108142019002911

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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

Document Information

Document ID	108142019002911
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Remarks	

COVER SHEET

						1	7	4	6

STI EDUCATION SYSTEMS HOLDINGS, INC.

(Company's Full Name)

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

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

Ms. VETTE ALVAREZ	(632) 8170402
Contact Person	Company Telephone Number

0 3	3 1	SEC FORM 17-Q For the Quarter ended 30 June 2019	Last Friday of September
Month	*Day*	FORM TYPE	*Month* *Day*
Fiscal Year			Annual Meeting

N A

Secondary License Type, If Applicable

CFD	N A
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

1263	N A	N A
Total No. of Stocholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number	LCU
Document I.D.	Cashier

S T A M P S

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1.	For the quarterly period ended	**30 June 2019**
2.	SEC Identification No.	**1746**
3.	BIR Tax Identification No.	**000-126-853-000**
4.	Exact name of registrant as specified in its charter	**STI EDUCATION SYSTEMS HOLDINGS, INC.**
5.	Province, Country or other Jurisdiction of incorporation or organization	**Philippines**
6.	(SEC Use Only) Industry Classification Code	______________________
7.	Address of Philippine Office	**7/F STI Holdings Center** **6764 Ayala Avenue** **Makati City, 1226**
8.	Registrant's Telephone No. including Area Code	**(632) 844-9553**
9.	Former name, former address, former Fiscal year, if changed since last report	**JTH DAVIES HOLDINGS, INC.** 7th Floor **iACADEMY Building** 6764 Ayala Avenue, Makati City 1226

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding

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COMMON SHARES – 9,904,806,924 - ISSUED AND OUTSTANDING

9,904,806,924 – LISTED SHARES

----

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

Yes [x]   No [ ]

12. Check whether the registrant:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to Annex "A".

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

Please refer to Annex "B".

PART II - OTHER INFORMATION

Not Applicable

SIGNATURES

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

Registrant	**STI EDUCATION SYSTEMS HOLDINGS, INC.**
Signature and Title	**YOLANDA M. BAUTISTA** **Treasurer**
Date	August 14, 2019
Signature and Title	**MONICO V. JACOB** **President and CEO**
Date	August 14, 2019

Annex"A"

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2019 AND MARCH 31, 2019

	June 30, 2019 (Unaudited)	**March 31, 2019** (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 27)	**₱947,039,201**	₱777,341,535
Receivables (Notes 6 and 27)	**816,281,466**	502,410,971
Inventories (Note 7)	**150,308,917**	158,273,906
Prepaid expenses and other current assets (Note 8)	**114,588,588**	102,779,019
	2,028,218,172	1,540,805,431
Noncurrent asset held for sale (Notes 9 and 12)	**716,586,558**	716,586,558
Total Current Assets	**2,744,804,730**	2,257,391,989
Noncurrent Assets		
Property and equipment (Note 10)	**9,916,052,647**	9,963,945,229
Investment properties (Note 11)	**1,824,927,975**	1,832,675,897
Investments in and advances to associates and joint ventures (Notes 9 and 12)	**44,077,636**	44,178,391
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 13)	**50,377,378**	50,503,208
Deferred tax assets - net	**60,034,632**	52,524,017
Goodwill, intangible and other noncurrent assets (Note 14)	**574,054,084**	573,656,343
Total Noncurrent Assets	**12,469,524,352**	12,517,483,085
TOTAL ASSETS	**₱15,214,329,082**	₱14,774,875,074

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 1 and 15)	**₱814,115,887**	₱941,074,456
Current portion of interest-bearing loans and borrowings (Note 16)	**299,600,000**	299,600,000
Current portion of obligations under finance lease	**6,291,470**	6,500,632
Unearned tuition and other school fees (Note 20)	**975,181,637**	185,395,888
Income tax payable	**883,167**	12,131,087
Total Current Liabilities	**2,096,072,161**	1,444,702,063
Noncurrent Liabilities		
Bonds payable (Note 17)	**2,959,532,836**	2,957,954,254
Interest-bearing loans and borrowings - net of current portion (Note 16)	**1,213,459,832**	1,213,110,270
Obligations under finance lease - net of current portion	**10,476,484**	11,951,531
Pension liabilities - net	**79,279,318**	76,051,722
Deferred tax liabilities	**234,762,544**	234,956,192
Other noncurrent liabilities (Note 18)	**139,839,140**	108,684,248
Total Noncurrent Liabilities	**4,637,350,154**	4,602,708,217
Total Liabilities (Carried Forward)	**6,733,422,315**	6,047,410,280

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Total Liabilities (Brought Forward)	**₱6,733,422,315**	₱6,047,410,280
Equity Attributable to Equity Holders of the Parent Company (Note 19)		
Capital stock	**4,952,403,462**	4,952,403,462
Additional paid-in capital	**1,119,127,301**	1,119,127,301
Cost of shares held by a subsidiary	**(498,142,921)**	(498,142,921)
Cumulative actuarial gain	**20,890,082**	20,950,751
Fair value change in equity instruments designated at FVOCI (Note 13)	**3,499,469**	3,623,046
Other equity reserve	**(1,670,477,910)**	(1,670,477,910)
Other comprehensive income associated with noncurrent asset held for sale (Notes 9 and 19)	**90,645,302**	90,645,302
Share in associates':		
Cumulative actuarial gain	**321,569**	321,569
Fair value change in equity instruments designated at FVOCI	**(114)**	(114)
Retained earnings	**4,372,251,645**	4,612,253,086
Total Equity Attributable to Equity Holders of the Parent Company	**8,390,517,885**	8,630,703,572
Equity Attributable to Non-controlling Interests	**90,388,882**	96,761,222
Total Equity	**8,480,906,767**	8,727,464,794
TOTAL LIABILITIES AND EQUITY	**₱15,214,329,082**	₱14,774,875,074

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018

	2019	2018
	(Unaudited)	
REVENUES (Note 20)		
Sale of services:		
Tuition and other school fees	**₱211,521,011**	₱311,340,629
Educational services	**40,066,908**	44,661,379
Royalty fees	**3,394,691**	3,702,022
Others	**15,033,810**	18,145,019
Sale of educational materials and supplies	**73,022,976**	82,452,884
	343,039,396	460,301,933
COSTS AND EXPENSES		
Cost of educational services (Note 21)	**198,207,718**	172,335,922
Cost of educational materials and supplies sold (Note 22)	**57,277,204**	65,377,575
General and administrative expenses (Note 23)	**319,114,749**	296,673,576
	574,599,671	534,387,073
LOSS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**(231,560,275)**	(74,085,140)
OTHER INCOME (EXPENSES)		
Interest expense	**(73,338,261)**	(53,732,910)
Rental income	**31,413,496**	28,342,241
Gain on disposal of net assets	**4,365,123**	–
Interest income (Notes 5 and 6)	**4,198,819**	9,339,871
Equity in net loss of associates and joint ventures (Note 12)	**(100,755)**	(884,650)
Gain on recovery of receivables	**42,906**	–
Dividend and other income	**–**	2,383,432
Gain on sale of property and equipment	**–**	178,571
	(33,418,672)	(14,373,445)
LOSS BEFORE INCOME TAX	**(264,978,947)**	(88,458,585)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**(10,889,384)**	6,417,526
Deferred	**(7,718,859)**	(14,775,563)
	(18,608,243)	(8,358,037)
NET LOSS *(Carried Forward)*	**(246,370,704)**	(80,100,548)

	2019	2018
	(Unaudited)	
NET LOSS *(Brought Forward)*	**(₱246,370,704)**	(₱80,100,548)
OTHER COMPREHENSIVE LOSS		
Items not to be reclassified to profit or loss in subsequent years:		
Fair value change in equity instruments designated at FVOCI (Note 13)	**(125,830)**	–
Remeasurement loss on pension liability	**(68,326)**	(23,080,947)
Income tax effect	**6,833**	2,308,095
	(61,493)	(20,772,852)
Items to be reclassified to profit or loss in subsequent years:		
Unrealized mark-to-market loss on available-for-sale financial assets (Note 13)	**–**	(198,560)
	(125,830)	(198,560)
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(187,323)**	(20,971,412)
TOTAL COMPREHENSIVE LOSS	**(246,558,027)**	(₱101,071,960)
Net Loss Attributable To		
Equity holders of the Parent Company	**(₱240,001,441)**	(₱77,738,911)
Non-controlling interests	**(6,369,263)**	(2,361,637)
	(₱246,370,704)	(₱80,100,548)
Total Comprehensive Loss Attributable To		
Equity holders of the Parent Company	**(₱240,185,716)**	(₱98,389,460)
Non-controlling interests	**(6,372,311)**	(2,682,500)
	(₱246,558,027)	(₱101,071,960)
Basic/Diluted Earnings (Loss) Per Share on Net Earnings (Loss) Attributable to Equity Holders of the Parent Company (Note 25)	**(₱0.024)**	(₱0.008)

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED JUNE 30, 2019, AND 2018

	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Cost of Shares Held by a Subsidiary	Cumulative Actuarial Gain	Fair value Change in Equity Instruments designated at FVOCI (Note 13)	Other Equity Reserve	Other Comprehensive Income Associated with Noncurrent Asset Held for Sale (Note 19)	Share in Associates' Cumulative Actuarial Gain (Note 12)	Share in Associates' Fair Value Change in Equity Instruments designated at FVOCI	Retained Earnings (Note 19)	Total	Equity Attributable to Non-controlling Interests	Total Equity
Balance at April 1, 2019	**₱4,952,403,462**	**₱1,119,127,301**	**(₱498,142,921)**	**₱20,950,751**	**₱3,623,046**	**(₱1,670,477,910)**	**₱90,645,302**	**₱321,569**	**(₱114)**	**₱4,612,253,086**	**₱8,630,703,572**	**₱96,761,222**	**₱8,727,464,794**
Net loss	–	–	–	–	–	–	–	–		**(240,001,441)**	**(240,001,441)**	**(6,369,263)**	**(246,370,704)**
Other comprehensive loss	–	–	–	**(60,669)**	**(123,577)**	–	–	–	–	–	**(184,246)**	**(3,077)**	**(187,323)**
Total comprehensive loss	–	–	–	**(60,669)**	**(123,577)**	–	–	–	–	**(240,001,441)**	**(240,185,687)**	**(6,372,340)**	**(246,558,027)**
Balance at June 30, 2019	**₱4,952,403,462**	**₱1,119,127,301**	**(₱498,142,921)**	**₱20,890,082**	**₱ 3,499,469**	**(₱1,670,477,910)**	**₱90,645,302**	**₱321,569**	**(₱114)**	**₱4,372,251,645**	**₱8,390,517,885**	**₱90,388,882**	**₱8,480,906,767**

	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Cost of Shares Held by a Subsidiary	Cumulative Actuarial Gain	Unrealized Mark-to-market Gain (Loss) on Available-for-sale FinancialAssets (Note 13)	Other Equity Reserve	Other Comprehensive Income Associated with Noncurrent Asset Held for Sale (Note 19)	Share in Associates' Cumulative Actuarial Gain (Note 12)	Share in Associates' Unrealized Mark-to-market Loss on Available-for-sale Financial Assets (Note 19)	Retained Earnings (Note 19)	Total	Equity Attributable to Non-controlling Interests	Total Equity
Balance at April 1, 2018	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱96,727,608	₱847,989	(₱1,667,792,370)	₱90,645,302	₱215,592	(₱114)	₱4,611,356,907	₱8,705,388,756	₱97,059,697	₱8,802,448,453
Net income	–	–	–	–	–	–	–	–	–	(77,738,911)	(77,738,911)	(2,361,637)	(80,100,548)
Other comprehensive loss	–	–	–	(20,455,026)	(195,523)	–	–	–	–	–	(20,650,549)	(320,863)	(20,971,412)
Total comprehensive loss	–	–	–	(20,455,026)	(195,523)	–	–	–	–	(77,738,911)	(98,389,460)	(2,682,500)	(101,071,960)
Effect of merger of subsidiaries	–	–	–	–	–	(2,685,539)	–	–	–	–	(2,685,539)	–	(2,685,539)
Balance at June 30, 2018	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱76,272,582	₱652,466	(₱1,670,477,909)	₱90,645,302	₱215,592	(₱114)	₱4,533,617,996	₱8,604,313,757	₱94,377,197	₱8,698,690,954

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018

	2019	2018
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱264,978,947)**	(₱88,458,585)
Adjustments to reconcile loss before income tax to net cash flows:		
Depreciation and amortization (Notes 10 and 11)	**140,767,570**	109,164,638
Interest expense	**73,338,261**	53,732,910
Interest income	**(4,198,819)**	(9,339,871)
Dividend income	**–**	(2,383,432)
Net change in pension assets and liabilities	**3,308,419**	(408,342)
Equity in net loss of associates and joint ventures	**100,755**	884,650
Gain on disposal of net assets	**(4,365,123)**	–
Gain on sale of property and equipment	**–**	(178,571)
Operating income (loss) before working capital changes	**(56,027,884)**	63,013,397
Decrease (increase) in:		
Receivables	**347,743,561**	32,606,560
Inventories	**7,447,859**	(25,068,019)
Prepaid expenses and other current assets	**(11,481,373)**	(7,089,567)
Increase (decrease) in:		
Accounts payable and other current liabilities	**(178,481,985)**	(227,027,131)
Unearned tuition and other school fees	**140,348,081**	308,053,648
Other noncurrent liabilities	**31,104,759**	1,705,727
Net cash generated from operations	**280,653,018**	146,194,615
Income and other taxes paid	**(564,353)**	(4,569,223)
Interest received	**4,198,819**	9,339,871
Net cash from operating activities	**284,287,484**	150,965,263
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 10 and 28)	**(40,459,547)**	(190,279,277)
Subsidiary, net of cash received (Note 29)	**1,443,724**	–
Decrease (increase) in:		
Intangible and other noncurrent assets	**(28,751,214)**	20,183,065
Dividends received	**804,637**	–
Proceeds from sale of property and equipment	**–**	200,000
Net cash used in investing activities	**(66,962,401)**	(169,896,212)

(Forward)

	2019	2018
	(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of long-term loans	**₱–**	₱370,000,000
Payment of obligations under finance lease	**(1,684,209)**	(1,985,735)
Interest paid	**(45,939,983)**	(38,194,297)
Dividends paid	**(3,225)**	(1,433,730)
Net cash from (used in) financing activities	**(47,627,417)**	328,386,238
NET INCREASE IN CASH AND CASH EQUIVALENTS	**169,697,666**	309,455,289
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**777,341,535**	1,857,507,750
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱947,039,201**	₱2,166,963,039

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

a. General

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

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

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

		Effective Percentage of Ownership			
		June 30, 2019		March 31, 2019	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect
STI ESG	Educational Institution	**99**	**–**	99	–
STI WNU	Educational Institution	**99**	**–**	99	–
iACADEMY	Educational Institution	**100**	**–**	100	–
AHC	Holding Company	**100**	**–**	100	–
STI College Tuguegarao, Inc. ("STI Tuguegarao")	Educational Institution	**–**	**99**	–	99
STI College of Kalookan, Inc. ("STI Caloocan")[(a)]	Educational Institution	**–**	**99**	–	99
STI College Batangas, Inc. ("STI Batangas")	Educational Institution	**–**	**99**	–	99
STI College Iloilo, Inc. ("STI Iloilo")	Educational Institution	**–**	**99**	–	99
STI College Tanauan, Inc. ("STI Tanauan")	Educational Institution	**–**	**99**	–	99
STI Lipa, Inc. ("STI Lipa")	Educational Institution	**–**	**99**	–	99
STI College Pagadian, Inc. ("STI Pagadian")	Educational Institution	**–**	**99**	–	99
STI College Novaliches, Inc. ("STI Novaliches")	Educational Institution	**–**	**99**	–	99
STI College of Santa Maria, Inc. (STI Sta. Maria)	Educational Institution	**–**	**99**	–	99
NAMEI Polytechnic Institute of Mandaluyong Inc.[(b)]	Educational Institution	**–**	**99**	–	–
NAMEI Polytechnic Institute, Inc [(b)]	Educational Institution	**–**	**93**	–	–
De Los Santos-STI College, Inc. ("De Los Santos-STI College") [(c)]	Educational Institution	**–**	**51**	–	51
STI College Quezon Avenue, Inc. ("STI QA") [(d)]	Educational Institution	**–**	**51**	–	51

[(a)] *A subsidiary of STI ESG through a management contract*
[(b)] *A subsidiary starting April 2019.*
[(c)] *On June 28, 2016, De Los Santos-STI College advised CHED of the suspension of its operations for school years 2016-2017 and 2017-2018 as a result of the implementation of the Government's K to 12 program. CHED, in a letter reply dated July 1, 2016, said that De Los Santos-STI College may apply again for initial permits if it intends to offer the programs enumerated in its letter for SY 2018-2019. De Los Santos-STI College has not resumed its school operations to date.*
[(d)] *A wholly-owned subsidiary of De Los Santos-STI College.*

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

In September 2012, STI ESG became a subsidiary of the Parent Company through a share-for-share swap agreement with the shareholders of STI ESG. STI Holdings’ ownership of STI ESG is at 98.66% as at June 30, 2019.

