

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended
Sep 30, 2018
2. SEC Identification Number
1746
3. BIR Tax Identification No.
000-126-853-000
4. Exact name of issuer as specified in its charter
STI Education Systems Holdings, Inc.
5. Province, country or other jurisdiction of incorporation or organization
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
7th Floor STI Holdings Center, 6764 Ayala Avenue, Makati City
Postal Code
1226
8. Issuer's telephone number, including area code
632 844-9553
9. Former name or former address, and former fiscal year, if changed since last report
JTH Davies Holdings, Inc.
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

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

11. Are any or all of registrant's securities listed on a Stock Exchange?
Yes No
If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange
12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes No

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

Yes No

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



STI Education Systems Holdings, Inc. STI

PSE Disclosure Form 17-2 - Quarterly Report References: SRC Rule 17 and Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Sep 30, 2018
Currency (indicate units, if applicable)	Philippine Pesos

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2018	Mar 31, 2018
Current Assets	3,316,504,574	3,367,435,661
Total Assets	15,389,926,942	14,415,829,004
Current Liabilities	1,946,351,455	1,190,736,240
Total Liabilities	6,576,495,307	5,613,380,551
Retained Earnings/(Deficit)	4,663,913,392	4,611,356,907
Stockholders' Equity	8,813,431,635	8,802,448,453
Stockholders' Equity - Parent	8,717,785,634	8,705,388,756
Book Value per Share	0.89	0.89

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	766,116,687	883,900,323	1,226,418,620	1,371,954,024
Gross Expense	608,071,397	571,821,983	1,142,458,470	1,031,276,011

Non-Operating Income	37,254,219	35,499,638	75,085,836	74,458,530
Non-Operating Expense	40,095,125	44,646,495	92,300,187	328,591,256
Income/(Loss) Before Tax	155,204,383	302,931,483	66,745,798	86,545,287
Income Tax Expense	23,377,756	33,110,758	15,019,719	33,638,794
Net Income/(Loss) After Tax	131,826,627	269,820,725	51,726,079	52,906,493
Net Income Attributable to Parent Equity Holder	130,295,396	265,664,362	52,556,485	52,671,766
Earnings/(Loss) Per Share (Basic)	0.01	0.03	0.01	0.01
Earnings/(Loss) Per Share (Diluted)	0.01	0.03	0.01	0.01

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.05	0.01
Earnings/(Loss) Per Share (Diluted)	0.05	0.01

Other Relevant Information
-

Filed on behalf by:

Name	Elizabeth Guerrero
Designation	Member & Alternate Corporate Information Officer

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **30 September 2018**
2. SEC Identification No. **1746**
3. BIR Tax Identification No. **000-126-853-000**
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 **Philippines**
6. (SEC Use Only) Industry Classification Code _____
7. Address of Philippine Office **7/F STI Holdings Center
6764 Ayala Avenue
Makati City, 1226**
8. Registrant's Telephone No. including Area Code **(632) 844-9553**
9. Former name, former address, former Fiscal year, if changed since last report **JTH DAVIES HOLDINGS, INC.
7th Floor iACADEMY Building
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
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COMMON SHARES – 9,904,806,924 - ISSUED AND OUTSTANDING

9,904,806,924 – LISTED SHARES

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

Yes [x]

No []

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports;

Yes No

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

Yes No

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to Annex "A".

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Please refer to Annex "B".

PART II - OTHER INFORMATION

Not Applicable

SIGNATURES

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

Registrant **STI EDUCATION SYSTEMS HOLDINGS, INC.**

Signature and Title 
YOLANDA M. BAUTISTA
Treasurer

Date November 14, 2018

Signature and Title 
MONICO V. JACOB
President and CEO

Date November 14, 2018

**STI EDUCATION SYSTEMS HOLDINGS, INC.
AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION
AS AT SEPTEMBER 30, 2018 AND MARCH 31, 2018**

	September 30, 2018 (Unaudited)	March 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱1,257,441,256	₱1,857,507,750
Receivables (Notes 6 and 19)	1,026,618,530	517,981,482
Inventories (Note 7)	164,539,838	139,581,592
Prepaid expenses and other current assets (Note 8)	151,318,392	135,778,279
	2,599,918,016	2,650,849,103
Noncurrent asset held for sale (Notes 9 and 12)	716,586,558	716,586,558
Total Current Assets	3,316,504,574	3,367,435,661
Noncurrent Assets		
Property and equipment (Note 10)	9,567,577,041	8,426,842,079
Investment properties (Note 11)	1,848,171,739	1,863,718,647
Investments in and advances to associates and joint ventures (Notes 9 and 12)	41,564,754	41,871,654
Available-for-sale financial assets	68,029,652	68,093,740
Deferred tax assets - net	35,968,400	32,897,980
Pension assets - net	9,997,874	53,474,883
Goodwill, intangible and other noncurrent assets (Note 13)	502,112,908	561,494,360
Total Noncurrent Assets	12,073,422,368	11,048,393,343
TOTAL ASSETS	₱15,389,926,942	₱14,415,829,004
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 14)	₱886,332,299	₱782,343,048
Current portion of interest-bearing loans and borrowings (Note 15)	290,300,000	167,400,000
Current portion of obligations under finance lease	6,530,477	7,134,449
Unearned tuition and other school fees	689,002,246	149,368,406
Nontrade payable (Note 1)	67,000,000	67,000,000
Income tax payable	7,186,433	17,490,337
Total Current Liabilities	1,946,351,455	1,190,736,240
Noncurrent Liabilities		
Bonds payable (Note 16)	2,954,869,593	2,951,879,134
Interest-bearing loans and borrowings - net of current portion (Note 15)	1,271,818,211	1,071,208,112
Obligations under finance lease - net of current portion	12,899,564	14,627,824
Pension liabilities - net	42,042,060	42,455,457
Other noncurrent liabilities (Note 17)	113,170,937	106,743,001
Deferred tax liabilities	235,343,487	235,730,783
Total Noncurrent Liabilities	4,630,143,852	4,422,644,311
Total Liabilities (Carried Forward)	6,576,495,307	5,613,380,551

(Forward)

	September 30, 2018 (Unaudited)	March 31, 2018 (Audited)
Total Liabilities (Brought Forward)	₱6,576,495,307	₱5,613,380,551
Equity Attributable to Equity Holders of the Parent Company (Note 18)		
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	59,315,636	96,727,608
Unrealized mark-to-market gain on available-for-sale financial assets	785,948	847,989
Other equity reserve	(1,670,477,909)	(1,667,792,370)
Other comprehensive income associated with noncurrent asset held for sale (Note 18)	90,645,302	90,645,302
Share in associates':		
Unrealized mark-to-market loss on available-for-sale financial assets	(169)	(114)
Cumulative actuarial gain	215,592	215,592
Retained earnings	4,663,913,392	4,611,356,907
Total Equity Attributable to Equity Holders of the Parent Company	8,717,785,634	8,705,388,756
Equity Attributable to Non-controlling Interests	95,646,001	97,059,697
Total Equity	8,813,431,635	8,802,448,453
TOTAL LIABILITIES AND EQUITY	₱15,389,926,942	₱14,415,829,004

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

**STI EDUCATION SYSTEMS HOLDINGS, INC.
AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2018 AND 2017**

	Six Months Ended		Three Months Ended	
	2018	2017	2018	2017
	(Unaudited)		(Unaudited)	
REVENUES				
Sale of services:				
Tuition and other school fees	₱1,000,991,753	₱1,135,892,741	₱689,651,124	₱798,137,655
Educational services	75,792,620	79,824,097	31,131,241	34,793,275
Royalty fees	7,072,236	7,471,864	3,370,214	3,730,880
Others	26,916,322	25,478,522	8,771,303	9,135,191
Sale of educational materials and supplies	115,645,689	123,286,800	33,192,805	38,103,322
	1,226,418,620	1,371,954,024	766,116,687	883,900,323
COSTS AND EXPENSES				
Cost of educational services	400,310,306	386,607,161	227,974,384	230,017,404
Cost of educational materials and supplies sold	88,143,219	94,665,614	22,765,644	35,003,725
General and administrative expenses	654,004,945	550,003,236	357,331,369	306,800,854
	1,142,458,470	1,031,276,011	608,071,397	571,821,983
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	83,960,150	340,678,013	158,045,290	312,078,340
OTHER INCOME (EXPENSES)				
Interest expense	(92,253,931)	(105,969,833)	(38,521,021)	(44,646,495)
Rental income	59,693,006	58,743,617	31,350,765	29,073,859
Interest income (Notes 5 and 6)	13,562,501	13,578,604	4,222,630	5,949,027
Dividend and other income (expenses)	809,328	2,121,519	(1,574,104)	–
Equity in net earnings (losses) of associates and joint ventures (Note 12)	(46,256)	(222,621,423)	838,394	476,752
Gain on sale of property and equipment	1,021,000	14,790	842,429	–
	(17,214,352)	(254,132,726)	(2,840,907)	(9,146,857)
INCOME BEFORE INCOME TAX	66,745,798	86,545,287	155,204,383	302,931,483
PROVISION FOR INCOME TAX				
Current	16,941,498	38,668,811	10,523,972	17,406,892
Deferred	(1,921,779)	(5,030,017)	12,853,784	15,703,866
	15,019,719	33,638,794	23,377,756	33,110,758
NET INCOME (Carried Forward)	51,726,079	52,906,493	131,826,627	269,820,725

	Six Months Ended 2018 (Unaudited)		2017		Three Months Ended 2018 (Unaudited)		2017	
NET INCOME (Brought Forward)	₱51,726,079	₱52,906,493	₱131,826,627	₱269,820,725				
OTHER COMPREHENSIVE INCOME (LOSS)								
Items to be reclassified to profit or loss in subsequent years:								
Share in associates' unrealized mark-to-market gain on available-for-sale financial assets (Note 12)	-	124,968,590	-	-				
Unrealized mark-to-market gain (loss) on available-for-sale financial assets	(64,088)	548,330	134,472	539,110				
Share in associates' remeasurement gain on life insurance reserves (Note 12)	-	226,977	-	-				
	(64,088)	125,743,897	134,472	539,110				
Items not to be reclassified to profit or loss in subsequent years:								
Share in associates' remeasurement gain on pension liability (Note 12)	-	38,416	-	-				
Remeasurement gain (loss) on pension liability	(42,214,745)	22,717,433	(19,133,798)	22,717,433				
Income tax effect	4,221,475	(2,271,743)	1,913,380	(2,271,743)				
	(37,993,270)	20,484,106	(17,220,418)	20,445,690				
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(38,057,358)	146,228,003	(17,085,946)	20,984,800				
TOTAL COMPREHENSIVE INCOME	₱13,668,721	₱199,134,496	₱114,740,681	₱290,805,525				
Net Income (Loss) Attributable To								
Equity holders of the Parent Company	₱52,556,485	₱52,671,766	₱130,295,396	₱265,664,362				
Non-controlling interests	(830,406)	234,727	1,531,231	4,156,363				
	₱51,726,079	₱52,906,493	₱131,826,627	₱269,820,725				
Total Comprehensive Income (Loss) Attributable To								
Equity holders of the Parent Company	₱15,082,416	₱197,966,988	₱113,471,876	₱285,929,441				
Non-controlling interests	(1,413,695)	1,167,508	1,268,805	4,876,084				
	₱13,668,721	₱199,134,496	₱114,740,681	₱290,805,525				
Basic/Diluted Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company (Note 20)	₱0.005	₱0.005	₱0.013	₱0.027				

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

**STI EDUCATION SYSTEMS HOLDINGS, INC.
AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

Equity Attributable to Equity Holders of the Parent Company (Note 18)

	Capital Stock	Additional Paid-in Capital	Cost of Shares Held by a Subsidiary	Cumulative Actuarial Gain	Unrealized Mark-to-market Gain on Available- for-sale Financial Assets	Other Equity Reserve	Other comprehensive income associated with noncurrent asset held for sale	Share in Associates' Unrealized Mark-to-market Loss on Available- for-sale Financial Assets (Note 12)	Share in Associates' Cumulative Gain (Loss) (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, 2018	P4,952,403,462	P1,119,127,301	(P498,142,921)	P96,727,608	P847,989	(P1,667,792,370)	P90,645,302	(P114)	P215,592	P-	P-	P4,611,356,907	P8,705,388,756	P97,059,697	P8,802,448,453
Net income	-	-	-	-	-	-	-	-	-	-	-	52,556,485	52,556,485	(830,406)	51,726,079
Other comprehensive loss	-	-	-	(37,411,972)	(62,041)	-	-	(55)	-	-	-	-	(37,474,068)	(583,290)	(38,057,358)
Total comprehensive income	-	-	-	(37,411,972)	(62,041)	-	-	(55)	-	-	-	52,556,485	15,082,417	(1,413,696)	13,668,721
Effect of merger of subsidiaries	-	-	-	-	-	(2,685,539)	-	-	-	-	-	-	(2,685,539)	-	(2,685,539)
Balance at September 30, 2018	P4,952,403,462	P1,119,127,301	(P498,142,921)	P59,315,636	P785,948	(P1,670,477,909)	P90,645,302	(P169)	P215,592	P-	P-	P4,663,913,392	P 8,717,785,634	P95,646,001	P8,813,431,635
Balance at April 1, 2017, as previously reported	P4,952,403,462	P1,119,127,301	(P498,142,921)	P44,398,122	P462,127	(P1,667,792,370)	P-	(P48,710,891)	P722,894	P-	P718,885	P4,553,788,628	P8,456,975,237	P94,444,400	P8,551,419,637
Prior period adjustments (Note 12)	-	-	-	-	-	-	-	32,521,978	-	(18,078,114)	-	(250,361,685)	(235,917,821)	(3,204,236)	(239,122,057)
Balance at April 1, 2017, as restated	4,952,403,462	1,119,127,301	(498,142,921)	44,398,122	462,127	(1,667,792,370)	-	(P16,188,913)	722,894	(18,078,114)	718,885	4,303,426,943	8,221,057,416	91,240,164	8,312,297,580
Net income	-	-	-	-	-	-	-	-	-	-	-	52,671,766	52,671,766	234,727	52,906,493
Other comprehensive income	-	-	-	20,171,718	541,639	-	-	122,852,872	38,142	223,935	-	-	143,828,306	2,399,699	146,228,005
Total comprehensive income	-	-	-	20,171,718	541,639	-	-	122,852,872	38,142	223,935	-	52,671,766	196,500,072	2,634,426	199,134,498
Dividend declaration	-	-	-	-	-	-	-	-	-	-	-	(188,087,460)	(188,087,460)	(3,299,906)	(191,387,366)
Other comprehensive income associated with noncurrent asset held for sale (Note 18)	-	-	-	-	-	-	90,645,302	(107,103,936)	(676,660)	17,854,179	(718,885)	-	-	-	-
Balance at September 30, 2017	P4,952,403,462	P1,119,127,301	(P498,142,921)	P 64,569,840	P1,003,766	(P1,667,792,370)	P90,645,302	(P439,977)	P84,376	P-	P-	P4,168,011,249	P8,229,470,028	P90,574,684	P8,320,044,712

