107162018003071

# SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931 to 39 Fax:(632)725-5293 Email: mis@sec.gov.ph

**Barcode Page**

**The following document has been received:**

**Receiving Officer/Encoder** : Ramon L. Legaspi
**Receiving Branch** : SEC Head Office
**Receipt Date and Time** : July 16, 2018 04:47:58 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

| | |
|---|---|
| SEC Registration No. | 0000001746 |
| Company Name | STI EDUCATION SYSTEMS HOLDINGS, INC. |
| Industry Classification | |
| Company Type | Stock Corporation |

**Document Information**

| | |
|---|---|
| Document ID | 107162018003071 |
| Document Type | FS-PARENT COMPANY |
| Document Code | FS-P |
| Period Covered | March 31, 2018 |
| No. of Days Late | 0 |
| Department | CRMD |
| Remarks | |

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

FS FOR FILING WITH SEC

AFTER THE BIR HAS DULY STAMPED "RECEIVED."

SEC Registration Number

1746

**COMPANY NAME**

STI EDUCATION SYSTEMS HOLDINGS, INC.

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

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

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| AAFS | | |

**COMPANY INFORMATION**

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| info@stiholdings.com.ph | (632) 844 9553 | N/A |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 1,259 | Last Friday of September | March 31 |

**CONTACT PERSON INFORMATION**

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

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

**CONTACT PERSON's ADDRESS**

5/F SGV-II BUILDING, 6758 AYALA AVENUE, MAKATI CITY

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

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

STI EDUCATION SYSTEMS HOLDINGS

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

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The management of **STI Education Systems Holdings, Inc.** (the Company) is responsible for the preparation and fair presentation of the parent company financial statements, including the schedules attached therein, for the years ended March 31, 2018 and 2017, in accordance with the Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatements, whether due to fraud or error.

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

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

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

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

**EUSEBIO H. TANCO**
Chairman of the Board

**MONICO V. JACOB**
President and CEO

**YOLANDA M. BAUTISTA**
Treasurer and CFO

Signed this 12th of July 2018

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

SUBSCRIBED AND SWORN to me this JUL 1 2 2018 day of ______, 2018 at MAKATI CITY City. Affiants exhibited to me their respective Passport/SSS numbers/Drivers License Numbers and Tax Identification Numbers as follows:

| Name | Number | Date/Place of Issuance |
|---|---|---|
| Eusebio H. Tanco | Passport No. EC2037045 | 09/04/14, DFA Manila |
| Monico V. Jacob | Passport No. EC7728486 | 05/17/16, DFA NCR East |
| Yolanda M. Bautista | SSS No. 03-2678038-9 | Makati City |

Doc/ No. 467
Page No. 79
Book No. II
Series of 2018

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

**RONALD LUKE T. SARTHOU, JR.**
Notary Public for Makati City
Appointment No. M-390
Until 31 December 2018
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 63690
PTR No. 6628741 / Makati / 11 January 2018
IBP No. 026134 / Pangasinan / 11 January 2018
MCLE Compliance No. V-0009015
NBI No. S630DRVR78-CB81989

SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

# INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
STI Education Systems Holdings, Inc.
7th Floor, STI Holdings Center
6764 Ayala Avenue
Makati City

## Report on the Audit of the Parent Company Financial Statements

### Opinion

We have audited the parent company financial statements of STI Education Systems Holdings, Inc. (the Company), which comprise the parent company statements of financial position as at March 31, 2018 and 2017, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

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

### Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUL 13 2018
RECEIVED
KARL AARON D. GACUTAN

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

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

**Auditor's Responsibilities for the Audit of the Parent Company Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

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

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

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

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

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

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

SGV
Building a better working world



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

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

**Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 20 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of STI Education Systems Holdings, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

Benjamin N. Villacorte
Partner
CPA Certificate No. 111562
SEC Accreditation No. 1539-A (Group A),
March 3, 2016, valid until March 3, 2019
Tax Identification No. 242-917-987
BIR Accreditation No. 08-001998-120-2016,
February 15, 2016, valid until February 14, 2019
PTR No. 6621344, January 9, 2018, Makati City

July 12, 2018

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUL 13 2018
RECEIVED
KARL AARON D. CACUTAN

# STI EDUCATION SYSTEMS HOLDINGS, INC.
## PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

| | March 31 | |
|---|---|---|
| | **2018** | 2017 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Notes 4, 17 and 18) | **₱72,222,036** | ₱50,422,367 |
| Receivables (Notes 5, 17 and 18) | **1,082,290** | 1,077,881 |
| Other current assets (Note 6) | **10,832,466** | 8,459,206 |
| Total Current Assets | **84,136,792** | 59,959,454 |
| **Noncurrent Assets** | | |
| Investments in subsidiaries (Note 7) | **16,620,287,794** | 16,620,287,794 |
| Investment properties (Note 8) | **1,313,493,635** | 1,312,376,394 |
| Property and equipment (Note 9) | **663,571** | 2,947,897 |
| Other noncurrent assets (Notes 10, 17 and 18) | **694,025** | 881,375 |
| Total Noncurrent Assets | **17,935,139,025** | 17,936,493,460 |
| **TOTAL ASSETS** | **₱18,019,275,817** | 17,996,452,914 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable and other current liabilities (Notes 11, 17 and 18) | **₱94,648,538** | ₱103,397,396 |
| Dividends payable (Notes 13, 17 and 18) | **13,002,027** | 12,912,498 |
| Nontrade payable (Notes 7, 17 and 18) | **67,000,000** | 67,000,000 |
| Total Current Liabilities | **174,650,565** | 183,309,894 |
| **Noncurrent Liabilities** | | |
| Subscription payable (Notes 7, 12, 17 and 18) | **64,000,000** | 64,000,000 |
| Deferred tax liability (Note 15) | **110,861,700** | 110,861,700 |
| Total Noncurrent Liabilities | **174,861,700** | 174,861,700 |
| Total Liabilities | **349,512,265** | 358,171,594 |
| **Equity** | | |
| Common stock (Note 13) | **4,952,403,462** | 4,952,403,462 |
| Additional paid-in capital | **11,254,677,345** | 11,254,677,345 |
| Unrealized mark-to-market gain on available-for-sale financial assets (Note 10) | **329,558** | 366,908 |
| Retained earnings (Note 13) | **1,462,353,187** | 1,430,833,605 |
| Total Equity | **17,669,763,552** | 17,638,281,320 |
| **TOTAL LIABILITIES AND EQUITY** | **₱18,019,275,817** | ₱17,996,452,914 |

*See accompanying Notes to Parent Company Financial Statements.*

## STI EDUCATION SYSTEMS HOLDINGS, INC.
## PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended March 31 | |
|---|---|---|
| | **2018** | 2017 |
| **REVENUES** | | |
| Dividend income (Note 7) | **₱243,256,484** | ₱1,064,231,352 |
| Advisory fee (Note 12) | **18,000,000** | 18,000,000 |
| | **261,256,484** | 1,082,231,352 |
| **EXPENSES** | | |
| Outside services (Note 8) | **12,471,400** | 4,651,643 |
| Depreciation and amortization (Notes 8, 9 and 10) | **5,002,470** | 6,391,791 |
| Taxes and licenses | **3,203,607** | 6,090,476 |
| Salaries and allowances | **3,125,718** | 3,536,220 |
| Rent (Note 12) | **2,945,909** | 2,919,725 |
| Utilities | **1,204,749** | 447,621 |
| Membership fees and dues (Note 12) | **1,193,600** | 1,224,560 |
| Transportation and travel | **827,694** | 468,120 |
| Supplies | **446,059** | 293,251 |
| Advertising and promotions | **370,000** | 587,215 |
| Meetings and conferences | **232,141** | 92,551 |
| Communication | **121,296** | 97,099 |
| Representation and entertainment | **107,249** | 547,971 |
| Miscellaneous | **1,520,151** | 284,353 |
| | **32,772,043** | 27,632,596 |
| **OTHER INCOME** | | |
| Interest income (Note 4) | **596,789** | 1,443,970 |
| Others - net | **912,745** | 927,946 |
| | **1,509,534** | 2,371,916 |
| **INCOME BEFORE INCOME TAX** | **229,993,975** | 1,056,970,672 |
| **PROVISION FOR CURRENT INCOME TAX** (Note 15) | **378,255** | 378,559 |
| **NET INCOME** | **229,615,720** | 1,056,592,113 |
| **OTHER COMPREHENSIVE LOSS** | | |
| Item to be reclassified to profit or loss in subsequent years - | | |
| Unrealized mark-to-market loss on available-for-sale financial assets (Note 10) | **(37,350)** | – |
| **TOTAL COMPREHENSIVE INCOME** | **₱229,578,370** | ₱1,056,592,113 |
| **Basic/Diluted Earnings Per Share** (Note 14) | **₱0.023** | ₱0.107 |

*See accompanying Notes to Parent Company Financial Statements.*

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUL 13 2018
RECEIVED
KARL AARON D. GACUTAN

## STI EDUCATION SYSTEMS HOLDINGS, INC.

## PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
### FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

| | Common Stock | Additional Paid-in Capital | Unrealized Mark-to-market Gain on Available-for-sale Financial Assets | Retained Earnings | Total |
|---|---|---|---|---|---|
| **Balances at April 1, 2017** | **₱4,952,403,462** | **₱11,254,677,345** | **₱366,908** | **₱1,430,833,605** | **₱17,638,281,320** |
| Net income | – | – | – | **229,615,720** | **229,615,720** |
| Other comprehensive loss (Note 10) | – | – | **(37,350)** | – | **(37,350)** |
| Total comprehensive income | – | – | **(37,350)** | **229,615,720** | **229,578,370** |
| Dividends (Note 13) | – | – | – | **(198,096,138)** | **(198,096,138)** |
| **Balances at March 31, 2018** | **₱4,952,403,462** | **₱11,254,677,345** | **₱329,558** | **₱1,462,353,187** | **₱17,669,763,552** |
| Balances at April 1, 2016 | ₱4,952,403,462 | ₱11,254,677,345 | ₱366,908 | ₱572,337,630 | ₱16,779,785,345 |
| Net income | – | – | – | 1,056,592,113 | 1,056,592,113 |
| Other comprehensive loss (Note 10) | – | – | – | – | – |
| Total comprehensive income | – | – | – | 1,056,592,113 | 1,056,592,113 |
| Dividends (Note 13) | – | – | – | (198,096,138) | (198,096,138) |
| Balances at March 31, 2017 | ₱4,952,403,462 | ₱11,254,677,345 | ₱366,908 | ₱1,430,833,605 | ₱17,638,281,320 |

*See accompanying Notes to Parent Company Financial Statements.*

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUL 13 2018
RECEIVED
KARL AARON D. GACUTAN

## STI EDUCATION SYSTEMS HOLDINGS, INC.
## PARENT COMPANY STATEMENTS OF CASH FLOWS

| | Years Ended March 31 | |
|---|---|---|
| | **2018** | 2017 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Income before income tax | **₱229,993,975** | ₱1,056,970,672 |
| Adjustments to reconcile income before income tax to net cash flows: | | |
| Dividend income (Note 7) | **(243,256,484)** | (1,064,231,352) |
| Depreciation and amortization (Note 8, 9 and 10) | **5,002,470** | 6,391,791 |
| Interest income (Note 4) | **(596,789)** | (1,443,970) |
| Operating loss before working capital changes | **(8,856,828)** | (2,312,859) |
| Decrease (increase) in: | | |
| Receivables | **(4,409)** | 53,500 |
| Other current assets | **(18,515)** | 83,433 |
| Decrease in accounts payable and other current liabilities | **(3,748,858)** | (159,705,502) |
| Net cash used in operations | **(12,628,610)** | (161,881,428) |
| Income taxes paid | **(2,733,000)** | (37,241,565) |
| Interest received | **596,789** | 1,443,970 |
| Net cash used in operating activities | **(14,764,821)** | (197,679,023) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Dividends received | **243,256,484** | 1,064,231,352 |
| Acquisitions of: | | |
| Investment properties (Note 8) | **(3,631,991)** | (34,352,144) |
| Property and equipment (Note 9) | **(53,394)** | (312,839) |
| Subsidiaries (Note 7) | – | (599,212,827) |
| Payment of subscription payable (Note 7) | **(5,000,000)** | – |
| Net cash from investing activities | **234,571,099** | 430,353,542 |
| **CASH FLOWS FROM A FINANCING ACTIVITY** | | |
| Cash dividends paid | **(198,006,609)** | (197,082,585) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **21,799,669** | 35,591,934 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **50,422,367** | 14,830,433 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 4) | **₱72,222,036** | ₱50,422,367 |

*See accompanying Notes to Parent Company Financial Statements.*

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUL 13 2018
RECEIVED
KARL AARON D. GACUTAN

## STI EDUCATION SYSTEMS HOLDINGS, INC.
## NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

### 1. Corporate Information

STI Education Systems Holdings, Inc. ("STI Holdings" or the "Company") was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission ("SEC"). The Company was originally established in 1928 as the Philippine branch office of Theo H. Davies & Co., a Hawaiian corporation. It was reincorporated as a Philippine corporation and registered with the SEC on June 28, 1946. The Company's shares were listed on the Philippine Stock Exchange ("PSE") on October 12, 1976. On June 25, 1996, the SEC approved the extension of the Company's corporate life for another 50 years. The primary purpose of the 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 parent company financial statements have been approved and authorized for issuance by the Executive Committee, as authorized by the Board of Directors ("BOD"), on July 12, 2018.