STI ESG is involved in establishing, maintaining, and operating educational institutions to provide pre-elementary, elementary, secondary, and tertiary as well as post-graduate courses, post secondary and lower tertiary non-degree programs. STI ESG also develops, adopts and/or acquires, entirely or in part, such curricula or academic services as may be necessary in the pursuance of its main activities, relating but not limited to information technology services, information technology-enabled services, education, hotel and restaurant management, engineering and business studies. STI ESG is also offering Senior High School (“SHS”).

STI ESG has investments in several entities which own and operate STI schools. STI schools may be operated either by: (a) STI ESG; (b) its subsidiaries; or (c) independent entrepreneurs (referred to as “franchisees”) under the terms of licensing agreements with STI ESG.

Other features of the licensing agreements are as follows:

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

Up to School Year (“SY”) 2018-2019, STI schools started the school calendar every June of each year.

On June 14, 2018, STI ESG informed the Commission on Higher Education (“CHED”) of the decision of its Board of Directors (“BOD”) to admit two batches of incoming college freshmen students for SY 2018-2019. STI ESG requested CHED for endorsement of this move to accept the second batch of college freshmen enrollees that would start in August 2018. On June 29, 2018, CHED noted the decision of STI ESG citing that the decision to move the school calendar is part of the institution’s academic freedom, provided that it would not violate existing rules on the same. CHED also advised STI ESG to coordinate with the respective CHED Regional Offices on the usual guidance and procedures in implementing the planned school calendar.

With this development, STI ESG made adjustments in the school calendar of its schools. For SY2019-2020, classes for SHS start in June and for the tertiary, classes start in July.

Merger with Several Majority and Wholly-owned Subsidiaries

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

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

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

On September 25, 2013, STI ESG's BOD approved an amendment to the Phase 1 and 2 mergers whereby STI ESG would issue shares at par value to the stockholders of the non-controlling interests. In 2014, STI ESG issued 1.9 million additional shares at par value to the stockholders of one of the merged schools. As at August 14, 2019, the amendment is pending approval by the SEC.

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

As at August 14, 2019, STI ESG's request for confirmatory ruling on the tax-free merger from the Bureau of Internal Revenue ("BIR") is still pending.

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

In October 2013, the Parent Company acquired majority ownership interest in STI WNU. The consideration for the acquisition of STI WNU includes contingent consideration amounting to ₱151.5 million. As at June 30, 2019 and March 31, 2019, the Parent Company owns 99.9% of STI WNU.

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

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

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

In previous years, the school calendar of STI WNU started in June of each year. For SY 2019-2020, the classes of the School of Basic Education ("SBE") and SHS start in June while the classes of tertiary start in July.

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

iACADEMY is a premier school that specializes in course offerings in animation, multimedia arts and design, fashion design and technology, software engineering, game development, film and visual effects and real estate management. It also offers SHS. It started in 2002 as a wholly-owned subsidiary of STI ESG until its acquisition by STI Holdings in September 2016. Classes are conducted at iACADEMY Nexus building along Yakal St. in Makati City, with top of the line multimedia arts laboratories and computer suites.

On September 27, 2016, the Parent Company purchased 100.0 million of iACADEMY shares or 100% of iACADEMY’s issued and outstanding capital stock from STI ESG for a purchase price of ₱113.5 million. The Parent Company also subscribed to ₱100.0 million out of the ₱400.0 million increase in the authorized capital stock of iACADEMY, which was approved by the SEC on November 9, 2016. As at June 30, 2019 and March 31, 2019, iACADEMY is a wholly-owned subsidiary of the Parent Company.

On October 19, 2016, iACADEMY signed a Licensing Agreement to Offer a Graduate Business Program with DePaul University (“DePaul”) of Chicago, Illinois, United States of America. The agreement is in accordance with the CHED’s approval for iACADEMY to operate as a Transnational Education provider for the Master in Business Administration program in partnership with DePaul as the degree granting institution. The Government Authority (“GA”) is valid up to April 26, 2018, and shall be subject to revocation if iACADEMY fails to operate in accordance with the laws of the Republic of the Philippines and/or fails to maintain the prescribed standards of instruction and/or fails to comply with the rules and regulations pertaining to the organization, administration and supervision of private/public Higher Education Information (“HEIs”) System in the Philippines. This GA applies only to the iACADEMY Plaza campus.

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

On September 7, 2017, the Board of Governors (“BOG”) of iACADEMY approved the merger of iACADEMY and Neschester Corporation (“Neschester”), with iACADEMY as the surviving entity. The stockholders of both companies confirmed, ratified and approved the merger on the same date. The Plan of Merger between iACADEMY and Neschester was filed with the SEC on January 24, 2018 and was approved on April 10, 2018. In addition, on September 7, 2017, the Stockholders and BOG of iACADEMY also approved the increase in authorized capital stock from ₱500.0 million to ₱1.0 billion. The increase in authorized capital stock was filed with the SEC on January 30, 2018 and was likewise approved by the SEC on April 10, 2018. On May 11, 2018, iACADEMY issued 494,896,694 shares to STI Holdings in exchange for the net assets of Neschester as a result of the merger.

On December 4, 2018, iACADEMY and Neschester requested for a confirmatory ruling on the tax-free merger from the BIR. As at August 14, 2019, the request is pending with the BIR.

iACADEMY starts the classes for its tertiary level in July while the classes of SHS students start in August.

e. Neschester

Neschester was incorporated on December 10, 2007 primarily to own, use, improve, develop, subdivide, sell, exchange, lease and hold for investment or otherwise, real estate of all kinds, including buildings, houses, apartment and other structures.

On August 2, 2016, STI Holdings subscribed to all of the unissued authorized capital stock of Neschester totaling to 670,000 common shares of stock of Neschester at a subscription price of ₱200.0 million. STI Holdings also purchased all of the issued shares of Neschester owned by the former stockholders of Neschester totaling 550,000 common shares at an aggregate purchase price of ₱173.2 million. As a result, Neschester became a wholly-owned subsidiary of STI Holdings.

The major asset of Neschester is a parcel of land in Yakal, Makati City. This is now the site of iACADEMY's Nexus campus.

Effective April 10, 2018, Neschester ceased to be a subsidiary of the Parent Company pursuant to the merger with iACADEMY, as approved by the SEC.

f. Attenborough Holdings Corp. ("AHC")

AHC is a holding company which is a party to the Joint Venture Agreement and Shareholders' Agreement among the Parent Company, Philippine Women's University ("PWU") and Unlad Resources Development Corporation ("Unlad"). Under the Agreements, AHC is set to own up to 20% of Unlad. AHC is also a party to the Omnibus Agreement it executed with the Parent Company and Unlad (see Note 26).

Since February 2015, STI Holdings owns 100% of AHC.

On March 1, 2016, AHC executed a Deed of Assignment wherein AHC assigned to STI Holdings its loan to Unlad, including capitalized foreclosure expenses, amounting to ₱66.7 million for a cash consideration of ₱73.8 million (see Note 26).

The establishment, operation, administration and management of schools are subject to the existing laws, rules and regulations, policies, and standards of the DepEd, TESDA and the CHED pursuant to Batas Pambansa Bilang 232, otherwise known as the "Education Act of 1982," Republic Act ("RA") No. 7796, otherwise known as the "TESDA Act of 1994," and RA No. 7722, otherwise known as the "Higher Education Act of 1994," respectively.

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

Basis of Preparation

The accompanying unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for equity instruments at FVOCI, which have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Philippine peso (₱), which is the Group's functional and presentation currency, and all values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

The accompanying unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards ("PAS") 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of STI Holdings as at and for the year ended March 31, 2019.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the new and amended Philippine Financial Reporting Standards ("PFRS") that became effective beginning on April 1, 2019. The adoption of these new standards and amendments did not have any significant impact on the consolidated statements except otherwise stated:

- Amendments to PFRS 9, Prepayment Features with Negative Compensation

  Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are Solely Payments of Principal and Interest ("SPPI") on the principal amount outstanding and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted. These amendments have no impact on the unaudited interim condensed consolidated financial statements of the Group.

- PFRS 16, *Leases*

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

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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

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

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

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on the settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

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

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the ECL model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments did not have an impact on its unaudited interim condensed consolidated financial statements.

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

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

The interpretation specifically addresses the following:

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

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

The Group is currently assessing the impact of adopting this interpretation.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application, permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its unaudited interim condensed consolidated financial statements upon adoption.

Standards Issued but Not Yet Effective
The standards and interpretations that are issued but not yet effective for the three-month period ended June 30, 2019 are listed below. The Group intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the unaudited interim condensed consolidated financial statements except otherwise stated:

Effective in fiscal year 2021

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective in fiscal year 2022

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

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

Deferred effectivity

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

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

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

The Group has not early adopted the previously mentioned standards. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to June 30, 2019 on its unaudited interim condensed consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the unaudited interim condensed consolidated financial statements when these amendments are adopted.

3. Seasonality of Operations

The Group's business is linked to the academic cycle. The academic cycle, which is one academicyear, traditionally starts in the month of June and ends in the month of March, except as discussed in Note 1, where STI ESG accepted a second batch of college freshmen enrollees for SY2018-2019 which began in August 2018 and ended in May 2019. The school calendar of tertiary students of both STI ESG and STI WNU has been shifted to start in mid-July of SY 2019-2020 and end in April 2020. STI WNU's classes for tertiary students start every July commencing SY 2019-2020 while classes of SBE & SHS of both schools still start in June. iACADEMY starts its school calendar every July for tertiary level and August for SHS and ends in June and May, respectively. The revenues of the Group which are mainly from tuition and other school fees, are recognized as income over the corresponding academic year to which they pertain. Accordingly, revenue is expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group. However, management has concluded that the Group's operation is not 'highly seasonal' in accordance with PAS 34.

4. Segment Information

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

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

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

On a consolidated basis, the Group's performance is evaluated based on net income for the three-month periods ended June 30, 2019 and 2018 and EBITDA, defined as earnings (loss) before benefit from income tax, interest expense, interest income, depreciation and amortization, equity in net loss of associates and joint ventures and nonrecurring gains/losses such as gain on disposal of net assets.

The following table shows the reconciliation of the consolidated net loss to consolidated EBITDA for the three-month periods ended June 30, 2019 and 2018:

	Unaudited	
	2019	2018
Consolidated net loss	**(₱246,370,704)**	(₱80,100,548)
Depreciation and amortization	**140,767,570**	109,164,638
Interest expense	**73,338,261**	53,732,910
Benefit from income tax	**(18,608,243)**	(8,358,037)
Gain on disposal of net assets	**(4,365,123)**	–
Interest income	**(4,198,819)**	(9,339,871)
Equity in net loss of associates and joint ventures	**100,755**	884,650
Consolidated EBITDA	**(₱59,336,303)**	₱65,983,742

Inter-Segment Transactions

Segment revenue, segment expenses and operating results include transfers among geographical segments. The transfers are accounted for at market prices charged to unrelated customers for similar services. Such transfers are eliminated upon consolidation.

Geographical Segment Data

The following tables present revenue and income information regarding geographical segments for the three-month periods ended June 30, 2019 and 2018:

	June 30, 2019 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues						
External revenue	**₱232,123,471**	**₱12,227,738**	**₱60,226,780**	**₱34,323,752**	**₱4,137,655**	**₱343,039,396**
Results						
Loss before other income (expenses) and income tax	**(162,271,265)**	**(17,097,337)**	**(32,228,901)**	**(8,483,734)**	**(11,479,038)**	**(231,560,275)**
Interest expense	**(70,964,059)**	–	**–**	**(2,374,202)**	–	**(73,338,261)**
Other income	**34,917,299**	**91,500**	**263,891**	**548,835**	**–**	**35,821,525**
Benefit from income tax	**17,979,071**	–	–	**629,172**	–	**18,608,243**
Interest income	**3,752,492**	**4,161**	**27,266**	**413,864**	**1,036**	**4,198,819**
Equity in net loss of associates and joint ventures	**(100,755)**	**–**	–	–	–	**(100,755)**
Net Loss	**(₱176,687,217)**	**(₱17,001,676)**	**(₱31,937,744)**	**(₱9,266,065)**	**(₱11,478,002)**	**(₱246,370,704)**
EBITDA						**(₱59,336,303)**

	June 30, 2018 (Unaudited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱303,222,675	₱16,146,606	₱87,297,432	₱44,307,460	₱9,327,760	₱460,301,933
Results						
Income (loss) before other income and income tax	(60,384,108)	(9,993,806)	2,935,714	1,437,864	(8,080,804)	(74,085,140)
Equity in net loss of associates and joint ventures	(884,650)	–	–	–	–	(884,650)
Interest expense	(51,637,556)	–	(121)	(2,095,233)	–	(53,732,910)
Other income	30,596,890	–	140,313	167,041	–	30,904,244
Benefit from (provision for) income tax	8,535,270	–	–	(177,233)	–	8,358,037
Interest income	9,095,660	7,495	25,839	203,625	7,252	9,339,871
Net Income (Loss)	(₱64,678,494)	(₱9,986,311)	₱3,101,745	(₱463,936)	(₱8,073,552)	(₱80,100,548)
EBITDA						₱65,983,742

The following tables present certain assets and liabilities information regarding geographical segments as at June 30, 2019 and March 31, 2019:

	June 30, 2019 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Assets and Liabilities						
Segment assets[(a)]	**₱12,080,254,241**	**₱147,013,199**	**₱1,086,690,294**	**₱685,237,732**	**₱125,234,212**	**₱14,124,429,678**
Noncurrent asset held for sale	**716,586,558**	–	–	–	–	**716,586,558**
Investments in and advances to associates and joint ventures	**44,077,637**	–	–	–	–	**44,077,637**
Goodwill	**253,519,345**	–	–	**15,681,232**	–	**269,200,577**
Deferred tax assets - net	**44,769,360**	**1,023,584**	**1,707,628**	**12,473,153**	**60,907**	**60,034,632**
Total Assets	**₱13,139,207,141**	**₱148,036,783**	**₱1,088,397,922**	**₱713,392,117**	**₱125,295,119**	**₱15,214,329,082**
Segment liabilities[(b)]	**₱1,275,041,559**	**₱93,706,974**	**₱374,863,654**	**₱143,192,758**	**₱43,214,887**	**₱1,930,019,832**
Interest-bearing loans and borrowings	**1,394,059,832**	–	–	**119,000,000**	–	**1,513,059,832**
Bonds payable	**2,959,532,836**	–	–	–	–	**2,959,532,836**
Pension liabilities - net	**28,663,261**	**5,785,758**	**11,054,866**	**31,528,357**	**2,247,076**	**79,279,318**
Obligations under finance lease	**16,767,953**	–	–	–	–	**16,767,953**
Deferred tax liabilities	**234,762,544**	–	–	–	–	**234,762,544**
Total Liabilities	**₱5,908,827,985**	**₱99,492,732**	**₱385,918,520**	**₱293,721,115**	**₱45,461,963**	**₱6,733,422,315**
Other Segment Information						
Capital expenditure -						
Property and equipment						**₱66,854,610**
Depreciation and amortization						**140,767,570**
Noncash expenses other than depreciation and amortization						**12,969,211**

[(a)] *Segment assets exclude noncurrent asset held for sale, investments in and advances to associates and joint ventures, 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.*

	March 31, 2019 (Audited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[(a)]	₱11,959,731,960	₱108,113,352	₱933,535,224	₱595,586,649	₱140,418,589	₱13,737,385,774
Noncurrent asset held for sale	716,586,558	–	–	–	–	716,586,558
Investments in and advances to associates and joint ventures	44,178,391	–	–	–	–	44,178,391
Goodwill	208,519,102	–	–	15,681,232	–	224,200,334
Deferred tax assets - net	39,532,541	894,713	843,452	11,211,469	41,842	52,524,017
Total Assets	₱12,968,548,552	₱109,008,065	₱934,378,676	₱622,479,350	₱140,460,431	₱14,774,875,074
Segment liabilities[(b)]	₱1,056,192,730	₱31,643,191	₱86,971,535	₱40,079,723	₱32,398,502	₱1,247,285,681
Interest-bearing loans and borrowings	1,393,710,270	–	–	119,000,000	–	1,512,710,270
Bonds payable	2,957,954,254	–	–	–	–	2,957,954,254
Pension liabilities - net	25,616,583	5,614,191	10,616,437	31,972,566	2,231,945	76,051,722
Obligations under finance lease	18,415,114	–	–	37,049	–	18,452,163
Deferred tax liabilities	234,956,192	–	–	–	–	234,956,192
Total Liabilities	₱5,686,845,143	₱37,257,382	₱97,587,972	₱191,089,338	₱34,630,447	₱6,047,410,282
Other Segment Information						
Capital expenditure -						
Property and equipment						₱1,968,458,849
Depreciation and amortization						468,539,399
Noncash expenses other than depreciation and amortization						103,975,125

[(a)] *Segment assets exclude noncurrent asset held for sale, investments in and advances to associates and joint ventures, 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.*

5. Cash and Cash Equivalents

This account consists of:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)	June 30, 2018 (Unaudited)
Cash on hand and in banks	**₱566,529,944**	₱475,643,933	₱852,722,410
Cash equivalents	**380,509,257**	301,697,602	1,314,240,629
	₱947,039,201	₱777,341,535	₱2,166,963,039

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are short-term placements which are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates.

Interest earned from cash in banks and cash equivalents amounted to ₱3.9 million, and ₱9.3 million for the three-month periods ended June 30, 2019 and 2018, respectively.

6. Receivables

This account consists of:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Tuition and other school fees	**₱910,427,183**	₱609,022,183
Educational services	**68,934,620**	54,755,086
Rent, utilities and other related receivables	**42,613,205**	38,882,542
Advances to officers and employees (see Note 24)	**28,767,244**	22,765,753
Dividends receivable	**–**	811,277
Others	**22,590,983**	24,662,828
	1,073,333,235	750,899,669
Less: Allowance for expected credit loss (“ECL”)	**257,051,769**	248,488,698
	₱816,281,466	₱502,410,971

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

a. As at June 30, 2019, Tuition and other school fees receivables include receivables from students and DepEd while the balance as at March 31, 2019 also includes receivables from CHED. These receivables are noninterest-bearing and are normally collected on or before the date of major examinations while receivables from DepEd and CHED are expected to be collected within the year.

b. Educational services receivables pertain to receivables from franchisees arising from educational services, royalty fees and other charges. These receivables are generally noninterest-bearing and are normally collected within 30 days. Interest is charged on past due accounts.

   Interest earned from past due accounts amounted to ₱0.3 million and ₱36.2 thousand for the three-month periods ended June 30, 2019 and 2018, respectively.

c. Rent, utilities and other related receivables are normally collected within 30 days.

d. Advances to officers and employees are normally liquidated within one month (see Note 24).

e. For the terms and conditions relating to advances to associates, joint ventures and other related parties, refer to Note 24.

f. Other receivables mainly include receivables from a former franchisee, vendors and SSS amounting to ₱1.6 million, ₱6.1 million and ₱3.3 million, respectively, as at June 30, 2019 and amounting to ₱1.6 million, ₱5.4 million and ₱3.0 million, respectively, as at March 31, 2019. These receivables are expected to be collected within the next reporting period.

7. Inventories

This account consists of:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
At net realizable values:		
Educational materials	**₱130,838,447**	₱139,549,603
Promotional materials	**16,119,496**	15,929,935
School materials and supplies	**3,350,974**	2,794,368
	₱150,308,917	₱158,273,906

Educational materials include inventory of school uniforms amounting to ₱121.9 million and ₱128.0 million as at June 30, 2019 and March 31, 2019, respectively. This also includes textbooks and other education-related materials amounting to ₱8.9 million and ₱11.5 million as at June 30, 2019 and March 31, 2019, respectively.

Promotional materials primarily pertain to marketing materials and proware materials amounting to ₱5.8 million and ₱10.3 million, respectively, as at June 30, 2019 and ₱5.7 million and ₱10.2 million, respectively, as at March 31, 2019.

8. Prepaid Expenses and Other Current Assets

This account consists of:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Prepaid taxes	**₱74,405,944**	₱77,431,503
Prepaid insurance	**13,836,321**	1,046,780
Prepaid subscriptions and licenses	**8,625,417**	5,620,514
Prepaid rent	**6,469,432**	6,839,005
Advances to suppliers	**3,861,545**	3,110,277
Excess contributions to CEAP	**3,542,507**	3,102,625
Software maintenance cost	**1,125,141**	2,273,472
Others	**2,722,281**	3,354,843
	₱114,588,588	₱102,779,019

Prepaid taxes represent creditable withholding tax ("CWT"), input value-added tax ("VAT"), prepaid business, and real property taxes. Most of the input VAT are from the purchase of uniforms and acquisition of a lot in Iloilo City. STI ESG entered into a contract to sell in January 2018 for the acquisition of a lot situated at Barangay San Rafael, Iloilo City from which STI ESG recognized input VAT amounting to ₱22.0 million. This lot is the future site of STI Iloilo. Prepaid business and real property taxes are recognized as expense over the period of coverage.

Prepaid insurance represents fire insurance coverage on building, including equipment and furniture, health insurance coverage of employees and life and accident insurance of students which were paid in advance and are recognized as expense over their respective insurance coverages, which is normally within one year.

Prepaid subscriptions and licenses as at March 31, 2019 primarily pertain to Adobe Acrobat and Sophos Firewall license subscriptions while the June 30, 2019 balance also includes Microsoft license subscriptions. These subscriptions are recognized as expense over the period of coverage.

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

Advances to suppliers pertain to advance payments made by iACADEMY and STI WNU for various office requirements and purchase of several inventory items.

Excess contributions to the Catholic Education Association of the Philippines Retirement Plan ("CEAP") pertains to contributions made by De Los Santos-STI College and STI QA to CEAP which are already considered forfeited pension benefits of those employees who can no longer avail their pension benefits either because they did not meet the required tenure of ten years or they did not reach the retirement age of 60 when they left the service or when De Los Santos-STI College has already advanced the benefits of qualified employees. The excess contributions will be offset against De Los Santos-STI College's and STI QA's future required contributions to CEAP.

Software maintenance cost includes annual support and maintenance charges for the use of the Group's accounting and enrollment systems which are amortized in accordance with the terms of the agreements.

9. Noncurrent Asset Held for Sale

Maestro Holdings, Inc.

Noncurrent asset held for sale amounting to ₱716.6 million as at March 31, 2019 and 2018, represents the carrying value of STI ESG's 20% ownership in Maestro Holdings, Inc. ("Maestro Holdings"). Maestro Holdings owns 100% of PhilPlans First, Inc. ("PhilPlans"), 99.89% of PhilhealthCare, Inc. ("PhilCare"), 70.6% of Philippine Life Financial Assurance Corporation ("PhilLife") and 100% of Banclife Insurance Co. Inc. ("Banclife"). On June 27, 2017, STI ESG's BOD approved the disposal of its 20% stake in Maestro Holdings to enable the Group to focus on its core business of offering educational services. Management has ongoing discussions with potential buyers and expects to complete the sale within one year from March 31, 2019.

With the classification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for its investment in Maestro Holdings on June 30, 2017.

As at June 30, 2019 and March 31, 2019, there was no write-down of the noncurrent asset held for sale as the carrying amount did not fall below its fair value less cost to sell.

STI College Tagum, Inc.
On March 27, 2019, STI ESG and STI College Tagum, Inc., the assignee, entered into a deed of assignment to assign, sell, transfer and set over unto the assignee, the assets of STI Tagum, a branch of STI ESG for a sum of ₱7.0 million. The sale is effective on April 1, 2019. The transaction resulted to gain on disposal of net assets amounting to ₱4.4 million presented in the unaudited interim condensed consolidated statements of comprehensive income for the three-month period ended June 30, 2019.

10. Property and Equipment

The rollforward analyses of this account are as follows:

	June 30, 2019 (Unaudited)									
	Land	**Buildings**	**Office and School Equipment**	**Office Furniture and Fixtures**	**Leasehold Improvements**	**Transportation Equipment**	**Computer Equipment and Peripherals**	**Library Holdings**	**Construction In-Progress**	**Total**
Cost, Net of Accumulated Depreciation and Amortization										
Balance at beginning of period	**₱3,204,910,694**	**₱5,613,149,194**	**₱292,631,045**	**₱94,066,698**	**₱82,490,785**	**₱23,348,998**	**₱97,161,500**	**₱24,895,999**	**₱531,290,316**	**₱9,963,945,229**
Additions	–	**8,072,014**	**4,586,816**	**5,502,913**	–	–	**8,962,559**	**2,211,827**	**37,518,481**	**66,854,610**
Reclassifications	–	**8,892,357**	–	–	**(2,860,376)**	–	–	–	**(6,031,981)**	–
Disposal	–	–	–	–	–	**(114,817)**	–	–	–	**(114,817)**
Disposal of net assets	–	–	**(243,265)**	**(136,784)**	**(207,478)**	–	**(480,792)**	**(21)**	–	**(1,068,340)**
Effect of business combination	–	–	**10,563,539**	**1,590,200**	–	–	**1,262,266**	**2,726,126**	–	**16,142,131**
Depreciation and amortization	–	**(71,585,673)**	**(24,254,600)**	**(9,799,154)**	**(7,983,336)**	**(2,282,202)**	**(12,258,014)**	**(1,543,187)**	–	**(129,706,166)**
Balance at end of period	**₱3,204,910,694**	**₱5,558,527,892**	**₱283,283,535**	**₱91,223,873**	**₱71,439,595**	**₱20,951,979**	**₱94,647,519**	**₱28,290,744**	**₱562,776,816**	**₱9,916,052,647**
At June 30, 2019:										
Cost	**₱3,204,910,694**	**₱6,893,825,036**	**₱845,062,949**	**₱366,259,944**	**₱438,679,211**	**₱78,118,786**	**₱522,239,927**	**₱216,741,288**	**₱562,776,816**	**₱13,128,614,651**
Accumulated depreciation and amortization	–	**1,335,297,144**	**561,779,414**	**275,036,071**	**367,239,616**	**57,166,807**	**427,592,408**	**188,450,544**	–	**3,212,562,004**
Net book value	**₱3,204,910,694**	**₱5,558,527,892**	**₱283,283,535**	**₱91,223,873**	**₱71,439,595**	**₱20,951,979**	**₱94,647,519**	**₱28,290,744**	**₱562,776,816**	**₱9,916,052,647**

	March 31, 2019 (Audited)									
	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Construction In-Progress	Total
Cost, Net of Accumulated Depreciation and Amortization										
Balance at beginning of year	₱3,204,905,313	₱3,985,803,927	₱148,478,348	₱75,819,583	₱91,392,275	₱27,979,880	₱77,331,343	₱19,067,833	₱796,063,577	₱8,426,842,079
Additions	5,381	141,855,838	203,548,769	54,515,580	17,875,446	10,123,603	60,081,362	13,952,621	1,466,500,249	1,968,458,849
Reclassifications	–	1,714,182,446	8,551,866	232,367	8,537,537	–	(258,317)	27,611	(1,731,273,510)	–
Disposal	–	–	(11)	–	–	(4,173,617)	(147,619)	–	–	(4,321,247)
Depreciation and amortization	–	(228,693,017)	(67,947,927)	(36,500,832)	(35,314,473)	(10,580,868)	(39,845,269)	(8,152,066)	–	(427,034,452)
Balance at end of year	₱3,204,910,694	₱5,613,149,194	₱292,631,045	₱94,066,698	₱82,490,785	₱23,348,998	₱97,161,500	₱24,895,999	₱531,290,316	₱9,963,945,229
At March 31, 2019:										
Cost	₱3,204,910,694	₱6,876,860,665	₱822,169,963	₱355,145,680	₱429,886,653	₱78,408,853	₱510,799,098	₱211,218,676	₱531,290,316	₱13,020,690,598
Accumulated depreciation and amortization	–	1,263,711,471	529,538,918	261,078,982	347,395,868	55,059,855	413,637,598	186,322,677	–	3,056,745,369
Net book value	₱3,204,910,694	₱5,613,149,194	₱292,631,045	₱94,066,698	₱82,490,785	₱23,348,998	₱97,161,500	₱24,895,999	₱531,290,316	₱9,963,945,229

The cost of fully depreciated property and equipment still being used by the Group amounted to ₱1,119.2 million and ₱1,021.0 million as at June 30, 2019 and March 31, 2019, respectively. There were no idle assets as at June 30, 2019 and March 31, 2019.

Additions

Property and Equipment under Construction. As at June 30, 2019 and March 31, 2019, the construction-in-progress account includes costs incurred for the following: (a) remaining works for construction of school buildings of STI Sta. Mesa and STI Pasay-EDSA; (b) repairs and renovation of the basic education school facilities of STI WNU; and (c) replacement and installation of three (3) elevators at iACADEMY Plaza in Buendia Avenue, Makati City. The related contract costs amounted to ₱1,586.5 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects.

The newly constructed buildings of STI Sta. Mesa and STI Pasay-EDSA have been substantially completed as at June 30, 2019. These schools held classes beginning June 2019 for SHS students for SY 2019-2020. The renovation works of STI WNU school facilities were completed in June 2019. Installation of new elevators at iACADEMY Plaza is 95% complete as at June 30, 2019 and became operational in July 2019.