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

**STI EDUCATION SYSTEMS HOLDINGS, INC.
AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018 (Unaudited)	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱66,745,798	₱86,545,287
Adjustments to reconcile income before income tax to net cash flows:		
Depreciation and amortization (Notes 10 and 11)	224,192,144	193,258,561
Equity in net losses of associates and joint ventures (Note 12)	46,256	222,621,423
Interest expense	92,253,931	105,969,833
Interest income (Notes 5 and 6)	(13,562,501)	(13,578,604)
Dividend income	(676,602)	(2,121,519)
Net change in pension assets and liabilities	1,270,185	2,884,383
Provision for impairment loss on investments in and advances to associates and joint ventures	–	591,839
Gain on sale of property and equipment	(1,021,000)	(14,790)
Operating income before working capital changes	369,248,211	596,156,413
Decrease (increase) in:		
Receivables	83,881,220	(213,459,801)
Inventories	(24,958,246)	(27,605,868)
Prepaid expenses and other current assets	(10,845,589)	14,170,847
Increase (decrease) in:		
Accounts payable and other current liabilities	(287,327,448)	(341,363,957)
Unearned tuition and other school fees	129,552,951	593,786,990
Other noncurrent liabilities	6,885,010	(1,182,425)
Net cash generated from operations	266,436,109	620,502,199
Income and other taxes paid	(32,361,246)	(45,786,428)
Interest received	13,562,501	13,578,604
Net cash from operating activities	247,637,364	588,294,375
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 10)	(1,109,985,655)	(856,832,977)
Subsidiary, net of cash acquired	–	5,828,110
Decrease (increase) in:		
Investments in and advances to associates and joint ventures	–	(96,815)
Goodwill, intangible and other noncurrent assets	55,268,978	(225,288,129)

(Forward)

	2018 (Unaudited)	2017
Dividends received	₱2,334,364	₱2,128,159
Proceeds from sale of property and equipment	1,407,000	16,000
Net cash used in investing activities	(1,050,975,313)	(1,074,245,652)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of long-term loans	370,000,000	200,000,000
Payments of:		
Short-term loans (Note 15)	-	(525,000,000)
Long-term loans	(46,900,000)	(33,900,000)
Obligations under finance lease	(4,026,221)	(3,616,899)
Interest paid	(114,312,455)	(106,703,612)
Dividends paid	(1,489,869)	-
Bond deferred finance charge	-	(4,845,757)
Net cash from (used in) financing activities	203,271,455	(474,066,268)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(600,066,494)	(960,017,545)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,857,507,750	3,198,723,556
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	₱1,257,441,256	₱2,238,706,011

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

a. General

STI Education Systems Holdings, Inc. (“STI Holdings” or the “Parent Company”) and its subsidiaries (hereafter collectively referred to as the “Group”) are all incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (“SEC”). STI Holdings was originally established in 1928 as the Philippine branch office of Theo H. Davies & Co., a Hawaiian corporation. It was reincorporated as a Philippine corporation and registered with the SEC on June 28, 1946. STI Holdings’ shares were listed on the Philippine Stock Exchange (“PSE”) on October 12, 1976. On June 25, 1996, the SEC approved the extension of the Parent Company’s corporate life for another 50 years. The primary purpose of the Parent Company is to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, pledge, exchange, or otherwise dispose of real properties as well as personal and movable property of any kind and description, including shares of stock, bonds, debentures, notes, evidence of indebtedness and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, but not to act as dealer in securities, and to invest in and manage any company or institution. STI Holdings aims to focus on education and education-related activities and investments.

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

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

Subsidiaries	Principal Activities	Effective Percentage of Ownership			
		September 30, 2018		March 31, 2018	
		Direct	Indirect	Direct	Indirect
STI ESG	Educational Institution	99	–	99	–
STI WNU	Educational Institution	99	–	99	–
iACADEMY	Educational Institution	100	–	100	–
AHC	Holding Company	100	–	100	–
STI College Tuguegarao, Inc. (“STI Tuguegarao”)	Educational Institution	–	99	–	99
STI College of Kalookan, Inc. (“STI Caloocan”) ^(a)	Educational Institution	–	99	–	99
STI College Batangas, Inc. (“STI Batangas”)	Educational Institution	–	99	–	99
STI College Iloilo, Inc. (“STI Iloilo”)	Educational Institution	–	99	–	99
STI College Tanauan, Inc. (“STI Tanauan”)	Educational Institution	–	99	–	99
STI Lipa, Inc. (“STI Lipa”)	Educational Institution	–	99	–	99
STI College Pagadian, Inc. (“STI Pagadian”)	Educational Institution	–	99	–	99
STI College Novaliches, Inc. (“STI Novaliches”)	Educational Institution	–	99	–	99
STI College of Santa Maria, Inc. (“STI Sta. Maria”) ^(b)	Educational Institution	–	99	–	99
De Los Santos-STI College, Inc. (“De Los Santos-STI College”) ^(c)	Educational Institution	–	51	–	51
STI College Quezon Avenue, Inc. (“STI QA”) ^(d)	Educational Institution	–	51	–	51
Neschester Corporation (“Neschester”) ^(e)	Real Estate	–	–	100	–

^(a) A subsidiary of STI ESG through a management contract.

^(b) A subsidiary starting April 2017.

^(c) On June 28, 2016, De Los Santos-STI College wrote the CHED advising the latter of the suspension of its operations for school years 2016-2017 and 2017-2018 as a result of the implementation of the Government’s K to 12 program. In the same letter, De Los Santos-STI College requested that it be allowed to keep all of its existing permits and licenses for its academic programs. It also mentioned that the grant of such request would allow De Los Santos-STI College to immediately resume offering its academic programs to incoming freshmen students for its planned resumption of operation in SY 2018-2019. These academic programs are: BS Nursing, BS Radiologic Technology, BS Psychology, BS Physical Therapy, BS Hotel and Restaurant Management and BS Tourism. CHED, in a letter reply dated July 1, 2016, said that De Los Santos-STI College shall apply again for initial permits if it intends to offer the said programs in SY 2018-2019. De Los Santos-STI College shall request CHED for a reconsideration.

^(d) A wholly-owned subsidiary of De Los Santos-STI College.

^(e) On April 10 2018, Neschester was merged with iACADEMY, with iACADEMY as the surviving entity.

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 98.47% as at September 30, 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. All franchisees are covered by licensing agreements, which require courseware to be obtained from STI ESG.

Other features of the licensing agreements are as follows:

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

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

On June 14, 2018, STI ESG informed the Commission on Higher Education (“CHED”) of the decision of its Board of Directors (“BOD”) to admit two batches of incoming college freshmen students for School Year (“SY”) 2018-2019. STI ESG has requested CHED for endorsement of this move to accept a second batch of college 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 does not violate existing rules on the same. CHED has also advised STI ESG to coordinate with the respective CHED Regional Offices on the usual guidance and procedures in implementing the planned school calendar. STI ESG has made adjustments in the school calendar of some of its schools.

Merger with Several Majority and Wholly-owned Subsidiaries

On December 9, 2010, STI ESG’s stockholders approved the following mergers:

- Phase 1: The merger of three (3) majority owned schools and fourteen (14) wholly-owned schools with STI ESG, with STI ESG as the surviving entity. The Phase 1 merger was approved by the CHED and the SEC on March 15, 2011 and May 6, 2011, respectively.

- Phase 2: The merger of one (1) majority owned school and eight (8) wholly-owned pre-operating schools with STI ESG, with STI ESG as the surviving entity. The Phase 2 merger was approved by the CHED and the SEC on July 18, 2011 and August 31, 2011, respectively.

On September 25, 2013, STI ESG's BOD approved an amendment to the Phase 1 and 2 mergers whereby STI ESG would issue shares at par value, to the stockholders of the non-controlling interests. In 2014, STI ESG issued 1.9 million additional shares at par value to the stockholders of one of the merged schools. As at report date, the amendment is pending approval by the SEC.

Also on September 25, 2013, the BOD of the STI ESG approved the Phase 3 merger whereby STI College Taft, Inc. ("STI Taft") and STI College Dagupan, Inc. ("STI Dagupan") will be merged with STI ESG, with STI ESG as the surviving entity. On August 5, 2016, STI ESG filed its application for merger with the SEC with endorsement from the Department of Education ("DepEd") and CHED. On August 30, 2017, the SEC approved the application for merger of STI Taft and STI Dagupan with STI ESG. In December 2017, STI ESG subscribed to 5,952,273 of its own shares and issued a total of 5,311 shares to minority holders of the absorbed entities with par value of ₱1.0 per share at a price of ₱1.82 per share. Consequently, STI ESG's capital stock increased by ₱5.9 million from ₱3,081.9 million to ₱3,087.8 million and STI ESG recognized treasury shares amounting to ₱10.8 million. Similarly, additional paid-in capital increased by ₱7.0 million from ₱379.9 million to ₱386.9 million.

As at November 14, 2018, 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", formerly West Negros University Corp.)

In October 2013, the Parent Company acquired majority ownership interest in STI WNU. As at September 30, 2018 and March 31, 2018, the Parent Company owns 99.86% of STI WNU. The consideration for the acquisition of STI WNU includes contingent consideration amounting to ₱151.5 million with the corresponding liability presented as "Nontrade payable" in the unaudited interim condensed consolidated statements of financial position amounting to ₱67.0 million as at September 30, 2018 and March 31, 2018.

STI WNU owns and operates STI West Negros University in Bacolod City. It offers pre-elementary, elementary, secondary including SHS, and 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 Philippines 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.

The school calendar of STI WNU starts in June of each year.

d. 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.

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.

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

iACADEMY is a premier school that offers courses in animation, multimedia arts and design, fashion design and technology, software engineering, game development, web development, marketing management, financial management and real estate management. It also offers Senior High School. It started in 2002 as a wholly-owned subsidiary of STI ESG until its acquisition by STI Holdings in September 2016. The school’s principal office is located at iACADEMY Plaza in Makati.

iACADEMY starts the classes for its college students in July while the SHS students start classes in August.

On September 27, 2016, the Parent Company purchased 100 million iACADEMY shares or 100% of iACADEMY’s issued and outstanding capital stock from STI ESG for a purchase price of ₱113.5 million. The Parent Company, also subscribed to 100 million out of the 400 million increase in the authorized capital stock of iACADEMY, which was approved by the SEC on November 9, 2016, at an aggregate subscription price of ₱100.0 million. As at September 30, 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 Institutions (“HEIs”) in the Philippines. This GA applies only to the iACADEMY Plaza campus. iACADEMY has already requested CHED for the extension of the GA. As at report date, CHED’s Technical Panel on Transnational Education and Distance Education is processing iACADEMY’s request on this matter.

On September 7, 2017, the Board of Governors (“BOG”) of iACADEMY approved the merger of iACADEMY and 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 SEC on April 10, 2018. On May 11, 2018, iACADEMY issued 494,896,693 shares to STI Holdings in exchange for the net assets of Neschester as a result of the merger.

f. Neschester Corporation (“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 the latter 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.

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

On April 10 2018, the SEC approved the merger of Neschester with iACADEMY, with iACADEMY as the surviving entity.

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.

2. Basis of Preparation and Summary of the Group’s Significant Accounting Policies

Basis of Preparation

The accompanying unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for quoted available-for-sale (“AFS”) financial assets which are measured at fair value, certain inventories which have been measured at net realizable value, certain investments in associates and joint ventures which have been measured at recoverable amount and refundable deposits which are measured at amortized cost. The unaudited interim condensed consolidated financial statements are presented in Philippine peso (₱), which is the Parent Company’s functional and presentation currency, and all values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

The accompanying unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards (“PAS”) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the audited annual consolidated financial statements of STI Holdings as at and for the year ended March 31, 2018.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the new and amended Philippine Financial Reporting Standard (“PFRS”) that became effective beginning April 1, 2018. The adoption of these new standards and amendments did not have any significant impact on the consolidated statements except otherwise stated:

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

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

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. Entities are allowed to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

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

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

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

The Group is currently assessing the impact of PFRS 15.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early

application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

As at September 30, 2018, the Group performed its initial impact assessment of all three phases of PFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information becoming available to the Group when it adopts PFRS 9 in its annual reporting year ending March 31, 2019.

(a) Classification and measurement

Trade and other receivables are held to collect contractual cash flows and thus qualify for amortized cost measurement.

Investments in unquoted equity shares currently carried at cost under PAS 39 are intended to be held for the foreseeable future. As such, the Group intends to apply the option to present fair value changes for these investments in OCI. The Group is in the process of determining how to measure the fair value of these unquoted investments.

Quoted equity shares currently held as AFS are expected to be measured at fair value through profit or loss ("FVPL"), which will increase volatility in profit or loss.

(b) Impairment

PFRS 9 requires the Group to record expected credit losses on all of its debt financial assets. The Group plans to apply the simplified approach and to record lifetime expected losses on all trade receivables that do not contain significant financing component. For the Group's debt securities and other receivables that will be measured at amortized cost or at fair value through other comprehensive income ("FVOCI"), the general approach for measuring expected credit losses is required to be applied. Thus, credit losses for these financial assets will be measured either on 12-month or lifetime basis depending on the extent of the deterioration of their credit quality. The Group is currently quantifying the impact of the change in measuring credit losses.

(c) Hedge accounting

The hedging requirements of PFRS 9 will not have a significant impact on the Group's unaudited interim condensed consolidated financial statements since the Group do not have existing hedge relationship.

▪ 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.

- 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.

- 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. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Standards Issued but Not Yet Effective

The standards and interpretations that are issued but not yet effective for the interim period ended September 30, 2018 are listed below. The Group intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the unaudited interim condensed consolidated financial statements except otherwise stated:

Effective in fiscal year 2020

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or FVOCI. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The Group is currently assessing the impact of adopting the amendments to PFRS 9.

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an

index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council (“FRSC”) postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (“IASB”) has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group has not early adopted the previously mentioned standards. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to September 30, 2018 on its unaudited interim condensed consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the annual consolidated financial statements when these amendments are adopted.

3. Seasonality of Operations

The Group’s business is linked to the academic cycle. The academic cycle, which is one academic year, traditionally starts in the month of June and ends in the month of March, except as discussed in Note 1, where STI ESG accepted a second batch of college freshmen enrollees with academic year beginning August of SY 2018-2019. To this effect, STI ESG has made adjustments in the school calendar of some of its schools. iACADEMY starts its school calendar every July for tertiary level and August for SHS. The revenues of the Group which is mainly from tuition and other school fees, is recognized as income over the corresponding academic year to which they pertain. Accordingly, revenue is expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group. However, management has concluded that the Group’s operation is not ‘highly seasonal’ in accordance with PAS 34.

4. Segment Information

For management purposes, the Group is organized into business units based on the geographical location of the students and assets, and has five reportable segments as follows:

- a. Metro Manila
- b. Northern Luzon
- c. Southern Luzon
- d. Visayas
- e. Mindanao

Management monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with profit and loss in the unaudited interim condensed consolidated financial statements.

On a consolidated basis, the Group’s performance is evaluated based on net income for the six-month period ended September 30, 2018 and EBITDA, defined as earnings before provision for income tax, interest expense, interest income, depreciation and amortization and equity in net losses of associates and joint ventures.