### 2. Summary of Significant Accounting Policies and Disclosures

Basis of Preparation

The accompanying parent company financial statements have been prepared under the historical cost basis, except for available-for-sale ("AFS") financial assets that have been measured at fair values.

The parent company financial statements are presented in Philippine Peso, the Company's functional and presentation currency, and all values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards ("PFRS") as issued by the Philippine Financial Reporting Standards Council ("FRSC") and adopted by the Philippine SEC. PFRS also includes Philippine Accounting Standards ("PAS") and Philippine Interpretations based on equivalent interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") adopted by the FRSC.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting April 1, 2017. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

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

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

  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The Company has provided the required information in Note 17 to the parent company financial statements. As allowed under the transition provisions of the standard, the Company did not present comparative information for the year ended March 31, 2017.

<u>Standards Issued but Not Yet Effective</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

*Effective in fiscal year 2019*

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

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

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

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

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

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard, before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

- 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.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

  The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

*Effective in fiscal year 2020*

- 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 fair value through other comprehensive income. Earlier application is permitted.

- 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.

- 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. 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 FRSC deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes 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 Company has not early adopted the above standards. The Company continues to assess the impact of the above new, amended and improved accounting standards and interpretations effective subsequent to March 31, 2018 on the parent company financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the parent company financial statements when these amendments are adopted.

<u>Fair Value Measurement</u>
The Company measures financial instruments at fair value at each financial reporting date.

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at every financial reporting date.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in the previous section.

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of up to three months or less from date of acquisition and are subject to an insignificant risk of change in value.

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>

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

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

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

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

Financial assets are categorized as either financial assets at FVPL, held-to-maturity ("HTM") investments, loans and receivables or AFS financial assets. Financial liabilities, on the other hand, are categorized either as financial liabilities at FVPL and other financial liabilities. The Company determines the classification at initial recognition and re-evaluates this designation at every reporting date, where appropriate.

The Company has no financial assets or financial liabilities at FVPL and HTM investments as at March 31, 2018 and 2017.

a. Loans and Receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, loans and receivables are measured at amortized cost using the effective interest method less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition, and fees and costs that are an integral part of the effective interest rate. The amortization is recognized in the parent company statement of comprehensive income under the "Interest income" account. Losses arising from impairment are recognized as provision for doubtful accounts in the parent company statement of comprehensive income. Loans and receivables are included in current assets when the Company expects to realize or collect the assets within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Company's cash and cash equivalents and receivables are included in this category.

b. AFS Financial Assets

AFS financial assets are those nonderivative financial assets that are not classified as at FVPL, loans and receivables or HTM investments. These are purchased and held indefinitely, and maybe sold in response to liquidity requirements or changes in market conditions.

After initial recognition, AFS financial assets are subsequently measured at fair value with unrealized gains or losses being recognized under "Unrealized mark-to-market gain on available-for-sale financial assets" account in other comprehensive income until these are derecognized or determined to be impaired at which time the cumulative gain or loss previously recognized under "Unrealized mark-to-market gain on available-for-sale financial assets" account in other comprehensive income is recorded in profit or loss. Interest earned on the investments is reported as interest income using the effective interest method. Dividends earned on investments are recognized in the parent company statement of comprehensive income when the right to receive payment has been established. AFS financial assets are classified as noncurrent assets unless the intention is to dispose of such assets within 12 months from reporting date.

The fair value of AFS financial assets consisting of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost.

The Company's investments in quoted equity securities are included in this category.

c. Other Financial Liabilities

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

Other financial liabilities are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs and discount or premium.

Gains and losses are recognized in the parent company statement of income when the liabilities are derecognized, as well as through the amortization process.

This category includes accounts payable and other current liabilities, dividends payable, nontrade payable and subscription payable.

<u>Impairment of Financial Assets</u>
The Company assesses at each reporting date whether a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial Assets Carried at Amortized Cost.* The Company first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

*AFS Financial Assets.* For AFS financial assets, the Company assesses at each reporting date when there has been a "significant" or "prolonged" decline in the fair value below its cost or where other objective evidence of impairment exists. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the parent company statement of comprehensive income, is transferred from equity to the parent company statement of comprehensive income. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in the profit or loss but are recognized directly in other comprehensive income.

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset have expired;
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the parent company statement of comprehensive income.

<u>Offsetting of Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

<u>Creditable Withholding Taxes (“CWT”)</u>
CWT represents the amount withheld by counterparties from the Company. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is presented under the “Other current assets” account in the parent company statement of financial position. CWT is stated at its estimated net realizable value.

<u>Investment in Subsidiaries</u>
The Company’s investment in subsidiaries (entities which the Company controls) is carried in the parent company statement of financial position at cost less any accumulated impairment in value.

<u>Investment Properties</u>
Investment properties include land and buildings and improvements held by the Company for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, buildings are carried at cost less accumulated depreciation and any impairment in value, while land is carried at cost less any impairment in value.

Depreciation of buildings is computed on a straight-line basis over 15-25 years. The asset’s useful life and method of depreciation are reviewed and adjusted, if appropriate, at each financial year-end.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the parent company statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Property and Equipment

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes, and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to the parent company statement of comprehensive income in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its original assessed standard of performance, the expenditures are capitalized as an additional costs of property and equipment.

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

| | |
|---|---|
| Office equipment | 2-3 years |
| Leasehold improvements | 5 years or term of the lease, whichever is shorter |
| Furniture and fixtures | 2-3 years |

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment. The useful lives of property and equipment are estimated based on the period over which property and equipment are expected to be available for use and on collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of the property and equipment are updated if expectations differ from previous estimates due to wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property and equipment. However, it is possible that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the parent company statement of comprehensive income in the year the asset is derecognized.

Impairment of Nonfinancial Assets

*Investments in Subsidiaries, Investment Properties, Property and Equipment and Software Cost.* The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. The recoverable amount of the asset is the greater of fair value less cost to sell and value in use. The fair value is the amount obtainable from the sale of an asset in arm's length transaction between knowledgeable, willing parties, less cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their presented value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Any impairment loss is charged to the parent company statement of comprehensive income.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the assets is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization in the case of property and equipment, had no impairment loss been recognized for the asset in the prior years. Such reversal is recognized in the parent company statement of comprehensive income. After such reversal, the depreciation and amortization charges are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Common stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction of proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value are recognized as additional paid-in capital.

Retained earnings represent the Company's net accumulated earnings less cumulative dividends declared. Dividends on common stock are recognized as liability and deducted from equity when approved by the BOD of the Company. Dividends approved after the financial reporting date are dealt with as an event after the reporting date.

Revenue Recognition

The Company recognizes revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow into the entity and specific criteria have been met for each of the Company's activities described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The following specific recognition criteria must also be met before revenue is recognized:

*Dividend Income.* Dividend income is recognized when the right to receive has been established.

*Advisory Fee.* Advisory fee is recognized when the service is rendered.

*Interest Income.* Interest income is recognized as it accrues on a time proportion basis taking into account the principal amount outstanding and the effective interest rate.

*Other Income.* Other income is recognized when earned.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in the parent company statement of comprehensive income in the period these are incurred.

Provisions
Provisions are recognized when the Company has present obligations, legal or constructive, as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the parent company statement of comprehensive income, net of any reimbursements. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as interest expense.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. A reassessment is made after the inception of the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the agreement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether the fulfillment is dependent on a specified asset; or (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and the date of renewal or extension period for scenario (b).

*As a lessee.* Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the parent company statement of comprehensive income on a straight-line basis over the lease term.

Taxes

*Current tax.* Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at financial reporting date.

*Deferred tax.* Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences except when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax ("MCIT") over regular corporate income tax ("RCIT") and unused net operating loss carry-over ("NOLCO") to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward benefit of unused tax credits and unused tax losses can be utilized except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized.  Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset, to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the financial reporting date.

Deferred tax relating to items recognized directly in equity is also included in equity and not in profit or loss of the parent company statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*Value-Added Tax ("VAT").* Revenue, expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; or

- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from the taxation authority is included as part of "Prepaid taxes" under the "Other current assets" account in the parent company statement of financial position.

<u>Contingencies</u>
Contingent liabilities are not recognized in the parent company financial statements but are disclosed in the notes to the parent company financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.  Contingent assets are not recognized in the parent company financial statements but are disclosed in the notes to parent company financial statements when an inflow of economic benefits is probable.

<u>Events after the Reporting Date</u>
Post year-end events that provide additional information about the parent company financial position at the financial reporting date (adjusting events) are reflected in the parent company financial statements.  Post year-end events that are not adjusting events, if any, are disclosed in the notes to parent company financial statements, when material.

Earnings Per Share
The Company presents basic and diluted earnings per share rate for its common shares. Basic Earnings Per Share (“EPS”) is calculated by dividing net income for the period by the weighted average number of common shares outstanding during the period after giving retroactive effect to any stock dividend declarations.

Diluted EPS is calculated in the same manner, adjusted for the dilutive effect of any potential common shares. As the Company has no dilutive common shares outstanding, basic and diluted earnings per share are stated at the same amount.

Segment Reporting
For management purposes, STI Holdings and its subsidiaries (collectively referred to as the “Group”) is organized into business units based on the geographical location of the students and assets. Financial information about operating segments is presented in Note 19.

## 3. Management’s Use of Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in conformity with PFRS requires the Company to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the reporting date. The uncertainties inherent in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future years.

Judgments
In the process of applying the Company’s accounting policies, management has made the following judgments apart from those including estimations and assumptions, which have the most significant effect on the amounts recognized in the parent company financial statements.

*Contingencies*. The Company is involved in several cases. Management and its legal counsels believe that the Company has substantial legal and factual bases for its position and are of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the parent company financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 16).

Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the parent company financial statements within the next financial year are discussed as follows:

*Impairment of Nonfinancial Assets*. PFRS requires nonfinancial assets to be tested for impairment when certain impairment indicators are present, irrespective of whether there are any indications of impairment. Nonfinancial assets include investment in subsidiaries, investment properties, property and equipment and other noncurrent assets.

Management is required to make estimates and assumptions to determine the future cash flows to be generated from the continued use and ultimate disposition of these assets in order to determine the value of these assets. While the Company believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the parent company financial statements. Future adverse events may cause management to conclude that the affected assets are impaired and may have a material impact on the financial condition and results of operations of the Company.

Nonfinancial assets that are subject to impairment testing as at March 31, 2018 and 2017 are as follows:

| | **2018** | 2017 |
|---|---|---|
| Investments in subsidiaries (see Note 7) | **₱16,620,287,794** | ₱16,620,287,794 |
| Investment properties (see Note 8) | **1,313,493,635** | 1,312,376,394 |
| Property and equipment (see Note 9) | **663,571** | 2,947,897 |
| Software cost* | **–** | 150,000 |

**Presented under "Other noncurrent assets" account (see Note 10)*

No impairment loss was recognized for the years ended March 31, 2018 and 2017.

*Recognition of Deferred Tax Assets.* The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces these to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Since the Company is a holding company, management assessed that no sufficient future taxable income will be generated to allow all or part of its deferred tax assets to be utilized as the Company's income mainly pertains to passive income which are not subject to income tax.

As at March 31, 2018 and 2017, unrecognized deferred tax assets arising from unused NOLCO and MCIT amounted to ₱7.4 million and ₱2.8 million, respectively (see Note 15).

## 4. Cash and Cash Equivalents

This account consists of:

| | **2018** | 2017 |
|---|---|---|
| Cash on hand | **₱5,000** | ₱5,000 |
| Cash in banks | **72,217,036** | 13,394,376 |
| Cash equivalents | **–** | 37,022,991 |
| | **₱72,222,036** | ₱50,422,367 |

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 Company and earn interest at the prevailing short-term investment rates.

Interest income earned from cash in banks and short-term cash placements for the years ended March 31, 2018 and 2017 amounted to ₱0.6 million and ₱1.4 million, respectively.

## 5. Receivables

This account consists of:

| | 2018 | 2017 |
|---|---|---|
| Advances to officers and employees (see Note 12) | **₱980,425** | ₱963,722 |
| Others | **101,865** | 114,159 |
| | **₱1,082,290** | ₱1,077,881 |

a. Advances to officers and employees are normally liquidated within one month.

b. Others primarily pertain to advances for legal services which are noninterest-bearing and are expected to be liquidated within one year.