Capitalized Borrowing Costs. Total borrowing costs capitalized as part of property and equipment amounted to ₱3.3 million and ₱49.1 million for the three-month period ended June 30, 2019 and the year ended March 31, 2019, respectively. The average interest capitalization rate for STI ESG, which was the effective rate of the general borrowings, was 5.96% for the three-month period ended June 30, 2019 and for the year ended March 31, 2019 and 4.28% for the year ended March 31, 2019 for iACADEMY.

On July 6, 2017, iACADEMY's BOG authorized iACADEMY to obtain a long-term loan amounting to ₱800.0 million for the construction of its Yakal campus and the re-financing of the bridge loan from a local bank in the amount of ₱200.0 million. The long-term loan is secured by a real estate mortgage on the Yakal land and the building now constructed, and all other facilities, machineries, equipment and improvements therein (see Note 16). As at June 30, 2019 and March 31, 2019, the total carrying value of the mortgaged land, building, machineries and equipment amounted to₱1,525.0 million and ₱1,527.3 million, respectively.

11. Investment Properties

The rollforward analyses of this account are as follows:

	June 30, 2019 (Unaudited)		
	Land	Condominium Units and Buildings	Total
Cost:			
Balance at beginning and end of period	**₱1,313,385,559**	**₱665,357,550**	**₱1,978,743,109**
Accumulated depreciation:			
Balance at beginning of period	–	**146,067,212**	**146,067,212**
Depreciation	–	**7,747,922**	**7,747,922**
Balance at end of period	–	**153,815,134**	**153,815,134**
Net book value	**₱1,313,385,559**	**₱511,542,416**	**₱1,824,927,975**

	March 31, 2019 (Audited)		
	Land	Condominium Units and Buildings	Total
Cost:			
Balance at beginning and end of year	₱1,313,385,559	₱665,357,550	₱1,978,743,109
Accumulated depreciation:			
Balance at beginning of year	–	115,024,462	115,024,462
Depreciation	–	31,042,750	31,042,750
Balance at end of year	–	146,067,212	146,067,212
Net book value	₱1,313,385,559	₱519,290,338	₱1,832,675,897

12. **Investments in and Advances to Associates and Joint Ventures**

The details and movements of this account are as follows:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Investments at Equity		
Acquisition cost:		
Balance at beginning and end of period	**₱46,563,407**	₱46,563,407
Accumulated equity in net losses:		
Balance at beginning of period	**1,920,524,478**	1,918,323,519
Equity in net earnings (loss) of associates and joint ventures	**(100,755)**	3,190,368
Dividends received	**–**	(989,409)
Balance at end of period	**1,920,423,723**	1,920,524,478
Accumulated share in associates' other comprehensive income:		
Balance at beginning of period	**(1,922,909,494)**	(₱1,923,015,272)
Remeasurement loss on pension liability	**–**	105,778
Balance at end of period	**(1,922,909,494)**	(1,922,909,494)
	44,077,636	44,178,391
Advances	**37,868,986**	37,868,986
Less allowance for impairment loss	**37,868,986**	37,868,986
	–	–
	₱44,077,636	₱44,178,391

There is no movement in the allowance for impairment of investments in and advances to associates and joint ventures.

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

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Associates:		
STI Accent	**₱37,868,986**	₱37,868,986
STI Alabang	**24,873,546**	24,873,546
GROW	**16,323,992**	16,248,742
Joint venture:		
PHEI	**2,880,098**	3,056,103
	81,946,622	82,047,377
Allowance for impairment loss	**37,868,986**	37,868,986
	₱44,077,636	₱44,178,391

As at June 30, 2019 and March 31, 2019, the carrying amount of the investments in STI Marikina, Synergia, STI Accent and STI-PHNS amounted to nil.

13. Equity Instruments designated at Fair Value through Other Comprehensive Income

This account consists of:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Quoted equity shares	**₱4,554,120**	₱4,700,845
Unquoted equity shares	**45,823,258**	45,802,363
	₱50,377,378	₱50,503,208

a. Equity Shares

Quoted Equity Shares

The quoted equity shares above pertain to shares listed in the PSE, as well as traded club shares. These are carried at fair value with cumulative changes in fair values presented as a separate component in equity under the "Fair value change in equity instruments designated at FVOCI" account in the unaudited interim condensed consolidated statements of financial position. The fair values of these shares are based on the quoted market price as at financial reporting date.

Unquoted Equity Shares

Unquoted equity shares pertain to shares which are not listed in a stock exchange.
The Group recognized an increase in the fair value change on these equity instruments designated at FVOCI amounting to ₱40.2 million on April 1, 2018 as part of the transition adjustments in the audited consolidated financial statements as at March 31, 2019 resulting from the effect of adoption of PFRS 9. On December 12, 2018, De Los Santos-STI College and Metro Pacific Hospital Holdings, Inc. ("MPHHI") entered into a deed of absolute sale wherein De Los Santos-STI College sold its 79,399 common shares of stock in De Los Santos Medical Center, Inc. ("DLSMC"), formerly De Los Santos General Hospital, to MPHHI for a total consideration of ₱39.7 million. Similarly, on February 7, 2019, De Los Santos-STI College and MPHHI entered into another deed of absolute sale wherein De Los Santos-STI

College sold its remaining 35,674 common shares of stock in DLSMC to MPHHI for a total consideration of ₱17.8 million. At the date of sale, the fair value of the shares is equal to the total consideration. These transactions resulted in realized fair value gain on financial assets designated at FVOCI amounting to ₱37.1 million which was directly recognized to retained earnings for the year ended March 31, 2019.

Dividend income earned from DLSMC shares as equity instruments designated at FVOCI/Available-for-Sale ("AFS") financial assets amounted to nil and ₱2.3 million for the three-month periods ended June 30, 2019 and 2018, respectively.

Balance of fair value change in equity instruments designated at FVOCI amounted to ₱3.5 million and ₱3.6 million as at June 30, 2019 and March 31, 2019, respectively.

b. Pledged Shares
On June 3, 2013, STI ESG executed a deed of pledge on all of its DLSMC shares in favor of Neptune Stroika Holdings, Inc., a wholly-owned subsidiary of Metro Pacific Investments Corporation ("MPIC"), to cover the indemnity obligations of STI ESG enumerated in its investment agreement entered into in 2013 with MPIC. The carrying value of the pledged investment in DLSMC amounted to ₱29.0 million as at June 30, 2019 and March 31, 2019.

14. **Goodwill, Intangible and Other Noncurrent Assets**

This account consists of:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Goodwill	**₱224,200,334**	₱224,200,334
Deposits for asset acquisitions	**183,051,796**	231,735,901
Rental and utility deposits	**62,980,550**	65,559,832
Deferred input VAT	**22,629,530**	22,637,773
Advances to suppliers	**19,386,482**	13,614,325
Intangible assets	**10,993,082**	10,002,084
Others (see Note 29)	**50,812,310**	5,906,094
	₱574,054,084	₱573,656,343

<u>Goodwill</u>
Goodwill acquired through business combinations have been allocated to select schools which are considered separate cash-generating units ("CGUs"). Management performs its impairment test every March 31 for all the CGUs. Provision for impairment on goodwill amounted to nil and ₱17.0 million for the three-month period ended June 30, 2019 and for the year ended March 2019, respectively.

<u>Deposits for Asset Acquisitions</u>
This account consists of deposits for the purchase of a property in Iloilo amounting to ₱183.1 million and ₱161.7 million as at June 30, 2019 and March 31, 2019, respectively. The last installment for this Iloilo property was paid in June 2019. Documents for the transfer of ownership to STI ESG are being processed. As at March 31, 2019, the deposits for asset acquisition includes the deposits made for the purchase of shares of NAMEI Polytechnic Institute, Inc. and NAMEI Polytechnic Institute of Mandaluyong, Inc. (collectively referred to as "NAMEI") amounting to ₱70.0 million.

This amount was reversed on April 1, 2019 upon execution of the Deeds of Assignment for the purchase of NAMEI (see Note 29).

Rental and Utility Deposits
This account includes security deposits paid to utility companies and for warehouse and office space rentals in accordance with the respective lease agreements.

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

Intangible Assets
As at March 31, 2019, Intangible assets pertain to the cost of the Group's accounting and school management software which are being amortized over their estimated useful lives.

As at June 30, 2019, Intangible assets pertain to the cost of the Group's accounting and school management software and the cost of the additional accounting licenses acquired by the Group which is being amortized over its estimated useful life.

Others
This account includes the excess of consideration amounting to ₱45.0 million arising from the purchase of NAMEI. The identifiable assets and liabilities recognized in the unaudited interim condensed consolidated financial statements as at June 30, 2019 were based on provisional assessment of the fair value of these assets and liabilities at the time of acquisition. Further, the Group is still assessing the valuation of the intangible assets acquired. The valuation has not been completed as at June 30, 2019 (see Note 29).

15. **Accounts Payable and Other Current Liabilities**

This account consists of:

	June 30, 2019	March 31, 2019
	(Unaudited)	(Audited)
Accounts payable (see Note 24)	**₱496,918,858**	₱606,558,186
Accrued expenses:		
Interest	**41,732,034**	12,974,999
Rent	**40,034,750**	42,316,464
Contracted services	**25,216,729**	51,182,166
Salaries, wages and benefits	**21,996,304**	18,244,333
School-related expenses	**20,334,269**	39,896,759
Utilities	**6,054,643**	6,806,925
Advertising and promotion	**2,467,030**	3,130,143
Others	**4,754,902**	5,926,405
Nontrade payable	**67,000,000**	67,000,000
Statutory payables	**24,821,112**	24,316,077
Dividends payable	**24,566,795**	24,570,020
Current portion of payable to STI Diamond (see Note 18)	**12,794,761**	11,727,550
Network events fund	**7,267,499**	6,160,295
(Forward)		

	June 30, 2019	March 31, 2019
Student organization fund	**6,990,839**	6,575,662
Current portion of refundable deposits	**4,867,439**	5,508,189
Others	**6,297,923**	8,180,283
	₱814,115,887	₱941,074,456

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

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

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

c. Statutory payables primarily include taxes payable and other payables to government agencies. These are normally settled within 30 days.

d. Dividends payable pertains to dividends declared and are due on demand.

e. Refundable deposits pertain to security deposits from existing lease agreements and are expected to be settled in accordance with the terms of the lease agreements.

f. For terms and conditions with related parties, refer to Note 24.

16. Interest-bearing Loans and Borrowings

This account consists of:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Corporate notes facility	**₱719,000,000**	₱719,000,000
Term loan facility	**794,059,832**	793,710,270
	1,513,059,832	1,512,710,270
Less current portion	**299,600,000**	299,600,000
	₱1,213,459,832	₱1,213,110,270

**Net of unamortized capitalized loan transaction cost of ₱5.9 million and ₱6.3 million as at June 30, 2019 and March 31, 2019, respectively.*

Corporate Notes Facility

On March 20, 2014, STI ESG entered into a Corporate Notes Facility Agreement ("Credit Facility Agreement") with China Banking Corporation ("China Bank") granting STI ESG a credit facility amounting to ₱3.0 billion with a term of either 5 or 7 years. The facility is available in two tranches of ₱1.5 billion each. The net proceeds from the issuance of the notes were be used for capital expenditures and other general corporate purposes.

On May 9, 2014, the first drawdown date, STI ESG elected to have a 7-year term loan with floating interest based on the 1-year PDST-F plus a margin of two percent (2.00%) per annum, which interest rate shall in no case be lower than the BSP overnight rate plus a margin of three-fourths percent (0.75%) per annum, which is subject to repricing.

In 2015, STI ESG availed a total of ₱1,200.0 million loans with interest ranging from 4.34% to 4.75%. STI ESG has made payments amounting to nil and aggregating to ₱134.4 million for the three-month period ended June 30, 2019 and for the year ended March 31, 2019, respectively.

An Accession Agreement to the Credit Facility Agreement was executed on December 16, 2014 among STI ESG, STI WNU and China Bank whereby STI WNU acceded to the Credit Facility entered into by STI ESG with China Bank in March 2014. In addition, an Amendment and Supplemental Agreement was also executed by the parties on the same date. The Amendment and Supplemental Agreement allowed STI WNU to draw up to ₱300.0 million from the facility.

On December 19, 2014, STI ESG advised China Bank that it will not be availing of tranche 2 of the Credit Facility Agreement thus limiting the facility available to STI ESG to ₱1,500.0 million. On the same date, STI WNU availed the amount of ₱300.0 million under the same terms and conditions as that of STI ESG's Credit Facility, which has a term of seven (7) years with floating interest based on the 1-year PDST-F plus a margin of two percent (2.00%) per annum, which interest rate shall in no case be lower than the BSP overnight rate plus a margin of three-fourths percent (0.75%) per annum and is subject to annual repricing every January 31. This loan is secured by a Comprehensive Surety issued by the Parent Company.

STI WNU has made payments on the Corporate Notes Facility amounting to nil for the three-month period ended June 30, 2019 and aggregating to ₱63.0 million for the year ended March 31, 2019. This includes prepayments amounting to ₱20.0 million and ₱10.0 million made on January 31, 2019 and July 31, 2018, respectively. Such prepayments were applied to amortizations due on July 31, 2019 and January 31, 2021, respectively.

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

	STI ESG	STI WNU
2020	₱240,000,000	₱59,600,000
2021	240,000,000	59,400,000
2022	120,000,000	–
	₱600,000,000	₱119,000,000

The Credit Facility Agreement, together with the Accession Agreement, contains, among others, covenants regarding incurring additional debt and declaration of dividends, to the extent that such will result in a breach of the required debt-to-equity and debt service cover ratios. STI ESG is required to maintain a debt-to-equity ratio of not more than 1.00:1.00 and debt service cover ratio of not less than 1.10:1.00.

Breakdown of the Group's Credit Facility Agreement follows:

	June 30, 2019	March 31, 2019
	(Unaudited)	(Audited)
Balance at beginning of period	**₱719,000,000**	₱916,400,000
Repayments	**–**	197,400,000
Balance at end of period	**719,000,000**	719,000,000
Less current portion	**299,600,000**	299,600,000
Noncurrent portion	**₱419,400,000**	₱419,400,000

On January 19, 2017, STI ESG, STI WNU and China Bank executed a Second Amendment and Supplemental Agreement to the Corporate Notes Facility Agreement. Significant amendments are as follows:

a) change in interest rate of either (1) the 1-year benchmark rate (PDST-R2) plus a margin of 1.50% per annum which interest rate shall in no case be lower than 3.75% per annum or (2) the 3-month benchmark rate plus a margin of 1.50% per annum which interest rate shall in no case be lower than 3.50% per annum.
b) amendments on the required financial ratios, whereby STI ESG shall maintain the following ratios which shall be computed based on the unaudited interim condensed consolidated financial statements:

   (1) Debt-to-equity ratio of not more than 1.50x, computed by dividing total debt by total equity. For the purpose of this computation, total debt shall exclude unearned tuition and other school fees;
   (2) Debt service cover ratio of a minimum of 1.05x.

On February 17, 2017, China Bank likewise advised STI WNU that it has approved that the latter shall maintain a debt-to-equity ratio of not more than 1.50x, computed by dividing the total debt over the total equity and that for the purpose of this computation, total debt shall exclude unearned tuition and other school fees.

The required debt service cover ratio of a minimum of 1.10x for STI WNU remained the same.

As at June 30, 2019 and March 31, 2019, STI ESG and STI WNU have complied with the above covenants.

