ESG received a copy of the Motion for Execution filed by the complainant. On September 4, 2017, a notice of pre-execution conference was received by STI ESG setting the same on September 14, 2017 before the labor arbiter. On September 11, 2017, STI ESG filed an Opposition to the Motion for Execution. STI ESG, likewise, filed an Omnibus Motion for Immediate Resolution of Application for Issuance of a Restraining Order and Writ of Preliminary Injunction. In the pre-execution conference, STI ESG reiterated its opposition to the motion for execution of complainant and manifested that it has a pending application for the issuance of a restraining order and a writ of preliminary injunction with the Court of Appeals. In a Notice of Order of Execution dated October 11, 2017, the labor arbiter issued a Writ of Execution against STI ESG since no temporary restraining order was issued by the Court of Appeals for the amount of ₱76.2 thousand. On November 2, 2017, a check in the said amount was then deposited to the account of the National Labor Relations Commission for the satisfaction of the writ of execution. As per Order dated November 17, 2017 of the labor arbiter, the said amount was released to Complainant as full satisfaction of the judgment award.

On February 28, 2018, STI ESG received a Resolution dated January 5, 2018 of the Court of Appeals noting STI ESG's Omnibus Motion for Immediate Resolution of Application for Issuance of a Restraining Order and Writ of Preliminary Injunction and informing STI ESG that its Resolution dated August 9, 2017 addressed to complainant returned to the court with the annotation "RTS-No One to Receive" and directed STI ESG to inform the court of complainant's correct and current complete address. In a manifestation of compliance dated April 12, 2018, STI ESG informed the Court of Appeals that the only record of complainant's address in its possession is that which is stated in its petition which is the same as what is found in the pleadings filed relative to the case. In a Resolution dated June 21, 2018 received by STI ESG on July 5, 2018, the Court of Appeals dismissed the petition of STI ESG on the ground that it failed to include in its petition the current address of the complainant.

A motion for reconsideration of the subject resolution of the Court of Appeals was filed by STI ESG on July 20, 2018. On October 31, 2018, STI ESG received a copy of the Resolution of the Court of Appeals (Former Eleventh Division) granting the motion for reconsideration. However, STI ESG was given a period of ten (10) days from notice to submit proof of actual receipt by complainant of its petition and to furnish the court with her correct, actual and present address, otherwise, the petition will be dismissed. On November 12, 2018, STI ESG filed its manifestation with the Court of Appeals and Motion for Extension to Submit Proof of Service.

On February 20, 2019, STI ESG received a copy of the Resolution of the Court of Appeals (Fifth Division) dated January 29, 2019 granting the Motion for Extension to Submit Proof of Service. However, STI ESG was also required to show cause why its petition shall not be dismissed for failure to comply with the Resolution dated October 18, 2018. On March 4, 2019, STI ESG filed its Manifestation of Compliance manifesting that it was able to serve a copy of the petition to complainant by personal service.

On May 27, 2019, STI ESG received a copy of the Resolution dated April 29, 2019 of the Court of Appeals (Fifth Division) finding the Manifestation of Compliance filed by STI ESG to be sufficient and directed the complainant to file her comment to STI ESG's petition.



As at July 11, 2019, STI ESG has yet to receive a copy of the comment of the complainant to its petition.

- 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 filed a Motion to Dismiss.

After the filing of their respective pleadings to the said Motion(s) to Dismiss, the Defendants received on February 28, 2017 the Resolution of the Trial Court wherein it denied the Defendants’ Motion(s) to Dismiss.

On March 6, 2017, the Defendants filed their Joint Motion for Reconsideration Ad Cautelam in relation to the Resolution.

On March 14, 2017, the Defendants received the Plaintiffs’ Comment/Opposition to Joint Motion Reconsideration Ad Cautelam and/or Motion to Declare Defendants in Default dated March 11, 2017 (“Comment with Motion”). In the Comment with Motion, Plaintiffs alleged that the Defendants should have filed their Answer instead of the Joint Motion for Reconsideration Ad Cautelam after the denial of their Motions to Dismiss. Considering that the Defendants did not file their Answer, Plaintiffs moved to declare the Defendants in default.

After due proceedings and filing of their respective responsive pleadings to the aforesaid (a) Joint Motion and (b) Motion to Declare in Default, the Trial Court issued the Resolution dated August 16, 2017, which denied the said Motions.

After seeking an extension to file the Answer to the Plaintiffs’ Amended Complaint, the Defendants filed the Consolidated Answer to the Amended Complaint on August 30, 2017. In the Consolidated Answer, Defendants asserted that there is no perfected contract to sell or of sale between STI ESG and the Plaintiffs considering that (a) there is no Board approval on the sale of the Subject Property; (b) lack of definite terms and conditions thereof; and (c) Mr. Amiel Sangalang has no authority to bind STI ESG on the alleged contract to sell or sale of the Subject Property.

While Plaintiffs opposed the (a) motion for extension and (b) subsequent filing of the Consolidated Answer, the Trial Court affirmed the admission of the Consolidated Answer and set the case for pre-trial.

While both parties were referred to court-annexed mediation and judicial dispute resolution as required under the relevant rules, the parties failed to reach an amicable settlement of the case.

On August 14, 2018, Plaintiffs filed a Motion for Leave to Admit Second Amended Complaint, whereby they sought the substitution of STI ESG as one of the Defendants.

After the filing of opposition thereto, STI ESG received the Summons dated September 26, 2018, directing it to file its Answer to the Plaintiff’s Second Amended Complaint.

On October 17, 2018, the Defendants filed their Amended Consolidated Answer with Compulsory Counterclaims.



On November 8, 2018, STI ESG received the Order dated October 26, 2018 of the Trial Court. In the Order, the Trial Court set the pre-trial conference on November 14, 2018. The Trial Court also required the parties to file their respective judicial affidavit(s) of their witnesses not later than 5 days before pre-trial.

On November 9, 2018, the Defendants filed their Amended Pre-Trial Brief and Judicial Affidavit(s) of their witnesses.

On November 14, 2018, the parties attended and participated in the scheduled pre-trial conference. Based on the plaintiffs' pre-trial brief and manifestation during the said hearing, the Plaintiffs intended to include in their list of witnesses (a) Mr. Peter K. Fernandez and (b) Mr. Restituto Bundoc. While there were no interrogatories sent to said adverse witnesses as required by the Rules of Court, the Defendants reserve their right to file the appropriate pleading on the said matter.

The Trial Court then gave the Plaintiffs six (6) hearing dates to present their witnesses. Within the said period, the Plaintiffs presented four (4) witnesses. Based on their respective testimonies, the said witnesses testified the discussions and/or communications between the Plaintiffs and Mr. Sangalang regarding the sale of the subject property.

During their respective cross-examination, the said witnesses failed to provide any document and/or evidence showing (a) the authority of Mr. Sangalang to bind STI ESG on said negotiations and (b) approval of the Board of Directors of STI ESG on the terms and conditions discussed during said negotiations.

After the Plaintiffs presented their fourth (4<sup>th</sup>) witness, the Plaintiffs orally moved for the issuance of Subpoena to Mr. Fernandez and Mr. Bundoc.

After oral arguments on the propriety of the said request, the Trial Court required the parties to submit their Memoranda of Authorities on their respective positions on or before January 24, 2019. Upon receipt thereof, the Trial Court will issue a Resolution on the said issue before the next scheduled hearing on February 12, 2019.