## 6. Other Current Assets

This account consists of:

| | 2018 | 2017 |
|---|---|---|
| Input VAT - net | **₱4,767,427** | ₱5,931,280 |
| Creditable withholding taxes | **4,712,146** | 2,357,401 |
| Others | **1,352,893** | 170,525 |
| | **₱10,832,466** | ₱8,459,206 |

## 7. Investments in Subsidiaries

As at March 31, 2018 and 2017, the Company carries its investments in shares of stock of the following subsidiaries under the cost method:

| | Principal Place of Business | Percentage of Ownership | Cost |
|---|---|---|---|
| STI Education Services Group, Inc. (STI ESG) | Cainta, Rizal | 98.7% | ₱15,283,676,041 |
| STI West Negros University, Inc. (STI WNU) | Bacolod City, Negros Occidental | 99.9% | 592,398,926 |
| Attenborough Holdings Corp. (AHC) | Makati | 100.0% | 145,000,000 |
| Information and Communications Technology Academy, Inc. (iACADEMY) | Makati | 100.0% | 213,500,000 |
| Neschester Corporation (Neschester) | Makati | 100.0% | 385,712,827 |
| | | | ₱16,620,287,794 |

Movement in the investment cost follows:

| | 2018 | 2017 |
|---|---|---|
| Balance at beginning of year | **₱16,620,287,794** | ₱16,021,074,967 |
| Additions | **–** | 599,212,827 |
| Balance at end of year | **₱16,620,287,794** | ₱16,620,287,794 |

STI ESG
STI ESG has investments in several entities which own and operate STI schools. 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").

As at March 31, 2018 and 2017, STI Holdings' ownership interest in STI ESG is approximately 98.66%.

On September 19, 2017, the Company received cash dividends from STI ESG amounting to ₱243.3 million or ₱0.08 per share.

On September 9, 2016 and September 20, 2016, the Company received cash dividends from STI ESG amounting to ₱243.3 million, or ₱0.08 per share, and ₱820.9 million, or ₱0.27 per share, respectively.

STI WNU
On September 11, 2013, STI Holdings executed a Share Purchase Agreement with the former shareholders of STI WNU (the "Agustin Family"). STI WNU owns and operates STI West Negros University in Bacolod City. It offers pre-elementary, elementary, secondary and tertiary education and graduate courses.

On October 1, 2013, STI Holdings entered into a Deed of Absolute Sale to acquire the shares in STI WNU constituting 99.45% of the issued and outstanding common stock and 99.93% of the issued and outstanding preferred stock of STI WNU for an aggregate purchase price of ₱400.0 million, inclusive of contingent consideration. The acquisition cost was eventually recorded at ₱397.0 million broken down as follows: (a) cash payment of ₱238.2 million, including advances amounting to ₱34.4 million; (b) contingent consideration amounting to ₱151.5 million and (c) payable to STI WNU on behalf of STI WNU's previous shareholders amounting to ₱7.3 million. Certain acquisition-related expenses amounting to ₱4.7 million were capitalized as part of the cost of acquiring STI WNU.

The Company's remaining liability for contingent consideration amounting to ₱67.0 million as at March 31, 2018 and 2017 is separately presented as nontrade payable in the parent company statements of financial position.

As at March 31, 2018 and 2017, the Company has unpaid subscription to STI WNU, recognized as subscription payable under "Accounts payable and other current liabilities" in the parent company statements of financial position, amounting to ₱25.2 million and ₱30.2 million, respectively (see Note 11).

AHC
AHC is a holding company which is a party to the Joint Venture Agreement and Shareholders' Agreement with STI Holdings, Philippine Women's University ("PWU") and Unlad Resources Development Corporation ("Unlad") (see Note 8).

In May 2014, STI Holdings made a deposit of ₱56.0 million for 40% ownership in AHC. In November 2014, the said deposit was converted into ₱56.0 million AHC shares following the SEC approval of the increase in the authorized capital stock of AHC.

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

On March 1, 2016, the Company and AHC executed a Deed of Assignment wherein AHC assigned its AHC Loan to Unlad, including capitalized foreclosure expenses, totaling to ₱66.7 million for a cash consideration of ₱73.8 million (see Note 16).

As at March 31, 2018 and 2017, the Company has unpaid subscription to AHC, presented as "Subscription payable" under noncurrent liability in the parent company statements of financial position, amounting to ₱64.0 million.

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

On September 27, 2016, STI Holdings 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. STI Holdings also subscribed to 100 million shares 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 March 31, 2018 and 2017, iACADEMY is a wholly-owned subsidiary of STI Holdings.

iACADEMY changed the start of its school calendar starting SY 2016-2017 from May of each year to July for tertiary level and August for SHS.

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

The Government Authority ("GA") is valid 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.

On August 8, 2017, iACADEMY requested CHED for an extension of the validity of the GA. As of July 12, 2018, iACADEMY is still awaiting the response of CHED to this request.

On September 7, 2017, the Board of Governors ("BOG") of iACADEMY and Board of Directors ("BOD") of Neschester approved the merger of the two companies with iACADEMY as the surviving corporation. The stockholders of both companies confirmed, ratified and approved the merger on the same date. The plan of merger was filed with the SEC on January 24, 2018 and was approved on April 10, 2018.

On the same date, September 7, 2017, the BOG and stockholders of iACADEMY approved the increase in its authorized capital stock from ₱500.0 million to ₱1,000.0 million. The purpose of the increase in authorized capital stock is to issue sufficient shares to the Company pursuant to the plan of merger. The application for the increase in authorized capital stock was filed with the SEC on January 30, 2018 and was approved on April 10, 2018. On May 11, 2018, iACADEMY issued 494,896,693 shares to the Company with an aggregate par value of ₱494.9 million, representing share in the net assets of Neschester as a result of the merger.

Neschester

On August 2, 2016, the Company subscribed to all of the unissued authorized capital stock of Neschester totaling to 670,000 common shares at a subscription price of ₱200.0 million. The Company also purchased all of the issued shares of Neschester from its former stockholders corporation totaling 550,000 common shares at an aggregate purchase price of ₱173.2 million. Certain taxes paid in behalf of the former stockholders amounting to ₱12.5 million was recognized as part of the acquisition cost. As a result, the Company owns 100% of the issued, outstanding and authorized capital stock of Neschester effective August 2, 2016.

The major asset of Neschester is a parcel of land in Makati City where iACADEMY has constructed a building for its Yakal campus.

## 8. Investment Properties

The rollforward analysis of this account follows:

| | **2018** | | |
|---|---|---|---|
| | **Land and Land Improvements** | **Building and Improvements** | **Total** |
| **Cost** | | | |
| Balance at beginning of year | **₱1,285,767,144** | **₱29,124,000** | **₱1,314,891,144** |
| Additions* | **3,631,991** | **–** | **3,631,991** |
| **Balance at end of year** | **1,289,399,135** | **29,124,000** | **1,318,523,135** |
| **Accumulated Depreciation and Amortization** | | | |
| Balance at beginning of year | **–** | **2,514,750** | **2,514,750** |
| Depreciation and amortization | **–** | **2,514,750** | **2,514,750** |
| **Balance at end of year** | **–** | **5,029,500** | **5,029,500** |
| **Net Book Value** | **₱1,289,399,135** | **₱24,094,500** | **₱1,313,493,635** |

** Pertains to land improvements at the properties located in Davao City.*

| | 2017 | | |
|---|---|---|---|
| | Land | Building and Improvements | Total |
| **Cost** | | | |
| Balance at beginning of year | ₱1,251,415,000 | ₱29,124,000 | ₱1,280,539,000 |
| Additions* | 34,352,144 | – | 34,352,144 |
| Balance at end of year | 1,285,767,144 | 29,124,000 | 1,314,891,144 |
| **Accumulated Depreciation and Amortization** | | | |
| Balance at beginning of year | – | – | – |
| Depreciation and amortization | – | 2,514,750 | 2,514,750 |
| Balance at end of year | – | 2,514,750 | 2,514,750 |
| **Net Book Value** | ₱1,285,767,144 | ₱26,609,250 | ₱1,312,376,394 |

**Pertains to certain taxes incurred for the transfer of properties acquired through dacion*

As at March 31, 2018 and 2017, investment properties include parcels of land and buildings and improvements located in Quezon City and Davao City currently held by the Company for capital appreciation.

These properties were obtained by the Company from Unlad through the Deeds of Dacion executed on March 31, 2016 (pursuant to a Memorandum of Agreement ("MOA") as discussed in Note 16) for a total dacion price of ₱911.0 million as settlement of the outstanding obligations of Unlad and PWU to the Company, arising from the loans extended by the Company to PWU and Unlad when the Company acceded, in November 2011, to the Joint Venture Agreement and Shareholders' Agreement (the "Agreements") by and among PWU, Unlad, an Individual and Mr. Eusebio H. Tanco ("EHT"), STI Holdings' BOD Chairman, for the formation of a strategic arrangement with regard to the efficient management and operation of PWU (see Note 16). PWU is a private non-stock, non-profit educational institution, which provides basic, secondary and tertiary education to its students while Unlad is a real estate company controlled by the Benitez Family and has some assets which are used to support the educational thrust of PWU. The properties were recognized at fair value amounting to ₱1,280.5 million at dacion date.

In 2018, the Company engaged security services amounting to ₱7.5 million for the Quezon City and Davao properties, recorded under "Outside services" in the parent company statement of comprehensive income.

Fair Value

As at March 31, 2018 and 2017, the fair values of the Company's investment properties are as follows:

| | **2018** | 2017 |
|---|---|---|
| Quezon City properties* | **₱1,803,872,000** | ₱1,006,724,000 |
| Davao property | **353,619,000** | 273,815,000 |
| | **₱2,157,491,000** | ₱1,280,539,000 |

**Include buildings and improvements valued at ₱43.0 million and ₱29.1 million as at March 31, 2018 and 2017, respectively*

The fair values of these investment properties were determined in 2018 and 2016 by an independent professionally qualified appraiser. The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management assessed that the fair value of these properties at March 31, 2017 is not significantly different from the fair value determined as at March 31, 2016, dacion date.

Land

Level 3 fair value of land has been derived using the sales comparison approach. The sales comparison approach is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by process involving comparison. Listings and offerings may also be considered. Sales prices of comparable land in close proximity (external factor) are adjusted for differences in key attributes (internal factors) such as location and size.

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

| | 2018 | 2017 |
|---|---|---|
| Fair value | **₱2,114,503,000** | ₱1,251,415,000 |
| Total square meters | **55,459** | 55,459 |
| Fair value by square meters: | | |
| Quezon City properties | **14,357 sq. m. at ₱116,000 per sq. m. and 918 sq. m. at ₱104,000** | 15,275 sq. m. at ₱64,000 per sq. m. |
| Davao property | **40,184 sq. m. at ₱8,800 sq. m.** | 40,184 sq. m. at ₱6,800 sq. m. |
| Valuation technique | **Sales comparison approach** | Sales comparison approach |
| Unobservable input | **External factors – net price per square meter** | External factors – net price per square meter |
| | **Internal factors – location, size, depth, influence, and time element** | Internal factors – location, size, depth, influence, and time element |
| Relationship of unobservable inputs to fair value | **The higher the price per square meter, the higher the fair value** | The higher the price per square meter, the higher the fair value |

Buildings and Improvements

Level 3 fair values of buildings and improvements have been derived using the cost approach. The cost approach is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is an equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay. As at March 31, 2018 and 2017, the fair value of the buildings and improvements amounted to ₱43.0 million and ₱29.1 million, respectively.

The highest and best use of the Quezon City properties is commercial land development. The highest best use of the Davao property is institutional land development.

## 9. Property and Equipment

The rollforward analysis of this account follow:

| | **2018** | | | |
|---|---|---|---|---|
| | **Office Equipment** | **Leasehold Improvements** | **Furniture and Fixtures** | **Total** |
| **Cost** | | | | |
| Balance at beginning of year | **₱696,864** | **₱17,323,900** | **₱302,731** | **₱18,323,495** |
| Additions | **–** | **53,394** | – | **53,394** |
| Balance at end of year | **696,864** | **17,377,294** | **302,731** | **18,376,889** |
| **Accumulated Depreciation and Amortization** | | | | |
| Balance at beginning of year | **589,328** | **14,484,636** | **301,634** | **15,375,598** |
| Depreciation and amortization | **79,021** | **2,258,258** | **441** | **2,337,720** |
| Balance at end of year | **668,349** | **16,742,894** | **302,075** | **17,713,318** |
| **Net Book Value** | **₱28,515** | **₱634,400** | **₱656** | **₱663,571** |

| | 2017 | | | |
|---|---|---|---|---|
| | Office Equipment | Leasehold Improvements | Furniture and Fixtures | Total |
| Cost | | | | |
| Balance at beginning of year | ₱589,382 | ₱17,118,543 | ₱302,731 | ₱18,010,656 |
| Additions | 107,482 | 205,357 | – | 312,839 |
| Balance at end of year | 696,864 | 17,323,900 | 302,731 | 18,323,495 |
| Accumulated Depreciation and Amortization | | | | |
| Balance at beginning of year | 520,442 | 10,827,362 | 300,753 | 11,648,557 |
| Depreciation and amortization | 68,886 | 3,657,274 | 881 | 3,727,041 |
| Balance at end of year | 589,328 | 14,484,636 | 301,634 | 15,375,598 |
| Net Book Value | ₱107,536 | ₱2,839,264 | ₱1,097 | ₱2,947,897 |

Certain property and equipment with cost totaling ₱16.8 million and ₱1.0 million as at March 31, 2018 and 2017, respectively, are fully depreciated and are still being used by the Company.

There were no temporarily idle property and equipment as at March 31, 2018 and 2017.