Term Loan Facility

On September 28, 2017, iACADEMY, as Borrower, and Neschester, as Third Party Mortgagor, entered into an Omnibus Loan and Security Agreement (“Omnibus Agreement”) with China Bank granting iACADEMY a Term Loan Facility amounting to ₱800.0 million to refinance the ₱200.0 million short-term loan and partially finance the cost of construction of iACADEMY’s Yakal campus. The long-term loan is secured by a real estate mortgage on the Yakal land and the building now constructed, and all other facilities, machineries equipment and improvements therein (see Note 10). The long-term loan shall mature on the 10th year anniversary of the initial drawdown on the Term Loan Facility (the Loan Maturity Date). The maturity date of subsequent drawdowns made within the availability period shall coincide with the Loan Maturity Date.

iACADEMY made the following drawdowns:

Date of drawdown	Amount	Interest at drawdown date
September 29, 2017	₱200,000,000	4.4025%
January 10, 2018	130,000,000	4.4057%
April 5, 2018	240,000,000	4.6932%
May 15, 2018	130,000,000	5.1928%
October 26, 2018	100,000,000	7.9266%
	₱800,000,00	

On September 28, 2018, the first repricing date, drawdowns totaling to ₱700.0 million was repriced at an interest rate of 6.8444%. The balance of ₱100.0 million was drawn on October 26, 2018 at an interest rate of 7.9266%. The loan facility has a term of 10 years, with a 3-year grace period on principal repayment. The principal is payable semi-annually starting September 29, 2020, while the interest is payable semi-annually in arrears every March 29 and September 29 of each year. The interest rate shall be repriced one business day prior to each of the later interest payment date of the two relevant interest periods. Interest rate is determined based on the 1-year PHP BVAL reference rate plus a margin of 1.50%.

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

Fiscal year ending March 31	Amount
2021	₱106,666,667
2022	106,666,667
2023	106,666,667
2024	106,666,667
2025	106,666,667
2026	106,666,667
2027	106,666,667
2028	53,333,331
	₱800,000,000

iACADEMY incurred costs related to the availment of the loan amounting to ₱8.2 million. These costs are capitalized and amortized using the effective interest rate method. These are presented as a contra-liability account in the consolidated statements of financial position. The carrying value of the transaction costs amounted to ₱5.9 million and ₱6.3 million as at June 30, 2019 and March 31, 2019, respectively. Amortization of transaction costs recognized as interest expense in the unaudited interim condensed consolidated statements of comprehensive income, amounted to ₱0.3 million and ₱0.2 million for the three-month periods ended June 30, 2019 and 2018, respectively.

The related borrowing costs capitalized as part of "Building" amounted to nil and ₱13.5 million for the three-month period ended June 30, 2019 and for the year ended March 31, 2019, respectively (see Note 10).

The Omnibus Agreement, contains, among others, covenants regarding incurring additional debt and declaration of dividends, to the extent that such will result in a breach of the required debt service cover and debt-to-equity ratios. The required financial ratios are:

(1) Debt service cover ratio of a minimum of 1.05x, which is the ratio of EBITDA for immediately preceding twelve (12) months to debt service due in the next 12 months.

(2) Debt-to-equity ratio of not more than 2.0x, computed by dividing total liabilities (excluding unearned tuition and other school fees) by total equity.

As at June 30, 2019, iACADEMY has complied with the above covenants.

On March 26, 2018, China Banking Corporation gave its consent on the request of iACADEMY to waive the required debt-to-equity ratio covenant of not more than 2.0x, provided that failure of iACADEMY to comply with the required debt-to-equity ratio of not more than 2.0x starting April 1, 2019 shall be deemed a breach. iACADEMY's debt-to-equity ratio as at March 31, 2018 is 2.24. On May 11, 2018, iACADEMY increased its issued capital stock from ₱200.0 million to ₱694.9 million (see Note 1).

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

Interest Expense
Starting February 1, 2016, the one-year PDST-F on the Credit Facility Agreement was changed to PDST-R2 as the basis for determining the interest rate for both STI ESG and STI WNU loans.

On January 31, 2017, STI ESG and STI WNU elected to adopt the interest rate based on the 1-year Benchmark Rate plus a margin of 1.5% per annum which interest rate shall in no case be lower than 3.75% payable every January 31 and July 31 of each year.

On October 29, 2018, the Bankers Association of the Philippines launched the PHP Bloomberg Valuation Service ("BVAL") Reference Rates replacing the set of PDST Reference Rates (PDST-R1 & PDST-R2). Hence, starting the interest period January 31, 2019, the benchmark rate for the loans of STI ESG and STI WNU is the BVAL reference rate for one-year tenor.

Interest expense on the loans amounted to ₱29.2 million and ₱10.5 million for the three-month periods ended June 30, 2019 and 2018, respectively.

17. Bonds Payable

This account consists of:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Principal:		
Fixed rate bonds due 2024	**₱2,180,000,000**	₱2,180,000,000
Fixed rate bonds due 2027	**820,000,000**	820,000,000
	3,000,000,000	3,000,000,000
Less unamortized debt issuance costs	**40,467,164**	42,045,746
	₱2,959,532,836	₱2,957,954,254

On March 23, 2017, STI ESG issued the first tranche of its ₱5,000.0 million fixed rate bonds program under its 3-year shelf registration with the SEC which will end on March 9, 2020. The bonds, amounting to an aggregate of ₱3,000.0 million was listed through the PDEx, with interest payable quarterly and were issued with a fixed rate 5.8085% for the 7-year series, due 2024, and 6.3756% for the 10-year series, due 2027. The bonds were rated 'PRS Aa' by the Philippine Rating Services Corporation ("PhilRatings") in 2017. Proceeds of the issuance were used to finance the campus expansion projects, refinancing of the short-term loans incurred for the acquisition of land, and for other general corporate requirements of STI ESG.

The bonds include an embedded derivative in the form of an early redemption option that gives STI ESG the option, but not the obligation, to redeem in whole (and not in part), the outstanding bonds before the relevant maturity date, based on a certain price depending on the fixed early redemption option dates. Management has assessed that the early redemption option is closely related to the bonds and would not require to be separated from the value of the bonds and accounted for as a derivative under PAS 39. Under PFRS 9, subsequent reassessment is required when there has been a change in the terms of the contract that significantly modifies the cash flows.

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

Issued	Interest Payable	Term	Interest Rate	Principal Amount	Carrying Value as at June 30, 2019 (Unaudited)	Carrying Value as at March 31, 2019 (Audited)	Features
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	**₱2,151,727,944**	₱2,150,449,125	Callable on the 3rd month after the 5th anniversary of Issue Date and on the 6th anniversary of Issue Date
2017	Quarterly	10 years	6.3756%	820,000,000	**807,804,892**	807,505,129	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	**₱2,959,532,836**	₱2,957,954,254	

<u>Covenants</u>

The bonds provide certain restrictions and requirements with respect to, among others, change in majority ownership and management, merger or consolidation with other corporation resulting in loss of control over the overall resulting entity and sale, lease, transfer or otherwise disposal of all or substantially all of its assets. The Credit Facility Agreement also contains, among others, covenants regarding incurring additional debt and declaration of dividends. STI ESG is required to maintain a debt-to-equity ratio of not more than 1.50:1.00 and debt service cover ratio of not less than 1.05:1.00 computed based on the unaudited interim condensed consolidated financial statements. STI ESG has complied with the above covenants.

STI ESG's debt-to-equity and debt service cover ratios as at June 30, 2019 and March 31, 2019 are as follows:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Total liabilities*	**₱4,326,386,164**	₱4,407,031,500
Total equity	**6,329,869,132**	6,569,707,487
Debt-to-equity	**0.68:1.00**	0.67:1.00

**Excluding unearned tuition and other school fees*

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
EBITDA**	**₱669,740,499**	₱806,111,804
Total principal and interest due for the next twelve months	**462,545,775**	462,616,744
Debt service cover	**1.45:1.00**	1.74:1.00

***EBITDA for the last twelve months*

<u>Bond Issuance Costs</u>

In 2017, STI ESG incurred costs related to the issuance of the bonds amounting to ₱53.9 million. These costs are capitalized and amortized using the effective interest rate method. The carrying value of the unamortized bond issuance costs amounted to ₱40.5 million and ₱42.0 million as at June 30, 2019 and March 31, 2019, respectively. Amortization of bond issuance costs amounting to ₱1.6 million and ₱1.5 million for the three-month periods ended June 30, 2019 and 2018, respectively, were recognized as part of the "Interest expense" account in the unaudited interim condensed consolidated statements of comprehensive income.

Interest Expense
Interest expense, (including amortization of bond issuance costs), net of amount capitalized as property and equipment, associated with the bonds payable recognized in the unaudited interim condensed consolidated statements of comprehensive income amounted to ₱41.4 million and ₱41.0 million for the three-month periods ended June 30, 2019 and 2018, respectively.

18. Other Noncurrent Liabilities

This account consists of:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Advance rent	**₱56,517,873**	₱47,901,355
Refundable deposit - net of current portion	**46,446,805**	19,902,451
Payable to STI Diamond - net of current portion	**34,280,030**	38,336,143
Deferred lease liability	**2,438,532**	2,438,532
Deferred output VAT	**155,900**	105,767
	₱139,839,140	₱108,684,248

19. Equity

Capital Stock
Details as at June 30, 2019 and March 31, 2019 follow:

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

Other Comprehensive Income (Loss)

	June 30, 2019 (Unaudited)		
	Attributable to Equity Holders of the Parent Company	**Non-controlling interests**	**Total**
Cumulative actuarial gain	**₱20,890,082**	**₱479,211**	**₱21,369,293**
Fair value change in equity instruments designated at FVOCI	**3,499,469**	**40,441**	**3,539,910**
Share in associates' cumulative actuarial gain	**321,569**	**(199)**	**321,370**
Share in associates' fair value change in equity instruments designated at FVOCI	**(114)**	**(2)**	**(116)**
	₱24,711,006	**₱519,451**	**₱25,230,457**

	March 31, 2019 (Audited)		
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Cumulative actuarial gain	₱20,950,751	₱479,211	₱21,429,962
Fair value change in equity instruments designated at FVOCI	3,623,046	42,694	3,665,740
Share in associates' cumulative actuarial gain	321,569	(199)	321,370
Share in associates' fair value change in equity instruments designated at FVOCI	(114)	(2)	(116)
	₱24,895,252	₱521,704	₱25,416,956

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

As at June 30, 2019 and March 31, 2019, the cumulative balance of other comprehensive income associated with noncurrent asset held for sale consists of:

	Attributable to Equity Holders of the Parent Company	Non-controlling Interests	Total
Share in associates':			
Fair value change in equity instruments designated at FVOCI	₱107,103,936	₱1,454,685	₱108,558,621
Remeasurement loss on life insurance reserves	(17,854,179)	(242,495)	(18,096,674)
Cumulative actuarial gain	676,660	9,190	685,850
Other equity reserve	718,885	9,764	728,649
	₱90,645,302	₱1,231,144	₱91,876,446

Retained Earnings

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

Policy on Dividends Declaration
On September 29, 2017, the Parent Company's BOD adopted a policy on the declaration of dividends starting with Fiscal Year 2017-2018.

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

Core income is defined as consolidated net income after income tax derived from STI Holdings' main business which is education, and other recurring income.

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

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

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

20. Revenues

Disaggregated Revenue Information

The table below shows the disaggregation of revenues of the Group by type of services or goods for the three-month periods ended June 30, 2019 and 2018:

	June 30, 2019	June 30, 2018
Tuition and other school fees	**₱211,521,011**	₱311,340,629
Sale of educational materials and supplies	**73,022,976**	82,452,884
Educational services	**40,066,908**	44,661,379
Royalty fees	**3,394,691**	3,702,022
Other revenues	**15,033,810**	18,145,019
Total consolidated revenue	**₱343,039,396**	₱460,301,933

Timing of revenue recognition

	June 30, 2019	June 30, 2018
Services transferred over time	**₱270,016,420**	₱377,849,049
Goods and services transferred at a point time	**73,022,976**	82,452,884
Total consolidated revenue	**₱343,039,396**	₱460,301,933

Contract Balances

The Group's receivables are disclosed in Note 6 while the contract liabilities are presented as "Unearned tuition and other school fees" in the unaudited interim condensed consolidated statements of financial position. Significant changes in the contract liability include the adoption of the new revenue standard and the implementation of the second batch of tertiary students that extended cash collection of tuition and other school fees for SY 2018-2019 after March 31, 2019.

Set out below is the amount of revenue recognized from:

	June 2019
Amounts included in contract liabilities at the beginning of the period	**₱86,148,280**
Performance obligations satisfied in previous years	**–**

Performance Obligations

The performance obligation related to revenue from tuition and other school fees, educational services, and royalty fees are satisfied over time since the student and the franchisees receive and consume the benefit provided by the Group's performance. The payment for these services is normally due within the related school term.

On the other hand, the performance obligations related to the sale of educational materials and supplies and other revenues are satisfied upon receipt by the customers since the control of the goods and products is transferred at this point. The payment for the sale of educational materials and supplies is generally due within 30 days from delivery.

As at June 30, 2019 and March 31, 2019, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) follows:

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Within one year	**₱975,181,637**	₱185,395,888
More than one year	**–**	–

The remaining performance obligations which are expected to be satisfied within one year pertains to the advance payment for tuition and other school fees for the school year commencing after the financial reporting date and will be recognized as tuition and other school fees within the school year. On the other hand, the Group does not have any performance obligation that is expected to be satisfied in more than one year.

21. Cost of Educational Services

This account consists of:

	June 30, 2019	June 30, 2018
	(Unaudited)	
Depreciation and amortization	**₱86,343,103**	₱66,832,723
Faculty salaries and benefits	**60,737,802**	52,494,322
Rental	**24,891,225**	28,405,017
Student activities and programs	**16,798,219**	15,545,022
Software maintenance	**4,064,979**	3,564,944
School materials and supplies	**2,842,670**	2,886,839
Others	**2,529,720**	2,607,055
	₱198,207,718	₱172,335,922

22. Cost of Educational Materials and Supplies Sold

This account consists of:

	June 30, 2019	June 30, 2018 (Unaudited)
Educational materials and supplies	**₱55,425,157**	₱63,646,617
Promotional materials	**1,688,067**	1,622,109
Others	**163,980**	108,849
	₱57,277,204	₱65,377,575

23. General and Administrative Expenses

This account consists of:

	June 30, 2019	June 30, 2018 (Unaudited)
Salaries, wages and benefits	**₱86,003,744**	₱86,121,205
Depreciation and amortization	**54,424,467**	42,331,915
Advertising and promotions	**37,295,717**	38,276,758
Outside services	**32,054,006**	29,219,272
Light and water	**31,058,656**	27,148,887
Professional fees	**13,010,068**	13,138,966
Rental	**12,609,748**	13,869,042
Taxes and licenses	**11,148,565**	8,452,143
Provisions for ECL/doubtful accounts on receivables	**9,050,105**	123,327
Transportation	**6,346,856**	6,857,820
Meetings and conferences	**4,338,023**	4,188,897
Office supplies	**3,991,711**	3,803,311
Insurance	**3,934,009**	3,082,443
Repairs and maintenance	**3,872,865**	3,666,633
Communication	**3,291,795**	3,413,564
Entertainment, amusement and recreation	**2,580,306**	4,372,075
Software maintenance	**806,815**	682,405
Association dues	**351,166**	408,778
Others	**2,946,127**	7,516,135
	₱319,114,749	₱296,673,576

24. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) enterprises or individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Parent Company; (b) associates; and (c) enterprises or individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the company, key management personnel, including directors and officers of the Group and close members of the family of any such enterprise or individual.