On January 24, 2019, the Defendants filed the Memorandum of Authorities. In the said Memorandum, Defendants asserted, among others, that the Plaintiffs failed to comply with the Rules of Court, which requires the service of written interrogatories to adverse witnesses. In the absence of such requirement, the Plaintiffs cannot require Mr. Fernandez and Mr. Bundoc to testify as their witnesses.

On February 11, 2019, the counsel of the Defendants received the written interrogatories addressed to Mr. Fernandez and Mr. Bundoc in relation to certain communications regarding the discussion over the negotiations for the sale of the property. The counsel of the Defendants also received the Order of the Trial Court denying the request for the issuance of subpoena to Mr. Fernandez and Mr. Bundoc because the Plaintiffs failed to serve written interrogatories to said officers of STI ESG.

On February 12, 2019, the Defendants objected on the written interrogatories served by the Plaintiffs. Meanwhile, the Trial Court granted the request for written interrogatories of the Plaintiffs but allowed the Defendants to file their written cross-interrogatories and/or such appropriate pleading.



On February 19, 2019, the Defendants filed the Omnibus Motion wherein they sought for (1) the reconsideration of the February 12, 2019 Order and (2) exclusion of certain questions on the basis of objections thereto.

After the Omnibus Motion was given due course, the Trial Court issued the Order dated April 5, 2019 on the Omnibus Motion. In the Order, the Trial Court allowed the Plaintiffs to serve the Request for Written Interrogatories but excluded certain questions therein on the basis of objections of the Defendants. As provided in the Order, the Trial Court ordered Mr. Bundoc and Mr. Fernandez to file their Answer(s) to the Written Interrogatories within 10 days from receipt of the Request for Written Interrogatories.

Despite the filing of the Answers to the Written Interrogatories of said officers, the Plaintiffs filed Motion to Strike Out Defendants' 'Manifestation and Compliance' with Attached 'Motion to Admit Answers to Written Interrogatories and with Motion to Render Judgment on Default. In said *Motion*, the Plaintiffs insisted that the Defendants failed to file the Answer(s) to the Written Interrogatories within ten (10) days from receipt of Mr. Bundoc and Mr. Fernandez. As provided under the Rules of Court, the refusal to answer the Written Interrogatories warranted the issuance of a judgment by default.

After the aforesaid *Motion* was given due course, the Trial Court issued the *Order* dated May 27, 2019, which allowed the admission of the *Answer(s)* of Mr. Bundoc and Mr. Fernandez. The case was set for continuation of the Plaintiffs' presentation of evidence June 19, 2019.

On June 19, 2019, the Plaintiffs orally moved to be allowed to propound additional oral interrogatories to Mr. Bundoc and Mr. Fernandez. In order to expedite the proceedings, the Defendants did not object on said motion and proposed to set the examination of said witnesses for hearing.

Based on said circumstances, the Trial Court set the direct examination of Mr. Bundoc and Mr. Fernandez by the Plaintiffs on August 1, 2019.

- 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 15 days from receipt of said Resolution on May 25, 2017 or until June 9, 2017.

On June 9, 2017, STI ESG filed its Answer to the Complaint. In the Answer, STI ESG reiterated its position that GATE has no cause of action against it because its decision not to renew the Licensing Agreement is in accordance with contractual stipulations therein that its renewal is upon mutual agreement of both parties. Considering the effectivity period of the Licensing Agreement expired on March 31, 2016 without being renewed by both parties, GATE cannot claim any damages for STI ESG's lawful exercise of its rights under the Licensing Agreement.

Both parties have been required to attend and participate in the court-annexed mediation, and subsequently, the judicial dispute resolution with the Trial Court. After the aforesaid proceedings, the parties failed to reach an amicable settlement, and terminated the judicial dispute resolution on October 27, 2017. As mandated by the relevant rules, the case was raffled to a new presiding judge.

The new presiding judge issued an Order setting the case for a pre-trial hearing on May 11, 2018.

The pre-trial proper was re-scheduled by the Trial Court in order for the parties to pre-mark their documentary evidence before the branch clerk of court on May 23, 2018.

On May 23, 2018, both parties attended and caused the pre-marking of their respective documentary exhibits.

Meanwhile, the pre-trial was set by the Trial Court and upon agreement of the parties on August 31, 2018.

On August 31, 2018, the pre-trial conference commenced and terminated on the same day. The Trial Court then scheduled the presentation of the testimony of the Plaintiffs' witnesses on October 9 and 30, 2018.

On October 9 and 30, 2018, the Plaintiff presented its two witnesses.

Thereafter, the Plaintiff terminated their presentation of evidence and filed their Formal Offer of Evidence.

On December 11, 2018, STI ESG filed the Comment and Objections to the said Formal Offer of Evidence.

On February 6, 2019, the Trial Court issued the Order dated January 10, 2019. In the Order, the Trial Court denied the admission of two (2) letters issued by both parties as part of the evidence of the Plaintiff.





After the Plaintiffs filed the Motion for Reconsideration, the Trial Court admitted the aforesaid two (2) letters, and set the presentation of evidence by STI ESG.

STI ESG presented three (3) witnesses in relation to its defense that the decision not to renew the Licensing Agreement is in accordance with contractual stipulations therein, and devoid of any bad faith. Moreover, STI ESG presented evidence to show the attorney's fees it incurred in the instant case.

After the presentation of the last witness, STI ESG formally offered its evidence by filing its Formal Offer of Evidence on May 22, 2019.

After the Plaintiffs filed their Comment/Objections to the Formal Offer of Evidence, the Trial Court shall (1) issue a resolution on the Plaintiffs' Comment/Objections to our Formal Offer of Evidence, and (2) submit the case for decision.

As at July 11, 2019, STI ESG has yet to receive a copy of the resolution from the Trial Court.

- 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 13<sup>th</sup> 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 16 months have elapsed since the matter was submitted for resolution.

As at July 11, 2019, the Office of the City Prosecutor of Taguig City has yet to issue a resolution in the instant case.

- h. *Breach of contract.* STI ESG engaged the services of Mobeelity Innovations, Inc. ("MOBEELITY") to deploy its digital classroom pilot, also known as e-Learning Management System ("eLMS") and MOBEELITY committed to provide the necessary applications suite of the intended learning management system of STI ESG.

MOBEELITY undertook to provide STI ESG with access to the EDU 2.0 LMS (now known as NEO) and iMEET virtual classroom. MOBEELITY committed to provide STI ESG with online and on-site technical support for the implementation of the EDU 2.0 LMS and iMEET virtual classroom. Furthermore, MOBEELITY committed to provide STI ESG with all updates and modifications to EDU 2.0 LMS and iMEET virtual classroom free of charge. Out of these 2 platforms, STI ESG was only able to avail of and utilize the EDU 2.0 LMS under the agreement.



MOBEELITY provided STI ESG access to the EDU 2.0 LMS. EDU 2.0 LMS is a product of Cypher Learning, and MOBEELITY was an authorized reseller of this product. In accordance with the terms of the Agreement, STI ESG paid MOBEELITY the sum of ₱3.3 million as downpayment for services to be rendered by MOBEELITY for the First Semester of SY2016-2017 or from June to November 2016.

On June 12, 2016, it came to the attention of STI ESG that Cypher Learning had terminated its relationship with MOBEELITY due to the fraudulent acts committed by MOBEELITY against Cypher Learning.