The following table shows the reconciliation of the consolidated net income to consolidated EBITDA for the six-month periods ended September 30, 2018 and 2017:

	Unaudited	
	2018	2017
Consolidated net income	₱51,726,079	₱52,906,493
Depreciation and amortization	224,192,144	193,258,561
Interest expense	92,253,931	105,969,833
Provision for income tax	15,019,719	33,638,794
Interest income	(13,562,501)	(13,578,604)
Equity in net losses of associates and joint ventures	46,256	222,621,423
Consolidated EBITDA	₱369,675,628	₱594,816,500

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 six months ended September 30, 2018 and 2017:

	September 30, 2018 (Unaudited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱752,757,865	₱46,698,328	₱268,228,295	₱128,801,831	₱29,932,301	₱1,226,418,620
Results						
Income (loss) before other income (expenses) and income tax	(5,661,065)	(8,108,746)	80,921,969	27,094,513	(10,286,521)	83,960,150
Equity in net losses of associates and joint ventures	(46,256)	–	–	–	–	(46,256)
Interest expense	(88,317,804)	–	(121)	(3,936,006)	–	(92,253,931)
Interest income	12,853,239	13,358	79,594	606,274	10,036	13,562,501
Other income	60,289,217	38,000	418,450	758,024	19,643	61,523,334
Provision for income tax	(12,521,196)	–	–	(2,498,523)	–	(15,019,719)
Net Income (Loss)	(₱33,403,865)	(₱8,057,388)	₱81,419,892	₱22,024,282	(₱10,256,842)	₱51,726,079
EBITDA						₱369,675,628

	September 30, 2017 (Unaudited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱842,706,244	₱60,644,058	₱286,369,727	₱145,149,132	₱37,084,863	₱1,371,954,024
Results						
Income (loss) before other income (expenses) and income tax	191,569,619	8,937,064	112,706,435	28,800,908	(1,336,013)	340,678,013
Equity in net losses of associates and joint ventures	(222,621,423)	–	–	–	–	(222,621,423)
Interest income	13,254,180	10,755	72,482	224,271	16,916	13,578,604
Interest expense	(101,595,013)	–	(6,657)	(4,368,163)	–	(105,969,833)
Other income	59,262,872	–	706,743	826,557	83,754	60,879,926
Provision for income tax	(31,496,627)	–	–	(2,142,167)	–	(33,638,794)
Net Income (Loss)	(₱91,626,392)	₱8,947,819	₱113,479,003	₱23,341,406	(₱1,235,343)	₱52,906,493
EBITDA						₱594,816,500

The following tables present certain assets and liabilities information regarding geographical segments as at September 30, 2018 and March 31, 2018:

	September 30, 2018 (Unaudited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets ^(a)	₱12,222,064,775	₱135,237,585	₱1,089,964,576	₱733,813,638	₱163,493,208	₱14,344,573,782
Noncurrent asset held for sale	716,586,558	–	–	–	–	716,586,558
Investments in and advances to associates and joint ventures	41,564,754	–	–	–	–	41,564,754
Pension assets – net	9,997,874	–	–	–	–	9,997,874
Goodwill	225,554,342	–	–	15,681,232	–	241,235,574
Deferred tax assets – net	27,502,292	922,039	599,133	6,900,095	44,841	35,968,400
Total Assets	₱13,243,270,595	₱136,159,624	₱1,090,563,709	₱756,394,965	₱163,538,049	₱15,389,926,942
Segment liabilities ^(b)	₱1,281,618,159	₱65,006,263	₱262,715,954	₱97,323,466	₱56,028,073	₱1,762,691,915
Interest-bearing loans and borrowings	1,406,618,211	–	–	155,500,000	–	1,562,118,211
Bonds payable	2,954,869,593	–	–	–	–	2,954,869,593
Pension liabilities – net	13,050,708	58,623	481,275	28,436,769	14,685	42,042,060
Obligations under finance lease	19,284,753	–	–	145,288	–	19,430,041
Deferred tax liabilities	235,343,487	–	–	–	–	235,343,487
Total Liabilities	₱5,910,784,911	₱65,064,886	₱263,197,229	₱281,405,523	₱56,042,758	₱6,576,495,307
Other Segment Information						
Capital expenditure -						
Property and equipment						₱1,344,953,513
Depreciation and amortization						224,192,144
Noncash expenses other than depreciation and amortization						34,429,775

^(a) 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.

^(b) Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, net pension liabilities, obligations under finance lease and net deferred tax liabilities.

	March 31, 2018 (Audited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets ^(a)	₱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 – net	24,899,250	916,408	345,862	6,693,489	42,971	32,897,980
Total Assets	₱12,501,399,139	₱133,868,254	₱922,810,568	₱705,993,212	₱151,757,831	₱14,415,829,004
Segment liabilities ^(b)	₱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
Total Liabilities	₱5,170,613,799	₱50,513,473	₱100,659,032	₱254,040,753	₱37,553,494	₱5,613,380,551
Other Segment Information						
Capital expenditure -						
Property and equipment						₱1,906,079,177
Depreciation and amortization						398,836,776
Noncash expenses other than depreciation and amortization						101,270,162

^(a) 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.

^(b) Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, net pension liabilities, obligations under finance lease and net deferred tax liabilities.

5. Cash and Cash Equivalents

This account consists of:

	September 30, 2018 (Unaudited)	March 31, 2018 (Audited)	September 30, 2017 (Unaudited)
Cash on hand and in banks	₱513,889,438	₱820,934,331	₱672,369,285
Cash equivalents	743,551,818	1,036,573,419	1,566,336,726
	₱1,257,441,256	₱1,857,507,750	₱2,238,706,011

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 ₱13.2 million and ₱13.6 million for the six-month periods ended September 30, 2018 and 2017, respectively.

6. Receivables

This account consists of:

	September 30, 2018 (Unaudited)	March 31, 2018 (Audited)
Tuition and other school fees	₱1,046,499,670	₱516,500,305
Educational services	52,172,430	40,014,195
Rent, utilities and other related receivables	40,140,125	36,430,823
Advances to officers and employees	26,709,420	24,505,141
Current portion of advances to associates, joint ventures and other related parties	–	143,571
Others	19,696,971	28,907,861
	1,185,218,616	646,501,896
Less allowance for doubtful accounts	158,600,086	128,520,414
	₱1,026,618,530	₱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 and DepEd. These receivables are noninterest-bearing and are normally collected on or before the date of major examinations while receivables from DepEd are expected to be collected within the year.
- b. Educational services receivables pertain to receivables from franchisees arising from educational services, royalty fees and other charges. These receivables are generally noninterest-bearing and are normally collected within 30 days. Interest is charged on past due accounts.

Interest earned from past due accounts amounted to ₱0.3 million and ₱10.1 thousand for the six-month periods ended September 30, 2018 and 2017, respectively.

- c. Rent, utilities and other related receivables are normally collected within 30 days.
- d. Advances to officers and employees are normally liquidated within 30 days (see Note 19).

- e. Other receivables include receivables from a former franchisee, vendors and SSS. These receivables are expected to be collected within the year.

7. Inventories

This account consists of:

	September 30, 2018	March 31, 2018
	(Unaudited)	(Audited)
At net realizable value:		
Educational materials	₱141,541,555	₱124,412,501
Promotional materials	18,669,489	12,710,309
School materials and supplies	4,328,794	2,458,782
	₱164,539,838	₱139,581,592

Educational materials include inventory of school uniforms amounting to ₱127.4 million and ₱114.4 million as at September 30, 2018 and March 31, 2018, respectively. This also includes textbooks and other educational-related materials amounting to ₱14.1 million and ₱10.0 million as at September 30, 2018 and March 31, 2018, respectively.

Promotional materials primarily pertain to marketing materials and proware materials amounting to ₱4.0 million and ₱14.7 million, respectively, as at September 30, 2018 and ₱3.6 million and ₱9.1 million, respectively, as at March 31, 2018.

8. Prepaid Expenses and Other Current Assets

This account consists of:

	September 30, 2018	March 31, 2018
	(Unaudited)	(Audited)
Prepaid taxes	₱105,601,802	₱105,657,910
Prepaid insurance	10,991,449	766,864
Prepaid rent	10,585,983	6,444,172
Prepaid subscriptions and licenses	9,329,741	12,029,975
Excess contributions to CEAP	3,560,528	3,518,596
Software maintenance cost	3,415,439	2,205,737
Deposits	1,476,454	589,366
Others	6,356,996	4,565,659
	₱151,318,392	₱135,778,279

Prepaid taxes represent creditable withholding tax (“CWT”), input value-added tax (“VAT”), prepaid business, and real property taxes. Most of the input VAT arose from the purchase of uniforms and acquisition of a lot in Iloilo City. In January 2018, STI ESG entered into a contract to sell 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 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 one year.

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

Prepaid subscriptions and licenses pertain to the Microsoft license subscriptions, Adobe Acrobat, Sophos Firewall and licenses for various software obtained by iACADEMY for its student activities, which are amortized over the period of coverage.

Excess contributions to the Catholic Educational Association of the Philippines Retirement Plan (“CEAP”) pertain to contributions made by De Los Santos-STI College and STI QA to CEAP which are already considered forfeited pension benefits of those employees who can no longer avail their pension benefits either because they did not meet the required tenure of ten years or they did not reach the retirement age of sixty when they left the service or when De Los Santos-STI College 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 and is amortized in accordance with the terms of the agreements.

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

9. **Noncurrent Asset Held for Sale**

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”). Maestro Holdings owns 100% of PhilPlans First, Inc. (“PhilPlans”), 99.89% of PhilhealthCare, Inc. (“PhilCare”), 70.6% of Philippine Life Financial Assurance Corporation (“PhilLife”) and 100% of Banclife Insurance Co. Inc. (“Banclife”). On June 27, 2017, STI ESG’s BOD approved the disposal of this 20% stake in Maestro Holdings to enable the Group to focus on its core business of offering educational services.

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.

As at September 30, 2018 and March 31, 2018, the carrying amount of the noncurrent asset held for sale did not fall below its fair value less costs to sell.

10. Property and Equipment

The rollforward analyses of this account are as follows:

	September 30, 2018 (Unaudited)									
	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Construction In-Progress	Total
Cost, Net of Accumulated Depreciation and Amortization										
Balance at beginning of period	₱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	-	274,782,745	114,499,626	20,854,742	12,673,589	4,305,788	29,100,667	6,253,213	882,483,143	1,344,953,513
Reclassifications	-	87,582,463	(19,634)	233,814	6,139,479	-	(258,317)	27,611	(93,705,416)	-
Disposal	-	-	(11)	-	-	(240,001)	-	-	-	(240,012)
Adjustment	-	-	-	(1,448)	-	(520,000)	-	(2,458)	-	(523,906)
Depreciation and amortization	-	(108,769,905)	(31,449,492)	(18,402,186)	(16,554,201)	(5,530,049)	(18,614,733)	(4,134,067)	-	(203,454,633)
Balance at end of period	₱3,204,905,313	₱4,239,399,230	₱231,508,837	₱78,504,505	₱93,651,142	₱25,995,618	₱87,558,960	₱21,212,132	₱1,584,841,304	₱9,567,577,041
At September 30, 2018:										
Cost	₱3,204,905,313	₱5,383,187,588	₱724,549,324	₱321,484,843	₱438,411,954	₱81,987,832	₱480,301,520	₱203,516,810	₱1,584,841,304	₱12,423,186,488
Accumulated depreciation and amortization	-	1,143,788,358	493,040,487	242,980,338	344,760,812	55,992,214	392,742,560	182,304,678	-	2,855,609,447
Net book value	₱3,204,905,313	₱4,239,399,230	₱231,508,837	₱78,504,505	₱93,651,142	₱25,995,618	₱87,558,960	₱21,212,132	₱1,584,841,304	₱9,567,577,041
	March 31, 2018 (Audited)									
	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Construction In-Progress	Total
Cost, Net of Accumulated Depreciation and Amortization										
Balance at beginning of 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)
Addition as a result of business combination	-	-	462,403	14,750	-	-	923,020	129,718	-	1,529,891
Depreciation and amortization	-	(180,075,063)	(61,977,213)	(33,514,048)	(29,123,390)	(9,790,736)	(33,152,401)	(8,373,765)	-	(356,006,616)
Balance at end 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
At March 31, 2018:										
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
Net book value	₱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

The cost of fully depreciated property and equipment still being used by the Group amounted to ₱989.10 million and ₱941.1 million as at September 30, 2018 and March 31, 2018, respectively. There were no idle assets as at September 30, 2018 and March 31, 2018.

Additions

Property and Equipment under Construction. As at September 30, 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 Sta. Mesa, STI Pasay-EDSA, STI San Jose del Monte and the cost of the portion of STI Lipa building that is still being completed; (b) construction and renovations in STI WNU's School of Basic Education and main building; and (c) installation of new elevators at iACADEMY's Buendia campus. The related contract costs amounted to ₱3,716.6 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects as at September 30, 2018.

As at March 31, 2018, the construction in-progress 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.

STI Lipa started operations in the new building in August 2018, specifically from the ground up to the fourth floor. The construction costs relating to these completed floors have been reclassified to the Building account. The remaining works from 5th floor up to the roof-deck are expected to be completed by end of November 2018 while the basketball gymnasium at the 7th floor is expected to be completed in January 2019. The rest of the other buildings in the sites mentioned above are expected to be operational in January 2019.

iACADEMY's Yakal campus building was launched as iACADEMY Nexus on February 12, 2018 and is now operational; while the construction of a firing range and the renovation of the gymnasium of STI WNU were completed in August 2018.

Capitalized Borrowing Costs. Total borrowing costs capitalized as part of property and equipment amounted to ₱39.2 million and ₱28.6 million for the six-month period ended September 30, 2018 and for the year ended March 31, 2018, respectively. The average interest capitalization rates were 5.96% and 4.65% for STI ESG and iACADEMY, respectively, for the six-month period ended September 30, 2018; and 5.96% and 3.82% for STI ESG and iACADEMY, respectively, for the year ended March 31, 2018, which were the effective rates of the general borrowings.

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 then owned by Neschester and the building now constructed thereon owned by iACADEMY, and all other facilities, machineries, equipment and improvements therein (see Note 15). As at September 30, 2018, the total carrying value of the mortgaged land, building, machineries and equipment amounted to ₱1,509.2 million.

11. Investment Properties

The rollforward analyses of this account are as follows:

	September 30, 2018 (Unaudited)		
	Land	Building	Total
Cost, balance at beginning and end of period	₱1,313,385,559	₱665,357,550	₱1,978,743,109
Accumulated depreciation:			
Balance at beginning of period	–	115,024,462	115,024,462
Depreciation	–	15,546,908	15,546,908
Balance at end of period	–	130,571,370	130,571,370
Net book value	₱1,313,385,559	₱534,786,180	₱1,848,171,739

	March 31, 2018 (Audited)		
	Land	Building	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	–	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

12. Investments in and Advances to Associates and Joint Ventures

The details and movements in this account follow:

	September 30, 2018 (Unaudited)	March 31, 2018 (Audited)
Investments at Equity		
Acquisition cost:		
Balance at beginning of period	₱46,563,407	₱220,681,533
Reversal	–	(43,000)
Reclassification to noncurrent asset held for sale	–	(174,075,126)
Balance at end of period	46,563,407	46,563,407
Accumulated equity in net earnings:		
Balance at beginning of period	1,918,323,519	2,592,530,676
Equity in net losses	(46,256)	(222,036,414)
Dividends received	(260,644)	(1,535,756)
Reclassification to noncurrent asset held for sale	–	(450,634,987)
Balance at end of period	1,918,016,619	1,918,323,519
Accumulated share in associates' other comprehensive income (loss):		
Balance at beginning of period	(1,923,015,272)	(1,957,239,414)
Unrealized mark-to-market gain on AFS financial assets	–	124,968,590
Remeasurement gain on life insurance reserves	–	226,977
Remeasurement gain on pension liability	–	176,372
Reclassification to noncurrent asset held for sale	–	(91,147,797)
Balance at end of period	(1,923,015,272)	(1,923,015,272)

	September 30, 2018 (Unaudited)	March 31, 2018 (Audited)
Share in associates' other equity reserve:		
Balance at beginning of period	P-	P728,648
Reclassification to noncurrent asset held for sale	-	(728,648)
Balance at end of period	-	-
	41,564,754	41,871,654
Advances (see Note 19)	37,868,986	37,868,986
Less allowance for impairment loss	37,868,986	37,868,986
	-	-
	P41,564,754	P41,871,654

The equity in net losses amounting to P222.0 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, 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.