The following are the Group's transactions with its related parties:

	Amount of Transactions during the Period		Outstanding Receivable (Payable)			
	June 30, 2019	June 30, 2018	**June 30, 2019**	March 31, 2019		
Related Party	**Unaudited**	Unaudited	**Unaudited**	Audited	**Terms**	**Conditions**
Associates						
STI Accent						
Reimbursement for various expenses and other charges	**₱–**	₱–	**₱37,868,986**	₱37,868,986	30 days upon receipt of billings; noninterest-bearing	Unsecured; with provision for ECL
GROW						
Rental income and other charges	**138,750**	–	**7,175,932**	7,033,994	30 days upon receipt of billings	Unsecured; no impairment
STI Alabang						
Educational services and sale of educational materials and supplies	**3,853,391**	5,774,736	**748,065**	539,737	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
(Forward)						
STI Marikina						
Educational services and sale of educational materials and supplies	**2,966,577**	4,370,322	**337,998**	97,000	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*						
PhilCare						
Rental income and other charges	**2,056,502**	4,189,537	**2,011,641**	835,427	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**3,702,042**	3,766,751	**(3,927,908)**	(20,125)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposits	**–**	–	**(1,820,984)**	(1,820,984)	Refundable upon end of contract	Unsecured
Reimbursement for various expenses	**7,269**	38,349	**–**	(11,741)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Phil First Insurance Co., Inc.						
Utilities and other charges	**–**	34,134	**29,473**	29,473	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental and other charges	**1,046,263**	1,009,337	**(90,300)**	(456,534)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Insurance	**3,891,712**	2,173,477	**(34,724)**	(60,944)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation						
Association dues and other charges	**2,549,833**	2,614,919	**(549,215)**	(898,030)	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilLife						
Rental income, utilities and other charges	**1,017,626**	4,525,868	**276,195**	1,212,561	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Officers and employees						
Advances for various expenses	**9,149,005**	7,149,430	**28,767,244**	22,765,753	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others						
Rental income and other charges	**1,845,580**	1,402,357	**2,979,230**	1,721,262	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Advertising and promotion charges	**100,000**	100,000	**(100,000)**	(150,000)	30 days upon receipt of billings; noninterest-bearing	Unsecured
			₱73,671,633	₱68,685,835		

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

Related party receivables and payables are generally settled in cash.

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

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Advances to associates and joint ventures (see Note 12)	**₱37,868,986**	₱37,868,986
Advances to officers and employees (see Note 6)	**28,767,244**	22,765,753
Rent, utilities and other related receivables	**12,472,471**	10,832,717
Educational services	**1,086,063**	636,737
Accounts payable	**(6,523,131)**	(3,418,358)
	₱73,671,633	₱68,685,835

Outstanding balances of transactions with subsidiaries from the Parent Company's point of view which were eliminated at the unaudited interim condensed consolidated financial statements are as follow:

	Amount of Transactions for during the Period		**Outstanding Receivable (Payable)**			
	June 30, 2019	June 30, 2018	**June 30, 2019**	March 31, 2019		
Category	**Unaudited**	Unaudited	**Unaudited**	Audited	**Terms**	**Conditions**
Subsidiaries						
STI ESG						
Advisory fee	**₱3,600,000**	₱3,600,000	**₱–**	₱–	30 days upon receipt of billings; Noninterest-bearing	Unsecured
Reimbursements	–	8,543	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
STI WNU						
Advisory fee	**900,000**	900,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
AHC						
Payable to AHC	–		**(63,778,000)**	(63,778,000)	Payable upon demand; noninterest-bearing	Unsecured
Subscription payable	–		**(64,000,000)**	(64,000,000)	Noninterest-bearing	Unsecured
iACADEMY						
Advisory fee	**255,000**	**–**	**–**	–	30 days upon receipt of billings; Noninterest-bearing	Unsecured

25. Basic and Diluted EPS on Net Earnings (Loss) Attributable to Equity Holders of the Parent Company

The table below shows the summary of net earnings (loss) and weighted average number of common shares outstanding used in the calculation of EPS for the three-month periods ended June 30, 2019 and 2018:

	2019	2018
	(Unaudited)	
Net loss attributable to equity holders of Parent Company	**(₱240,001,441)**	(₱77,738,911)
Common shares outstanding (see Note 19)	**9,904,806,924**	9,904,806,924
Basic and diluted EPS on net loss attributable to equity holders of Parent Company	**(₱0.024)**	(₱0.008)

The basic and diluted EPS are the same for the three-month periods ended June 30, 2019 and 2018 as there are no dilutive potential common shares.

26. Contingencies and Commitments

Contingencies

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

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

   On March 13, 2015, Dr. Helena Z. Benitez ("HZB") filed a Creditor-Initiated Petition for Rehabilitation of PWU in RTC Manila ("PWU Rehabilitation Case"). The PWU Rehabilitation Case was raffled to Branch 46 of the RTC Manila ("Rehabilitation Court").

   On March 26, 2015, the Parent Company filed a Notice of Claim with the Rehabilitation Court.

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

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

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

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

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

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

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

Consequently, the Parent Company recognized the Quezon City and Davao properties as “Investment properties” (see Note 11).

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

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

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

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

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

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

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

In the Second Motion to Dismiss, the Parent Company and AHC informed the Trial Court that they were able to discover that the Plaintiffs filed a similar case against PWEA and Unlad with another Trial Court of Davao City (Civil Case No. 20,415-90 filed before Branch 15 of the Regional Trial Court of Davao City), which was dismissed without qualifications for their failure to comply with the said Trial Court's order. Said dismissal was eventually affirmed with finality by the Supreme Court. Because of this information, the Parent Company and AHC moved to dismiss the case for res judicata and willful and deliberate forum shopping for filing the same case to the Trial Court.

After filing their respective responsive pleadings to the above-mentioned Motion(s) to Dismiss, the Trial Court issued the Order dated October 20, 2016, which granted the Motions to Dismiss and dismissed the instant case on the basis of (a) prescription, and (b) res judicata. The Trial Court likewise affirmed that there were no violations of the provisions and/or restrictions in the Deed of Sale annotated on the title of the subject property because (a) the mortgage of the subject property between the Parent Company and AHC and Unlad is not a prohibited act; and (b) there is no allegation that the subject property shall not be used by the Parent Company and AHC for educational purpose.

On November 24, 2016, the Plaintiffs filed a Notice of Appeal of the Order dated October 20, 2016, and sought the reversal of the same with the Court of Appeals-Cagayan de Oro ("Court of Appeals").

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

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

The Plaintiffs-Appellants had to amend said Appellants' Brief after the Court of Appeals dismissed their appeal due to defects pointed by the Parent Company and AHC in their Omnibus Motion. Out of liberality and filing said amended Appellants' Brief, the Court of Appeals issued the Resolution dated March 1, 2018 and reinstated the Plaintiffs'-Appellants appeal.

After the filing of the Appellees' Brief, the Court of Appeals issued the Decision dated August 6, 2018, wherein it denied the appeal of the Plaintiffs-Appellants. The Court of Appeals affirmed the dismissal of the complaint of the Plaintiffs on the ground of res judicata and failure to state a cause of action.

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

After the filing of the responsive pleadings to said Motion for Reconsideration, the Court of Appeals denied the aforesaid Motion for Reconsideration filed by the Plaintiffs on December 14, 2018.

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

As at August 14, 2019, the Parent Company and AHC have not received any Resolution from the Supreme Court in relation to the Petition for Review of the Plaintiffs.

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

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

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

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

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

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

Based on said circumstances, the Parent Company, AHC, and EHT filed an Entry of Appearance with Manifestation ("Manifestation"). In the Manifestation, they informed the PDRCI that the filing of their Response shall be deferred until full payment of the provisional advance of cost by the Claimant as required under the PDRCI Rules. Likewise, they manifested that the Claimant should be compelled to pay said fees in order for the PDRCI and/or the arbitral tribunal to be constituted to rule on the defenses and/or claim to be raised by the Parent Company, AHC and EHT.

On September 7, 2016, the PDRCI issued a *Notice* dated August 26, 2016, which informed the parties to the instant case that the proceedings are suspended until the Claimant settles the outstanding provisional advance on cost for filing the instant case.

In view of the foregoing, the case is deemed suspended pending the settlement by the Claimant of the provisional advance on cost.

As at August 14, 2019, the case remains suspended based on the aforesaid reason.

2. After filing the Request for Arbitration, Mr. Conrado L. Benitez II (the "Petitioner") then filed on June 29, 2016 a derivative suit for himself and on behalf of Unlad and PWU against directors/trustees and stockholders/members of Unlad and PWU, EHT, the Parent Company, ABB and AHC (collectively, the "Defendants") docketed as Civil Case No. 16-136130 in the RTC of Manila (the "Derivative Suit"). The Derivative Suit was raffled to Branch 24 of the RTC of Manila presided over by Judge Ma. Victoria A. Soriano-Villadolid.

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

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

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

The Petitioner then filed his Consolidated Reply to the Joint Answer and Answer of EHT.

Meanwhile, the other co-defendants, namely (a) ABB, and (b) Dr. Jose Francisco and Marco Benitez, filed their respective Answer(s) to the Complaint. After the filing of their Answer(s), the other co-defendants filed (1) Notice to take Deposition Upon Oral Examination and (2) their respective Motion(s) to Set Preliminary Hearing on the Special and Affirmative Defenses raised in their respective Answers ("Motion(s)"). The said Motion and pleading were denied by the Trial Court upon motion by the Plaintiff.

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

The Trial Court then issued the Order dated March 3, 2017, which set the case for pre-trial conference on April 18, 2017 with pre-marking of documentary evidence on April 7, 2017 ("Notice of Pre-Trial"). The Notice of Pre-Trial further requires the parties to file their respective (a) pre-trial briefs, (b) documentary evidence, (c) affidavits of witnesses, and (d) special power of attorney of counsels, in case any of the party-litigants cannot attend the pre-trial conference.

The parties participated in the pre-trial conference and complied with the filing of the aforesaid pleadings and documents.

The parties also underwent mediation before the Court-Annexed Mediation with the Philippine Mediation Center ("PMC") as allowed during pre-trial. During said hearings, the Parent Company, through counsel, manifested that it rejects the Petitioner's proposal, and moved to terminate the mediation hearing. Upon said motion, the Court-Annexed Mediation was terminated.

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

While the defendants filed their respective opposition thereto, the same was eventually withdrawn upon motion by the Petitioner on May 25, 2017. The Petitioner alleged that instead of conducting hearings on the issuance of said injunction, the Trial Court should proceed to resolve the case based on the pleadings and affidavits already filed by the parties in accordance with Interim Rules Governing Intra-Corporate Controversies.

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

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

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

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

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

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

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

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

As at August 14, 2019, the appeal of the Petitioner and Motion to Cancel Lis Pendens of the Parent Company are pending for resolution by the Court of Appeals.

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

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

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

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

(1) The defendant should be *Philippine Women's College of Davao, Inc.*;

(2) PWC-Davao has been in an open, notorious and peaceful possession of the Subject Premises since in or about the 1950's and not by mere tolerance of or any contract with the Parent Company;

(3) The proceedings should be suspended in light of the pending derivative suit filed by Mr. Conrado Benitez II; and

(4) The Parent Company came to court with unclean hands when it allegedly took possession of the Property sans the Subject Premises.

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

As at August 14, 2019, the Parent Company has not received any notice and/or order from the Trial Court.

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

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

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

WNU wherein full satisfaction of the same entitles the Agustins a portion of the balance of the purchase price.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As to the Petition, the Agustin family filed their Opposition to the issuance of the Temporary Restraining Order and Writ of Preliminary Injunction. The Agustin family also prayed for the denial of the Petition. Consequently, the issue on the issuance of the Temporary Restraining Order and Writ of Preliminary Injunction is also submitted for resolution by the Court of Appeals of Cebu City.

On August 29, 2018, the Parent Company received the Order dated August 6, 2018, which denied its Motion for Reconsideration Ex Abudanti Ad Cautelam. In the same Order, the trial court also denied the Agustins family's prayer for the execution of the decision on April 4, 2018 and Order on August 8, 2018.

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

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

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

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

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

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

While the record of the case was still with the Trial Court, the Parent Company immediately filed the Urgent Motion for Reconsideration with alternative prayer for Motion to Stay Discretionary

Execution Pending Appeal dated December 14, 2018 ("Motion(s)"). While the said Motions was pending, the Parent Company also sent a letter to the Provincial Sheriff of the Regional Trial Court of Bacolod City to inform them of the aforesaid pending Motion(s) and reminded them that such incident necessarily required them to suspend any action to enforce the Writ of Execution.

After due hearing by the Trial Court on the Motion(s), the Trial Court (a) denied the Urgent Motion for Reconsideration but (b) granted the Motion to Stay Discretionary Execution Pending Appeal upon posting of a supersedeas bond amounting to One Hundred Million Pesos (₱100.0 million) (the "Stay Order").

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

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

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

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

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

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

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

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

The instant appeal seeks to reverse and set aside the Trial Court's Decision dated April 4, 2018, which ordered the Parent Company to pay the Agustin family the amount of ₱50.0 million with legal interest of 6% from the filing of the case until full payment only (the "Summary Judgment").

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

After filing a Motion for Extension of Time to File Appellant's Brief, the Parent Company filed the Appellants' Brief on August 8, 2019. In the said Appellants' Brief, the Parent Company sought to reverse and set aside the Decision dated April 4, 2018 on the ground that the payment of ₱50.0 million was conditioned on the issuance of CHED permit for

STI WNU to offer the Maritime Engineering Courses as agreed upon by the parties in the MOA. Said condition was also embodied in the Share Purchase Agreement and recognized by the parties through their representations and actions during the relevant period in this case.

The Parent Company also filed an Urgent Motion to Consolidate cases listed as (i) and (ii) on July 15, 2019. In said Motion, the Parent Company asserted that the parties and issues raised in said cases are related and the same should be resolved jointly.

As of the filing of the Appellants' Brief, the Court of Appeals has not issued any resolution on the said Urgent Motion to Consolidate.

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

After the Trial Court suspended the execution of the Summary Judgment upon posting by the Parent Company of a supersedeas bond of ₱100.0 million, the Agustin family sought to annul the Stay Order by filing a Petition for Certiorari dated April 10, 2019 before the Court of Appeals.

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

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

As at August 14, 2019, the Parent Company awaits the appropriate Notice/Resolution by the Court of Appeals on the Petition for Certiorari filed by the Agustins.

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

On June 27, 2012, the BIR rested its case and has formally offered its evidence. On April 17, 2013, the CTA issued a Decision which granted STI ESG's petition for review and ordered the cancellation of the BIR's assessment since its right to issue an assessment for the alleged deficiency taxes had already prescribed. On May 16, 2013, STI ESG received a copy of the Commissioner of Internal Revenue's ("CIR") Motion for Reconsideration dated May 8, 2013. STI ESG filed its Comment to CIR's Motion for Reconsideration on June 13, 2013. The CTA issued a resolution dated July 17, 2013 denying the CIR's Motion for Reconsideration. On August 22, 2013, the CIR filed its Petition for Review dated August 16, 2013, with the CTA En Banc. On October 29, 2013, STI ESG filed its Comment to the CIR's Petition for Review. The CTA En Banc deemed the case submitted for decision on May 19, 2014, considering the CIR's failure to file its memorandum. On March 24, 2015, the CTA En Banc affirmed the decision dated April 17, 2013 and the resolution dated July 17, 2013 and granted STI ESG's Petition for Review and ordered the cancellation of the BIR assessment for the fiscal year ended March 31, 2003. On April 21, 2015, the CIR filed a Motion for Reconsideration with the CTA En Banc. On July 3, 2015, STI ESG filed its Comment on the Motion for Reconsideration. On September 2, 2015, the CTA En Banc denied the CIR's Motion for Reconsideration. On October 30, 2015, the CIR filed a Petition for Review with the Supreme Court. On January 26, 2016, STI ESG received a notice from the Supreme Court requiring it to file its Comment on the Petition for Review filed by the CIR. On February 5, 2016, STI ESG filed a Motion for Extension of Time to File Comment on the Petition for Review requesting an additional period of twenty (20) days from February 5, 2016, or until February 25, 2016, within which to file the Comment. On February 25, 2016, STI ESG filed another Motion for Extension of Time to File Comment on the Petition for Review requesting an additional period of fifteen (15) days from February 25, 2016, or until March 11, 2016, within which to file the Comment. On March 11, 2016, STI ESG, through its counsel, filed its Comment on the Petition. On October 27, 2016, STI ESG received a notice from the Supreme Court in which the Court, *inter alia,* required the CIR to reply to STI ESG's Comment (to the Petition for Review) within ten days from receipt of the notice. On November 25, 2016, the CIR filed its reply to STI ESG's Comment.