Pursuant to the arbitration clause of the Memorandum dated September 8, 2014 ("Memorandum") executed by STI ESG and MOBEELITY, STI ESG initiated the instant ad hoc arbitration to settle a dispute involving the reimbursement of Three Million Three Hundred Thousand Pesos (₱3.3 million) by MOBEELITY due to a breach of its obligations under the Memorandum.

After due proceedings, the Arbitral Tribunal issued the arbitral award dated August 9, 2018 wherein MOBEELITY is required to pay STI ESG the amount of ₱3.3 million and arbitration cost of ₱0.9 million.

As provided by law, STI ESG has to file the appropriate petition before the Regional Trial Court for the execution of the aforesaid arbitral award.

- i. *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 17,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.

- j. 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 and/or employment contracts. 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.
- k. STI WNU is 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.
- l. 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 11, 2019, the cases are pending before the Labor Arbiter.

Management and their legal counsels believe that the outcome of these cases will not have a significant impact on the consolidated financial statements.

#### Commitments

##### a. Financial Commitments

STI ESG has a ₱165.0 million domestic bills purchase lines from various local banks as at March 31, 2019, specifically for the purchase of local and regional clearing checks. Interest on drawdown from such facility is waived except when drawn against returned checks, to which the interest shall be the prevailing lending rate of such local bank. This facility is on a clean basis.

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, 2019 and 2018, STI WNU's long-term loan amounted to ₱119.0 million and ₱182.0 million, respectively.

STI Holdings signed as co-maker on the ₱200.0 million bridge financing loan of iACADEMY which was fully paid on September 29, 2017.

##### b. Capital Commitments

As at March 31, 2019 and 2018, the Group has contractual commitments and obligations for the construction of school buildings for STI Lipa, STI Sta. Mesa, STI Pasay-EDSA and STI San Jose del Monte with an aggregate amount of ₱1,956.6 million of which ₱1,682.4 million and ₱793.0 million have been paid as at March 31, 2019 and 2018, respectively.



STI WNU likewise has contractual commitments and obligations for the construction of school buildings and upgrade of its facilities aggregating to ₱15.0 million and ₱24.4 million as at March 31, 2019 and 2018. Of these, ₱14.0 million and ₱21.7 million have already been paid as at March 31, 2019 and 2018, respectively.

iACADEMY has contractual commitments and obligations for the construction of its Yakal Campus totaling ₱1,059.6 million and ₱955.6 million as at March 31, 2019 and 2018. Of these, ₱897.3 million and ₱569.6 million have been paid as at March 31, 2019 and 2018, respectively.

c. Others

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

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

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

On June 21, 2017, in separate meetings, the stockholders and the BOD of STI Tanauan approved the increase in the authorized capital stock of the corporation from ₱1.0 million divided into 10,000 shares with a par value of ₱100 to ₱75.0 million divided into 750,000 shares with a par value of ₱100. The increase will be funded through the declaration of stock dividends and cash subscriptions by the shareholders. In the same meeting, the stockholders and the BOD approved the declaration of 150,000 shares as stock dividends with an aggregate par value of ₱15.0 million to be distributed to stockholders of record as of March 31, 2017 based on the unrestricted retained earnings of STI Tanauan as shown in its audited financial statements as of March 31, 2017.

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

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

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

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

- ii. In January 2018, STI ESG entered into a contract to sell with Heva Management and Development Corporation for the acquisition of a lot in Iloilo City with a total area of 2,615 sqm for a price of ₱183.0 million plus value added tax less applicable taxes. STI ESG made a down payment amounting to ₱67.5 million in January 2018, net of the ₱200.0 thousand reservation fee paid on November 29, 2017 (see Note 14). The remaining balance in the



amount of ₱128.1 million shall be paid in eighteen (18) equal monthly installments without interest, of ₱7.1 million starting January 2018 up to June 2019. The lot will be the future site of STI Iloilo.

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

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### 35. 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, accounts payable and other current liabilities which arise directly from its operations.

The main risks arising from the Group’s financial instruments are liquidity risk, credit risk and interest rate risk. The 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 the flexibility of withdrawing the funds anytime. The Group regularly evaluates available financial products and monitors market conditions for opportunities to enhance yields at acceptable risk levels.

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

As at March 31, 2019 and 2018, the Group's current assets amounted to ₱2,257.4 million and ₱3,367.4 million, respectively, while current liabilities amounted to ₱1,444.7 million and ₱1,190.7 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 interest-bearing loans and borrowings, the debt service cover ratio, based on the consolidated financial statements of the Group, is also monitored on a regular basis. The debt service cover 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 cover 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 cover ratio not lower than 1.05:1.00.

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, 2019					
	Due and Demandable	Less than 2 Months	2 to 3 Months	3 to 12 Months	More than 1 Year	Total
<b>Financial Assets</b>						
Loans and receivables:						
Cash and cash equivalents	₱747,341,535	₱-	₱-	₱30,000,000	₱-	₱777,341,535
Receivables*	277,067,352	22,474,276	71,056,207	94,597,868	14,449,515	479,645,218
Deposits (included as part of "Prepaid expenses and other current assets" and "Goodwill, intangible and other noncurrent assets" accounts)	6,716,906	-	-	-	58,842,926	65,559,832
Equity investments designated at FVOCI	-	-	-	-	50,503,208	50,503,208
	<b>₱1,031,125,793</b>	<b>₱22,474,276</b>	<b>₱71,056,207</b>	<b>₱124,597,868</b>	<b>₱123,795,649</b>	<b>₱1,373,049,793</b>
<b>Financial Liabilities</b>						
Other financial liabilities-						
Accounts payable and other current liabilities**	₱420,456,274	₱28,000	₱118,679,082	₱310,595,022	₱-	₱849,758,378
Nontrade payable	67,000,000	-	-	-	-	67,000,000
Bonds payable:						
Principal	-	-	-	-	3,000,000,000	3,000,000,000
Interest	-	-	-	178,905,220	872,460,640	1,051,365,860
Interest-bearing loans and borrowings:						
Principal	-	-	-	1,099,600,000	419,400,000	1,519,000,000
Interest	-	-	-	52,054,268	29,743,185	81,797,453
Obligations under finance lease	-	62,733	1,985,045	5,683,083	13,207,773	20,938,634
Other noncurrent liabilities	-	-	-	6,674,545	54,411,895	61,086,440
	<b>487,456,274</b>	<b>₱90,733</b>	<b>₱120,664,127</b>	<b>₱1,653,512,138</b>	<b>₱4,389,223,493</b>	<b>₱6,650,946,765</b>



	March 31, 2018					
	Due and Demandable	Less than 2 Months	2 to 3 Months	3 to 12 Months	More than 1 Year	Total
<b>Financial Assets</b>						
Loans and receivables:						
Cash and cash equivalents	₱1,857,507,750	₱-	₱-	₱-	₱-	₱1,857,507,750
Receivables*	402,343,192	17,491,395	101,865	73,539,889	-	493,476,341
Deposits (included as part of "Prepaid expenses and other current assets" and "Goodwill, intangible and other noncurrent assets" accounts)	-	-	-	589,366	51,520,552	52,109,918
AFS financial assets	-	-	-	-	68,093,740	68,093,740
	<b>₱2,259,850,942</b>	<b>₱17,491,395</b>	<b>₱101,865</b>	<b>₱74,129,255</b>	<b>₱119,614,292</b>	<b>₱2,471,187,749</b>
<b>Financial Liabilities</b>						
Other financial liabilities-						
Accounts payable and other current liabilities**	₱511,667,323	₱14,960,609	₱34,661,041	₱197,942,174	₱-	₱759,231,147
Nontrade payable	67,000,000	-	-	-	-	67,000,000
Bonds payable:						
Principal	-	-	-	-	3,000,000,000	3,000,000,000
Interest	-	-	-	178,905,220	1,051,365,860	1,230,271,080
Interest-bearing loans and borrowings:						
Principal	-	-	-	497,400,000	749,000,000	1,246,400,000
Interest	-	-	-	128,889,622	44,251,508	173,141,130
Obligations under finance lease	98,100	178,502	134,460	7,791,370	15,709,157	23,911,589
Other noncurrent liabilities	-	-	-	3,171,113	16,081,797	19,252,910
	<b>₱578,765,423</b>	<b>₱15,139,111</b>	<b>₱34,795,501</b>	<b>₱1,014,099,499</b>	<b>₱4,876,408,322</b>	<b>₱6,519,207,856</b>

\*Excluding advances to officers and employees amounting to ₱22.8 million and ₱24.5 million as at March 31, 2019 and 2018.