## 10. Other Noncurrent Assets

This account consists of:

| | **2018** | 2017 |
|---|---|---|
| Available-for-sale financial assets | **₱694,025** | ₱731,375 |
| Software cost (net of accumulated amortization of ₱450,000 and ₱300,000 as at March 31, 2018 and 2017, respectively) | **–** | 150,000 |
| | **₱694,025** | ₱881,375 |

Available-for-sale financial assets represents the Company's investment in quoted equity securities.

Movement in unrealized mark-to-market gain on available-for-sale financial assets follows:

| | **2018** | 2017 |
|---|---|---|
| Balance at beginning of year | **₱366,908** | ₱366,908 |
| Unrealized mark-to-market loss | **(37,350)** | – |
| Balance at end of year | **₱329,558** | ₱366,908 |

## 11. Accounts Payable and Other Current Liabilities

This account consists of:

| | **2018** | 2017 |
|---|---|---|
| Payable to AHC (see Notes 7 and 12) | **₱63,778,000** | ₱63,778,000 |
| Subscription payable to STI WNU (see Notes 7 and 12) | **25,227,650** | 30,227,650 |
| Accrued expenses | **3,847,458** | 6,451,288 |
| Accounts payable | **1,712,753** | 2,808,755 |
| Others | **82,677** | 131,703 |
| | **₱94,648,538** | ₱103,397,396 |

a. Payable to AHC pertains to the remaining balance of the consideration relative to the assignment of AHC's receivable from Unlad on March 1, 2016 (see Note 7). The Deed of Assignment provides that the cash consideration will be payable in cash of ₱10.0 million upon execution of the Deed of Assignment and the remaining balance of ₱63.8 million upon demand.

b. Accrued expenses primarily pertain to accrual for legal fees, contracted outside services and utilities which are normally settled the following year.

## 12. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Company, including holding companies, and fellow subsidiaries are related entities of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related entities.

Related party receivables and payables are generally settled in cash.

The Company, in the normal course of business, has the following transactions with related parties:

| | Amount of Transactions for the Year | | Outstanding Receivable (Payable) | | | |
|---|---|---|---|---|---|---|
| **Category** | **2018** | 2017 | **2018** | 2017 | **Terms** | **Conditions** |
| ***Subsidiaries*** | | | | | | |
| **STI ESG** | | | | | | |
| Advisory fee | **₱14,400,000** | ₱14,400,000 | **₱–** | ₱– | 30 days upon receipt of billings; Noninterest-bearing | Unsecured |
| Reimbursements | **3,945** | 324,615 | **–** | – | Within 1 year; Noninterest-bearing | Unsecured |
| **STI WNU** | | | | | | |
| Advisory fee | **3,600,000** | 3,600,000 | **–** | – | 30 days upon receipt of billings; Noninterest-bearing | Unsecured |
| Subscription payable (see Note 11) | **(5,000,000)** | (5,000,000) | **(25,227,650)** | (30,227,650) | Noninterest-bearing | Unsecured |
| **AHC** | | | | | | |
| Payable to AHC (see Note 11) | **–** | – | **(63,778,000)** | (63,778,000) | Payable upon demand; noninterest-bearing | Unsecured |
| Subscription payable | **–** | – | **(64,000,000)** | (64,000,000) | Noninterest-bearing | Unsecured |
| **iACADEMY** | | | | | | |
| Advances (see Note 5) | **–** | (285,112,827) | **–** | – | Within 1 year; Noninterest-bearing | Unsecured |
| ***Affiliates**** | | | | | | |
| **Phil First Insurance Co., Inc.** | | | | | | |
| Rental and other charges (see Note 11) | **3,961,159** | 3,904,865 | **(303,673)** | (288,214) | Within 1 year; Noninterest-bearing | Unsecured |
| **Philippines First Condominium Corporation** | | | | | | |
| Association dues and other charges | **472,702** | 461,017 | **(35,785)** | – | 30 days upon receipt of billings; noninterest-bearing | Unsecured |
| **PhilCare** | | | | | | |
| Rental income and other charges | **240,000** | 240,000 | **–** | – | 30 days upon receipt of billings; noninterest-bearing | Unsecured |
| HMO coverage | **100,944** | 24,340 | **–** | – | 30 days upon receipt of billings; noninterest-bearing | Unsecured |
| **PhilLife** | | | | | | |
| Rental income and other charges | **300,000** | 300,000 | **–** | – | 30 days upon receipt of billings; noninterest-bearing | Unsecured |
| ***Officers and Employees*** | | | | | | |
| Advances to officers and employees (see Note 5) | **427,026** | 282,857 | **980,425** | 963,722 | Liquidated within 1 month; Noninterest-bearing | Unsecured; unimpaired |
| ***Others*** | | | | | | |
| Rental income and other charges | **300,000** | 300,000 | **–** | – | 30 days upon receipt of billings; noninterest-bearing | Unsecured |
| | | | **(₱152,364,683)** | (₱157,330,142) | | |

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

a. Business Advisory Agreement with STI ESG and STI WNU

In November 2012, the Company and STI ESG entered into an agreement for the Company to act as an adviser for the latter with a monthly fee of ₱1.2 million.

Further, in January 2015, the Company and STI WNU entered into an agreement for the Company to act as an adviser for the latter with a monthly fee of ₱0.3 million.

Advisory fee earned for each of the years ended March 31, 2018 and 2017 amounted to ₱18.0 million.

b. Compensation and Benefits of Key Management Personnel

The Company's directors did not receive any compensation from the Company, except for directors' fees paid for each board meeting attended. Key management compensation for the years ended March 31, 2018 and 2017 amounted to ₱2.7 million and ₱3.2 million, respectively.

## 13. **Equity**

a. Common Stock

Details as at March 31, 2018 and 2017 follow:

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

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

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

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

As at March 31, 2018 and 2017, the Company has a total number of shareholders on record of 1,259 and 1,256, respectively.

b. Retained Earnings

On September 29, 2017, cash dividends amounting to ₱0.02 per share or the aggregate amount of ₱198.1 million were declared by the Company's BOD in favor of all stockholders on record as at October 12, 2017, payable on November 13, 2017.

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

As at March 31, 2018 and 2017, long-outstanding unclaimed dividends amounting to ₱11.9 million pertain to dividend declarations from 1998 to 2016. This is presented as part of "Dividends payable" account, separately presented in the parent company statements of financial position.

## 14. Basic/Diluted Earnings Per Share

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:

| | **2018** | 2017 |
|---|---|---|
| Net income | **₱229,615,720** | ₱1,056,592,113 |
| Common shares at beginning and end of year | **9,904,806,924** | 9,904,806,924 |
| | **₱0.023** | ₱0.107 |

The basic and diluted earnings per share are the same for the years ended March 31, 2018 and 2017 as there are no dilutive potential common shares.

## 15. Income Taxes

The provision for current income tax in 2018 and 2017 represent MCIT and RCIT, respectively.

The reconciliation between the provision for income tax at the applicable statutory tax rate and the provision for current income tax as shown in the parent company statements of comprehensive income are as follows:

| | **2018** | 2017 |
|---|---|---|
| Provision for income tax at statutory tax rate | **₱68,998,193** | ₱317,091,202 |
| Tax effects of: | | |
| Dividend income | **(72,976,945)** | (319,269,406) |
| Change in unrecognized deferred tax assets | **4,536,044** | 2,825,562 |
| Income subjected to final tax | **(179,037)** | (433,191) |
| Nondeductible expenses | **–** | 164,392 |
| | **₱378,255** | ₱378,559 |

Details of NOLCO that can be claimed as deductions from regular taxable income and MCIT which can be claimed against future regular income tax due are as follows:

| Year Incurred | Expiry Date | NOLCO | MCIT |
|---|---|---|---|
| 2018 | 2021 | ₱13,859,297 | ₱378,255 |
| 2017 | 2020 | 8,156,678 | 378,559 |
| | | ₱22,015,975 | ₱756,814 |

As at March 31, 2018 and 2017, the Company did not recognize the related deferred tax assets as management believes that future taxable income will not be available to allow all or part of these deferred tax assets to be utilized since the Company's income mainly pertains to passive income which are not subject to income tax.

As at March 31, 2018 and 2017, the Company recognized deferred tax liability amounting to ₱110.9 million pertaining to the excess of fair value over the dacion price of the properties received through dacion (see Note 8).

Republic Act (RA) No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN)
RA No. 10963 was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

## 16. Commitments and Contingencies

iAcademy Bridge Loan
STI Holdings signed as co-maker for a bridge financing loan of ₱200.0 million obtained by iACADEMY on August 1, 2016 from China Banking Corporation ("China Bank"). On September 29, 2017, this bridge loan was fully paid from the term loan facility arranged by iACADEMY also with China Bank.

Corporate Surety Granted to STI WNU
On November 25, 2014, the BOD of the Company approved and authorized the execution, delivery and performance of the Surety Agreement with China Bank as security for the following obligations of STI WNU: (a) a credit line of ₱5.0 million; (b) a long-term loan in the principal amount of ₱300.0 million; and (c) bridge financing in the amount of ₱20.0 million.

Further, the BOD approved and authorized the execution, delivery and performance, as a conforming party, to the Amendment and Supplemental Agreement to the ₱3,000.0 million Corporate Notes Facility Agreement, by and among STI WNU, China Bank and STI ESG, relative to the long-term financing of STI WNU in the amount of ₱300.0 million.

In December 2014, the Company issued a Surety Agreement in favor of China Bank to secure STI WNU's ₱300.0 million long-term loan and ₱5.0 million credit line. As at March 31, 2018 and 2017, STI WNU's outstanding long-term loan amounted to ₱182.0 million and ₱209.0 million, respectively.

Contingencies

a. *Agreements with PWU and Unlad.* On various dates in 2011, 2012 and 2013, the Company, together with AHC extended loans and advances to PWU and Unlad by virtue of several agreements (collectively, "Loan Documents"), which were secured by mortgages over PWU and Unlad properties, entered into by the Company, AHC, PWU and Unlad with total principal amount of ₱513.0 million (₱65.0 million of which was extended by AHC). Upon the non-adherence to the terms and conditions stated in the loan documents, the Company and AHC served notices of default to PWU and Unlad in December 2014, and demanded the payment of the total combined amount of around ₱926.0 million, inclusive of interests, penalties, fees and taxes.

Upon failure to pay the aforesaid loan, the Company and AHC enforced its rights under the aforesaid agreements and mortgages and filed several Petitions for Extra-Judicial Foreclosure of Real Estate Mortgage on (a) PWU Indiana and Taft Properties with the Office of the Clerk of Court and Ex-Officio Sheriff of the Regional Trial Court ("RTC") of Manila, (b) Unlad's properties in Quezon City and (c) Davao Property with the Office of the Clerk of Court and Ex-Officio Sheriff of the RTC of Quezon City and Davao, respectively, in February 2015.
On March 13, 2015, Dr. Helena Z. Benitez (HZB) filed a Creditor-Initiated Petition for Rehabilitation of PWU in RTC Manila ("PWU Rehabilitation Case"). The PWU Rehabilitation Case was raffled to Branch 46 of the RTC Manila ("Rehabilitation Court").
On March 26, 2015, the Company filed a Notice of Claim with the Rehabilitation Court.

On August 29, 2015, the Rehabilitation Court rendered a decision dismissing the PWU Rehabilitation Case.

After filing of the Motion for Reconsideration and responsive pleadings thereto, on January 21, 2016, the Rehabilitation Court denied the respective Motions for Reconsideration filed by HZB and PWU.

Extra-judicial foreclosure sales were conducted on various dates in 2015 and 2016 for the above mentioned properties and the Company was declared as the winning bidder for all extra-judicial foreclosure sales held.

On March 1, 2016, the Company and AHC executed a Deed of Assignment wherein the Company assigned its Loan to Unlad, including capitalized foreclosure expenses, amounting to ₱66.7 million for a cash consideration of ₱73.8 million (see Note 8).

On March 22, 2016, the Company, PWU, Unlad, and HZB entered into a Memorandum of Agreement ("MOA") for the extinguishment and settlement of the outstanding obligations of PWU and Unlad to the Company. The MOA includes, among others, the execution of the following on March 31, 2016:

- Deed of Dacion en pago of Quezon City Properties and Davao Property (collectively referred to as the "Deeds") in favor of the Company
- Release and cancellation of mortgages over the Manila Properties to be executed by the Company

The MOA also provides that the Company will be committed to fund and advance all taxes, expenses and fees to the extent of ₱150.0 million in order to obtain the CAR and the issuance of new Transfer Certificate of Title (TCT) and Tax Declaration (TD) in favor of the Company. In the event that such expenses are less than ₱150.0 million, the excess shall be given to Unlad. However, if the ₱150.0 million will be insufficient to cover the expenses, the Company will provide the deficiency without any right of reimbursement from Unlad.