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

The carrying values of the Group's investments in and advances to associates and joint ventures are as follows:

	September 30, 2018 (Unaudited)	March 31, 2018 (Audited)
Associates:		
STI Accent	P37,868,986	P37,868,986
STI Alabang	23,225,758	23,225,758
GROW	15,210,538	15,199,032
Joint venture -		
PHEI	3,128,458	3,446,864
	79,433,740	79,740,640
Allowance for impairment loss	37,868,986	37,868,986
	P41,564,754	P41,871,654

As disclosed in the audited consolidated financial statements as at and for the year ended March 31, 2018, Maestro Holdings has restated its prior year financial statements to reflect, among others, the following changes: (a) completion of the correction in system process where benefits expense and payable pertaining to education plan contracts with maturity dates from July to December are being recognized only in the succeeding year; (b) change in the methodology for the determination of legal policy reserves from net premium valuation to gross premium valuation as required under IC Circular Letter 2016-66; (c) recognition of fair value decline below cost of certain AFS equity securities under profit or loss.

Accordingly, STI Holdings has made the necessary adjustments to recognize its share in the restated net earnings and comprehensive income of the associate and the Group's unaudited interim condensed consolidated financial statements as at and for the six months ended September 30, 2017 have been restated to reflect the adjustments.

13. Goodwill, Intangible and Other Noncurrent Assets

This account consists of:

	September 30, 2018 (Unaudited)	March 31, 2018 (Audited)
Goodwill	P241,235,574	P241,235,574
Deposits for asset acquisitions	118,983,124	76,270,833
Advances to suppliers	64,277,242	169,277,560
Rental and utility deposits	57,674,111	51,520,552
Intangible assets	12,664,724	17,307,719
Deferred input VAT	4,224,820	3,906,938
Others	3,053,313	1,975,184
	P502,112,908	P561,494,360

Goodwill

Goodwill acquired through business combinations have been allocated to select schools which are considered separate cash-generating units ("CGUs"). Management performs its annual impairment test every March 31 for each reporting period for all the CGUs. Management has determined, based on this analysis, that there is no impairment loss for the year ended March 31, 2018.

Deposits for Asset Acquisitions

This account pertains to payments being made by STI ESG for a property in Iloilo, and is the subject of a Contract to Sell. This property has been identified as the future site of STI Academic Center Iloilo. As discussed in the last paragraph of Note 21, monthly installments of P7.1 million are being made up to June 2019. The rights, title and interest in the property shall be conveyed to STI ESG upon receipt of full payment of the purchase price and upon full compliance of all the obligations as stipulated in the Contract to Sell.

Advances to Suppliers

Advances to suppliers primarily pertain to advance payments made in relation to the acquisition of property and equipment and construction of buildings (see Note 10). These will be reclassified to the "Property and equipment" account when the goods are received or the services are rendered.

Rental and Utility Deposits

This account includes security deposits paid to utility companies and for office and school space rentals to be applied against future lease payments in accordance with the respective lease agreements.

Intangible Assets

Intangible assets pertain to the cost of the Group's accounting and school management software which are being amortized over their estimated useful lives.

14. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2018 (Unaudited)	March 31, 2018 (Audited)
Accounts payable	₱646,968,097	₱517,387,683
Accrued expenses:		
Rent	38,351,903	46,348,807
Salaries, wages and benefits	30,444,809	20,000,943
Contracted services	24,646,374	32,306,912
School-related expenses	19,231,175	41,253,424
Interest	10,758,932	10,584,218
Utilities	6,120,786	5,855,548
Advertising and promotion	2,358,392	3,537,635
Others	3,235,366	7,431,392
Dividends payable	27,801,147	26,815,767
Statutory payables	27,074,945	23,111,901
Network events fund	11,554,447	8,857,657
Current portion of payable to STI Diamond (see Note 17)	9,420,751	7,053,619
Student organization fund	6,386,138	5,398,120
Current portion of refundable deposits	3,250,167	5,432,332
Others	18,728,870	20,967,090
	₱886,332,299	₱782,343,048

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

- a. Accounts payable are noninterest-bearing and are normally settled within a 30 to 60-day term.
- b. Accrued expenses, network events fund, student organization fund and other payables are expected to be settled within the year.
- c. Dividends payable pertains to dividends declared and are due on demand.
- d. Statutory payables primarily include taxes payable and remittances to government agencies. These are normally settled within 30 days.
- e. Refundable deposits pertain to security deposits received from existing lease agreements, and are expected to be settled in accordance with the terms of the lease agreements.
- f. For terms and conditions with related parties, refer to Note 19.

15. Interest-bearing Loans and Borrowings

This account consists of:

	September 30, 2018 (Unaudited)	March 31, 2018 (Audited)
Corporate notes facility	₱869,500,000	₱916,400,000
Term loan facility	692,618,211	322,208,112
	1,562,118,211	1,238,608,112
Less current portion	290,300,000	167,400,000
	₱1,271,818,211	₱1,071,208,112

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 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 ₱20.4 million and ₱40.8 million for the six-month period ended September 30, 2018 and for the year ended March 31, 2018, 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 would not be availing of tranche 2 of the Credit Facility Agreement thus limiting the facility available to STI ESG to ₱1.5 billion. On the same date, STI WNU availed the amount of ₱300.0 million under the same terms and conditions as that of STI ESG Credit Facility, 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 ₱26.5 million and ₱27.0 million for the six-month period ended September 30, 2018 and for the year ended March 31, 2018, respectively. Principal prepayments made since the inception of the loan, which were applied in the last year of amortization, aggregated to ₱60.0 million as at September 30, 2018.

These loans are unsecured and are due based on the following schedule:

Fiscal year ending March 31	STI ESG	STI WNU
2019	₱114,000,000	₱16,500,000
2020	240,000,000	79,600,000
2021	240,000,000	59,400,000
2022	120,000,000	–
	₱714,000,000	₱155,500,000

The Credit Facility Agreement, together with the Accession Agreement, contains, among others, covenants regarding incurring additional debt and declaration of dividends, to the extent that such will result in a breach of the required debt-to-equity and debt service cover ratios. STI ESG was required to maintain a debt-to-equity ratio of not more than 1.0:1 and debt service cover ratio of not less than 1.1:1.

Breakdown of Group’s Credit Facility Agreement follows:

	September 30, 2018 (Unaudited)	March 31, 2018 (Audited)
Balance at beginning of period	₱916,400,000	₱984,200,000
Repayments	46,900,000	67,800,000
Balance at end of period	869,500,000	916,400,000
Less current portion	290,300,000	167,400,000
Noncurrent portion	₱579,200,000	₱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 1.5% per annum which interest rate shall in no case be lower than 3.75% per annum or (2) the 3-month benchmark rate plus a margin of 1.5% per annum which interest rate shall in no case be lower than 3.5% per annum.
- b) amendments on the required financial ratios, whereby STI ESG shall maintain the following ratios which shall be computed based on the unaudited interim condensed consolidated financial statements:
 - (1) Debt-to-equity ratio of not more than 1.5x, computed by dividing total debt by total equity. For the purpose of this computation, total debt shall exclude unearned tuition and other school fees;
 - (2) Debt service cover ratio of a minimum of 1.05x.

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

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

As at September 30, 2018 and March 31, 2018, STI ESG and STI WNU complied with the above covenants.

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.

Interest expense on the loans amounted to ₱23.9 million and ₱28.7 million for the six-month periods ended September 30, 2018 and 2017, respectively.

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 then in the name of Neschester and the building constructed thereon owned by iACADEMY, and all other facilities, machineries, equipment and improvements therein (see Note 10). 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. The available balance of ₱100.0 million from the facility was drawn on October 26, 2018.

iACADEMY made its initial drawdown of ₱200.0 million on September 29, 2017 to fully settle its short-term loan and subsequent drawdowns of ₱130.0 million, ₱240.0 million and ₱130.0 million on January 10, April 5 and May 15, 2018, respectively, to partially finance the construction. Interest rates from the first to the fourth drawdown are as follows: 4.4025%, 4.4057%, 4.6932% and 5.1928%, respectively, fixed up to September 29, 2018 and will be repriced annually. 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 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 31 and September 30 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.

Future repayment of the loan principal under the Omnibus Agreement follows:

Fiscal year ending March 31	
2021	₱93,333,333
2022	93,333,333
2023	93,333,333
2024	93,333,333
2025	93,333,333
2026	93,333,333
2027	93,333,333
2028	46,666,669
	<u>₱700,000,000</u>

iACADEMY incurred costs related to the availment of the loan amounting to ₱8.2 million. These costs are capitalized and amortized using the effective interest rate method. The carrying value of the

transaction costs amounted to ₱7.4 million and ₱7.8 million as at September 30, 2018 and March 31, 2018, respectively. Amortization of transaction costs, which is recognized as part of interest expense in the unaudited interim condensed consolidated statements of comprehensive income, amounted to ₱0.4 million and nil for the six-month periods ended September 30, 2018 and 2017, respectively.

The related borrowing costs capitalized as part of “Building” amounted to ₱13.6 million and ₱11.2 million for the six-month period ended September 30, 2018 and for the year ended March 31, 2018, respectively (see Note 10).

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 September 30, 2018, iACADEMY has complied with the above covenants.

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. The amount recognized as interest expense from the loan amounted to ₱3.1 million up to December 31, 2016. 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.

16. Bonds Payable

On March 23, 2017, STI ESG issued the first tranche of its ₱5,000.0 million fixed rate bonds program under its 3-year shelf registration with the SEC, which was listed through the Philippine Dealing and Exchange Corp (“PDEX”). The bonds, amounting to an aggregate of ₱3,000.0 million, with interest payable quarterly, were issued with a fixed rate 5.8085% for the 7-year series, due 2024, and 6.3756% for the 10-year series, due 2027, and were rated a high rating of ‘PRS Aa’ by Philippine Rating Services Corporation (“PhilRatings”) in 2017. Proceeds of the issuance are 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, *Financial Instruments: Recognition and Measurement*.

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

Year Issued	Interest Payable	Term	Interest Rate	Principal Amount	Carrying Value as at September 30, 2018 (Unaudited)	Carrying Value as at March 31, 2018 (Audited)	Features
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	₱2,147,949,345	₱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	806,920,248	806,354,364	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	₱2,954,869,593	₱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 corporations resulting in loss of control over the overall resulting entity and sale, lease, transfer or otherwise disposal of all or substantially all of its assets. The Credit Facility Agreement also contains, among others, covenants regarding incurring additional debt and declaration of dividends. STI ESG is required to maintain a debt-to-equity ratio of not more than 1.5:1 and debt service cover ratio of not less than 1.05:1 computed based on the unaudited interim condensed consolidated financial statements.

STI ESG's debt-to-equity and debt service cover ratios as at September 30, 2018 and March 31, 2018 are as follows:

	September 30, 2018 (Unaudited)	March 31, 2018 (Audited)
Total liabilities*	₱4,705,014,798	₱4,215,264,337
Total equity	6,424,342,141	6,621,659,346
Debt-to-equity	0.73:1.00	0.64:1.00

*Excluding unearned tuition and other school fees

	September 30, 2018 (Unaudited)	March 31, 2018 (Audited)
EBITDA**	₱1,002,204,352	₱1,219,382,693
Total interest-bearing liabilities	450,136,302	353,487,492
Debt service cover	2.23:1.00	3.45:1.00

**EBITDA for the last twelve months

Bond Issuance Costs

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 ₱45.1 million and ₱48.1 million as at September 30, 2018 and March 31, 2018, respectively. Amortization of bond issuance costs amounting to ₱3.0 million and ₱2.8 million for the six-month periods ended September 30, 2018 and 2017, respectively, was recognized as part of the "Interest expense" account in the unaudited interim condensed consolidated statements of comprehensive income.

Interest Expense

Interest expense, net of amount capitalized as property and equipment, associated with the bonds payable recognized in the unaudited interim condensed consolidated statements of comprehensive income amounted to ₱63.8 million and ₱73.3 million for the six-month periods ended September 30, 2018 and 2017, respectively.

17. Other Noncurrent Liabilities

This account consists of:

	September 30, 2018	March 31, 2018
	(Unaudited)	(Audited)
Advance rent	₱44,252,293	₱36,101,395
Payable to STI Diamond - net of current portion	44,124,226	50,063,693
Refundable deposit - net of current portion	22,367,929	18,151,424
Deferred lease liabilities	2,426,489	2,426,489
	₱113,170,937	₱106,743,001

18. Equity

Capital Stock

Details as at September 30, 2018 and March 31, 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

Other Comprehensive Income

	September 30, 2018 (Unaudited)		
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Cumulative actuarial gain	₱59,315,636	₱479,211	₱59,794,847
Unrealized mark-to-market gain on AFS financial assets	785,948	3,385	789,333
Share in associates' cumulative actuarial gain	215,592	–	215,592
Share in associates' unrealized mark-to-market gain (loss) on AFS financial assets (see Note 12)	(169)	53	(116)
	₱60,317,007	₱482,649	₱60,799,656

March 31, 2018 (Audited)			
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Cumulative actuarial gain	P96,727,608	P479,211	P97,206,819
Unrealized mark-to-market gain on AFS financial assets	847,989	5,432	853,421
Share in associates' cumulative actuarial gain	215,592	-	215,592
Share in associates' unrealized mark-to-market loss on AFS financial assets (see Note 12)	(114)	(2)	(116)
	<u>P97,791,075</u>	<u>P484,641</u>	<u>P98,275,716</u>

Other Comprehensive Income and Other Equity Reserves associated with Noncurrent Asset Held for Sale

As at September 30, 2018 and March 31, 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
Shares in associates':			
Unrealized mark-to-market gain on AFS financial assets	P107,103,936	P1,454,685	P108,558,621
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>P90,645,302</u>	<u>P1,231,144</u>	<u>P91,876,446</u>

Retained Earnings

On September 29, 2017, cash dividends amounting to P0.02 per share or the aggregate amount of P198.1 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.

Policy on Dividends Declaration

On September 19, 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 the Parent 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 Parent Company by lenders or other financial institutions, and the Parent Company's investment plans and financial condition.

Core income is defined as consolidated net income after income tax derived from the Parent Company'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.