\*\* Excluding taxes payable, SSS, Philhealth and Pag-ibig benefits payable amounting to ₱25.9 million and ₱24.8 million as at March 31, 2019 and 2018, respectively.

As at March 31, 2019 and 2018, the Group's current ratios are as follows:

	2019	2018
Current assets	<b>₱2,257,391,989</b>	₱3,367,435,661
Current liabilities	<b>1,444,702,063</b>	1,190,736,240
Current ratios	<b>1.56:1.00</b>	2.83:1.00

### Credit Risk

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

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

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and equity instruments at FVOCI/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. As at March 31, 2019 and 2018, there is no significant concentration of credit risk.





*Credit Risk Exposures.* The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position:

	2019		2018	
	Gross Maximum Exposure <sup>(1)</sup>	Net Maximum Exposure <sup>(2)</sup>	Gross Maximum Exposure <sup>(1)</sup>	Net Maximum Exposure <sup>(2)</sup>
<b>Financial Assets</b>				
Loans and receivables:				
Cash and cash equivalents (excluding cash on hand)	₱775,459,782	₱755,459,782	₱1,856,488,343	₱1,833,488,343
Receivables*	479,645,218	479,645,218	493,476,341	493,476,341
Rental deposits (included as part of the “Goodwill, intangible and other noncurrent assets” account)	65,559,832	65,559,832	52,109,918	52,109,918
Equity instruments at FVOCI	50,503,208	50,503,208	–	–
AFS financial assets	–	–	68,093,740	68,093,740
	<b>₱1,371,168,040</b>	<b>₱1,351,168,040</b>	<b>₱2,470,168,342</b>	<b>₱2,447,168,342</b>

\* Excluding advances to officers and employees amounting to ₱22.8 million and ₱24.5 million as at March 31, 2019 and 2018.

(1) Gross financial assets before taking into account any collateral held or other credit enhancements or offsetting arrangements.

(2) Gross financial assets after taking into account any collateral held or other credit enhancements or offsetting arrangements or insurance in case of bank deposits.

*Credit Quality per Class of Financial Asset.* The tables below show the credit quality by class of financial assets based on the Group’s credit rating system as at March 31, 2019 and 2018:

	2019			2018	
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total	Total
Class A	₱921,144,621	₱200,689,985	₱–	₱1,121,834,606	₱2,559,026,618
Class B	–	224,193,446	–	224,193,446	277,391,112
Class C	–	199,424,986	6,256,862	205,681,848	196,442,837
Gross carrying amount	921,144,621	624,308,417	6,256,862	1,551,709,900	3,032,860,567
ECL	–	242,231,836	6,256,862	248,488,698	128,520,414
Carrying amount	₱921,144,621	₱382,076,581	₱–	₱1,303,221,202	₱2,904,340,153

The following credit quality categories of financial assets are managed by the Group as internal credit ratings. The credit quality of the financial assets was determined as follows:

- Class A - *Cash and cash equivalent* and *Rental and utility deposits* are classified as “Class A” based on the good credit standing or rating of the counterparty. *Receivables* classified as “Class A” are those with high probability of collection and/or customer or counterparties who possess strong to very strong capacity to meet its obligations.
- Class B - these are *Receivables* from customers who settle their obligations within tolerable delays.
- Class C - these pertain to *Receivables* from customers with payment behavior normally extending beyond the credit terms and have high probability of becoming impaired.



As at March 31, 2019, the table below shows the aging analysis of receivables from students on which the amount of allowance was based on lifetime expected credit loss:

	Current	Within the Semester	After the Semester but within the School Year	After the School Year	ECL	Total	
Receivable from students	<b>₱165,674,041</b>	<b>₱73,685,352</b>	<b>₱29,094,086</b>	<b>₱149,707,302</b>	<b>(₱245,612,736)</b>	<b>₱172,548,045</b>	
2018							
		Neither Past Due Nor Impaired	Past Due but not Impaired			Impaired	Total
			31 to 60 Days	61 to 90 Days	Over 90 days		
<b>Financial Assets</b>							
Loans and receivables:							
Cash and cash equivalents (excluding cash on hand)	₱1,856,488,343		₱-	₱-	₱-	₱-	1,856,488,343
Receivables*	245,925,923		56,171,941	155,336,739	36,041,738	128,520,414	621,996,755
Rental deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	52,109,918		-	-	-	-	52,109,918
AFS financial assets	68,093,740		-	-	-	-	68,093,740
	<b>₱2,222,617,924</b>		<b>₱56,171,941</b>	<b>₱155,336,739</b>	<b>₱36,041,738</b>	<b>₱128,520,414</b>	<b>₱2,598,688,756</b>

\* Excluding advances to officers and employees amounting to ₱22.8 million and ₱24.5 million as at March 31, 2019 and 2018, respectively.

The credit quality of neither past due nor impaired financial assets were determined as follows:

- Cash and cash equivalents. These financial assets are classified based on the nature of the counterparty. Cash and cash equivalents are held by banks that have good reputation and low probability of insolvency.
- Receivables. These are current receivables with no default in payment.
- Rental deposits. These financial assets are classified as high grade since the counterparties are not expected to default in settling their obligations.

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

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



The following table demonstrates the sensitivity, to a reasonably possible change in interest rates, with all other variables held constant, of the consolidated statements of comprehensive income and statements of changes in equity for the years ended March 31:

Increase/decrease in Basis Points (bps)	Effect on Income Before Income Tax		
	2019	2018	2017
+100 bps	(₱42,727,954)	(₱42,321,954)	(₱39,842,000)
-100 bps	42,727,954	42,321,954	39,842,000

#### Capital Risk Management Policy

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. The Group monitors its debt-to-equity ratio to keep it at a level acceptable to the Group. The Group's policy is to keep the debt-to-equity ratio at a level not exceeding 1.50:1.00.

The Group considers its equity contributed by stockholders, net of cost of shares held by a subsidiary, as capital.

	March 31	
	2019	2018
Capital stock	₱4,952,403,462	₱4,952,403,462
Additional paid-in capital	1,119,127,301	1,119,127,301
Cost of shares held by a subsidiary	(498,142,921)	(498,142,921)
Retained earnings	4,612,253,086	4,611,356,907
	<b>₱10,185,640,928</b>	<b>₱10,184,744,749</b>

The Group's debt-to-equity ratios are as follows:

	March 31	
	2019	2018
Total liabilities*	₱5,862,014,392	₱5,464,012,145
Total equity	8,727,464,794	8,802,448,453
Debt-to-equity ratio	<b>0.67:1.00</b>	0.62:1.00

\*Excluding unearned tuition and other school fees of ₱185.4 million and ₱149.4 million as at March 31, 2019 and 2018, respectively.