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

| | PWU | Unlad* | Total |
|---|---|---|---|
| Principal amount | ₱250,000,000 | ₱263,000,000 | ₱513,000,000 |
| Interest** | 12,651,546 | 10,465,046 | 23,116,592 |
| Auction expenses | 23,195,709 | 951,876 | 24,147,585 |
| Foreclosure and legal expenses*** | 18,021,970 | 5,941,989 | 23,963,959 |
| | ₱303,869,225 | ₱280,358,911 | ₱584,228,136 |

**Receivable from Unlad includes assigned receivable from AHC amounting to ₱73.8 million*
***Interest up to December 31, 2012 only*
****₱15.2 million and ₱32.9 million of auction, foreclosure and legal expenses, were recognized as part of the noncurrent receivables in 2016 and 2015, respectively*

Pursuant to the MOA, on March 31, 2016, the Company and Unlad entered into the Deeds wherein Unlad transfers four parcels of land in Quezon City and a parcel of land in Davao to the Company for a total dacion price of ₱611.0 million and ₱300.0 million, respectively, for the settlement of the outstanding loans of PWU and Unlad.

Relative to the above, the following cases have been filed:

(i) *Complaint filed by the Heirs of the Family of Villa-Abrille relative to Unlad's Davao Property.* On October 21, 2015, the Company and AHC each received copies of the Complaint filed by the Heirs of Carlos Villa-Abrille, Heirs of Luisa Villa-Abrille, Heirs of Candelaria V.A. Tan, Heirs of Adolfo V.A. Lim, Heirs of Saya V.A. Lim Chiu, Heirs of Guinga V.A. Lim Lu, Heirs of Rosalia V.A. Lim Lua, Heirs of Lorenzo V.A. Lim, and Heirs of Fermin Abella against the Philippine Women's Educational Association ("PWEA"), Unlad, the Company, and AHC for cancellation of certificate of title, reconveyance of real property, declaration of nullity of real estate mortgage, damages, and attorney's fees. The subject matter of the case is Unlad's property located in Davao City.

The Plaintiffs claim that ownership of Unlad's property in Davao City should revert back to them because PWEA and Unlad violated the restrictions contained in the Deed of Sale covering the property. The restrictions referred to by the Plaintiffs provide that PWEA shall use the land for educational purposes only and shall not subdivide the land for purposes of resale or lease to other persons. The Plaintiffs also claim that the real estate mortgage constituted over Unlad's property in Davao City in favor of the Company and AHC should be declared null and void because PWEA and Unlad have no capacity to mortgage the property based on the restrictions contained in the Deed of Sale.

On November 20, 2015, the Company and AHC filed the Motion to Dismiss ("First Motion to Dismiss"). In the First Motion to Dismiss, the Company and AHC asserted that the Plaintiffs' cause of action against PWEA and Unlad has prescribed considering that the alleged violation of the restrictions in the Deed of Sale occurred in 1987 or more than ten (10) years from the filing of the case. In addition, Plaintiffs cannot seek the cancellation of the real estate mortgage in favor of the Company and AHC because (a) Plaintiffs are not privy/real parties in interest to the said mortgage, and (b) the restrictions in the title and Deed of Sale do not prohibit the mortgage of the subject property. The First Motion to Dismiss was scheduled by the Trial Court on December 4, 2015.

On December 4, 2015, the Plaintiffs failed to attend the hearing of the Motion to Dismiss. The Trial Court instead ordered the Plaintiffs to file their comment to the Motion to Dismiss within ten (10) days from receipt of its order while the Company and AHC were given the same period to file their reply thereto.

The Trial Court also noticed that the records failed to show that PWEA and Unlad received the Summons. The Trial Court then ordered the branch sheriff to cause the service of the Summons to PWEA and Unlad.

Despite the extensions given to the Plaintiffs, Plaintiffs belatedly filed its Comment or Opposition to the First Motion to Dismiss. Subsequently, the Company and AHC filed an (1) Omnibus Motion, which seeks to expunge Plaintiffs' Comment or Opposition to the First Motion to Dismiss for belatedly filing the same, and (2) a Second Motion to Dismiss dated March 22, 2016 ("Second Motion to Dismiss").

In the Second Motion to Dismiss, the Company and AHC informed the Trial Court that they were able to discover that the plaintiffs filed a similar case against PWEA and Unlad with another Trial Court of Davao City, which was dismissed without qualifications for their failure to comply with the said Trial Court's order. Said dismissal was eventually affirmed with finality by the Supreme Court. Because of this information, the Company and AHC moved to dismiss the case for res judicata and willful and deliberate forum shopping for filing the same case to the Trial Court.

After receipt of all the motions filed by the Company and AHC, the Trial Court ordered the parties to file their responsive pleadings to said pending motions.

The parties filed their responsive pleading wherein the last responsive pleading was filed on May 30, 2016. With the filing of the said last responsive pleading, the Motions to Dismiss were submitted for resolution.

On October 20, 2016, the Trial Court issued the Order, which granted the Motions to Dismiss, and dismissed the instant case on the basis of (a) prescription, and (b) res judicata. The Trial Court likewise affirmed that there were no violations of the provisions and/or restrictions in the Deed of Sale annotated on the title of the subject property because (a) the mortgage of the subject property between the 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 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 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.

In the Appellants' Brief filed by the Plaintiffs, 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 Company to nullify the mortgage contracts over the subject property and (c) there is no res judicata.

Within the period to file an Appellees' Brief, the Company and AHC filed an Omnibus Motion on June 21, 2017. In the Omnibus Motion, the Company and AHC moved to dismiss the Plaintiffs' appeal because the Appellants' Brief did not comply with the mandatory requirements on the content thereof and period to file the same as provided in Sections 7 and 13 of Rule 44 in relation to Section 1 of Rule 50 of the Rules of the Court. The Company and AHC likewise moved to suspend the filing of the Appellees' Brief pending the resolution of the said motion to dismiss appeal.

After the Court of Appeals required the parties to file their respective responsive pleadings to the Omnibus Motion, the Company and AHC received the Court of Appeal's Resolution, which dismissed the Plaintiffs' appeal based on defects in their Appellants' Brief on October 19, 2017.

On November 21, 2017, the Company and AHC received the Plaintiffs-Appellants' Omnibus Motion (1) for reconsideration to the dismissal of the appeal and (2) admit the amended Appellants' Brief. In the Omnibus Motion, Plaintiff asserted that the appeal should be reinstated because they have cured all the defects in their Appellants' Brief.

After the parties have filed their respective responsive pleadings to the Plaintiffs-Appellants' Omnibus Motion, the Court of Appeals issued the Resolution dated March 1, 2018, which, out of liberality, reinstated the Plaintiff's-Appellants appeal. Meanwhile, the Court of Appeals required the Company and AHC to file their Appellees' Brief within forty five days from receipt thereof, or until April 30, 2018.

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

As of July 12, 2018, the Company and AHC have not received the said Reply-Brief, and/or any other pleading or motion from the Plaintiffs-Appellants.

Unless otherwise provided by the Court of Appeals, the Plaintiffs-Appellants' appeal of the Subject Order is deemed submitted for resolution.

(ii) *PWU Rehabilitation Case.* On March 13, 2015, HZB filed the PWU Rehabilitation Case to the Rehabilitation Court.

On March 20, 2015, the Rehabilitation Court issued a Commencement Order declaring PWU to be under rehabilitation. The Commencement Order contains a Stay Order, which among others, effectively suspends all actions or proceedings enforcing all claims against PWU in court or otherwise.

On March 26, 2015, the Company filed a Notice of Claim with the Rehabilitation Court. Under the Notice of Claim, PWU has outstanding obligations amounting to ₱763.6 million as of March 25, 2015.

On April 8, 2015, the Company filed its Opposition to the PWU Rehabilitation Case.

On May 26, 2015, the Rehabilitation Court referred the PWU Rehabilitation Case to the Rehabilitation Receiver for evaluation. The Rehabilitation Receiver was given forty days from May 26, 2015 to consider whether the rehabilitation of PWU is feasible or not.
On August 29, 2015, the Rehabilitation Court rendered the Decision to dismiss the PWU Rehabilitation Case, for being, among others, a sham filing and ordered the lifting of the Stay Order.

After filing of the Motion for Reconsideration and responsive pleadings thereto, on January 21, 2016, the Rehabilitation Court denied the respective Motion(s) for Reconsideration filed by HZB and PWU.

PWU filed a Petition for Certiorari with Application for Temporary Mandatory/Restraining Order and/or Writ of Preliminary Injunction dated February 26, 2016 to the CA.

Subsequently, HZB filed her Petition for Certiorari (with Urgent Application for Temporary Restraining Order and/or Writ of Preliminary Injunction) dated February 29, 2016 to the CA.

Eventually, both PWU and HZB filed their Motion for Withdrawal of their Petition for Certiorari dated April 11, 2016 to the CA.

On May 13, 2016, the Motion to Withdraw the Petition for Certiorari of PWU was granted by the CA.

On June 23, 2016, the Court of Appeals required HZB, through her counsel, to re-file the Motion to Withdraw the Petition for Certiorari of HZB on the ground that it has not received the same.

After the filing of the said Motion, the Court of Appeals issued the Resolution dated August 11, 2016 granting the said Motion, and considered the Petition filed by HZB withdrawn.

Considering the withdrawal of the aforesaid Petitions and settlement of the parties, the dismissal of the Petition for Rehabilitation of PWU has become final and executory.

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

(a) Mr. Conrado L. Benitez II (the “Claimant”) filed on June 28, 2016 a Request for Arbitration, with the Philippine Dispute Resolution Center, Inc. (“PDRCI”), for and on behalf of PWU and Unlad, wherein he requested that the directors/trustees and stockholders/members of Unlad and PWU, Mr. Eusebio H. Tanco (“EHT”), the Company, Mr. Alfredo Abelardo B. Benitez (“ABB”) and the Company (collectively, the “Respondents”) submit the alleged dispute over the settlement of the loan obligations of PWU and Unlad as provided in the arbitration clause of the Joint Venture Agreement and Omnibus Agreement (the “Loan Documents”).

In the said Arbitration Case, the Claimant asserted that PWU and Unlad are not in default in their obligations under the Loan Documents. The obligations provided therein, specifically obtaining a tax free ruling for Property for Share Swap Transaction from the Bureau of Internal Revenue, is an impossible condition. Consequently, the foreclosures on the securities of the Loan Documents, real properties of PWU and Unlad, were null and void because (a) failure to submit the case for arbitration and (b) PWU and Unlad are not in default. Based on such circumstances, the Claimant sought, among others, the (a) renegotiation, or (b) rescission of the Loan Documents. Should the Loan Documents be rescinded, the Claimant also sought that PWU and Unlad shall be allowed twelve months to sell the Davao and Quezon City Properties to return the alleged investments made by the Company, EHT, ABB and the Company. Lastly, the Claimant sought the payment of attorney’s fees of not less than ₱5.0 million, ₱0.5 million for expenses and reimbursement of costs of suit, expenses, and other fees.

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

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

Based on the rules of the PDRCI, the Respondents in the arbitration case need not file their Response until full payment of the Claimant. Based on said circumstances, the Company, AHC and EHT filed an Entry of Appearance with Manifestation ("Manifestation"). In the Manifestation, they informed the PDRCI that the filing of their Response shall be deferred until full payment of the provisional advance of cost by the Claimant as required under the PDRCI Rules. Likewise, they manifested that the Claimant should be compelled to pay said fees in order for the PDRCI and/or the arbitral tribunal to be constituted to rule on the defenses and/or claim to be raised by the 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 of July 12, 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 Company, ABB and the Company (collectively, the “Defendants”) docketed as Civil Case No. 16-136130 in the RTC of Manila (the “Derivative Suit”). The Derivative Suit was raffled to Branch 24 of the RTC of Manila presided over by Judge Ma. Victoria A. Soriano-Villadolid.

In the Derivative Suit, the Petitioner primarily asserts that the Company, EHT, ABB and the Company should submit themselves to the arbitration proceedings filed with the PDRCI because the Loan Documents required any alleged dispute over the same to be resolved through arbitration. Consequently, the Petitioner alleges that the foreclosure proceedings and settlement of the obligations of PWU and Unlad as evidenced by the MOA dated March 22, 2016 executed by PWU and Unlad with the Company and AHC are null and void for not complying with the aforesaid arbitration clause. Likewise, the Petitioner sought the payment of attorney’s fees of not less than ₱1.0 million, ₱0.1 million for expenses and costs of suit.

On July 26, 2016, the Company and AHC filed their Joint Answer with Compulsory Counterclaim (“Joint Answer”). In the Joint Answer, the Company and AHC asserted that the instant case is a mere harassment and nuisance suit, and a deliberate form of forum shopping when the Petitioner filed the Arbitration Case for the same purpose. Likewise, the Petitioner cannot compel the corporations to submit themselves to arbitration because (a) the parties to the Loan Documents have already settled any disputes, and (b) the said corporations are not stockholders and members of PWU and Unlad. Lastly, the relevant laws allow the Company and AHC to institute foreclosure proceedings even if there is an arbitration clause.

Simultaneously, EHT filed his Answer wherein he asserted that the Petitioner cannot compel him to submit himself to arbitration when he is not a party to the Loan Documents. Under the relevant laws and arbitration clause of the Loan Documents, only parties to said contracts may be required to submit themselves to arbitration. EHT has ceased to be a party to the Joint Venture Agreement when he assigned all his rights and interests thereto to the Company, while he is not a party to the Omnibus Agreement. EHT further asserted that the Petitioner's only motive of including him in said case is to destroy his good name with the latter's blatant lies and baseless allegations.