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

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

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

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

d. *Labor Cases.*

i. A former employee filed a Petition with the Supreme Court after the Court of Appeals denied the former employee's claims and rendered prior decisions in favor of STI ESG. On August 13, 2014, STI ESG received the Supreme Court's decision dated July 9, 2014 annulling the decision of the Court of Appeals and ordered that STI ESG reinstate the former employee to her former position and pay the exact salary, benefits, privileges and emoluments which the current holder of the position is receiving and should be paid backwages from the date of the former employee's dismissal until fully paid, with legal interest.

On November 17, 2014, the Supreme Court issued a resolution which denied with finality STI ESG's Motion for Reconsideration. As a result of the decision, STI ESG recognized a provision amounting to ₱3.0 million representing the estimated compensation to be made to the former employee.

On October 20, 2015, a Bank Order to release was issued to one of STI ESG's depository banks for the release of the garnished amount of ₱2.2 million. The bank released the garnished amount to the National Labor Relations Commission ("NLRC").

The garnished amount was put on hold for 15 days because of the filing of STI ESG's Petition questioning, among others, the Writ of Execution issued by the labor arbiter, which was docketed as LER-CN-10291-15.

While the Petition was pending for resolution by the NLRC and without any injunction order being issued by the said Commission, the garnished amount of ₱2.2 million was released to the former employee.

On March 1, 2016, the former employee filed an Entry of Appearance with Manifestation/Motion for Computation dated February 24, 2016. In the said motion, the former employee sought for computation of her backwages, inclusive of monetary equivalent of leaves and 13th month pay from July 22, 2004 until the same is actually paid. In addition, the former employee waived the reinstatement aspect of the March 31, 2016 decision of labor arbiter, and sought the payment of separation pay.

As mentioned in an earlier paragraph, on October 19, 2015, STI ESG filed a Petition with the NLRC, docketed as LER-CN-10291-15, to (1) annul the Writ of Execution issued by labor arbiter for the amount of ₱2.2 million, and (2) order the payment of separation pay in favor of the former employee instead of reinstatement as Chief Operating Officer of STI-Makati.

In the said Petition, STI ESG asserted that the Writ of Execution was issued with undue haste when there were pending issues to be resolved by labor arbiter with respect to the computation of the judgment award of the former employee. In addition, labor arbiter cannot order the former employee to be reinstated as Chief Operating Officer of STI-Makati because said position no longer exists. STI ESG averred that an order of separation pay in lieu of reinstatement should be issued in favor of the former employee.

On October 28, 2015, STI ESG filed another Petition with the NLRC, which sought to inhibit the labor arbiter from continuing the execution proceedings for the former employee's judgment award. In the said Petition, STI ESG alleged that the actions of the labor arbiter showed partiality and bias in favor of the former employee.

On October 29, 2015, STI ESG filed a Motion to Consolidate with the NLRC. In the said Motion, STI ESG moved that the aforesaid Petitions would be consolidated and resolved by the same Division of the NLRC.

The former employee, thru her new counsel, filed two (2) Entry of Appearance with Motion for Leave (To Admit Attached Answer with Comment/Opposition) for the two (2) Petitions of STI ESG. In the said Comment/Opposition, the former employee averred that (a) the Writ of Execution was issued pursuant to the Supreme Court's Decision dated July 9, 2014 and (b) the acts of labor arbiter were above-board.

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

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

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

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

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

Without making any findings and/or rulings contrary to STI ESG's claim that the former employee waived her reinstatement pending appeal in October 2006 and consequently invalidated her assertion that her backwages should be computed from May 2004 until present day, the Court of Appeals affirmed the re-raffle of the execution proceedings of the former employee's judgment award to a new labor arbiter to make an independent determination of all pending incidents and issues.

Considering the aforesaid Decision did not prejudice STI ESG's position, STI ESG decided to refer all pending issues on the execution of the judgment award of the former employee, including the waiver of backwages pending appeal, to the new labor arbiter.

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

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

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

In the hearing on February 13, 2018, the former employee filed her Reply dated February 12, 2018. In the Reply, it was argued that the alleged waiver of reinstatement pending appeal in October 2006 did not interrupt the running of backwages until present day.

She insisted that the return to work order of STI ESG was (a) vague, (b) served only through her former counsel and (c) belatedly served or after four (4) months from STI ESG's receipt of the former labor arbiter's order to reinstate her. Based on the foregoing the former employee presented her computation of her judgment award to date, which amounted to ₱11.0 million, less payments already made by STI ESG.

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

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

As at August 14, 2019, the new labor arbiter has not issued any resolution on the aforesaid computation of the former employee's judgment award.

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

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

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

Subsequently, a hearing on the motion for execution was set on June 5, 2017. In the said hearing, STI ESG reiterated that itis amenable to reinstating complainant but as a Part-time Full Load faculty member. Complainant countered that she is not interested in reinstatement but would rather be paid her backwages and separation pay. When asked for how much is she willing to settle the matter amicably, she insisted that she be paid the total amount of her backwages and separation pay. When asked if STI ESG has any counter-offer on the payment of backwages and separation pay, STI ESG manifested that it already filed its opposition thereto and that there is still a need for the official computation of the same. At that point, the hearing officer showed STI ESG a computation of the backwages which amounted to ₱0.5 million. STI ESG then manifested that it will bring the matter to management. On the part of the complainant, she manifested that she will file her reply to STI ESG's opposition. The hearing officer then said that upon submission of said reply, the motion for execution is deemed submitted for resolution.

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

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

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

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

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

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

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

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

On September 5, 2018, STI ESG received a copy of the Motion for Reconsideration filed by the complainant with the Court of Appeals (Special Former Twenty-First [21st] Division). On October 31, 2018, STI ESG received the resolution of the said court directing STI ESG to file its Comment to the Motion for Reconsideration filed by the complainant within ten (10) days from notice. On November 12, 2018, STI ESG filed its Comment to the Motion for Reconsideration of the complainant. With the filing of the Comment, the Motion for Reconsideration is deemed submitted for resolution.

On January 24, 2019, STI ESG received a copy of the Resolution of the Court of Appeals (Special Former Twenty-First [21st] Division) denying the Motion for Reconsideration filed by the complainant. On April 22, 2019, STI ESG received a copy of the Entry of Judgment of the Decision dated June 29, 2018. With this development, STI ESG will now initiate proceedings to recover the amount of ₱0.5 million, more or less given to the complainant based on the overturned decision of the NLRC.

As at August 14, 2019, STI ESG is preparing the necessary motion for the recovery of the ₱0.5 million.

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

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

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

Both parties here may have been mistaken in believing that the former faculty members have become regular faculty members by their length of service and seemingly satisfactory performance. Because of such incorrect grant of regular employment status, STI ESG, for years, have paid to complainants the salaries and benefits ought to be received by regular faculty members, which they did not deserve considering their failure to meet the qualifications set out in the MORPS and MORPHE. To punish STI ESG for such act of giving Petitioners more than what they deserve would run contrary to the basic tenets of equity and justice. In fact, STI ESG sought to remedy its mistake by formulating its two-year compliance consideration program, wherein affected teachers such as complainants shall continue to receive the same benefits they are currently enjoying, subject to the completion of their master's degree within a period of two (2) years. Even complainants admitted that their job offers stipulated a higher monthly salary. In spite of all these, complainants chose not to sign the said job offers.

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

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

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

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

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

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

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

The complainant appealed the decision of the labor arbiter to the NLRC.

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

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

However, on June 1, 2017, STI ESG received a copy of the resolution dated May 30, 2017 of the 4th Division, NLRC denying the motion for reconsideration. On July 28, 2017, STI ESG filed its Petition for Certiorari with prayer for the issuance of a restraining order and a writ of preliminary injunction with the Court of Appeals. On August 19, 2017, STI ESG received a copy of the resolution of the Court of Appeals dated August 9, 2017 directing complainant to comment on STI ESG's petition while holding in abeyance the action on the prayer for injunctive relief. Pending resolution of the STI ESG's prayer for the issuance of a restraining order and a writ of preliminary injunction with the Court of Appeals, on August 31, 2017, STI ESG received a copy of the Motion for Execution filed by the complainant. On September 4, 2017, a notice of pre-execution conference was received by STI ESG setting the same on September 14, 2017 before the labor arbiter. On September 11, 2017, STI ESG filed an Opposition to the Motion for Execution. STI ESG, likewise, filed an Omnibus Motion for Immediate Resolution of Application for Issuance of a Restraining Order and Writ of Preliminary Injunction. In the pre-execution conference, STI ESG reiterated its opposition to the motion for execution of complainant and manifested that it has a pending application for the issuance of a restraining order and a writ of preliminary injunction with the Court of Appeals. In a Notice of Order of Execution dated October 11, 2017, the labor arbiter issued a Writ of Execution against STI ESG since no temporary restraining order was issued by the Court of Appeals for the amount of ₱76.2 thousand. On November 2, 2017, a check in the said amount was then deposited to the account of the National Labor Relations Commission for the satisfaction of the writ of execution. As per Order dated November 17, 2017 of the labor arbiter, the said amount was released to Complainant as full satisfaction of the judgment award.

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

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

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

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

As at August 14, 2019, STI ESG has yet to receive a copy of the comment of the complainant to its petition.

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

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

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

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

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

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

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

In the October 26, 2017 hearing, Complainants provided STI Davao with a computation of what they are willing to accept for the amicable settlement of the case with total amount of ₱33.2 million.

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

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

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

In a decision dated June 28, 2018, the labor arbiter dismissed the complaint for lack of merit. On August 2, 2018, STI ESG received a copy of the Memorandum of Appeal filed by complainants with the NLRC. On August 28, 2018, STI ESG filed its Answer to Appeal with the Eighth Division of the NLRC in Cagayan De Oro City where it was emphasized that the complainants had failed to show that the Arbiter a quo committed grave abuse of discretion and/or serious errors in rendering the assailed Decision, particularly in declaring that the complainants were lawfully terminated on the ground of loss of trust and confidence. In support of STI ESG's counter-arguments to the complainants' arguments, STI ESG stressed on the following important points: (a) the Appeal is just a 90% verbatim reproduction of the facts, arguments and discussion in their Position Paper; and (b) there was no such grave error shown in the case at bar considering that there is more than sufficient basis for the School to lose the trust and confidence it bestowed upon the complainants (i) as one of the complainants demonstrated, through repeated infractions, that complainant is not fit to continue undertaking the serious task and heavy responsibility of a CEO, and this holds true for the other complainant, being the COO of STI Davao, (ii) the willful act of disregarding the Operating Procedures and Systems equates to abuse of authority and, therefore, is sufficient basis for STI to lose its trust and confidence on the complainants, and (iii) the task of ensuring the integrity of the RFA by warranting the completeness and accuracy of the information and required supporting documents thereto, definitely falls within the complainants' scope of responsibilities.

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

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

As at August 14, 2019 , STI ESG has yet to receive any motion for reconsideration on the said resolution of the Court of Appeals in Cagayan De Oro City dismissing the Petition for Certiorari filed by complainants.

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

On March 15, 2016, STI ESG, as the surviving corporation in the merger between STI ESG and STI Cebu filed a Motion to Dismiss.

After the filing of their respective pleadings to the said Motion(s) to Dismiss, the Defendants received on February 28, 2017 the Resolution of the Trial Court wherein it denied the Defendants' Motion(s) to Dismiss.

On March 6, 2017, the Defendants filed their Joint Motion for Reconsideration Ad Cautelam in relation to the Resolution.

On March 14, 2017, the Defendants received the Plaintiffs' Comment/Opposition to Joint Motion Reconsideration Ad Cautelam and/or Motion to Declare Defendants in Default dated March 11, 2017 ("Comment with Motion"). In the Comment with Motion, Plaintiffs alleged that the Defendants should have filed their Answer instead of the Joint Motion for Reconsideration Ad Cautelam after the denial of their Motions to Dismiss. Considering that the Defendants did not file their Answer, Plaintiffs moved to declare the Defendants in default.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

While the Trial Court allowed said additional oral interrogatories, the Plaintiffs waived the same before the scheduled hearing. Consequently, the Trial Court required the Plaintiffs to file their Formal Offer of Evidence to terminate the presentation of their evidence. The Trial Court then ordered the Defendants to file their Comment to said Formal Offer of Evidence within ten (10) days from receipt thereof.

On August 6, 2019, the Defendants received the Formal Offer of Evidence of the Plaintiffs.

The Defendants have until August 16, 2019 to file their Comment/Objections to said Formal Offer of Evidence. Upon resolution by the Trial Court of the Comment/Objections to the Formal Offer of Evidence, the Defendants will start to present their evidence.

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

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

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

Upon the filing of all the pleadings in relation to the Motion to Dismiss Ad Cautelam of STI ESG, the Trial Court issued its Resolution dated May 16, 2017, which denied the said Motion. The Trial Court also required STI ESG to file its Answer to the Complaint within the non-extendible 15 days from receipt of said Resolution on May 25, 2017 or until June 9, 2017.

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

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

The new presiding judge issued an Order setting the case for a pre-trial hearing on May 11, 2018.

The pre-trial proper was re-scheduled by the Trial Court in order for the parties to pre-mark their documentary evidence before the branch clerk of court on May 23, 2018.

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

Meanwhile, the pre-trial was set by the Trial Court and upon agreement of the parties on August 31, 2018.

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

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

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

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

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

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

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

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

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

As at August 14, 2019, STI ESG has yet to receive a copy of the resolution from the Trial Court.

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

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

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

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

   As at August 14, 2019, the Office of the City Prosecutor of Taguig City has yet to issue a resolution in the instant case.

h. *Breach of contract.* STI ESG engaged the services of Mobeelity Innovations, Inc. ("MOBEELITY") to deploy its digital classroom pilot, also known as e-Learning Management System ("eLMS") and MOBEELITY committed to provide the necessary applications suite of the intended learning management system of STI ESG.

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

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

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

   Pursuant to the arbitration clause of the Memorandum dated September 8, 2014 ("Memorandum") executed by STI ESG and MOBEELITY, STI ESG initiated the instant ad hoc arbitration to settle a dispute involving the reimbursement of ₱3.3 million by MOBEELITY due to a breach of its obligations under the Memorandum.

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

STI ESG, through counsel, will be filing the appropriate petition before the Regional Trial Court of Makati City for the execution of the aforesaid arbitral award as required by law.