The Group's asset-to-equity ratios are as follows:

	<b>March 31</b>	
	<b>2019</b>	<b>2018</b>
Total assets	<b>₱14,774,875,074</b>	₱14,415,829,004
Total equity	<b>8,727,464,794</b>	8,802,448,453
Asset-to-equity ratio	<b>1.69:1.00</b>	1.64:1.00

No changes were made in the objectives, policies or processes during the years ended March 31, 2019 and 2018.

### 36. Fair Value Information of Financial Instruments

The Group's financial instruments consist of cash and cash equivalents, receivables, advances to associates and joint ventures, deposits, equity instruments at FVOCI/AFS financial assets, interest-bearing loans and borrowings, accounts payable and other current liabilities and obligations under finance lease. The primary purpose of these financial instruments is to finance the Group's operations.

There are no material unrecognized financial assets and liabilities as at March 31, 2019 and 2018.

Due to the short-term nature of cash and cash equivalents, receivables and accounts payable and other current liabilities, 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.

*Cash and Cash Equivalents, Receivables and Accounts Payable and Other Current Liabilities.* Due to the short-term nature of transactions, the fair values of these instruments approximate the carrying amounts as of financial reporting date.

*Rental Deposits.* The fair values of these instruments are computed by discounting the face amount using BVAL/PDST-R2 rate ranging from 5.70% to 6.02% and 3.29% to 7.16% as at March 31, 2019 and 2018, respectively.

*Equity instruments at FVOCI/AFS financial assets.* The fair values of publicly-traded equity instruments, classified under Level 1, are determined by reference to market bid quotes as at financial reporting date. The fair values of unquoted shares, classified under Level 2, are determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions. Such techniques include using recent arm's-length market transactions; reference to the current market value of another instrument which is substantially the same.

*Interest-bearing Loans and Borrowings.* The carrying value approximates its fair value because of recent and regular repricing based on market conditions.

*Obligation under Finance lease.* The fair values of obligations under finance lease are computed based on discounted present value of lease payments with discount rates ranging from 5.59 to 6.18% and 3.29 to 5.24% as at March 31, 2019 and 2018, respectively.



*Refundable Deposits.* The fair values of refundable deposits are computed based on discounted present value of lease payments using discount rates ranging from 5.66% to 6.06% and 3.09% to 5.31% as at March 31, 2019 and 2018, respectively.

In 2019 and 2018, there were no transfers between Level 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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### 37. 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 ₱4.5 million, ₱15.7 million and ₱4.6 million in 2019, 2018 and 2017, respectively (see Note 11).
- b. Net book value of disposed transportation equipment under finance lease amounting to nil and ₱0.4 million in 2019 and 2018, respectively (see Note 11).
- c. Unpaid progress billing for construction-in-progress and acquisition of property and equipment amounting to ₱313.3 million, ₱254.6 million and ₱15.5 million as at March 31, 2019, 2018 and 2017, respectively (see Note 11).
- d. Uncollected dividends from De Los Santos Medical Center amounting to ₱0.8 million as at March 31, 2019 (see Note 15).
- e. Unpaid liability related to derecognition of STI Diamond as a subsidiary amounting to ₱60.8 million as at March 31, 2017 (see Note 20).
- f. Reversal in 2017 of subscription payable associated with the subscription by STI ESG over Maestro Holdings shares in 2016 amounting to ₱17.5 million.



**38. Changes in Liabilities Arising from Financing Activities**

	April 1, 2018	Cash flows	Reversal of finance lease obligation (Note 29)	Reclassified as current (Note 18 and 29)	New leases (Note 29)	Capitalized borrowing cost (Note 11)	Interest expense (Note 23)	Dividends declared	March 31, 2019
Current interest-bearing loans and borrowings	₱167,400,000	(₱197,400,000)	₱-	₱329,600,000	₱-	₱-	₱-	₱-	₱299,600,000
Current obligations under finance leases	7,134,449	(7,877,299)	-	7,152,567	90,915	-	-	-	6,500,632
Bonds payable	2,951,879,134	-	-	-	-	-	6,075,120	-	2,957,954,254
Noncurrent interest-bearing loans and borrowings	1,071,208,112	470,000,000	-	(329,600,000)	-	-	1,502,158	-	1,213,110,270
Noncurrent obligations under finance leases	14,627,824	-	(240,000)	(7,152,567)	4,716,274	-	-	-	11,951,531
Dividends payable	26,815,767	(190,367,531)	-	-	-	-	-	188,121,784	24,570,020
Interest payable	10,584,218	(254,307,928)	-	-	-	35,468,677	221,240,543	-	12,985,510
<b>Total liabilities from financing activities</b>	<b>₱4,249,649,504</b>	<b>(₱179,952,758)</b>	<b>(₱240,000)</b>	<b>₱-</b>	<b>₱4,807,189</b>	<b>35,468,677</b>	<b>₱228,817,821</b>	<b>₱188,121,785</b>	<b>₱4,526,672,217</b>

	April 1, 2017	Cash flows	Reversal of finance lease obligation (Note 29)	Reclassified as current (Note 18 and 29)	New leases (Note 29)	Capitalized borrowing costs (Note 11)	Interest Expense (Note 23)	Dividends declared	March 31, 2018
Current interest-bearing loans and borrowings	₱812,800,000	(₱1,012,000,000)	₱-	₱366,600,000	₱-	₱-	₱-	₱-	₱167,400,000
Current obligations under finance leases	5,667,168	(6,917,665)	-	8,384,946	-	-	-	-	7,134,449
Bonds payable	2,947,028,638	(845,757)	-	-	5,696,253	-	-	-	2,951,879,134
Noncurrent interest-bearing loans and borrowings	916,400,000	521,408,112	-	(366,600,000)	-	-	-	-	1,071,208,112
Noncurrent obligations under finance leases	7,172,214	-	(330,000)	(8,384,946)	-	-	16,170,556	-	14,627,824
Dividends payable	25,278,074	(186,549,784)	-	-	-	-	-	188,087,477	26,815,767
Interest payable	12,387,255	(238,385,492)	-	-	-	22,866,808	203,241,343	-	109,914
<b>Total liabilities from financing activities</b>	<b>₱4,726,733,349</b>	<b>(₱923,290,586)</b>	<b>(₱330,000)</b>	<b>₱-</b>	<b>₱5,696,253</b>	<b>₱22,866,808</b>	<b>₱219,411,899</b>	<b>₱188,087,477</b>	<b>₱4,239,175,200</b>



## 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, 2019 and 2018 and for each of the three years in the period ended March 31, 2019, included in this Form 17-A, and have issued our report thereon dated July 11, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly 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. 111562

SEC Accreditation No. 1539-AR-1 (Group A),

March 26, 2019, valid until March 25, 2022

Tax Identification No. 242-917-987

BIR Accreditation No. 08-001998-120-2019,

January 28, 2019, valid until January 27, 2022

PTR No. 7332630, January 3, 2019, Makati City

July 11, 2019



## **STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES**

### **INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2019**

<b>Schedule</b>	<b>Content</b>
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
F	Indebtedness to Related Parties (Long-Term Loans from Related Companies)
G	Guarantees of Securities of Other Issuers
H	Capital Stock
I	Retained Earnings Available for Dividend Declaration
J	Map of Relationships Between and Among the Company and Its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-Subsidiaries and Associates
K	Schedule of All the Effective Standards and Interpretations
L	Financial Soundness Indicators