19. 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 Period		Outstanding Receivable (Payable)		Terms	Conditions
	September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)	September 30, 2018 (Unaudited)	March 31, 2018 (Audited)		
Associates						
STI Accent						
Advances for various expenses and other charges	P-	P591,839	P37,868,986	P37,868,986	30 days upon receipt of billings; noninterest-bearing	Unsecured; with impairment
GROW						
Rental income and other charges	143,571	-	7,051,182	6,931,016	30 days upon receipt of billings	Unsecured; no impairment
Advances for various expenses	-	-	-	143,571	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Alabang						
Educational services and sale of educational materials and supplies	P8,248,747	P9,458,618	P724,587	P435,759	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Marikina						
Educational services and sale of educational materials and supplies	7,015,596	9,818,293	573,062	84,956	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*						
PhilCare						
Rental income and other charges	8,969,246	8,301,620	2,021,305	4,054,001	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

Forward

	Amount of Transactions during the Period		Outstanding Receivable (Payable)		Terms	Conditions
	September 30, 2018	September 30, 2017	September 30, 2018	March 31, 2018		
Related Party	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)		
HMO coverage	6,194,519	4,565,082	(37,109)	(28,449)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Refundable deposits	–	–	(1,820,984)	(1,820,984)	Refundable upon end of contract	Unsecured; no impairment
Advances for various expenses	46,175	–	–	–	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Phil First Insurance Co., Inc.						
Rental income and other charges	101,703	101,453	37,112	27,732	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental, utilities and other charges	2,018,674	1,948,346	(123,073)	(303,673)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	6,057,679	3,529,751	(1,339,724)	(19,829)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Philippines First Condominium Corporation						
Association dues and other charges	6,176,939	5,963,190	(885,419)	(1,331,539)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
PhilLife						
Rental income and other charges	8,566,011	8,265,640	30,838	486,550	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Officers and employees						
Advances for various expenses	15,244,653	13,300,700	26,709,420	24,505,141	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others						
Rental income and other charges	2,835,299	2,824,518	1,513,931	2,043,402	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Advertising and promotion charges	200,000	180,000	(100,000)	(100,000)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
			₱ 72,224,114	₱72,976,640		

*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:

	September 30, 2018 (Unaudited)	March 31, 2018 (Audited)
Educational services (see Note 6)	₱1,297,649	₱520,715
Advances to officers and employees (see Note 6)	26,709,420	24,505,141
Rent, utilities and other related receivables (see Note 6)	10,654,368	13,542,701
Current portion of advances to associates, joint ventures and other related parties (see Note 6)	–	143,571
Advances to associates and joint ventures (see Note 12)	37,868,986	37,868,986
Accounts payable (see Note 14)	(4,306,309)	(3,604,474)
	₱72,224,114	₱72,976,640

Outstanding balances of transactions with subsidiaries from the Parent Company's point of view which were eliminated during consolidation:

Category	Amount of Transactions during the Period		Outstanding Receivable (Payable)		Terms	Conditions
	September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)	September 30, 2018 (Unaudited)	March 31, 2018 (Audited)		
Subsidiaries						
STI ESG						
Advisory fee	₱7,200,000	₱7,200,000	₱-		₱ 30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursements	23,772	-	-		- 30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Dividend income	-	10,008,678	-		- Due and demandable; noninterest-bearing	Unsecured; no impairment
Dividends payable	182,437,382	243,249,843	182,437,382		- Due and demandable; noninterest-bearing	Unsecured; no impairment
STI WNU						
Advisory fee	1,800,000	1,800,000	-		- 30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Subscription payable	-	-	(25,227,650)	(25,227,650)	Noninterest-bearing	Unsecured; no impairment
iACADEMY*						
Advisory fee	75,000	-	-		- 30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
AHC						
Payable to AHC	-	-	(63,778,000)	(63,778,000)	Payable upon demand; noninterest-bearing	Unsecured; no impairment
Subscription payable	-	-	(64,000,000)	(64,000,000)	noninterest-bearing	Unsecured; no impairment

*In September 2018, the Parent Company and iACADEMY entered into an agreement for the Parent Company to act as an adviser for the latter with monthly fee of ₱75,000.

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

The table below shows the summary of net income and weighted average number of common shares outstanding used in the calculation of earnings per share for the six-month periods ended September 30, 2018 and 2017:

	2018 (Unaudited)	2017
Net income attributable to equity holders of STI Holdings (see Note 12)	₱52,556,485	₱52,671,766
Common shares outstanding at beginning and end of year (see Note 18)	9,904,806,924	9,904,806,924
Basic and diluted earnings per share on net income attributable to equity holders of STI Holdings (see Note 12)	₱0.005	₱0.005

The basic and diluted earnings per share are the same as there are no dilutive potential common shares.

21. 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.

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

	PWU	Unlad	Total
Principal amount	₱250,000,000	₱263,000,000	₱513,000,000
Interest*	12,651,546	3,327,389	15,978,935
Auction expenses**	23,195,709	951,876	24,147,585
Foreclosure and legal expenses**	18,021,970	5,941,989	23,963,959
	₱303,869,225	₱273,221,254	₱577,090,479

*Interest up to December 31, 2012 only

**₱15.2 million and ₱32.9 million of auction, foreclosure and legal expenses, were recognized as part of the noncurrent receivables in 2016 and 2015, respectively

Pursuant to the MOA, on March 31, 2016, the Parent Company and Unlad entered into the Deeds wherein Unlad transfers four parcels of land in Quezon City and a parcel of land in Davao to the Parent Company for a total dacion price of ₱611.0 million and ₱300.0 million, respectively, for the settlement of the outstanding loans of PWU and Unlad. This resulted 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 Parent 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 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 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 should use the land for educational purposes only and shall not subdivide the land for purposes of resale or lease to other persons. The Plaintiffs also claim that the real estate mortgage constituted over Unlad’s property in Davao City in favor of the Parent Company and AHC should be declared null and void because PWEA and Unlad have no capacity to mortgage the property based on the restrictions contained in the Deed of Sale.

On November 20, 2015, the Parent Company and AHC filed the Motion to Dismiss (“First Motion to Dismiss”). In the First Motion to Dismiss, the Parent Company and AHC asserted that the Plaintiffs’ cause of action against PWEA and Unlad has prescribed considering that the alleged violation of the restrictions in the Deed of Sale occurred in 1987 or more than ten (10) years from the filing of the case. In addition, Plaintiffs cannot seek the cancellation of the real estate mortgage in favor of the Parent Company and AHC because (a) Plaintiffs are not privy/real parties in interest to the said mortgage, and (b) the restrictions in the title and Deed of Sale do not prohibit the mortgage of the subject property.

While the aforesaid First Motion to Dismiss was pending, the Corporation and AHC filed the Second Motion to Dismiss (on grounds of res judicata and willful and deliberate forum shopping) 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 its 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 the aforesaid appeal was dismissed, upon motion by the Parent Company and AHC, by the Court of Appeals due to defects and/or violations of the prescribed form and content of an Appellants’ Brief, the same was reinstated after the Plaintiffs-Appellants filed an Amended Appellants’ Brief and invoke the liberal application of the Rules of Court.

Considering that the other defendants have filed their Appellees' Brief, the Court of Appeals required the Corporation 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.

The Decision dated August 6, 2018, which dismissed the Plaintiffs' appeal, is deemed submitted for resolution.

(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 Parent Company, Mr. Alfredo Abelardo B. Benitez ("ABB") and AHC (collectively, the "Respondents") submit the alleged dispute over the settlement of the loan obligations of PWU and Unlad as provided in the arbitration clause of the Joint Venture Agreement and Omnibus Agreement (the "Loan Documents").

In the said Arbitration Case, the Claimant asserted that PWU and Unlad are not in default in their obligations under the Loan Documents. The obligations provided therein, specifically obtaining a tax-free ruling for Property for Share Swap Transaction from the Bureau of Internal Revenue, is an impossible condition. Consequently, the foreclosures on the securities of the Loan Documents, real properties of PWU and Unlad, were null and void because (a) failure to submit the case for arbitration and (b) PWU and Unlad are not in default. Based on such circumstances, the Claimant sought, among others, the (a) renegotiation, or (b) rescission of the Loan Documents. Should the Loan Documents be rescinded, the Claimant also sought that PWU and Unlad shall be allowed twelve months to

sell the Davao and Quezon City Properties to return the alleged investments made by the Parent Company, EHT, ABB and AHC. Lastly, the Claimant sought the payment of attorney's fees not less than ₱5.0 million, ₱0.5 million for expenses and reimbursement of cost of suit, expenses, and other fees.

On July 12, 2016, the Parent Company, AHC and EHT received the Notice of Arbitration from the PDRCI, and required said parties to file their Response to the Request for Arbitration filed by the Claimant within thirty (30) days from receipt thereof, or until August 11, 2016.

Upon verification with the PDRCI, the Claimant has yet to pay the full amount of fees required by the PDRCI.

Based on the rules of the PDRCI, the Respondents in the arbitration case need not file their Response until full payment of the Claimant.

Based on said circumstances, the Parent Company, AHC, and EHT filed an Entry of Appearance with Manifestation ("Manifestation"). In the Manifestation, they informed the PDRCI that the filing of their Response 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 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 November 14, 2018, 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 their respective Pre-Trial Briefs and Judicial Affidavits of witnesses, the parties’ respective counsels attended the pre-trial for the above-captioned case on April 18, 2017.

During the pre-trial conference, the Trial Court referred the case for Court-Annexed Mediation with the Philippine Mediation Center (“PMC”) as allowed during pre-trial. The Trial Court further informed the parties that should the parties fail to amicably settle, the Trial Court may require the parties to (a) file their respective Memorandum, (b) present their evidence or witness on factual issues need to be clarified and/or resolved, and/or (c) submit the case for judgment based on the pleadings and evidence submitted by the parties.

Immediately after the hearing, the parties went to the PMC, wherein the parties agreed to schedule the mediation hearing on May 3, 2017. While setting the schedule of the

mediation hearing, counsel for the Petitioner made a proposal for the amicable settlement of the instant case.

On May 2, 2017, the Parent Company and AHC received the Urgent Motion (For Issuance of Temporary Restraining Order and Writ of Preliminary Injunction) ("Motion for TRO/Injunction") filed by the Petitioner. In the Motion for TRO/Injunction, the Petitioner sought to enjoin the construction work being initiated by the Parent Company on the Davao Property on the ground that (a) the said property is subject of the instant case, and (b) Unlad and/or Philippine Women's College of Davao will be dispossessed of the said property. The Motion for TRO/Injunction was scheduled by the Trial Court on May 11, 2017.

On May 3, 2017, the parties were all present for the mediation hearing. During said hearing, the Parent Company, through counsel, manifested that it rejects the Petitioner's proposal, and moved to terminate the mediation hearing. Upon said motion, the Court-Annexed Mediation was terminated.

On May 11, 2017, the parties' respective counsels attended the hearing on the Motion for TRO/Injunction. During the hearing, the Trial Court denied the Petitioner's request for a status quo pending the resolution of the said Motion. Instead, the Trial Court required the parties to file their respective Position Paper on the issuance of the TRO on May 18, 2017. The Trial Court also set the hearing on the issuance of a Preliminary Injunction wherein the parties will present their respective witnesses and evidence for the same.

While the aforesaid Motion for TRO/Injunction was pending, on May 17, 2017, the Parent Company and AHC received an Ex Parte Reiterative Motion of the Plaintiff. In the said Ex Parte Motion, the Petitioner reiterated his request for a status quo order considering that the Parent Company was able to obtain a permit to construct a fence on the Davao Property. The said Motion was set for hearing on May 18, 2017.

On May 18, 2017, all of the parties filed their respective Position Papers in relation to Petitioner's Motion for TRO/Injunction.

On May 25, 2017, the Petitioner filed a Manifestation and Motion to Withdraw its Motion for TRO/Injunction. The Petitioner alleged that instead of conducting hearings on the issuance of an Injunction, the Trial Court should proceed to resolve the case based on the pleadings and affidavits already filed by the parties in accordance with Interim Rules Governing Intra-Corporate Controversies.

Upon receipt of the aforesaid Manifestation and Motion to Withdraw of the Petitioner, the Trial Court granted the same and cancelled the scheduled injunction hearings.

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.

While the case is submitted for resolution, the Petitioner has been filing Manifestations wherein he manifested to the Trial Court that the Parent Company has initiated the construction of a school on the alleged subject Davao Property.

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 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.

After the Petitioner filed his Consolidated Reply dated October 18, 2018 to the aforesaid Comment(s) of the Defendants, the Petition for Review is deemed submitted for resolution.

- 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 it 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 Agustin family to a portion of the balance of the purchase price.

On June 2, 2016, the Parent 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 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. Consequently, the Agustin family averred that the Trial Court could issue an order in their favor, and order the Parent 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 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 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 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 Parent Company insisted that the Trial Court should resolve 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 Parent 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 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 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 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.

As at November 14, 2018, no resolution has yet been issued by the Trial Court on the aforesaid pending incidents.

- c. *Tax Assessment Case.* STI ESG filed a petition for review with the Court of Tax Appeals ("CTA") on October 12, 2009. This is to contest the Final Decision on Disputed Assessment issued by the BIR assessing STI ESG for deficiencies on income tax, and expanded withholding tax for the year ended March 31, 2003 amounting to ₱124.3 million. On February 20, 2012, STI ESG rested its case and its evidence has been admitted into the records.

On June 27, 2012, the BIR rested its case and has formally offered its evidence. On April 17, 2013, the CTA issued a Decision which granted STI ESG's petition for review and ordered the cancellation of the BIR's assessment since its right to issue an assessment for the alleged deficiency taxes had already prescribed. On May 16, 2013, STI ESG received a copy of the Commissioner of Internal Revenue's ("CIR") Motion for Reconsideration dated May 8, 2013. STI ESG filed its Comment to CIR's Motion for Reconsideration on June 13, 2013. The CTA issued a resolution dated July 17, 2013 denying the CIR's Motion for Reconsideration. On August 22, 2013, the CIR filed its Petition for Review dated August 16, 2013, with the CTA En Banc. On October 29, 2013,

STI ESG filed its Comment to the CIR's Petition for Review. The CTA En Banc deemed the case submitted for decision on May 19, 2014, considering the CIR's failure to file its memorandum. On March 24, 2015, the CTA En Banc affirmed the decision dated April 17, 2013 and the resolution dated July 17, 2013 and granted STI ESG's Petition for Review and ordered the cancellation of the BIR assessment for the fiscal year ending March 31, 2003. On April 21, 2015, the CIR filed a Motion for Reconsideration with the CTA En Banc. On July 3, 2015, STI ESG filed its Comment on the Motion for Reconsideration. On September 2, 2015, the CTA En Banc denied the CIR's Motion for Reconsideration. On October 30, 2015, the CIR filed a Petition for Review with the Supreme Court. On January 26, 2016, STI ESG received a notice from the Supreme Court requiring it to file its Comment on the Petition for Review filed by the CIR. On February 5, 2016, STI ESG filed a Motion for Extension of Time to File Comment on the Petition for Review requesting an additional period of twenty (20) days from February 5, 2016, or until February 25, 2016, within which to file the Comment. On February 25, 2016, STI ESG filed another Motion for Extension of Time to File Comment on the Petition for Review requesting an additional period of fifteen (15) days from February 25, 2016, or until March 11, 2016, within which to file the Comment. On March 11, 2016, STI ESG, through its counsel, filed its Comment on the Petition. On October 27, 2016, STI ESG received a notice from the Supreme Court in which the Court, *inter alia*, required the CIR to reply to STI ESG's Comment (to the Petition for Review) within 10 days from receipt of notice. On November 25, 2016, the CIR filed his reply to STI ESG's Comment.

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 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 fifteen (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 13th month pay from July 22, 2004 until the same is actually paid. In addition, the former employee waived the reinstatement aspect of the March 31, 2016 decision of labor arbiter, and sought the payment of separation pay.

As mentioned in an earlier paragraph, on October 19, 2015, 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 the Corporation was (a) vague, (b) served only through her former counsel and (c) belatedly served or after four (4) 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 November 14, 2018, the new labor arbiter has not issued any resolution on the aforesaid computation of the former employee's judgment award.