The Petitioner then filed his Consolidated Reply to the Joint Answer and Answer of EHT. Meanwhile, Defendants ABB, Dr. Francisco Benitez (as president of PWU), and Mr. Marco Alfredo Benitez (as president of Unlad) filed their respective Motion(s) to set preliminary hearing on the special and affirmative defenses raised by said Defendants in their respective Answers.

On October 19, 2016, the Petitioner filed his Ex Parte Motion to Set Pre-Trial of the instant case.

The Trial Court ordered the parties to file their respective comments to the aforesaid Motions.

Based on the records of the case, Dr. Francisco Benitez (as president of PWU), and Mr. Marco Alfredo Benitez (as president of Unlad) have filed their opposition to the Ex Parte Motion to Set Pre-Trial insofar as the same is premature due to the pending Motion(s) to set preliminary hearing on the special and affirmative defenses.

On November 11, 2016, the Company, AHC and EHT filed their respective Motion(s) to Set Hearing on Affirmative Defenses. In EHT's Motions, EHT moved to dismiss the case because EHT is no longer a party to the loan documents subject of the instant case. While, the Company and AHC asserted that the dismissal of the case is warranted when (a) the Petitioner is guilty of forum shopping for filing the arbitration case with the PDRCI and (b) the same is a mere harassment and/or nuisance suit. The said Motions were set for hearing on December 8, 2016.

After the hearing on the aforesaid Motions filed by the Defendants in the instant case and filing of all the parties their respective responsive pleadings to the said Motions, the Trial Court issued its Order dated February 22, 2017, which denied the co-defendants respective Motion(s) to Set Preliminary Hearing on the Special and Affirmative Defenses.

On March 13, 2017, the Company, AHC and EHT received two (2) Order(s) both dated March 3, 2017 from the Trial Court. The first Order provides that their Motion(s) to Set Preliminary Hearing on the Special and Affirmative Defenses were denied by the Trial Court while the second Order set the case for pre-trial conference on April 18, 2017 with pre-marking of documentary evidence on April 7, 2017 ("Notice of Pre-Trial"). The Notice of Pre-Trial further requires the parties to file their respective (a) pre-trial briefs, (b) documentary evidence, (c) affidavits of witnesses, and (d) special power of attorney of counsels, in case any of the party-litigants cannot attend the pre-trial conference.

After participating in the pre-marking of evidence and filing of their respective Pre-Trial Briefs and Judicial Affidavits of witnesses, the parties' respective counsels attended the pre-trial for the above-captioned case on April 18, 2017.

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

Immediately after the hearing, the parties went to the PMC, wherein the parties agreed to schedule the mediation hearing on May 3, 2017. While setting the schedule of the mediation hearing, counsel for the Petitioner made a proposal for the amicable settlement of the instant case.

On May 2, 2017, the 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 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 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 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 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 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 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.

On July 25, 2017, all of the parties filed their respective Memoranda. With the filing of their respective Memoranda, the case was submitted for resolution.

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

On February 28, 2018, the Company, AHC and EHT received the Plaintiff's Petition for Review of the aforesaid Decision filed with the Court of Appeals – Manila and docketed as CA GR No. 154654.

As of July 12, 2018, the Court of Appeals has yet to issue the appropriate Resolution requiring the parties to file their respective Comments to the Plaintiff's Petition for Review.

b. *Specific Performance Case filed by the Agustin Family.* The Agustin family filed a Specific Performance case against the Company for the payment by the latter of the remaining balance of the purchase price for the sale of the Agustin Family's shares in STI WNU.

The Agustin family alleges in their Complaint that based on the Share Purchase Agreement and Deed of Absolute Sale they executed with the Company, the price of their shares in STI WNU has been pegged at ₱400.0 million. Despite these two agreements, the Company refuses to pay the full purchase price for the STI WNU shares they acquired from the Agustin family.

In its Answer, the Company stated that the Agustin family is not entitled to the full purchase price of their STI WNU shares because they have not complied with all the requirements for its release. In particular, the Agustin family has not been able to deliver the Commission on Higher Education permits for the operation of STI WNU's Maritime Program as provided in the MOA, and the Share Purchase Agreement. In addition, there are other trade receivables in favor of STI WNU wherein full satisfaction of the same entitles the Agustins a portion of the balance of the purchase price.

On June 2, 2016, the Company received the Agustins' Reply to the Answer. In the Reply, the Agustin family are asserting that (a) the Memorandum of Agreement, Share Purchase Agreement and Deed of Absolute Sale (the "STI WNU Contracts") provide that the Company can withhold the payment of the remaining balance of ₱50.0 million, which alleged to be pursuant to the license to operate the Maritime Programs of STI WNU, and (b) the Company should be deemed to have agreed on the ₱400.0 million purchase price. Likewise, the allegations in the Answer are also against the Parol Evidence Rule which provides that the parties to a written agreement cannot change the stipulations provided therein.

The Agustin family also filed and served a Request for Admission to the Company's counsel wherein they sought the Company to submit (a) the existences and authenticity of the STI WNU Contracts, (b) issues of the instant case are (i) determination of the final purchase price based on the STI WNU Contracts and (ii) final purchase price should be either the ₱400.0 million or the adjusted price of ₱350.0 million, and (c) the STI WNU Contracts constitute the entire written agreement of the parties.

On June 17, 2016, the Company filed its Comment/Opposition to the Agustin family's Request for Admission. In the Comment/Opposition, the Company filed their objections thereto and sought the same to be denied or deemed ineffectual on the following grounds; (a) defective service because it should have been served directly to the Company and not to its counsel as required under the Rules of Court, (b) redundant because the matters raised therein have already been addressed in the Answer, and (c) improper and irrelevant because it sought admission of issues which are proper during pre-trial and not in a Request for Admission.

Besides the Trial Court's resolutions on the aforesaid objections to the Request for Admission, the case may be referred to pre-trial and/or court-annexed mediation unless the Agustin family filed any other motions or pleading.

Pending the resolution on the aforesaid objections, the Agustin family filed an Omnibus Motion, which seeks, among others, a judgment on the pleadings to be issued against the Company by the Trial Court. The Agustin family asserted that the Company is prohibited from presenting parol evidence.

Pursuant to the order of the Trial Court, the parties filed their respective responsive pleadings in relation to the Agustin family's Omnibus Motion.

On March 27, 2017, the Trial Court issued the Omnibus Order, which denied the Agustin family's Omnibus Motion. In the Omnibus Order, the Trial Court affirmed that the matter raised in the Request for Admission has already been admitted by the Company. The Trial Court also adopted the Company's position that the affirmative defenses raised in the Answer may only be resolved in a full blown trial, and consequently, the Agustin family's Judgment on the Pleading should be denied for lack of merit.

On May 2, 2017, the Company received the Agustin family's Motion for Reconsideration. In the Motion for Reconsideration, the Agustin family reiterated its position that the Company could not question or insist the reduction of the purchase price of WNU Shares due to their failure to submit the CHED Permits when the Share Purchase Agreement and Deed of Absolute Sale of the WNU Shares stipulated that the purchase price is for the amount of ₱400.0 million. The Motion for Reconsideration was set for hearing on May 5, 2017.

During the May 5, 2017 hearing, the Trial Court allowed the parties to file their respective responsive pleadings to the Agustin family's Motion for Reconsideration, wherein the Company had to file its Comment/Opposition thereto on May 22, 2017. After the filing of all of the said responsive pleadings of the parties, the Motion for Reconsideration was submitted for resolution. The Trial Court likewise set the pre-trial of the instant case on August 15, 2017.

On October 19, 2017, the Company received the Trial Court's Order dated October 3, 2017. In the Order, the Trial Court granted the Agustin's Motion for Reconsideration insofar as the proceedings in the instant case should no longer be through a full blown trial. The Trial Court considered that an expeditious disposition of the case is warranted considering the age and medical condition of the Agustins. Consequently, the Trial Court required the parties to file their respective Memoranda with supporting affidavits and deposition, if any, within twenty days from receipt of the Order, or until November 8, 2017.

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

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

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

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

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

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

While the Company sought to annul the aforesaid Order 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 Trial Court rendered its Decision dated April 4, 2018. In the Decision, the Trial Court ordered the Company to pay the Agustins the amount of ₱50.0 million with legal interest from the filing of the case until full payment only.

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

The Agustins filed their Opposition to the said Motion. Besides reiterating the validity of findings of the Trial Court, the Agustins raised the issue of forum shopping due to the pending Petition in the Court of Appeals of Cebu City.

With the filing of the said Opposition, the Company's Motion for Reconsideration Ex Abudanti Ad Cautelam is submitted for resolution.

## 17. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial assets is to support the Company's operations. The Company has various other financial assets and liabilities such as receivables, available-for-sale financial assets, accounts payable and other current liabilities, dividends payable, nontrade payable and subscription payable which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The Company's BOD reviews and approves policies for managing each of these risks and they are summarized below.

*Credit Risk.* Credit risk is the risk that the Company will incur a loss arising from its debtors or counterparties that fail to discharge their contractual obligations. Credit risk arises from deposits and short-term placements with banks as well as credit exposure on receivables from its debtors. Cash transactions are limited to high credit quality financial institutions. Cash in banks and short-term cash placements are maintained with universal banks. On the other hand, management believes that the debtors have a strong financial position and ability to settle its payable to the Company upon maturity.

As at March 31, 2018 and 2017, the Company's financial assets are classified as high grade. The Company's financial assets are all neither past due nor impaired.

With respect to credit risk arising from cash in banks and short-term cash placements, the exposure to credit risk arises from default of the counterparty, with a maximum exposure to the carrying amount of these financial instruments.

The table below shows the maximum exposure to credit risk for the components of the parent company statements of financial position as at March 31:

| | **Gross Maximum Exposure** | | **Net Maximum Exposure*** | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| Cash and cash equivalents: | | | | |
| Cash in banks | **₱72,217,036** | ₱13,394,376 | **₱70,717,036** | ₱11,894,376 |
| Cash equivalents | **–** | 37,022,991 | **–** | 36,022,991 |
| Receivables | **1,082,290** | 1,077,881 | **1,082,290** | 1,077,881 |
| AFS financial assets** | **694,025** | 731,375 | **694,025** | 731,375 |
| Total | **₱73,993,351** | ₱52,226,623 | **₱72,493,351** | ₱49,726,623 |

**Net financial assets after taking into account insurance on bank deposits*
***Presented under "Other noncurrent assets" account (see Note 10)*

*Liquidity Risk.* Liquidity risk relates to the failure of the Company to settle its obligations/commitments as they fall due. The Company observes prudent liquidity risk management through the maintenance of sufficient cash funds and short-term cash placements, and availability of funding in the form of adequate credit lines.

The tables below summarize the maturity profile of the Company's financial assets held for liquidity purposes and liabilities based on contractual undiscounted payments:

| | **2018** | | | |
|---|---|---|---|---|
| | **Due within 3 Months** | **Due from 3 to 6 Months** | **More than 6 Months** | **Total** |
| Financial assets: | | | | |
| Cash and cash equivalents | **₱72,217,036** | **₱–** | **₱–** | **₱72,217,036** |
| Receivables | **1,082,290** | – | – | **1,082,290** |
| AFS financial assets | – | – | **694,025** | **694,025** |
| | **₱73,299,326** | **₱–** | **₱694,025** | **₱73,993,351** |
| Financial liabilities: | | | | |
| Accounts payable | **₱1,712,753** | **₱–** | **₱–** | **₱1,712,753** |
| Accrued expenses | **3,847,458** | – | – | **3,847,458** |
| Payable to AHC | **63,778,000** | – | – | **63,778,000** |
| Nontrade payable | **67,000,000** | – | – | **67,000,000** |
| Dividends payable | **13,002,027** | – | – | **13,002,027** |
| Subscription payable* | – | – | **89,227,650** | **89,227,650** |
| | **₱149,340,238** | **₱–** | **₱89,227,650** | **₱238,567,888** |

**Current portion amounting to ₱25,227,650 is recorded under the "Accounts payable and other current liabilities" account*

| | 2017 | | | |
|---|---|---|---|---|
| | Due within 3 Months | Due from 3 to 6 Months | More than 6 Months | Total |
| Financial assets: | | | | |
| Cash and cash equivalents | ₱50,417,367 | ₱– | ₱– | ₱50,417,367 |
| Receivables | 1,077,881 | – | – | 1,077,881 |
| AFS financial assets | – | – | 731,375 | 731,375 |
| | ₱51,495,248 | ₱– | ₱731,375 | ₱52,226,623 |
| Financial liabilities: | | | | |
| Accounts payable | ₱2,808,755 | ₱– | ₱– | ₱2,808,755 |
| Accrued expenses | 6,451,288 | – | – | 6,451,288 |
| Payable to AHC | 63,778,000 | – | – | 63,778,000 |
| Nontrade payable | 67,000,000 | – | – | 67,000,000 |
| Dividends payable | 12,912,498 | – | – | 12,912,498 |
| Subscription payable* | – | – | 94,227,650 | 94,227,650 |
| | ₱152,950,541 | ₱– | ₱94,227,650 | ₱247,178,191 |

**Current portion amounting to ₱30,227,650 is recorded under the "Accounts payable and other current liabilities" account*

Correspondingly, the financial assets that can be used by the Company to manage its liquidity risk as at March 31, 2018 and 2017 consist of cash and cash equivalent and receivables.