SCHEDULE A – FINANCIAL ASSETS

March 31, 2019  
(Amount in Pesos)

**STI EDUCATION SYSTEMS HOLDINGS, INC.**

7/F STI Holdings Center  
6764 Ayala Avenue  
Makati City

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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
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The Group has no financial assets at Fair Value through Profit or Loss as at March 31, 2019

**SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (Other than Related Parties)**

March 31, 2019  
(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
Advincula , Israel	School Director	-	564,776	(354,651)		44,719	165,406	210,125
Agudo, Redjer Raneses	Senior School Administrator	107,075	81,038	(135,513)		52,600		52,600
Ancheta, Caroline Grace	Senior School Administrator	398,068	24,699	(166,991)		130,384	125,392	255,776
Batallon, Ronalyn	Financial Planning and Control Manager	-	566,040	(343,891)		49,926	172,223	222,149
Bautista, Teodoro Lloydon Calma	VP-Academics	284,059	42,450	(112,708)		78,205	135,596	213,801
Bundoc, Restituto Odulio	VP-School Operations	569,374	54,132	(241,295)		193,402	188,809	382,211
Carbonel, Ana	HROD Head	116,353	252,589	(368,942)		-		-
De Guzman , Engelbert	VP-Communications	311,761	136,803	(207,479)		103,614	137,471	241,085
Dy, Joel Lagamayo	School Operations Manager	258,339	572,424	(237,171)		98,992	494,600	593,592
Garrido, Armel Angelo	Event Manager	143,499	12,328	(65,010)		90,817		90,817
Hipolito , Ma. Isabel	AVP-Academic Research	304,829	45,640	(123,659)		91,107	135,703	226,810
Jimenez, Ariel	Senior School Administrator	456,611	31,524	(170,529)		128,001	189,605	317,606
Joson, Harry Alfonso	AVP- Learning Management	329,175	32,551	(113,237)		77,816	170,673	248,489
Luza, Juven Deriquito	Senior School Administrator	263,367	9,912	(64,444)		62,194	146,191	208,385
Magano, Shiela Abad	AVP-School Management	330,830	40,930	(122,170)		80,984	168,606	249,590
Manarang, Jennifer	Senior School Administrator	458,977	26,430	(153,160)		122,449	209,798	332,247
Matira , Reina	Academic Head	222,402	22,495	(67,727)		56,000	121,170	177,170
Ortega , Ferdie	Exceed Trainee	-	658,154	(417,916)		48,238	192,000	240,238
Racadio, Wilfred	VP-Legal	354,785	39,135	(167,406)		76,403	150,111	226,514
Rodolfa Jr., Bernardo	Research Head - Tourism and Hospitality Management	-	275,428	(65,422)		42,576	167,430	210,006
Robles, Reginald	School Operations Manager	-	223,847	(30,190)		42,102	151,556	193,658
Sangalang, Amiel	VP-Finance	236,885	31,088	(104,609)		82,408	80,956	163,364
Santos, Merliza	AVP-Finance	387,872	30,989	(237,121)		67,031	114,709	181,740
Sibbaluca, Brandon	Research Head-IT and Engineering	124,417	12,407	(58,382)		78,442		78,442
Tubongbanua, Juan Luis Fausto Bustamante	VP-CIS	367,579	30,543	(153,679)		100,631	143,812	244,443
Caneo, Joanna Marie	Registrar	159,560	900,370	(794,420)		265,510		265,510
Cunanan, Cyril	VP for Finance	157,873	120,701	(179,537)		37,140	61,898	99,037
Pendatun-Ilagan, Bai Salina Khara R.	Manager, OSEA	-	1,162,096	(915,685)		246,411		246,411
Tan, Benjamin	Manager, Bldg Admin	161,633	150,925	(298,098)		14,460		14,460
Tapia, Angelo Bernardo	Manager, OSAS	141,852		(141,852)		-		-
Tolentino, Marygil Raygie	HR Manager	43,903	976,961	(860,149)		160,715		160,715
Custodio, Eunice	HR Manager	20,900	241,229	(4,862)		257,267		257,267
Malo-oy, Ritzy	Career Adviser	136,726		(53,278)		83,448		83,448
Nietes, Nore	Registrar	121,494	249,710	(337,770)		33,434		33,434
<b>Total</b>		<b>6,970,198</b>	<b>7,620,347</b>	<b>(7,869,405)</b>		<b>3,097,424</b>	<b>3,623,716</b>	<b>6,721,140</b>

The above schedule of advances to officers and employees of the Group with balances above P100,000 as of March 31, 2019 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, 2019  
(Amount in Pesos)

**STI EDUCATION SYSTEMS HOLDINGS, INC.**

7/F STI Holdings Center  
6764 Ayala Avenue  
Makati City

Name of debtor and description	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 Holdings from STI ESG	-	14,400,000	14,400,000		-	-	-	Advisory fees
Receivable of STI ESG from STI Holdings	-	73,123	73,123		-	-	-	Advances
Receivable of iACADEMY from Neschester	1,633,056		1,633,056		-	-	-	Advances
Receivable of STI Holdings from iACADEMY	-	580,000	580,000		-	-	-	Advisory fees
Receivable of iACADEMY from STI ESG	-	859,750	859,750		-	-	-	Advances
Receivable of STI ESG from iACADEMY	-	6,907,615	6,907,615		-	-	-	Advances
Receivable of STI WNU from STI Holdings	25,227,650		25,227,650		-	-	-	Subscription
Receivable of STI ESG from STI WNU	-	4,700,539	4,700,539		-	-	-	Advances
Receivable of STI ESG from STI WNU	-	14,922,983	14,922,983		-	-	-	Educational services, school materials sold, other charges
Receivable of STI Holdings from STI WNU	-	3,600,000	3,600,000		-	-	-	Advisory fees

SCHEDULE D – INTANGIBLE ASSETS – OTHER ASSETS

March 31, 2019  
(Amount in Pesos)

**STI EDUCATION SYSTEMS HOLDINGS, INC.**

7/F STI Holdings Center  
6764 Ayala Avenue  
Makati City

<b>Description</b>	<b>Beginning balance</b>	<b>Additions at cost</b>	<b>Charged to cost and expenses</b>	<b>Charged to other accounts</b>	<b>Other changes additions (deductions)*</b>	<b>Ending balance</b>
Goodwill	241,235,574	-	17,035,240	-	-	224,200,334
Deposits for asset acquisitions	76,270,833	155,465,068	-	-	-	231,735,901
Rental and utility deposits	51,520,552	19,131,818	280,800	(12,000)	(4,799,738)	65,559,832
Intangible assets	17,307,719	3,156,562	10,462,197	-	-	10,002,084
Advances to suppliers	169,277,560	110,281,961	495,750	(265,449,446)	-	13,614,325
Deferred input VAT	3,906,938	22,637,773	-	-	(3,906,938)	22,637,773
Other noncurrent assets	1,975,184	3,930,910	-	-	-	5,906,094
	<b>561,494,360</b>	<b>314,604,092</b>	<b>28,273,987</b>	<b>(265,461,446)</b>	<b>(8,706,676)</b>	<b>573,656,343</b>

\*Other changes (deductions) amounting to P4.8m represents STI ESG's collection of rental and utility deposit from lessor.