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

The Labor Arbiter decided that there was neither an illegal dismissal nor resignation to speak of in this case, hence, the parties were ordered to return to status quo, which meant reinstatement of complainant to her former position but without backwages, separation pay, or similar benefits. Nevertheless, STI 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 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 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 said resolution by the Court of Appeals. Upon inquiry with the Court of Appeals, it appeared that the copy of the resolution dismissing the petition for certiorari was returned to sender due to "RTS-UNKNOWN ADDRESS". Apparently, the indicated address of counsel of record simply states Ortigas Ave., Extension, Cainta, Rizal. STI ESG then filed a manifestation with the Court of Appeals manifesting that it has yet to receive a copy of their minute resolution and clarifying that the complete address where a copy of the said resolution may be sent is "3rd Flr. STI Academic Center, Ortigas Avenue Extension, Cainta, Rizal 1900".

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

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

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

On November 7, 2017, STI ESG received a copy of the Resolution of the Court of Appeals dated September 25, 2017 on its motion for reconsideration. The Court of Appeals resolved to grant the motion for reconsideration and reinstated STI ESG's petition for certiorari. 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 22nd Division, Court of Appeals, CDO. On April 25, 2018, STI ESG received a copy of Complainant's Memorandum. In a resolution of the Court of Appeals dated April 19, 2018, with the filing of the parties' respective memorandum, the Court declared the petition submitted for decision.

On July 11, 2018, STI ESG received a copy of the Decision of the 21st Division, Court of Appeals, CDO, setting aside the resolution of the NLRC declaring complainant to have been illegally dismissed and awarding the payment of 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 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 complainant within ten (10) days from notice. On November 12, 2018, STI ESG filed its Comment to the Motion for Reconsideration of complainant. With the filing of the Comment, the Motion for Reconsideration is deemed submitted for resolution.

As at November 14, 2018, the Court of Appeals has yet to issue its resolution on the matter.

- 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 LA 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 Manual of Regulations for Private Schools (“MORPS”) and Manual of Regulations for Private Higher Education (“MORPHE”) of CHED. 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.

As at November 14, 2018, the petition is pending resolution before the Supreme Court.

- 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.

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.

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

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

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

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

On July 28, 2017, STI ESG filed its Petition for Certiorari with prayer for the issuance of a restraining order and a writ of preliminary injunction with the Court of Appeals. On August 19, 2017, STI ESG received a copy of the resolution of the Court of Appeals dated August 9, 2017 directing complainant to comment on STI ESG's petition while holding in abeyance the action on the prayer for injunctive relief. Pending resolution of the STI ESG's prayer for the issuance of a restraining order and a writ of preliminary injunction with the Court of Appeals, on August 31, 2017, STI ESG received a copy of the Motion for Execution filed by 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 is 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.

As at November 14, 2018, the Court of Appeals has yet to issue its resolution on the matter.

- 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 basis 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.

As required by the rules, the case was re-raffled to a new presiding judge who will handle the trial and disposition 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 of the case.

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.

Considering the filing of the aforesaid pleadings, the Defendants complied with the Order dated October 26, 2018 and are prepared to attend the November 14, 2018 pre-trial conference.

- f. *Complaint for Damages filed by GATE (formerly STI-College Santiago, Inc.).* Global Academy of Technology and Entrepreneurship, Inc. ("GATE") filed a complaint for Damages against STI ESG for its non-renewal of the Licensing Agreement despite the former's alleged compliance of the latter's audit recommendations. On the basis of such alleged invalid non-renewal of the Licensing Agreement, GATE seeks for (a) moral damages in the amount of ₱0.5 million, (b) exemplary damages in the amount of ₱0.5 million and (c) attorney's fees in the amount of 15% of the amount to be awarded and ₱3.0 thousand per court appearance.

On January 23, 2017, STI ESG filed its Motion to Dismiss Ad Cautelam. In the said Motion, STI ESG asserted that the dismissal of the case was warranted on the following grounds; (a) lack of jurisdiction over STI ESG due to improper service of Summons to a Human Relations Officer ("HR Officer"), and (b) failure to state a cause of action because GATE has no right for the renewal of the Licensing Agreement when (i) the same already expired and (ii) it clearly provides that it may be renewed by mutual agreement of the parties. The Motion to Dismiss Ad Cautelam was set for hearing on February 3, 2017.

On February 3, 2017, STI ESG received GATE's Comment /Opposition. In the said Comment/Opposition, GATE alleged that (a) the HR Officer was allegedly authorized by its in house counsel to receive the Summons, and (b) the decision of STI ESG not to renew the Licensing Agreement was not based on its mutual agreement provision but the violations of GATE. Consequently, such decision of STI ESG to cancel the Licensing Agreement was allegedly in bad faith.

Upon the filing of all the pleadings in relation to the Motion to Dismiss Ad Cautelam of STI ESG, the Trial Court issued its Resolution dated May 16, 2017, which denied the said Motion. The Trial

Court also required STI ESG to file its Answer to the Complaint within the non-extendible fifteen (15) days from receipt of said Resolution on May 25, 2017 or until June 9, 2017.

On June 9, 2017, STI ESG filed its Answer to the Complaint. In the Answer, STI ESG reiterated its position that GATE has no cause of action against it because its decision not to renew the Licensing Agreement is in accordance with contractual stipulations therein that its renewal is upon mutual agreement of both parties. Considering the effectivity period of the Licensing Agreement expired on March 31, 2016 without being renewed by both parties, GATE cannot claim any damages for STI ESG's lawful exercise of its rights under the Licensing Agreement.

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 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 was given fifteen (15) days from October 30, 2018 to submit its Formal Offer of Evidence. The Defendant was given a similar period to submit its Comment on the Plaintiff's Formal Offer.

The Trial Court also set the initial presentation of the witnesses of STI ESG on January 29, 2019.

As at November 14, 2018, STI ESG has not received the said Formal Offer of Evidence.

- g. *Criminal Case.* A complaint for qualified theft was filed by STI ESG against its former school accounting supervisor and acting school accountant ("former supervisor/accountant"). In the complaint, STI ESG alleged that said former supervisor/accountant manipulated the payroll registers of STI College Global City by including the name of a former faculty member of STI College Global City in the payroll registers and placing a corresponding salary and 13th month pay beside said faculty member's name. The salary of said former faculty member was deposited in a bank account belonging to the former supervisor/accountant. The total amount deposited to the bank account of the former supervisor/accountant through this scheme amounted to ₱0.2 million.

The complaint for qualified theft was filed with Office of the City Prosecutor of Taguig City. Summons to the former supervisor/accountant was returned undelivered despite STI ESG providing additional addresses of the former supervisor/accountant where the summons could be served.

After the former supervisor/accountant failed to appear on two preliminary investigations, the complaint was submitted for resolution.

On September 8, 2016, STI ESG filed an Ex-Parte Motion for Early Resolution to resolve the case pointing out that more than sixteen (16) months has elapsed since the matter was submitted for resolution.

As at November 14, 2018, 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 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 September 8, 2014 (“Memorandum”) executed by STI ESG and MOBEELITY, STI ESG initiated the instant ad hoc arbitration to settle a dispute involving the reimbursement of ₱3.3 million by MOBEELITY due to a breach of its obligations under the Memorandum.

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

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

- i. Due to the nature of their business, STI ESG and STI WNU are involved in various legal proceedings, both as plaintiff and defendant, from time to time. The majority of outstanding litigation involves illegal dismissal cases under which faculty members have brought claims against STI ESG and STI WNU by reason of their faculty and employment contracts. Management and its legal counsels believe that STI ESG and STI WNU have substantial legal and factual bases for their position and are of the opinion that losses arising from these legal actions and proceedings, if any, will not have a material adverse impact on the Group’s consolidated financial position as well as in the results of its operations.

- j. STI WNU 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.
- k. Other subsidiaries also stand as defendant of various lawsuits and claims filed by their former employees. The complainants are seeking payment of damages such as backwages and attorney's fees.

As at November 14, 2018, the cases are pending before the Labor Arbiter.

Management and their legal counsels believe that the outcome of these cases will not have a significant impact on the unaudited interim condensed consolidated financial statements.

Commitments

a. Financial Commitments

STI ESG has a ₱165.0 million domestic bills purchase lines from various local banks specifically for the purchase of local and regional clearing checks. Interest on drawdown from such facility is waived except when drawn against returned checks, to which the interest shall be the prevailing lending rate of such local bank. This facility is 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 September 30, 2018 and March 31, 2018, STI WNU's long-term loan amounted to ₱155.5 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 September 30, 2018 and March 31, 2018, STI ESG has contractual commitments and obligations for the construction of school buildings which will be the site of 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 ₱1,423.6 million and ₱793.0 million have been paid as at September 30, 2018 and March 31, 2018, respectively.

STI WNU likewise has contractual commitments and obligations for the construction of school buildings and upgrade of its facilities aggregating to ₱26.0 million and ₱24.4 million as at September 30, 2018 and March 31, 2018, respectively. Of this, ₱22.3 million and ₱21.7 million have been paid as at September 30, 2018 and March 31, 2018, respectively.

iACADEMY has contractual commitments and obligations for the construction of its Yakal Campus totaling ₱1,033.6 million and ₱955.6 million as at September 30, 2018 and March 31, 2018. Of these, ₱875.6 million and ₱569.6 million have been paid as at September 30, 2018 and March 31, 2018, respectively.

c. Others

- i. On August 1, 2017, STI ESG entered into a Memorandum of Understanding with Royal Caribbean Cruises Ltd. ("RCL") for the creation of the RCL-STI Cruise Talent Development Centre that will follow RCL standards in providing training for hospitality jobs on cruise ships.

This facility will produce more Filipino seafaring talents ready to take on thousands of new hotel roles on cruise ships. Discussions for the execution of a Definitive Agreement are ongoing.

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

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

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

On June 21, 2017, in separate meetings, the stockholders and the BOD of STI Tanauan approved the increase in the authorized capital stock of the corporation from ₱1.0 million divided into 10,000 shares with a par value of ₱100 to ₱75.0 million divided into 750,000 shares with a par value of ₱100. The increase will be funded through the declaration of stock dividends and cash subscriptions by the shareholders. In the same meeting, the stockholders and the BOD approved the declaration of 150,000 shares as stock dividends with an aggregate par value of ₱15.0 million to be distributed to stockholders of record as at March 31, 2017 based on the unrestricted retained earnings of STI Tanauan as shown in its audited financial statements as at March 31, 2017.

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

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

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

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

- iii. 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. 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.

22. Fair Value Information of Financial Instruments

The Group's financial instruments consist of cash and cash equivalents, receivables, AFS financial assets, advances to associates and joint ventures, deposits, interest-bearing loans and borrowings, accounts payable and other current liabilities, obligations under finance lease and nontrade payable. The primary purpose of these financial instruments, except for nontrade payable, is to finance the Group's operations.

There are no material unrecognized financial assets and liabilities as at September 30, 2018 and March 31, 2018.

Due to the short-term nature of cash and cash equivalents, receivables, accounts payable and other current liabilities, and nontrade payable, their carrying values reasonably approximate their fair values as at September 30, 2018.

AFS Financial Assets. The fair values of publicly-traded AFS financial assets, classified under Level 1, are determined by reference to market bid quotes as of financial reporting date. Investments in unquoted equity securities for which no reliable basis for fair value measurement is available are carried at cost, net of impairment, if any.

Interest-bearing Loans and Borrowings. The carrying value approximates fair value because of recent and regular repricing based on market conditions.

Management believes that the fair values of deposits, bonds payable, obligations under finance lease and other noncurrent liabilities as at September 30, 2018 do not significantly differ from the fair values of these financial instruments as at March 31, 2018.

23. Note to Unaudited Interim Condensed Consolidated Statements of Cash Flows

The Group's material noncash investing and financing activities follow:

- a. Unpaid progress billing for construction in-progress of STI WNU amounting to ₱0.6 million and ₱3.4 million as at September 30, 2018 and 2017, respectively (see Note 10).
- b. Unpaid progress billing for construction in-progress of STI ESG amounting to ₱207.8 million and ₱8.3 million as at September 30, 2018 and 2017, respectively. Unpaid progress billing for the land development and construction of the building for the iACADEMY Nexus campus amounting to ₱9.0 million and ₱203.8 million as at September 30, 2018 and 2017, respectively (see Note 10).
- c. Acquisitions of property and equipment under finance lease recorded under the "Property and equipment" account in the interim condensed consolidated statements of financial position amounting to ₱1.7 million and ₱4.5 million as at September 30, 2018 and 2017 respectively.

24. Events after the Reporting Period

- 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.

25. Changes in Liabilities Arising from Financing Activities

	April 1, 2018	Cash flows	Interest Expense	Reclassified as Current	New Leases	Others	September 30, 2018
Current interest-bearing loans and borrowings	₱167,400,000	(₱46,900,000)	₱–	₱169,800,000	₱–	₱–	₱290,300,000
Current obligations under finance leases	7,134,449	(3,786,221)	–	3,091,334	90,915	–	6,530,477
Bonds payable	2,951,879,134	–	2,990,459	–	–	–	2,954,869,593
Noncurrent interest-bearing loans and borrowings	1,071,208,112	370,000,000	410,099	(169,800,000)	–	–	1,271,818,211
Noncurrent obligations under finance leases	14,627,824	(240,000)	–	(3,091,334)	1,603,074	–	12,899,564
Dividends payable	26,815,767	(1,489,869)	–	–	–	2,475,249*	27,801,147
Interest payable	10,584,218	(114,312,455)	114,487,169	–	–	–	10,758,932
Total liabilities from financing activities	₱4,249,649,504	₱203,271,455	₱117,887,727	₱–	₱1,693,989	₱2,475,249	₱4,574,977,924

* Share of non-controlling interest on dividends declared by a subsidiary.

STI Education Systems Holdings, Inc.
Aging of receivables
As of September 30, 2018

Type of Accounts Receivable	Total	0-30 days	31-60 days	61-90 days	over 90 days
Current Receivables	1,026,618,530	787,132,128	18,845,916	29,973,660	190,666,825
	<u>1,026,618,530</u>	<u>787,132,128</u>	<u>18,845,916</u>	<u>29,973,660</u>	<u>190,666,825</u>

TYPE OF ACCOUNTS RECEIVABLE	NATURE/DESCRIPTION	COLLECTION PERIOD
Current Receivables	Tuition fees and other current receivables	Monthly

STI EDUCATION SYSTEMS HOLDINGS, INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

STI Education Systems Holdings, Inc. ("STI Holdings" or "the Parent Company") was originally established in 1928 as a Philippine branch office of Theo H. Davies and Co., a Hawaiian corporation. It was reincorporated as a Philippine company in 1946 as part of the Jardine-Matheson group and was listed in the Philippine Stock Exchange on October 12, 1976. STI Holdings was then sold to Filipino investors in 2006. In March 2010, it became part of the Tanco Group of Companies. The Parent Company completed its follow-on offering of 2.9 billion shares in November 2012 comprising of primary and secondary issues. Today, it is a holding company with investments in three large educational institutions and is also the owner of Attenborough Holdings Corporation ("AHC") which was a party to the various agreements with Philippine Women's University ("PWU") and Unlad Resources and Development Corporation ("Unlad"). STI Holdings used to own Neschester Corporation ("Neschester") until its merger with Information and Communications Technology Academy, Inc. ("iACADEMY") in April 2018. Its three subsidiaries involved in education are STI Education Services Group, Inc. ("STI ESG"), STI West Negros University, Inc. ("STI WNU") and iACADEMY.