As at March 31, 2018 and 2017, the Company's current ratios are as follows:

| | **2018** | 2017 |
|---|---|---|
| Current assets | **₱84,136,792** | ₱59,959,454 |
| Current liabilities | **174,650,565** | 183,309,894 |
| Current ratio | **0.482:1.000** | 0.327:1.000 |

Capital Risk Management

The Company aims to achieve an optimal capital structure in pursuit of its business objectives which include maintaining healthy capital ratios and strong credit ratings, and maximizing shareholder value.

The Company monitors capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. The Company includes all liabilities within debt. The Company defines total equity as common stock, additional paid-in capital, unrealized mark-to-market gain on AFS financial assets and retained earnings.

As at March 31, 2018 and 2017, the Company's debt-to-equity ratios are as follows:

| | **2018** | 2017 |
|---|---|---|
| Total liabilities | **₱349,512,265** | ₱358,171,594 |
| Total equity | **17,669,763,552** | 17,638,281,320 |
| Debt-to-equity ratio | **0.020:1.000** | 0.020:1.000 |

Another approach used by the Company is the asset-to-equity ratios shown below:

| | **2018** | 2017 |
|---|---|---|
| Total assets | **₱18,019,275,817** | ₱17,996,452,914 |
| Total equity | **17,669,763,552** | 17,638,281,320 |
| Asset-to-equity ratio | **1.020:1.000** | 1.020:1.000 |

There were no changes in the Company's approach to capital risk management for the years ended March 31, 2018 and 2017.

*Changes in liabilities arising from financing activities*

| | 2018 | | | |
|---|---|---|---|---|
| | April 1, 2017 | Cash flow | Dividend declaration | March 31, 2018 |
| Dividends payable | ₱12,912,498 | (₱198,006,609) | ₱198,096,138 | ₱13,002,027 |

## 18. **Fair Value Information of Financial Instruments**

The carrying values of the Company's financial assets and liabilities, except for available-for-sale financial assets, approximate their fair values as at March 31, 2018 and 2017 due to short-term nature and/or maturities of these financial instruments.

As at March 31, 2018 and 2017, the Company's AFS financial assets are measured at fair value based on quoted market prices under Level 1 fair value hierarchy.

For the years ended March 31, 2018 and 2017, there were no transfers among levels 1, 2 and 3 fair value measurements.

There were no financial instruments subject to an enforceable master netting arrangement that were not set-off in the parent company statements of financial position.

## 19. **Segment Information**

The Company's identified reportable segments are consistent with the segment information presented in the Group's consolidated financial statements. For management purposes, the Group is organized into business units based on the geographical location of the students and assets, and has five reportable segments as follows:

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

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

On a consolidated basis, the Group's performance is evaluated based on net income for the year and EBITDA defined as earnings before provision for income tax, interest expense, interest income, depreciation and amortization, equity in net earnings/losses of associates and joint ventures and nonrecurring gains/losses (effect of derecognition of a subsidiary, excess of consideration received from collection of receivables, gain on exchange of land, excess of acquisition cost over fair values of net assets acquired, excess of fair values of net assets acquired over acquisition cost and loss on deemed sale and share swap of an associate).

The segment information provided in the succeeding section are based on consolidated balances. Adjustments are presented to reconcile the information with the balances reported in the parent company financial statements.

The following table shows the reconciliation of the consolidated net income to consolidated EBITDA in 2018 and 2017:

| | **2018** | 2017 |
|---|---|---|
| Consolidated net income | **₱502,818,019** | ₱558,422,515 |
| Depreciation and amortization | **398,836,776** | 375,621,499 |
| Equity in net losses of associates and joint ventures | **222,036,414** | 244,097,915 |
| Provision for income tax | **77,808,677** | 99,271,359 |
| Interest expense | **219,411,899** | 79,245,342 |
| Interest income | **(28,527,141)** | (4,907,330) |
| Effect of derecognition of a subsidiary | **–** | 60,829,455 |
| Consolidated EBITDA | **₱1,392,384,644** | ₱1,412,580,755 |

<u>Inter-Segment Transactions</u>
Segment revenue, segment expenses and operating results include transfers among geographical segments. The transfers are accounted for at competitive market prices charged to unrelated customers for similar services. Such transfers are eliminated upon consolidation.

Geographical Segment Data

The following tables present revenue and income information and certain assets and liabilities information regarding geographical segments in 2018 and 2017:

| | 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Metro Manila** | **Northern Luzon** | **Southern Luzon** | **Visayas** | **Mindanao** | **Reconciliations/ Adjustments** | **Total** |
| **Revenues** | | | | | | | |
| External revenue | **₱1,881,164,072** | **₱137,130,546** | **₱682,081,346** | **₱294,336,309** | **₱87,958,673** | **(₱2,821,414,462)** | **₱261,256,484** |
| **Results** | | | | | | | |
| Income before other income and income tax | **₱548,633,149** | **₱17,897,080** | **₱257,182,223** | **₱55,546,214** | **(₱4,910,736)** | **(₱645,863,489)** | **₱228,484,441** |
| Equity in net losses of associates and joint ventures | **(222,036,414)** | **–** | – | – | **–** | **222,036,414** | **–** |
| Interest income | **27,812,300** | **71,317** | **167,874** | **448,301** | **27,349** | **(27,930,352)** | **596,789** |
| Interest expense | **(210,981,377)** | **–** | **(9,164)** | **(8,421,358)** | **–** | **219,411,899** | **–** |
| Effect of derecognition of a subsidiary | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Other income | **115,634,997** | **60,000** | **1,243,528** | **2,138,909** | **122,504** | **(118,287,193)** | **912,745** |
| Provision for income tax | **(73,170,026)** | **–** | **–** | **(4,638,651)** | **–** | **77,430,422** | **(378,255)** |
| **Net Income** | **₱185,892,629** | **₱18,028,397** | **₱258,584,461** | **₱45,073,415** | **(₱4,760,883)** | **(₱273,202,299)** | **₱229,615,720** |
| **EBITDA** | | | | | | | **₱234,996,445** |

| | 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Metro Manila | Northern Luzon | Southern Luzon | Visayas | Mindanao | Reconciliations/ Adjustments | Total |
| **Revenues** | | | | | | | |
| External revenue | ₱1,836,727,660 | ₱97,241,868 | ₱634,017,925 | ₱271,085,360 | ₱93,887,144 | (₱1,850,728,605) | ₱1,082,231,352 |
| **Results** | | | | | | | |
| Income before other income and income tax | ₱583,950,772 | ₱26,150,744 | ₱239,436,678 | ₱58,447,854 | ₱14,095,606 | ₱132,517,102 | ₱1,054,598,756 |
| Equity in net losses of associates and joint ventures | (244,097,915) | – | – | – | – | 244,097,915 | – |
| Interest income | 4,284,258 | 72,610 | 132,412 | 379,784 | 38,266 | (3,463,360) | 1,443,970 |
| Interest expense | (67,593,217) | – | (24,993) | (11,627,132) | – | 79,245,342 | – |
| Effect of derecognition of a subsidiary | (60,829,455) | – | – | – | – | 60,829,455 | – |
| Other income | 112,084,266 | 78,310 | 766,625 | 1,920,238 | 28,163 | (113,949,656) | 927,946 |
| Provision for income tax | (95,740,613) | – | – | (3,530,746) | – | 98,892,800 | (378,559) |
| **Net Income** | ₱232,058,096 | ₱26,301,664 | ₱240,310,722 | ₱45,589,998 | ₱14,162,035 | (₱498,169,598) | ₱1,056,592,113 |
| **EBITDA** | | | | | | | ₱1,061,918,493 |

The following tables present certain assets and liabilities information regarding geographical segments as of March 31, 2018 and 2017:

**2018**

| | Metro Manila | Northern Luzon | Southern Luzon | Visayas | Mindanao | Reconciliations/ Adjustments | Total |
|---|---|---|---|---|---|---|---|
| **Assets and Liabilities** | | | | | | | |
| Segment assets[a] | **₱11,439,012,452** | **₱132,951,846** | **₱922,464,706** | **₱683,618,491** | **₱151,714,860** | **₱4,689,513,462** | **₱18,019,275,817** |
| Investments in and advances to associates and joint ventures | **41,871,654** | **–** | **–** | **–** | **–** | **(41,871,654)** | **–** |
| Pension assets - net | **53,474,883** | **–** | **–** | **–** | **–** | **(53,474,883)** | **–** |
| Noncurrent asset held for sale | **716,586,558** | **–** | **–** | **–** | **–** | **(716,586,558)** | **–** |
| 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** | **₱3,603,446,813** | **₱18,019,275,817** |
| Segment liabilities[b] | **₱894,382,099** | **₱50,474,180** | **₱100,258,912** | **₱40,286,714** | **₱37,542,887** | **(₱884,294,227)** | **₱238,650,565** |
| 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 - net | **235,730,783** | **–** | **–** | **–** | **–** | **(124,869,083)** | **110,861,700** |
| **Total Liabilities** | **₱5,170,613,799** | **₱50,513,473** | **₱100,659,032** | **₱254,040,753** | **₱37,553,494** | **(₱5,263,868,286)** | **₱349,512,265** |
| **Other Segment Information** | | | | | | | |
| Capital expenditure - | | | | | | | |
| Property and equipment | | | | | | **₱1,906,079,177** | **₱53,394** |
| Depreciation and amortization | | | | | | **393,834,302** | **5,002,470** |
| Noncash expenses other than depreciation and amortization | | | | | | **101,270,162** | **–** |

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

2017

| | Metro Manila | Northern Luzon | Southern Luzon | Visayas | Mindanao | Reconciliations/ Adjustments | Total |
|---|---|---|---|---|---|---|---|
| **Assets and Liabilities** | | | | | | | |
| Segment assets[a] | ₱11,185,319,211 | ₱49,589,935 | ₱900,604,541 | ₱663,822,349 | ₱121,181,045 | ₱5,075,935,833 | ₱17,996,452,914 |
| Investments in and advances to associates and joint ventures | 856,701,443 | – | – | – | – | (856,701,443) | – |
| Pension assets - net | 2,763,398 | – | – | – | – | (2,763,398) | – |
| Goodwill | 223,777,646 | – | – | 15,681,232 | – | (239,458,878) | – |
| Deferred tax assets - net | 24,649,787 | 316,278 | 342,397 | 7,512,232 | 55,047 | (32,875,741) | – |
| **Total Assets** | ₱12,293,211,485 | ₱49,906,213 | ₱900,946,938 | ₱687,015,813 | ₱121,236,092 | ₱3,944,136,373 | ₱17,996,452,914 |

| | 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Metro Manila | Northern Luzon | Southern Luzon | Visayas | Mindanao | Reconciliations/ Adjustments | Total |
| Segment liabilities[b] | ₱648,983,384 | ₱17,560,937 | ₱42,558,090 | ₱33,767,650 | ₱23,483,285 | (₱519,043,452) | ₱247,309,894 |
| Interest-bearing loans and borrowings | 1,520,200,000 | – | – | 209,000,000 | – | (1,729,200,000) | – |
| Bonds payable | 2,947,028,638 | – | – | – | – | (2,947,028,638) | – |
| Pension liabilities - net | 10,143,720 | 666,374 | 429,565 | 36,811,729 | 40,833 | (48,092,221) | – |
| Obligations under finance lease | 12,222,083 | – | 172,021 | 445,278 | – | (12,839,382) | – |
| Deferred tax liabilities - net | 236,505,372 | – | – | – | – | (125,643,672) | 110,861,700 |
| **Total Liabilities** | ₱5,375,083,197 | ₱18,227,311 | ₱43,159,676 | ₱280,024,657 | ₱23,524,118 | (₱5,381,847,365) | ₱358,171,594 |
| **Other Segment Information** | | | | | | | |
| Capital expenditure - | | | | | | | |
| Property and equipment | | | | | | ₱1,599,106,269 | ₱312,839 |
| Depreciation and amortization | | | | | | 369,229,708 | 6,391,791 |
| Noncash expenses other than depreciation and amortization | | | | | | 89,864,801 | – |

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

## 20. Supplementary Information Required by Revenue Regulations ("RR") No. 15-2010

In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year ended March 31, 2018:

<u>VAT</u>

Output VAT declared for the year ended March 31, 2018 and the receipts upon which the same was based consist of:

| | Gross amount | Output VAT |
|---|---|---|
| Advisory services | ₱18,000,000 | ₱2,160,000 |
| Others | 912,745 | 109,529 |
| Total | ₱18,912,745 | ₱2,269,529 |

VAT arising from domestic purchases of goods and services for the year ended March 31, 2018 are detailed as follows:

| | Amount |
|---|---|
| Input VAT | |
| Beginning of year | ₱4,492,972 |
| Current year's domestic purchases / payments for: | |
| Goods other than capital goods | 292,647 |
| Domestic purchases of services | 2,172,757 |
| Input VAT claimed attributable to purchased capital goods exceeding ₱1.0 million | 78,580 |
| | 7,036,956 |
| Claimed against output VAT and other adjustments | (2,269,529) |
| Balance at the end of year | ₱4,767,427 |

<u>Withholding Taxes</u>

The amount of withholding taxes paid/accrued for the year ended March 31, 2018 is as follows:

| | Paid | Accrued |
|---|---|---|
| Final withholding taxes on dividends | ₱14,356,205 | ₱– |
| Expanded withholding taxes | 760,048 | 40,735 |
| Withholding taxes on compensation | 192,266 | 45,200 |
| | ₱15,308,519 | ₱85,935 |

<u>Other Taxes and Licenses</u>

The breakdown of other taxes and licenses recognized as part of "Taxes and licenses" account for the year ended March 31, 2018 are as follows:

| | Amount |
|---|---|
| Annual listing maintenance fee | ₱1,614,484 |
| Real property taxes | 1,025,090 |
| License and permit fees | 541,559 |
| Community tax | 10,500 |
| BIR annual registration fee | 500 |
| Others | 11,474 |
| | ₱3,203,607 |

Status of Tax Assessment and Court Cases

The Company has no outstanding final assessment notice from the BIR as at March 31, 2018. There were also no outstanding tax cases nor litigation and/or prosecution in courts or bodies outside the BIR as at March 31, 2018.

SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
STI Education Systems Holdings, Inc.
7th Floor, STI Holdings Center
6764 Ayala Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of STI Education Systems Holdings, Inc. as at March 31, 2018 and 2017 and for each of the three years in the period ended March 31, 2018, and have issued our report thereon dated July 12, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of effective standards and interpretations is the responsibility of the Company's management. This schedule is presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

Benjamin N. Villacorte
Partner
CPA Certificate No. 111562
SEC Accreditation No. 1539-A (Group A),
March 3, 2016, valid until March 3, 2019
Tax Identification No. 242-917-987
BIR Accreditation No. 08-001998-120-2016,
February 15, 2016, valid until February 14, 2019
PTR No. 6621344, January 9, 2018, Makati City

July 12, 2018

## STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

## SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

**MARCH 31, 2018**

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable | Not Early Adopted |
|---|---|---|---|---|---|
| **Framework for the Preparation and Presentation of Financial Statements**<br>Conceptual Framework Phase A: Objectives and qualitative characteristics | | ✓ | | | |
| **PFRSs Practice Statement Management Commentary** | | ✓ | | | |
| **Philippine Financial Reporting Standards** | | | | | |
| **PFRS 1 (Revised)** | First-time Adoption of Philippine Financial Reporting Standards | ✓ | | | |
| | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | | | ✓ | |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | ✓ | |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | ✓ | |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | ✓ | |
| | Amendments to PFRS 1: Government Loans | | | ✓ | |
| | Amendments to PFRS 1: Borrowing Costs | | | ✓ | |
| | Amendments to PFRS 1: Meaning of effective standards | | | ✓ | |
| **PFRS 2** | Share-based Payment | | | ✓ | |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | | | ✓ | |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | | | ✓ | |
| | Amendments to PFRS 2: Definition of Vesting Condition | | | ✓ | |
| | Amendment to PFRS 2: Classification and Measurement Payment Transactions | | | ✓ | |
| **PFRS 3 (Revised)** | Business Combinations | ✓ | | | |
| | Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination | ✓ | | | |
| | Amendment to PFRS 3: Scope Exceptions for Joint Arrangements | | | ✓ | |
| **PFRS 4** | Insurance Contracts | | | ✓ | |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ | |
| | Amendment to PFRS 4: Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4 | | | ✓ | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable | Not Early Adopted |
|---|---|---|---|---|---|
| **PFRS 5** | Non-current Assets Held for Sale and Discontinued Operations | | | ✓ | |
| | Changes in Method of Disposal | | | ✓ | |
| **PFRS 6** | Exploration for and Evaluation of Mineral Resources | | | ✓ | |
| **PFRS 7** | Financial Instruments: Disclosures | ✓ | | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✓ | | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | ✓ | | | |
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | ✓ | | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | ✓ | | | |
| | Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities | ✓ | | | |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures | | | | ✓ |
| | Amendments to PFRS 7: Servicing Contracts | | | ✓ | |
| | Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements | | | ✓ | |
| **PFRS 8** | Operating Segments | ✓ | | | |
| | Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets | ✓ | | | |
| **PFRS 9** | Financial Instruments | | | | ✓ |
| | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures | | | | ✓ |
| | Amendments to PFRS 9, Prepayment Features with Negative Compensation* | | | | ✓ |
| **PFRS 10** | Consolidated Financial Statements | ✓ | | | |
| | Amendments to PFRS 10: Investment Entities | | | ✓ | |
| | Amendments to PFRS 10: Applying the Consolidation Exception | | | ✓ | |
| **PFRS 11** | Joint Arrangements | ✓ | | | |
| | Amendments to PFRS 11: Investment Entities | | | ✓ | |
| | Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations | | | ✓ | |
| **PFRS 12** | Disclosure of Interests in Other Entities | ✓ | | | |
| | Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception | | | ✓ | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable | Not Early Adopted |
|---|---|---|---|---|---|
| | Amendments to PFRS 12: Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014-2016 Cycle | ✓ | | | |
| **PFRS 13** | Fair Value Measurement | ✓ | | | |
| | Amendment to PFRS 13: Short-term Receivables and Payables | ✓ | | | |
| | Amendment to PFRS 13: Portfolio Exception | | | ✓ | |
| **PFRS 14** | Regulatory Deferral Accounts | | | ✓ | |
| **PFRS 15** | Revenue from Contracts with Customers | | | | ✓ |
| **PFRS 16** | Leases | | | | ✓ |
| **Philippine Accounting Standards** | | | | | |
| **PAS 1 (Revised)** | Presentation of Financial Statements | ✓ | | | |
| | Amendment to PAS 1: Capital Disclosures | ✓ | | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ | |
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | ✓ | | | |
| | Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation | ✓ | | | |
| | Amendments to PAS 1: Disclosure Initiative | ✓ | | | |
| **PAS 2** | Inventories | ✓ | | | |
| **PAS 7** | Statement of Cash Flows | ✓ | | | |
| | Amendment to PAS 7: Disclosure Initiative | ✓ | | | |
| **PAS 8** | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | | | |
| **PAS 10** | Events after the Reporting Date | ✓ | | | |
| **PAS 11** | Construction Contracts | | | ✓ | |
| **PAS 12** | Income Taxes | ✓ | | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | ✓ | | | |
| | Amendment to PAS 12: Recognition of Deferred Tax for Unrealized Losses | ✓ | | | |
| **PAS 16** | Property, Plant and Equipment | ✓ | | | |
| | Amendment to PAS 16: Classification of Servicing Equipment | | | ✓ | |
| | Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation | | | ✓ | |
| | Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation | | | ✓ | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable | Not Early Adopted |
|---|---|---|---|---|---|
| | Amendment to PAS 16: Bearer Plants | | | ✓ | |
| **PAS 17** | Leases | ✓ | | | |
| **PAS 18** | Revenue | ✓ | | | |
| **PAS 19** | Employee Benefits | ✓ | | | |
| | Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures | ✓ | | | |
| **PAS 19 (Amended)** | Employee Benefits | ✓ | | | |
| | Amendments to PAS 19: Defined Benefit Plans: Employee Contributions | | | ✓ | |
| | Amendments to PAS 19: Regional Market Issue Regarding Discount Rate | | | ✓ | |
| **PAS 20** | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ | |
| **PAS 21** | The Effects of Changes in Foreign Exchange Rates | | | ✓ | |
| | Amendment: Net Investment in a Foreign Operation | | | ✓ | |
| **PAS 23 (Revised)** | Borrowing Costs | ✓ | | | |
| **PAS 24 (Revised)** | Related Party Disclosures | ✓ | | | |
| | Amendments to PAS 24: Key Management Personnel | | | ✓ | |
| **PAS 26** | Accounting and Reporting by Retirement Benefit Plans | | | ✓ | |
| **PAS 27 (Amended)** | Separate Financial Statements | ✓ | | | |
| | Amendments to PAS 27: Investment Entities | | | ✓ | |
| | Amendments to PAS 27: Equity Method in Separate Financial Statements | | | ✓ | |
| **PAS 28** | Investments in Associates | ✓ | | | |
| **PAS 28 (Amended)** | Investments in Associates and Joint Ventures | ✓ | | | |
| | Amendments to PFRS 10: Sale or Contribution of Assets Between Investor and its Associate of Joint Venture | | | ✓ | |
| | Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)* | | | | ✓ |
| | Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures* | | | | ✓ |
| **PAS 29** | Financial Reporting in Hyperinflationary Economies | | | ✓ | |
| **PAS 32** | Financial Instruments: Presentation | ✓ | | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ | |
| | Amendment to PAS 32: Classification of Rights Issues | | | ✓ | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable | Not Early Adopted |
|---|---|---|---|---|---|
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | ✓ | | | |
| **PAS 33** | Earnings per Share | ✓ | | | |
| **PAS 34** | Interim Financial Reporting | ✓ | | | |
| | Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities | ✓ | | | |
| | Amendments to PAS 34: Disclosure of Information Elsewhere in the Interim Financial Report | ✓ | | | |
| **PAS 36** | Impairment of Assets | ✓ | | | |
| | Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets | ✓ | | | |
| **PAS 37** | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | | |
| **PAS 38** | Intangible Assets | ✓ | | | |
| | Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization | | | ✓ | |
| | Amendments to PAS 38: Clarification of acceptable methods of amortization | | | ✓ | |
| **PAS 39** | Financial Instruments: Recognition and Measurement | ✓ | | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | ✓ | | | |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | ✓ | |
| | Amendments to PAS 39: The Fair Value Option | | | ✓ | |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✓ | | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | ✓ | | | |
| | Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives | | | ✓ | |
| | Amendment to PAS 39: Eligible Hedged Items | | | ✓ | |
| | Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting | | | ✓ | |
| **PAS 40** | Investment Property | ✓ | | | |
| | Amendments to PAS 40: Investment Property | | | ✓ | |
| | Amendments to PAS 40: Investment Property, Transfers of Investment Property* | | | | ✓ |
| **PAS 41** | Agriculture | | | ✓ | |
| | Amendment to PAS 41: Bearer Plants | | | ✓ | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable | Not Early Adopted |
|---|---|---|---|---|---|
| **Philippine Interpretations** | | | | | |
| **IFRIC 1** | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | ✓ | |
| **IFRIC 2** | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ | |
| **IFRIC 4** | *Determining Whether an Arrangement Contains a Lease* | | | ✓ | |
| **IFRIC 5** | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | ✓ | |
| **IFRIC 6** | *Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment* | | | ✓ | |
| **IFRIC 7** | *Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies* | | | ✓ | |
| **IFRIC 9** | Reassessment of Embedded Derivatives | | | ✓ | |
| | Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives | | | ✓ | |
| **IFRIC 10** | *Interim Financial Reporting and Impairment* | | | ✓ | |
| **IFRIC 11** | PFRS 2 - Group and Treasury Share Transactions | | | ✓ | |
| **IFRIC 12** | Service Concession Arrangements | | | ✓ | |
| **IFRIC 13** | Customer Loyalty Programmes | | | ✓ | |
| **IFRIC 14** | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | | | ✓ | |
| | Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement | | | ✓ | |
| **IFRIC 15** | Agreements for the Construction of Real Estate | | | ✓ | |
| **IFRIC 16** | Hedges of a Net Investment in a Foreign Operation | | | ✓ | |
| **IFRIC 17** | Distributions of Non-cash Assets to Owners | | | ✓ | |
| **IFRIC 18** | Transfers of Assets from Customers | | | ✓ | |
| **IFRIC 19** | Extinguishing Financial Liabilities with Equity Instruments | | | ✓ | |
| **IFRIC 20** | Stripping Costs in the Production Phase of a Surface Mine | | | ✓ | |
| **IFRIC 21** | Levies | | | ✓ | |
| **IFRIC 22** | Foreign Currency Transactions and Advance Consideration* | | | | ✓ |
| **IFRIC 23** | Uncertainty over Income Tax Treatments* | | | | ✓ |
| **SIC-7** | Introduction of the Euro | | | ✓ | |
| **SIC-10** | Government Assistance - No Specific Relation to Operating Activities | | | ✓ | |
| **SIC-12** | Consolidation - Special Purpose Entities | | | ✓ | |
| | Amendment to SIC - 12: Scope of SIC 12 | | | ✓ | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS | | Adopted | Not Adopted | Not Applicable | Not Early Adopted |
|---|---|---|---|---|---|
| **SIC-13** | Jointly Controlled Entities - Non-Monetary Contributions by Venturers | | | ✓ | |
| **SIC-15** | Operating Leases - Incentives | | | ✓ | |
| **SIC-25** | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | | | ✓ | |
| **SIC-27** | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | | | ✓ | |
| **SIC-29** | Service Concession Arrangements: Disclosures. | | | ✓ | |
| **SIC-31** | Revenue - Barter Transactions Involving Advertising Services | | | ✓ | |
| **SIC-32** | Intangible Assets - Web Site Costs | | | ✓ | |