\*Other changes (deductions) amounting to P3.9m represents derecognition of Neschester's deferred input VAT account due to merger with iACADEMY.

SCHEDULE E – LONG TERM DEBT

March 31, 2019  
(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 interest-bearing loans and borrowings” in related balance sheet	Amount shown under caption “Bonds payable / Interest-bearing loans and borrowings - net of current portion” in related balance sheet
China Banking Corporation - Bank Loans Maturity Date / Interest Rate July 31, 2021 / 4.75%	3,000,000,000	240,000,000	360,000,000
Fixed rate bonds series 7-year bond due 2024 and series 10-year bond due 2027/Interest rates are 5.8085% and 6.3756%, respectively*	5,000,000,000	-	2,957,954,254
China Banking Corporation - Bank Loans Maturity Date / Interest Rate September 29, 2027 / 6.84%*	800,000,000	-	793,710,271
China Banking Corporation - Bank Loans Maturity Date / Interest Rate JULY 31, 2021 / 7.89%	300,000,000	59,600,000	59,400,000

\*presented net of bond issue costs / transactions costs in the Consolidated Statements of Financial Position

SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES  
(LONG-TERM LOANS FROM RELATED COMPANIES)

March 31, 2019  
(Amount in Pesos)

**STI EDUCATION SYSTEMS HOLDINGS, INC.**

7/F STI Holdings Center  
6764 Ayala Avenue  
Makati City

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Name of Related Party	Balance at beginning of period	Balance at end of period
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The Group has no long-term loans from related parties as at March 31, 2019

SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS

March 31, 2019  
(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, 2019

SCHEDULE H – CAPITAL STOCK

March 31, 2019

(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	-	4,749,190,081*	1,577,500,001*	3,578,116,842
			<b>**Directors, Officers, and Employees:</b>			
*Related Parties						
Prudent Resources, Inc.	1,619,599,964			Eusebio H. Tanco	1,371,097,875	
Biolim Holdings and Management Corp. (Formerly: Rescom Developers, Inc.)	795,348,934			Monico V. Jacob	33,784,057	
Eujo Philippines, Inc.	806,157,130			Maria Vanessa Rose L. Tanco	558,001	
Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.)	629,776,992			Joseph Augustin L. Tanco	2,000,001	
STI Education Services Group	500,432,895			Martin K. Tanco	78,357,100	
Eximious Holdings, Inc. (Formerly, Capital Managers and Advisors, Inc.)	306,890,332			Paolo Martin O. Bautista	3,250,000	
Philippines First Insurance Co., Inc.	3,722,000			Rainerio M. Borja	1,000,000	
First Optima Realty Corporation	29,014,752			Jesli A. Lapus	6,000,000	
Prime Power Holdings Corp.	23,000,000			Presbitero J. Velasco, Jr	1,000	
Amina Inc.	35,247,082					
<b>TOTAL</b>	<b>4,749,190,081</b>			<b>Robert G. Vergara</b>	<b>1,000</b>	
				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	
				<b>TOTAL</b>	<b>1,577,500,001</b>	



SCHEDULE I - RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION  
 March 31, 2019  
 (Amount in Pesos)

**STI EDUCATION SYSTEMS HOLDINGS, INC.**

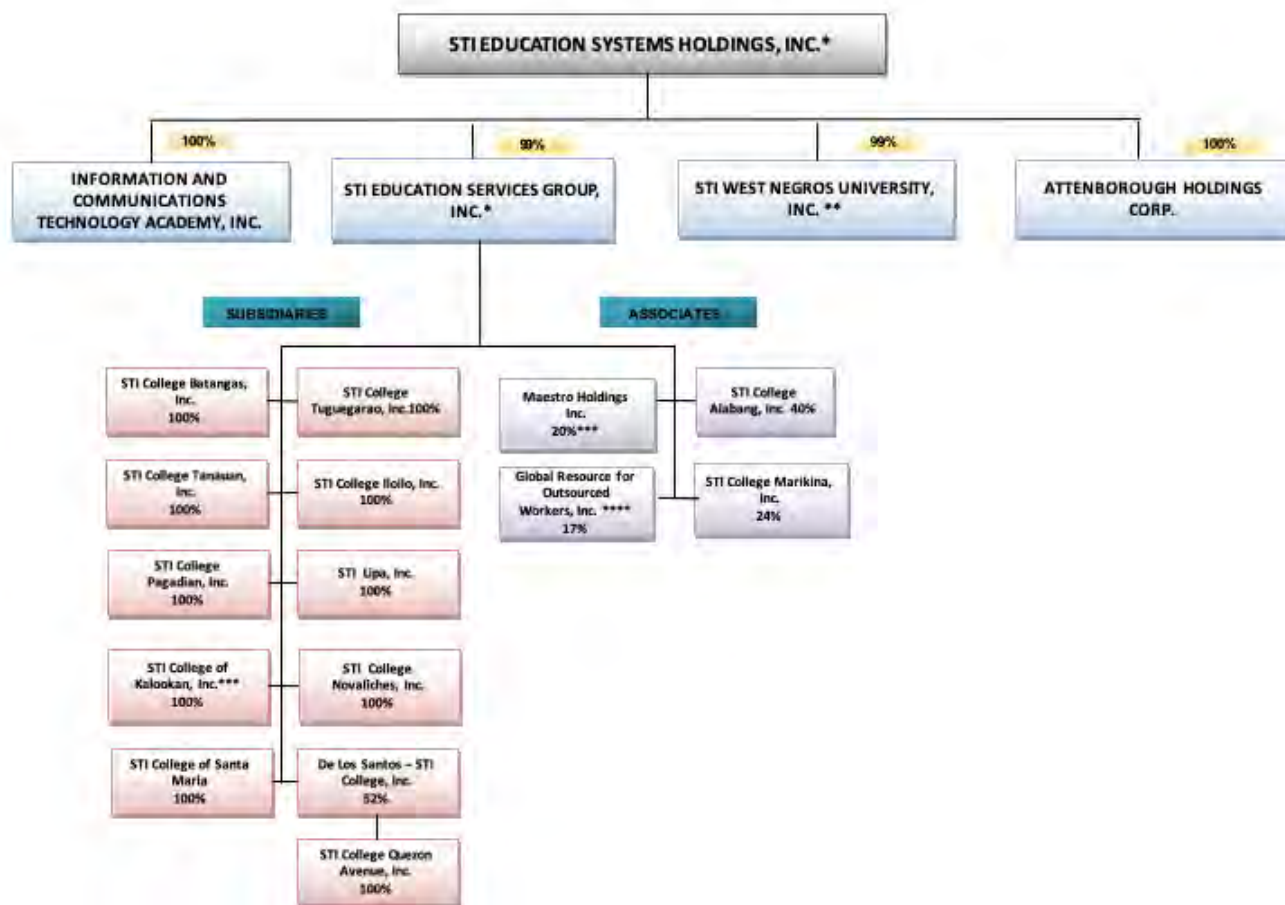
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 6764 Ayala Avenue  
 Makati City