- STI ESG was founded on August 21, 1983 to address the Information Technology ("IT") education needs of the Philippines. It evolved from its wholly-owned training centers to granting franchises to several locations in Metro Manila. In 1995, STI ESG was granted a permit by the Commission on Higher Education ("CHED") to operate colleges. It started to roll out the four-year college programs in 1996. From offering various degrees related to Computer Science, STI ESG showed its strength beyond IT by expanding the existing programs to bachelor's degrees in the fields of Business Administration, Computer Engineering, Hospitality Management, Tourism Management, Accountancy, Communications and Multimedia Arts, among others. STI ESG is also offering Senior High School ("SHS").

STI ESG's network of schools totals to 75 schools with 38 owned schools and 37 franchised schools comprising of 68 colleges and 7 education centers.

In recent years, STI ESG embarked on expansion and capital improvement projects as it encouraged schools to move from rented space into school-owned stand-alone campuses. A number of franchised schools likewise started their own facilities expansion programs. To date, STI ESG has 16 wholly-owned campuses with newly constructed/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 131,923 students, with 76,538 pertaining to owned schools and 55,385 for franchised schools.

- STI WNU was founded on February 14, 1948. The campus sits on a 3.1 hectare property in the heart of Bacolod City. STI WNU was granted its university status by CHED on February 11, 2008. STI Holdings acquired 99.5% ownership of the university on October 1, 2013. Since then, STI WNU's facilities have been undergoing continuous upgrade.

The university offers primary, junior and senior high school, tertiary and post-graduate courses. Tertiary courses include Engineering, Education, Criminology, Business courses such as Accountancy, Management Accounting and Business Administration, Hospitality and Tourism Management, Information System and Technology, Computer Science and Maritime Training Courses required by the Maritime Industry Authority ("MARINA") for officers and crew on board Philippine and/or foreign registered ships operating in Philippine and/or international waters. Post-graduate courses include Master's degrees in Business Administration, Public Administration, Nursing and Education, and Doctorate degrees in Public Administration and Educational Management.

On September 21, 2018, the Securities and Exchange Commission ("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.

STI WNU's facilities can accommodate 12,000 students. The classrooms are available for its primary, secondary, tertiary and post-graduate students. There is also ample space for its Maritime Training Center.

- iACADEMY is the premier school in the Group that offers courses in animation, multimedia arts and design, fashion design and technology, software engineering, game development, web development, marketing management, financial management and real estate management. It also offers Senior High School. It started in 2002 as a wholly-owned subsidiary of STI ESG until its spin-off and became a 100% owned subsidiary of STI Holdings in September 2016. The school's first campus is at iACADEMY Plaza in Makati - the Central Business District of Metro Manila.

In April 2016, CHED granted iACADEMY a Government Authority ("GA") to operate as a Transnational Education ("TNE") provider for the Master in Business Administration ("MBA") program in partnership with DePaul University, Chicago, Illinois, United States of America, as the degree granting institution.

The 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 Institutions (“HEIs”) in the Philippines. This GA applies only to the iACADEMY Plaza campus. The MBA program was not offered last school year due to space constraints as the surge of senior high school students took the priority lane. iACADEMY has already requested CHED for the extension of the GA. As at report date, CHED’s Technical Panel on Transnational Education and Distance Education is processing iACADEMY’s request on this matter.

On September 7, 2017, the Board of Governors (“BOG”) of iACADEMY approved the merger of iACADEMY and 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 SEC on April 10, 2018. On May 11, 2018, iACADEMY issued 494,896,693 shares to STI Holdings in exchange for the net assets of Neschester as a result of the merger.

- Neschester is a real estate company whose major asset is a parcel of land in Makati City with an area of 2,332.5 sq. m. In August 2016, STI Holdings acquired 100% ownership of Neschester. As discussed in the preceding paragraph, Neschester was merged with iACADEMY on April 10, 2018.

On September 20, 2016, iACADEMY had its groundbreaking ceremony on the parcel of land owned by Neschester. It is now the site of its Yakal campus housing both Senior High School and college students. iACADEMY’s Yakal campus building was launched as iACADEMY Nexus on February 12, 2018. Nexus has a student capacity of 2,500.

- AHC is a holding company which is a party to the Joint Venture Agreement and Shareholders’ Agreement (“Agreements”) among the Parent Company, PWU and Unlad. It granted advances amounting to ₱65.0 million to Unlad by virtue of these Agreements. AHC assigned these receivables to the Parent Company on March 1, 2016.

On March 22, 2016, AHC became a party to an arrangement for the settlement of the loans and advances, which included the said receivables. As of March 31, 2016, the loans and advances arising from the Agreements have been fully settled.

STUDENT POPULATION

The enrollment at the start of the School Year (“SY”) 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
STI ESG				
Owned schools	44,298	54,366	(10,068)	(18.5%)
Franchised schools	32,543	42,165	(9,622)	(22.8%)
	76,841	96,531	(19,690)	(20.4%)
iACADEMY	2,291	1,728	563	32.6%
STI WNU	6,665	6,772	(107)	(1.6%)
Total Enrollees	85,797	105,031	(19,234)	(18.3%)

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 Department of Education (“DepEd”) pertains to primary and secondary education including SHS, following are the numbers:

	SY 2018-2019			
	CHED	TESDA	DEPED*	TOTAL
STI ESG	38,582	1,843	36,416	76,841
iACADEMY	1,121	-	1,170	2,291
STI WNU	3,499	-	3,166	6,665
Total	43,202	1,843	40,752	85,797

Proportion of CHED:TESDA:DepEd	50%	2%	48%	100%
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	SY 2017-2018			
	CHED	TESDA	DEPED*	TOTAL
STI ESG	40,147	2,191	54,193	96,531
iACADEMY	783	-	945	1,728
STI WNU	3,336	-	3,436	6,772
Total	44,266	2,191	58,574	105,031

Proportion of CHED:TESDA:DepEd	42%	2%	56%	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 2,218 SHS students and the 948 students enrolled in basic education in SY 2018-2019 and 2,496 SHS students and the 940 students enrolled in basic education in SY 2017-2018.

In line with the Group's thrust to continue providing 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 State Universities and Colleges and Local Universities and Colleges 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.

FINANCIAL REVIEW

This discussion summarizes the significant factors affecting the operating results for the six months ended September 30, 2018 and 2017 and financial condition as at September 30, 2018 and March 31, 2018 of STI Education Systems Holdings, Inc. and its subsidiaries (hereafter collectively referred to as the "Group"). The following discussion should be read in conjunction with the attached unaudited interim condensed consolidated financial statements of the Group as at and for the period ended September 30, 2018. All necessary adjustments have been made to present fairly the financial position, results of operations, and cash flows of the Group as at and for the period ended September 30, 2018, and for all the other periods presented.

I. RESULTS OF OPERATIONS

a. Three months ended September 30, 2018 vs. three months ended September 30, 2017

For the three months ended September 30, 2018, the Group generated gross revenues of ₱766.1 million, lower by 13% or ₱117.8 million from same period last year of ₱883.9 million. Gross profit likewise decreased by ₱103.5 million or 17% year-on-year.

The Group generated operating income of ₱158.0 million for the three-month period ended September 30, 2018 as against same period last year's operating income of ₱312.1 million.

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, declined by ₱133.6 million to ₱303.7 million from last year's ₱437.3 million. EBITDA margin for the three-month period decreased from 49% last year to 40% this year.

Net income for the period amounted to ₱131.8 million as against same period last year's net income of ₱269.8 million.

b. Six months ended September 30, 2018 vs. six months ended September 30, 2017

For the six months ended September 30, 2018, the Group generated gross revenues of ₱1,226.4 million, lower by 11% or ₱145.5 million from same period last year of ₱1,371.9 million. Gross profit likewise decreased by ₱152.7 million or 17% year-on-year.

The Group's operating income amounted to ₱84.0 million for the six-month period ended September 30, 2018 as against same period last year's operating income of ₱340.7 million.

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 and interest income, is at ₱369.7 million from last year's ₱594.8 million, a decline of ₱225.1 million. EBITDA margin for the six-month period is 30% from 43% same period last year.

Net income for the period amounted to ₱51.7 million as against same period last year's net income of ₱52.9 million.

II. FINANCIAL CONDITION

The Group's total assets as at September 30, 2018 amounted to ₱15,389.9 million, 7% or ₱974.1 million higher than the balance as at March 31, 2018. This was largely due to the increase in property and equipment as construction projects continued in full swing.

Cash and cash equivalents decreased by 32% or ₱600.1 million substantially due to payments to suppliers and contractors and purchase of equipment, furniture and fixtures for the ongoing construction projects.

Total receivables amounted to ₱1,026.6 million, up by ₱508.6 million from ₱518.0 million as at March 31, 2018, since the September 30, 2018 balance is composed mostly of amounts expected to be collected as payment for tuition and other school fees from students and from DepEd for the remaining months of the current school term. Students who qualified for the DepEd Voucher Program are entitled to the government subsidy in amounts ranging from ₱8,750 to ₱22,500 per student per year. Under the Voucher Program, DepEd pays directly the schools where these students enrolled.

Inventories increased by 18% or ₱25.0 million as the schools raised their inventory level of uniforms and textbooks for SY 2018-2019.

Property and equipment, net of accumulated depreciation, increased by ₱1,140.7 million from the March 31, 2018 balance of ₱8,426.8 million as STI ESG's construction projects continued in full swing and iACADEMY's Nexus campus was substantially completed.

Pension assets as at September 30, 2018 amounted to ₱10.0 million or 81% lower than balance as at March 31, 2018 largely due to the decline in value of equity shares forming part of pension assets.

Total current liabilities increased by ₱755.6 million to ₱1,946.3 million as at September 30, 2018 from ₱1,190.7 million as at March 31, 2018, mainly due to the ₱539.6 million increase in unearned tuition and other school fees and ₱104.0 million increase in accounts payable and other current liabilities. Unearned revenues will be recognized as income over the remaining period of the related school term.

Total equity slightly increased by ₱11.0 million.

III. TOP 5 KEY PERFORMANCE INDICATORS

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

		Six Months ended September 30		Remarks
		2018	2017	
EBITDA margin	Net income excluding provision for income tax, depreciation and amortization, equity in net losses of associates and joint ventures, interest expense and interest income ("EBITDA") divided by total revenues	30%	43%	EBITDA margin declined in 2018 as compared to same period in 2017 mainly due to increased direct costs and operating expenses and lower revenues.

**Six Months ended
September 30**

		2018	2017	Remarks
Gross profit margin	Gross profit divided by total revenues	60%	65%	Gross profit margin declined as direct costs increased while revenues declined
Return on equity	Net income attributable to equity holders of the Parent company (annualized) divided by average equity attributable to equity holders of the Parent company	1%	1%	Return on equity was maintained at same rate for both periods as net income figures also remained substantially the same.
Debt service cover ratio	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months	2.05	2.64	Debt service cover ratio for the periods presented has always been well above the minimum set by management and the lending bank. The bar is 1.1 of cash income (EBITDA) for every peso of loans and interest maturing within the next 12 months.
Debt-to-equity ratio	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.67	0.68	Debt-to-equity ratio slightly improved as net income earned for the period Oct 2017 to September 2018 increased equity as at September 30, 2018

IV. MATERIAL CHANGES IN BALANCE SHEET ACCOUNTS

Cash and cash equivalents decreased by 32% or ₱600.1 million from ₱1,857.5 million to ₱1,257.4 million as at March 31, 2018 and September 30, 2018, respectively, substantially due to payments to suppliers and contractors and purchase of equipment, furniture and fixtures for the ongoing construction projects, net of collections received from students for tuition and other school fees.

Receivables increased by ₱508.6 million or 98%. Receivables from students increased by ₱265.1 million from ₱406.4 million as at March 31, 2018 to ₱671.5 million as at September 30, 2018, largely pertaining to tuition and other school fees. The receivables from students are expected to be collected over the remaining months of the related school term. Outstanding receivables from DepEd for the SHS qualified voucher recipients amounted to ₱375.0 million as at September 30, 2018, posting an increase of ₱264.9 million from the March 31, 2018 balance.

Inventories increased by 18% or ₱25.0 million representing increase in new sets of tertiary uniforms, SHS textbooks and proware items.

Prepaid expenses and other current assets increased by 11% or ₱15.5 million due to prepayment of insurance which mostly covers the period April 2018 to March 2019 or in line with the school calendar and are recognized as expense over the remaining months of the respective contracts.

Property and equipment, net of accumulated depreciation, increased by 14% or ₱1,140.7 million from the March 31, 2018 balance of ₱8,426.8 million to ₱9,567.5 million as at September 30, 2018 as construction projects continued in full swing. The construction in-progress account includes costs related to the construction of school buildings, which will be the new sites of STI Sta. Mesa, STI Pasay-EDSA and STI San Jose del Monte and the cost of the portion of STI Lipa building that is still being completed. STI Lipa started operations in the new building in August 2018, specifically in the ground up to the fourth floor. The remaining works from the 5th floor up to the roof-deck are expected to be completed by end of November 2018 while the basketball gymnasium at the 7th floor is expected to be completed in January 2019. The rest of the buildings in the sites mentioned above are expected to be operational in January 2019.

As at September 30, 2018, the building, machineries and equipment accounts 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 and is now operational.

Deferred tax assets rose by 9% or ₱3.1 million due to taxes applicable to tuition and other school fees collected in advance. Following statutory regulations, tuition and other school fees which are collected in advance are subject to income tax upon receipt.

Pension assets as at September 30, 2018 amounted to ₱10.0 million or 81% lower than the balance as at March 31, 2018 largely due to the decline in value of equity shares forming part of pension assets.

Goodwill, intangible and other noncurrent assets decreased by ₱59.4 million, mainly due to the reclassification of the noncurrent advances to suppliers/contractors to Property and Equipment as STI ESG recognized the cost of construction works based on the percentage of completion of the projects as at September 30, 2018. This was partly offset by the ₱42.7 million increase in deposit for asset acquisition. In January 2018, STI ESG entered into a contract to sell with a real estate developer for the acquisition of a lot in Iloilo City with a total area of 2,615 sq. m. for a price of ₱183.0 million plus value added tax, less other applicable taxes. STI ESG made a down payment amounting to ₱67.5 million in January 2018, net of the ₱200.0 thousand reservation fee paid on November 29, 2017. The remaining balance amounting to ₱128.1 million is being paid without interest, in eighteen equal monthly installments of ₱7.1 million starting January 2018 up to June 2019. Consequently, the deposit for asset acquisition increased by ₱42.7 million representing payments made for the period April 1 to September 30, 2018. The lot will be the future site of STI Iloilo.

Accounts payable and other current liabilities increased by ₱104.0 million or 13% substantially due to obligations to contractors in relation to construction works in various STI ESG campuses. This was partially offset by payments made by iACADEMY to its contractors for completed portions of its Nexus building and for delivered office and school equipment and furniture.

Unearned tuition and other school fees increased substantially by ₱539.6 million from ₱149.4 million as at March 31, 2018 to ₱689.0 million as at September 30, 2018. The unearned revenue will be recognized as income over the remaining months of the school term.

Income tax payable decreased by 59% to ₱7.2 million as at September 30, 2018 from ₱17.5 million last March 31 reflecting the decrease in taxable income.

Both current and noncurrent portions of obligations under finance lease declined by ₱0.6 million and ₱1.7 million, respectively, due to payments made during the period.

Current and noncurrent portions of interest-bearing loans and borrowings, net of principal payments made by STI ESG and STI WNU and net of deferred finance charges, increased by ₱323.5 million as iACADEMY made drawdowns on its term loan facility with China Banking Corporation.