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		<b>1,462,353,187</b>
Net income during the period closed to Retained Earnings	376,431,648	
Less: Non-actual/unrealized income net of tax	0	
Equity in net income of associate/joint venture	0	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash equivalents)	0	
Unrealized actuarial gain	0	
Fair Value adjustment (M2M gains)	0	
Fair Value adjustment of Investment Property resulting to gain	0	
Adjustment due to deviation from PFRS/GAAP-gain	0	
Effect of merger of subsidiaries	(182,954,744)	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	0	
Sub-total	0	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	0	
Adjustment due to deviation from PFRS/GAAP-loss	0	
Loss on fair value adjustment of Investment property (after tax)	0	
<b>Net income actually earned during the period</b>	<b>193,476,904</b>	
Add (Less):		
Dividend declarations during the period	(198,096,138)	
Appropriation of Retained Earnings during the period	0	
Reversals of appropriations	0	
Effects of prior period adjustments	0	
Treasury shares	0	(198,096,138)
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND</b>	<b>1,457,733,953</b>	

SCHEDULE J – MAP OF RELATIONSHIPS BETWEEN AND AMONG THE COMPANY  
AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES OR  
CO-SUBSIDIARIES, AND ASSOCIATES  
March 31, 2019

**STI EDUCATION SYSTEMS HOLDINGS, INC.**

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, 2019

\*\* 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, 2019

SCHEDULE K – SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

March 31, 2019

**STI EDUCATION SYSTEMS HOLDINGS, INC.**

7/F STI Holdings Center

6764 Ayala Avenue

Makati City

**STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES**

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

**MARCH 31, 2019**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>			<b>Not</b>	<b>Not</b>
<b>Effective as of March 31, 2019</b>		<b>Adopted</b>	<b>Adopted</b>	<b>Applicable</b>
<b>Philippine Financial Reporting Standards</b>				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
<b>Philippine Accounting Standards</b>				
PAS 1	Presentation of Financial Statements	✓		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of March 31, 2019</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of	✓		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of March 31, 2019</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Investment Property			
PAS 41	Agriculture			✓
<b>Philippine Interpretations</b>				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			✓
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment	✓		
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance-No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases-Incentives			✓
Philippine Interpretation SIC-25	Income Taxes-Changes in the Tax Status of an			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of March 31, 2019</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Entity or its Shareholders			
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets-Web Site Costs			✓

SCHEDULE L – FINANCIAL SOUNDNESS INDICATORS  
March 31, 2019

**STI EDUCATION SYSTEMS HOLDINGS, INC.**

7/F STI Holdings Center  
6764 Ayala Avenue  
Makati City

**Financial Highlights and Key Performance Indicators**

<i>(in millions except margins, financial ratios and earnings per share)</i>	March 31		2019 vs 2018		
	2019	2018	Amt	%	
<b>Condensed Statements of Financial Position</b>					
Total assets	14,774.9	14,415.8	359.1	2	
Current assets	2,257.4	3,367.4	(1,110.0)	(33)	
Cash and cash equivalents	777.3	1,857.5	(1,080.2)	(58)	
Equity attributable to equity holders of the parent	8,630.7	8,705.4	(74.7)	(1)	
Total liabilities	6,047.4	5,613.4	434.0	8	
Current liabilities	1,444.7	1,190.7	254.0	21	
<b>Financial ratios</b>					
Debt to equity ratio <sup>(1)</sup>	0.67	0.62	0.05	8	
Current ratio <sup>(2)</sup>	1.56	2.83	(1.27)	(45)	
Asset to equity ratio <sup>(3)</sup>	1.69	1.64	0.05	3	
		Year ended March 31		2019 vs 2018	
		2019	2018	Amt	%
<b>Condensed Statements of Income</b>					
Revenues	2,752.6	3,082.6	(330.0)	(11)	
Direct costs <sup>(4)</sup>	1,047.6	1,014.0	33.6	3	
Gross profit	1,705.0	2,068.7	(363.7)	(18)	
Operating expenses	1,308.5	1,194.3	114.2	10	
Operating profit	396.5	874.4	(477.9)	(55)	
Other income (expenses) - net	(69.4)	(293.7)	224.3	(76)	
Income before income tax	327.1	580.7	(253.6)	(44)	
Net income	284.1	502.8	(218.7)	(43)	
EBITDA <sup>(5)</sup>	1,000.1	1,392.4	(392.3)	(28)	
Core income <sup>(6)</sup>	280.0	724.8	(444.8)	(61)	
Net income attributable to equity holders of the parent company	281.0	496.0	(215.0)	(43)	
Earnings per share <sup>(7)</sup>	0.028	0.050	(0.022)	(44)	
<b>Condensed Statements of Cash Flows</b>					
Net cash from operating activities	749.4	1,375.5	(626.1)	(46)	
Net cash used in investing activities	(1,647.2)	(1,780.1)	132.9	(7)	
Net cash used in financing activities	(182.4)	(936.6)	754.2	(81)	

## Financial Soundness Indicators

	Year ended March 31		Increase (Decrease)	
	2019	2018	Amount	%
<b>Liquidity Ratios</b>				
Current ratio <sup>(2)</sup>	1.56	2.83	(1.27)	(45)
Quick ratio <sup>(8)</sup>	.89	1.99	(1.10)	(55)
Cash ratio <sup>(9)</sup>	.54	1.56	(1.02)	(65)
<b>Solvency ratios</b>				
Debt-to-equity ratio <sup>(1)</sup>	0.67	0.62	0.05	8
Asset to equity ratio <sup>(3)</sup>	1.69	1.64	0.05	3
Interest coverage ratio <sup>(10)</sup>	2.43	3.65	(1.22)	(33)
Debt service cover ratio <sup>(11)</sup>	1.70	3.25	(1.55)	(48)
<b>Profitability ratios</b>				
EBITDA margin <sup>(12)</sup>	36%	45%	(9)	(20)
Gross profit margin <sup>(13)</sup>	62%	67%	(5)	(7)
Operating profit margin <sup>(14)</sup>	14%	28%	(14)	(50)
Net profit margin <sup>(15)</sup>	10%	16%	(6)	(38)
Return on equity <sup>(16)</sup>	3%	6%	(3)	(50)
Return on assets <sup>(17)</sup>	2%	4%	(2)	(50)

<sup>(1)</sup> Debt-to-equity ratio is measured as total liabilities excluding unearned tuition and other school fees divided by total equity

<sup>(2)</sup> Current ratio is measured as current assets divided by current liabilities.

<sup>(3)</sup> Asset to equity ratio is measured as total assets divided by total equity.

<sup>(4)</sup> Direct costs is calculated by adding the costs of educational services and educational materials and supplies sold.

<sup>(5)</sup> 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, and nonrecurring gains/losses such as effect of merger of subsidiaries.

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

<sup>(7)</sup> 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

<sup>(8)</sup> Quick ratio is measured as current assets less inventories, prepayments and noncurrent asset held for sale divided by current liabilities

<sup>(9)</sup> Cash ratio is measured as cash and cash equivalents divided by current liabilities

<sup>(10)</sup> Interest coverage ratio is measured as Net income excluding provision for income tax and interest expense divided by interest expense.

<sup>(11)</sup> Debt service cover ratio is measured as EBITDA divided by total principal and interest due for the next 12 months.

<sup>(12)</sup> EBITDA margin is measured as EBITDA divided by total revenues.

<sup>(13)</sup> Gross profit margin is measured as gross profit divided by total revenues.

<sup>(14)</sup> Operating profit margin is measured as operating profit divided by total revenues.

<sup>(15)</sup> Net profit margin is measured as net income after income tax divided by total revenues.

<sup>(16)</sup> 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.

<sup>(17)</sup> Return on assets is measured as net income divided by average total assets.