Other noncurrent liabilities increased by ₱6.4 million representing advance rent and security deposits from new lease agreements.

Cumulative actuarial gain decreased by ₱37.4 million, net of related tax, from ₱96.7 million to ₱59.3 million, as at March 31, 2018 and September 30, 2018, respectively, due to the impact of unrealized remeasurement loss recognized from the decline in market value of investment in equity securities of the pension plan assets.

Other equity reserve declined by ₱2.7 million reflecting the impact of the merger between iACADEMY and Neschester on the Parent Company accounts.

Unrealized mark-to-market gain on available-for-sale financial assets amounting to ₱0.85 million as at March 31, 2018 registered a 7% decrease to ₱0.79 million as at September 30, 2018 due to the lower market value of the Manulife shares held by STI ESG.

Retained earnings increased by ₱52.6 million reflecting the net income attributable to equity holders of the parent company earned during the six-month period ended September 30, 2018.

V. MATERIAL CHANGES IN INCOME STATEMENT ACCOUNTS

Total revenues reached ₱1,226.4 million during the six-month period ended September 30, 2018, a decrease of ₱145.5 million from the same period last year.

Tuition and other school fees is posted at ₱1,001.0 million for the six-month period ended September 30, 2018 or a decline of ₱134.9 million or 12% from 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 both slightly decreased by 5%. 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.

Other revenues increased by ₱1.4 million for the six-month period ended September 30, 2018 as compared to the same period last year due to recovery of previously written-off receivables and forfeiture of reservation fees collected in prior years.

Sale of educational materials and supplies decreased by 6% largely due to lower sale of textbooks resulting from the decline in SHS enrollment.

Cost of educational services increased by 4% or ₱13.7 million from ₱386.6 million for the six-month period ended September 30 last year to ₱400.3 million for the same period this year. Depreciation on the newly completed STI ESG and iACADEMY buildings raised depreciation and amortization expenses by ₱26.0 million for the six-month period ended September 30, 2018 as compared to the same period last year. STI Lipa started operations in the new building in August 2018, specifically from the ground up to the fourth floor. The related depreciation on these floors was recorded during the current period and contributed to the said increased expense. Escalation on rental rates as lease agreements were renewed increased direct rent expense by ₱4.4 million. Instructors' salaries and benefits decreased by ₱13.3 million due to reduced number of faculty members concomitant with the lower turn out of enrollees.

Cost of educational materials and supplies sold decreased by 7% as this relates to the lower volume of sales.

General and administrative expenses increased by 19% from ₱550.0 million to ₱654.0 million for the six-month periods ended September 30, 2017 and 2018, respectively. The highest increase was registered by advertising and promotions costs which increased year-on-year by ₱56.9 million as the marketing campaign for both SHS and Tertiary programs were intensified in time for the opening of classes for SY 2018-2019. Costs of security, janitorial and other outside services increased by ₱11.6 million due to security guards posted in the Parent Company's Quezon City and Davao properties as well as in iACADEMY's Nexus campus. Salaries and benefits increased by ₱10.8 million due to filling up of vacancies and merit increases given to deserving employees. Depreciation expense increased by ₱4.9 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.

The Group's operating income, that is, income before other income and expenses and income tax, decreased to ₱84.0 million for the six-month period ended September 30, 2018 from ₱340.7 million earned for the same period last year, substantially due to lower revenues.

Equity in net losses of associates and joint ventures amounting to ₱222.6 million for the six-month period ended September 30, 2017 pertains largely to the share of STI ESG in the loss of PhilPlans First, Inc. ("PhilPlans") arising from the latter's full recognition of the mandated discount interest rate imposed by the Insurance Commission ("IC") on the reserves of pre-need companies. The IC is the government regulatory agency supervising pre-need companies. In November 2012, the IC issued Circular Letter 23-2012 relating to the Valuation of Transitory Pre-need Reserves. The IC mandated a gradual decrease in the discount interest rate to be used for valuing the reserves to provide regulatory leeway for the compliance to this circular. The old basket of plans previously approved by the SEC when the pre-need companies were under its supervision were using a higher discount rate. The circular mandated that for the years 2012-2016, the discount interest rate shall be 8%; for 2017, 7.25%; for 2018, 6.5% and for 2019 onwards, 6%. In July 2017, PhilPlans opted to have an early adoption of the 6% discount interest rate starting January 2017. This means bigger allocation to pre-need reserves from its trust funds, thus recognizing a higher expense item.

The equity in net losses of associates and joint ventures amounting to ₱46.3 thousand for the period April 1 to September 30, 2018 does not include any share in the operations of PhilPlans or any of the other subsidiaries of Maestro Holdings, Inc. ("Maestro") after STI ESG's Board of Directors ("BOD") approved the disposal of its 20% stake in Maestro on June 27, 2017. With this decision to dispose of the Maestro investment, STI ESG's investment in Maestro was reclassified to noncurrent asset held for sale under the current assets portion of the Statements of Financial Position. With this, STI ESG ceased the use of the equity method of accounting for its investment in Maestro on June 30, 2017.

Interest expenses decreased by ₱13.7 million year-on-year, from ₱106.0 million to ₱92.2 million as short-term loans of STI ESG were fully settled as at March 31, 2018 and

principal payments on long-term loans of STI ESG and STI WNU aggregating ₱67.3 million were made in January and July 2018.

Income from disposal of property and equipment increased by ₱1.0 million due to the disposal by STI ESG and iACADEMY of fully depreciated air conditioning units and transportation equipment, respectively.

Provision for income tax amounting to ₱15.0 million was recognized as at September 30, 2018 associated with the taxable income recognized for the period.

Net income of ₱51.7 million was recorded for the first six months this year, as against ₱52.9 for the same period last year.

VI. FINANCIAL RISK DISCLOSURE

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

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

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

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

In relation to the Group's long-term loan, the debt service cover ratio, as a bank requirement, is also monitored on a regular basis to keep it at a level acceptable to the Group, to the lender bank and to STI ESG's bondholders. The debt service cover ratio is equivalent to the consolidated EBITDA for the last twelve months divided by total principal and interest due in the next twelve months. The Group's policy is to keep the debt service cover ratio not lower than 1.10:1.00.

As at September 30, 2018 and September 30, 2017, the Group's debt service cover ratio is 2.05:1.00 and 2.64:1.00, 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 individual counterparties 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 of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's long-term loans and bonds. While the Group's long-term debt has a floating interest rate, the Group elected to have the interest rate repriced every year, thus minimizing the exposure to market changes in interest rates. The interest rates for the STI ESG bonds are, however, fixed for the 7-year bonds and the 10-year bonds.

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

Capital risk – 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 less 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, to the lender bank and to STI ESG's bondholders. The Group's policy is to keep the debt-to-equity ratio at a level not exceeding 1.50:1.00.

As at September 30, 2018 and 2017, the Group's debt-to-equity ratio is 0.67:1.00 and 0.68:1.00, respectively. As at March 31, 2018, the Group's debt-to-equity ratio is 0.62:1.00.

VII. AGREEMENTS/COMMITMENTS AND CONTINGENCIES/OTHER MATTERS

- a. There are no changes in accounting estimates used in the preparation of unaudited interim condensed consolidated reports for the current and prior financial period.
- b. Except as provided in Note 21 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A," the Group has no other financial and capital commitments.
- c. On June 3, 2013, STI ESG executed a deed of pledge on all of its shares in De Los Santos Medical Center (formerly De Los Santos General Hospital) in favor of Neptune Stroika Holdings, Inc., a wholly-owned subsidiary of Metro Pacific Investments Corporation ("MPIC"), to cover the indemnity obligations of STI ESG enumerated in its investment agreement entered into in 2013 with MPIC. The carrying value of the investment in De Los Medical Center amounted to ₱25.9 million as at September 30, 2018 and March 31, 2018.

VIII. MATERIAL EVENT/S AND UNCERTAINTIES KNOWN TO MANAGEMENT THAT WOULD ADDRESS THE PAST AND WOULD HAVE AN IMPACT ON FUTURE OPERATIONS

- a. There are no material events and uncertainties known to management that would address the past and would have an impact on future operations of the Group.
- b. There are no known trends, demands, commitments, events of uncertainties that will have an impact on the Group's liquidity, net sales/revenues/income from continuing operations, except for the contingencies and commitments enumerated in Note 21 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A".
- c. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.
- d. The various loan agreements entered into by STI ESG, STI WNU and iACADEMY and the issuance of fixed rate bonds of 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 respective agreements. See Notes 15 and 16 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements of the Company attached as Annex "A" for a more detailed discussion. There are no other events that will trigger direct or contingent financial obligations that are material to the Group, including any default or acceleration of an obligation.
- e. There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations except for the contingencies

and commitments enumerated in Note 21 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A".

- f. There are no significant elements of income or loss that did not arise from the Group's continuing operations.
- g. The Group's business is linked to the academic cycle. The academic cycle, which is one academic year, 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 Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A", STI ESG has notified CHED of its change in its school calendar, particularly starting with this year'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.
- h. On April 21, 2017, STI ESG, Mr. Tony Tan Caktiong ("TTC"), STI Tanauan, and Injap Investments, Inc. ("Injap"), referred collectively as the Joint Venture Parties, entered into an agreement to transform STI Tanauan into a Joint Venture Company which shall operate a farm-to-table school that offers courses ranging from farm production to food services.

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

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

On June 21, 2017, in separate meetings, the stockholders and the BOD of STI Tanauan approved the increase in the authorized capital stock of the corporation from ₱1.0 million divided into 10,000 shares with a par value of ₱100.0 to ₱75.0 million divided into 750,000 shares with a par value of ₱100.0. The increase was to 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.

- i. On August 1, 2017, STI ESG entered into a Memorandum of Understanding with Royal Caribbean Cruises Ltd. (RCL) for the creation of the RCL-STI Cruise Talent Development Centre that will follow RCL standards in providing training for hospitality jobs on cruise ships. This facility will produce more Filipino seafaring talents ready to take on thousands of new hotel roles on cruise ships. Discussions on the execution of a Definitive Agreement are ongoing.
- j. In January 2018, STI ESG entered into a contract to sell with Heva Management and Development Corporation for the acquisition of a lot in Iloilo City with a total area of 2,615 sq.m. for a price of ₱183.0 million plus value added tax, less applicable taxes. STI ESG made a down payment amounting to ₱67.5 million in January 2018, net of the ₱200.0 thousand reservation fee paid on November 29, 2017. The remaining balance in the amount of ₱128.1 million shall be paid in eighteen equal monthly installments without interest, of ₱7.1 million starting January 2018 up to June 2019. The lot will be the future site of STI Iloilo.

Financial Highlights and Key Performance Indicators

<i>(in millions except margins, financial ratios and earnings per share)</i>	Increase (Decrease)			
	September 30, 2018 (Unaudited)	March 31, 2018 (Audited)	Amount	%
Condensed Statements of Financial Position				
Total assets	15,389.9	14,415.8	974.1	7
Current assets	3,316.5	3,367.4	(50.9)	(2)
Cash and cash equivalents	1,257.4	1,857.5	(600.1)	(32)
Equity attributable to equity holders of the parent company	8,717.8	8,705.4	12.4	
Total liabilities	6,576.5	5,613.4	963.1	17
Current liabilities	1,946.4	1,190.7	755.7	63
Financial ratios				
Debt-to-equity ratio ⁽¹⁾	0.67	0.62	0.05	8
Current ratio ⁽²⁾	1.70	2.83	(1.13)	(40)
Asset-to-equity ratio ⁽³⁾	1.75	1.64	0.11	7

	(Unaudited)			
	Six months ended September		Increase (Decrease)	
	30 2018	2017	Amount	%
Condensed Statements of Income				
Revenues	1,226.4	1,372.0	(145.6)	(11)
Direct costs ⁽⁴⁾	488.4	481.3	7.1	1
Gross profit	738.0	890.7	(152.7)	(17)
Operating expenses	654.0	550.0	104.0	19
Operating profit	84.0	340.7	(256.7)	(75)
Other income (expenses) - net	(17.2)	(254.1)	236.9	(93)
Income before income tax	66.8	86.6	(19.8)	(23)
Net income	51.7	52.9	(1.2)	(2)
EBITDA ⁽⁵⁾	369.7	594.8	(225.1)	(38)
Core income ⁽⁶⁾	50.9	275.5	(224.6)	(82)
Net income attributable to equity holders of the parent company	52.6	52.7	(0.1)	
Earnings per share ⁽⁷⁾	0.005	0.005		

	(Unaudited)			
	Six months ended September		Increase (Decrease)	
	2018	2017	Amount	%
Condensed Statements of Cash Flows				
Net cash from operating activities	247.6	588.3	(340.7)	(58)
Net cash used in investing activities	(1,051.0)	(1,074.2)	23.2	(2)
Net cash provided by (used in) financing activities	203.3	(474.1)	677.4	(143)

Financial Soundness Indicators

	(Unaudited)			
	As of/six months ended		Increase (Decrease)	
	2018	2017	Amount	%
Liquidity Ratios				
Current ratio ⁽²⁾	1.70	2.27	(0.57)	(25)
Quick ratio ⁽⁸⁾	1.17	1.76	(0.59)	(34)
Cash ratio ⁽⁹⁾	0.65	1.13	(0.48)	(42)
Solvency ratios				
Debt-to-equity ratio ⁽¹⁾	0.67	0.68	(0.01)	(1)
Asset-to-equity ratio ⁽³⁾	1.75	1.77	(0.02)	(1)
Debt service cover ratio ⁽¹⁰⁾	2.05	2.64	(0.59)	(22)
Interest coverage ratio ⁽¹¹⁾	1.72	1.82	(0.10)	(5)
Profitability ratios				
EBITDA margin ⁽¹²⁾	30%	43%	(13)	(30)
Gross profit margin ⁽¹³⁾	60%	65%	(5)	(8)
Operating profit margin ⁽¹⁴⁾	7%	25%	(18)	(72)
Net profit margin ⁽¹⁵⁾	4%	4%		
Return on equity (annualized) ⁽¹⁶⁾	1%	1%		
Return on assets (annualized) ⁽¹⁷⁾	1%	1%		

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

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

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

- (4) *Direct costs is calculated by adding the costs of educational services and educational materials and supplies sold.*
- (5) *EBITDA is net income excluding provision for income tax, interest expense, interest income, depreciation and amortization and equity in net losses of associates and joint ventures.*
- (6) *Core income is computed as consolidated income after income tax derived from the Group's main business – education and other recurring income*
- (7) *Earnings per share is measured as net income attributable to equity holders of the parent company divided by the weighted average number of outstanding common shares*
- (8) *Quick ratio is measured as current assets less inventories, prepayments and noncurrent asset held for sale divided by current liabilities.*
- (9) *Cash ratio is measured as cash and cash equivalents divided by current liabilities.*
- (10) *Debt service cover ratio is measured as EBITDA for the last twelve months divided by total principal and interest due in the next twelve months*
- (11) *Interest coverage ratio is measured as net income before income tax and interest expense divided by interest expense*
- (12) *EBITDA margin is measured as EBITDA divided by total revenues.*
- (13) *Gross profit margin is measured as gross profit divided by total revenues*
- (14) *Operating profit margin is measured as operating profit divided by total revenues.*
- (15) *Net profit margin is measured as net income after income tax divided by total revenues.*
- (16) *Return on equity is measured as net income attributable to equity holders of the Parent Company (annualized) divided by average equity attributable to equity holders of the parent company.*
- (17) *Return on assets is measured as net income (annualized) divided by average total assets*