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

j. STI WNU is likewise contingently liable for lawsuits or claims filed by third parties, including labor-related cases, which are pending decision by the courts, the outcome of which are not presently determinable.

k. Other subsidiaries also stand as the defendant of various lawsuits and claims filed by their former employees. The complainants are seeking payment of damages such as backwages and attorney's fees. As at August 14, 2019, the cases are pending before the labor arbiter.

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

Commitments

a. Financial Commitments

STI ESG has domestic bills purchase lines from various local banks amounting to₱65.0 million as at June 30, 2019, specifically for the purchase of local and regional clearing checks. Interest on drawdown from such facility is waived except when drawn against returned checks to which the interest shall be the prevailing lending rate of such local bank. This facility is on a clean basis.

In December 2014, the Parent Company issued a Surety Agreement in favor of China Bank to secure STI WNU's ₱300.0 million long-term loan and ₱5.0 million credit line. STI WNU's long-term loan amounted to ₱119.0 million as at June 30, 2019 and March 31, 2019.

b. Capital Commitments

As at June 30, 2019 and March 31, 2019, the Group has contractual commitments and obligations for the construction of school buildings for STI Lipa, STI Sta. Mesa, STI Pasay-EDSA and STI San Jose del Monte with an aggregate amount of ₱1,956.6 million of which ₱1,820.3 million and ₱1,682.4 million have been paid as at June 30, 2019 and March 31, 2019, respectively.

STI WNU likewise has contractual commitments and obligations for the construction of school buildings and upgrade of its facilities aggregating to ₱9.6 million and ₱15.0 million as at June 30, 2019 and March 31, 2019. Of these, ₱8.6 million and ₱14.0 million have already been paid as at June 30, 2019 and March 31, 2019, respectively.

iACADEMY has contractual commitments and obligations for the construction of its Yakal Campus totaling ₱1,059.8 million and ₱1,059.6 million as at June 30, 2019 and March 31, 2019. Of these, ₱904.1 million and ₱897.3 million have been paid as at June 30, 2019 and March 31, 2019, respectively.

c. Others

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

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

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

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

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

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

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

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

ii. On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board ("UniFAST") and STI ESG signed a memorandum of agreement to avail of the Tertiary Education Subsidy ("TES") and Student Loan Program ("SLP") for its students under the "Universal Access to Quality Tertiary Education Act ("UAQTEA")" and its Implementing Rules and Regulations ("IRR")". On the same date, STI WNU and iACADEMY also executed their own memorandum of agreement with CHED and UniFAST with terms and conditions similar to that of STI ESG's MOA. The Republic Act No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who shall enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the

SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED recognized LUCs is ₱40.0 thousand. Students enrolled in select private HEIs and are qualified to receive the TES, are entitled to ₱60.0 thousand. The TES sharing agreement states that ₱40.0 thousand shall go to the TES student grantee and ₱20.0 thousand to the private HEI. The subsidy is for Tuition and other related school fees and should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to PWDs and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under the TES program, CHED pays directly the schools where these students enrolled.

27. Fair Value Information of Financial Instruments

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

There are no material unrecognized financial assets and liabilities as at June 30, 2019 and March 31, 2019.

Due to the short-term nature of cash and cash equivalents, receivables and accounts payable and other current liabilities, their carrying values reasonably approximate their fair values as at June 30, 2019.

Cash and Cash Equivalents, Receivables and Accounts Payable and Other Current Liabilities. Due to the short-term nature of transactions, the fair values of these instruments approximate the carrying amounts as at June 30, 2019.

Equity instruments designated at FVOCI. The fair values of publicly-traded equity instruments are determined by reference to market bid quotes as at financial reporting date. The fair values of unquoted shares are determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions. Such techniques include using recent arm's-length market transactions; reference to the current market value of another instrument which is substantially the same.

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

Management believes that the fair values of deposits, obligations under finance lease, bonds payable and other noncurrent liabilities as at June 30, 2019 do not significantly differ from the fair values of these financial instruments as at March 31, 2019.

28. Note to the Unaudited Interim Condensed Consolidated Statements of Cash Flows

The Group's material non-cash investing and financing activities follow:

a. Unpaid progress billing for construction-in-progress and acquisition of property and equipment amounting to ₱63.6 million and ₱318.1 million as at June 30, 2019 and 2018, respectively (see Note 10).

b. Uncollected dividends from De Los Santos Medical Center amounting to ₱2.3 million and ₱0.8 million, in June 2018 and March 2019, respectively, which were received in July 2018 and May 2019, respectively.

29. Business Combination

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

The purchase price consideration has been allocated to the identifiable assets and liabilities based on the fair values at the date of acquisition resulting in excess of consideration amounting to ₱45.0 million. The identifiable assets and liabilities recognized in the unaudited interim condensed consolidated financial statements as at June 30, 2019 were based on a provisional assessment of the fair value of these assets and liabilities at the time of acquisition. The Group is likewise assessing the value of the intangible assets acquired. The valuation has not been completed as at June 30, 2019.

The following are the identifiable assets and liabilities as of the date of acquisition:

NAMEI Polytechnic Institute, Inc.

Assets	
Cash and cash equivalents	₱52,938
Receivables	8,173,081
Inventories	51,000
Prepaid expenses	158,769
Property and equipment-net	12,630,327
	21,066,115
Liabilities	
Accounts payable and other current liabilities	9,330,729
Total identifiable net assets at fair value	11,735,386
Purchase consideration transferred	56,735,628
Excess of consideration	₱45,000,242

NAMEI Polytechnic Institute of Mandaluyong, Inc.

Assets	
Cash and cash equivalents	₱1,390,786
Receivables	1,479,628
Inventories	19,563
Prepaid expenses	220,529
Property and equipment-net	3,511,803
	6,622,309
Liabilities	
Accounts payable and other current liabilities	3,357,937
Total identifiable net assets at fair value	3,264,372
Purchase consideration transferred	3,264,372
	₱ -

Analysis of cash flow on acquisition is as follows:

Cash paid	₱ 70,040,228
Cash acquired from the subsidiary	1,443,724
Net cash inflow on acquisition	₱68,596,504

30. Changes in Liabilities Arising from Financing Activities

	April 1, 2019	**Cash flows**	**Reversal of finance lease obligation**	**Reclassified as current (Note 16)**	**New leases**	**Capitalized borrowing cost (Note 10)**	**Interest expense**	**Dividends declared**	**June 30, 2019**
Current portion of interest-bearing loans and borrowings	**₱299,600,000**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱299,600,000**
Current obligations under finance leases	**6,500,632**	**(1,684,209)**	**–**	**1,475,047**	**–**	**–**	**–**	**–**	**6,291,470**
Bonds payable	**2,957,954,254**	**–**	**–**	**–**		**–**	**1,578,582**	**–**	**2,959,532,836**
Noncurrent portion of interest-bearing loans and borrowings	**1,213,110,270**	**–**	**–**	**–**	**–**	**–**	**349,562**	**–**	**1,213,459,832**
Noncurrent obligations under finance leases	**11,951,531**	**–**	**–**	**(1,475,047)**	**–**	**–**	**–**	**–**	**10,476,484**
Dividends payable	**24,570,020**	**(3,225)**	**–**	**–**	**–**	**–**	**–**	**–**	**24,566,795**
Interest payable	**12,985,510**	**(45,939,983)**	**–**	**–**	**–**	**3,276,390**	**71,410,117**	**–**	**41,732,034**
Total liabilities from financing activities	**₱4,526,672,217**	**(₱47,627,417)**	**₱–**	**₱–**	**₱–**	**₱3,276,390**	**₱73,3338,261**	**₱–**	**₱4,555,659,451**

	April 1, 2018	Cash flows	Reversal of finance lease obligation	Reclassified as current (Note 16)	New leases	Capitalized borrowing cost (Note 10)	Interest expense	Dividends declared	March 31, 2019
Current portion of interest-bearing loans and borrowings	₱167,400,000	(₱197,400,000)	₱–	₱329,600,000	₱–	,₱–	₱–	₱–	₱299,600,000
Current obligations under finance leases	7,134,449	(7,877,299)	–	7,152,567	90,915	–	–	–	6,500,632
Bonds payable	2,951,879,134	–	–	–		–	6,075,120	–	2,957,954,254
Noncurrent portion of interest-bearing loans and borrowings	1,071,208,112	470,000,000	–	(329,600,000)	–	–	1,502,158	–	1,213,110,270
Noncurrent obligations under finance leases	14,627,824	–	(240,000)	(7,152,567)	4,716,274	–	–	–	11,951,531
Dividends payable	26,815,767	(190,367,531)	–	–	–	–	–	188,121,784	24,570,020
Interest payable	10,584,218	(254,307,928)	–	–	–	35,468,677	221,240,543	–	12,985,510
Total liabilities from financing activities	₱4,249,649,504	(₱179,952,758)	(₱240,000)	₱–	₱4,807,189	35,468,677	₱228,817,821	₱188,121,785	₱4,526,672,217

STI Education Systems Holdings, Inc.
Aging of receivables
As of June 30, 2019

Type of Accounts Receivable	Total	0-30 days	31-60 days	61-90 days	over 90 days
Current Receivables	**816,281,466**	**678,738,801**	**5,749,901**	**48,007,190**	**83,785,574**
	816,281,466	**678,738,801**	**5,749,901**	**48,007,190**	**83,785,574**

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

ANNEX "B"

STI EDUCATION SYSTEMS HOLDINGS, INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

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

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

  STI ESG's network of schools totals to 76 schools with 38 owned schools and 38 franchised schools comprising of 69 colleges and 7 education centers.

  In recent years, STI ESG embarked on expansion and capital improvement projects as it encouraged schools to move from rented space into school-owned stand-alone campuses. A number of franchised schools likewise started their own facilities expansion programs. To date, STI ESG has 19 wholly-owned campuses with newly constructed/renovated buildings while 13 of the franchised schools constructed/renovated their own buildings and upgraded their facilities.

  STI ESG has a total student capacity of 158,897 students, with 101,532 pertaining to owned schools and 57,365 for franchised schools. Student capacity increased by over 20,000 with the completion of the school buildings for STI Lipa, STI San Jose del Monte, STI Sta. Mesa and STI Pasay-EDSA.

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

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

  On September 21, 2018, the Securities and Exchange Commission ("SEC") approved the amendment of STI WNU's Articles of Incorporation allowing the latter to provide technical-vocational education training services under the Technical Education and Skills Development Authority ("TESDA") and/or operate a Training Center as well as an Assessment Center, in relation to the said services.

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

- iACADEMY is the premier school in the Group that specializes in course offerings in animation, multimedia arts and design, fashion design and technology, software engineering, game development, film and visual effects and real estate management. It also offers Senior High School. It started in 2002 as a wholly-owned subsidiary of STI ESG until its spin-off when it became a 100% owned subsidiary of STI Holdings in September 2016. The school's first campus is at iACADEMY Plaza in Makati – the Central Business District of Metro Manila. Today, classes are conducted at the school's Nexus building along Yakal St. in Makati City, with top of the line multimedia arts laboratories and computer suites.

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

  The GA is valid up to April 26, 2018, and shall be subject to revocation if iACADEMY fails to operate in accordance with the laws of the Republic of the Philippines and/or fails to maintain the prescribed standards of instruction and/or fails to comply with the rules and regulations pertaining to the organization, administration and supervision of private/public Higher Education Institutions ("HEIs") in the Philippines. This GA applies only to the iACADEMY Plaza campus.

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

  On September 7, 2017, the Board of Governors ("BOG") of iACADEMY approved the merger of iACADEMY and Neschester, with iACADEMY as the surviving entity. The stockholders of both companies confirmed, ratified and approved the merger on the same date. The Plan of Merger between iACADEMY and Neschester was filed with the SEC on January 24, 2018 and was approved on April 10, 2018. In addition, on September 7, 2017, the stockholders and BOG of iACADEMY also approved the increase in authorized capital stock from ₱500.0 million to ₱1.0 billion. The increase in authorized capital stock was filed with the SEC on January 30, 2018 and was likewise approved by SEC on April 10, 2018. On May 11, 2018, iACADEMY issued 494,896,694 shares to STI Holdings in exchange for the net assets of Neschester as a result of the merger.

On December 4, 2018, iACADEMY and Neschester requested for a confirmatory ruling on the tax-free merger from the BIR. As at August 14, 2019, the request is pending with the BIR.

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

  On September 20, 2016, iACADEMY had its groundbreaking ceremony on the parcel of land owned by Neschester. It is now the site of its Yakal campus housing both senior high school and college students. iACADEMY's Yakal campus building was launched as iACADEMY Nexus on February 12, 2018. Nexus has a student capacity of 3,000.

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

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

STUDENT POPULATION

The enrollment figures at the start of the School Year ("SY") of the schools under STI Holdings are as follows:

	SY 2019-2020	**SY 2018-2019**	**Increase (Decrease)**	
			Enrollees	Percentage
STI ESG				
Owned schools	44,811	44,298	513	1%
Franchised schools	29,987	32,543	(2,556)	(8%)
	74,798	76,841	(2,043)	(3%)
iACADEMY	2,566	2,291	275	12%
STI WNU	6,603	6,665	(62)	(1%)
Total Enrollees	**83,967**	**85,797**	**(1,830)**	**(2%)**

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

	SY 2019-2020			
	CHED	**TESDA**	**DEPED***	**TOTAL**
STI ESG	40,737	2,152	31,909	74,798
iACADEMY	1,421	-	1,145	2,566
STI WNU	3,744	-	2,859	6,603
Total	**45,902**	**2,152**	**35,913**	**83,967**
Proportion of CHED:TESDA:DepEd	**55%**	**2%**	**43%**	**100%**

	SY 2018-2019			
	CHED	**TESDA**	**DEPED***	**TOTAL**
STI ESG	38,582	1,843	36,416	76,841
iACADEMY	1,121	-	1,170	2,291
STI WNU	3,499	-	3,166	6,665
Total	**43,202**	**1,843**	**40,752**	**85,797**
Proportion of CHED:TESDA:DepEd	**50%**	**2%**	**48%**	**100%**

* *STI ESG DepEd, count includes SHS students and 454 students of NAMEI who are enrolled in basic education in SY2019-2020. For iACADEMY, this represents the number of enrolled SHS students while for STI WNU, this is the total of 1,874 SHS students and the 985 students enrolled in basic education in SY 2019-2020 and 2,218 SHS students and the 948 students enrolled in basic education in SY 2018-2019.*

In previous years, the schools in the STI Network started the school calendar every June of each year.

In February 2019, the Board of Directors ("BOD") of STI ESG approved the shift in the school calendar for tertiary classes from the usual June of each year to mid-July beginning SY 2019-2020 while opening of SHS classes remained in June. Its academic year for tertiary classes has been on semestral basis. For SY 2019-2020, the academic year for tertiary classes will end in April 2020.

STI WNU follows the school calendar of STI ESG. Its academic year for tertiary classes is likewise on semestral basis and will end in April for SY2019-2020.

iACADEMY starts the classes for its tertiary level in July and ends the same in June while the classes for its SHS students start in August and end in May. Its academic year for tertiary classes is on trimestral basis.

FINANCIAL REVIEW

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

I. RESULTS OF OPERATIONS

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

For the three-month period ended June 30, 2019, the Group generated gross revenues of ₱343.0 million, lower by 25% or ₱117.3 million from same period last year of ₱460.3 million. Gross profit likewise decreased by ₱135.0 million or 61% year-on-year.

The Group recorded an operating loss of ₱231.6 million for the three-month period ended June 30, 2019 as against same period last year's operating loss of ₱74.1 million. This is mainly due to the change in the start of the school calendar of STI ESG and STI WNU for tertiary classes from June last school year to July this school year. As a result, revenues from the tertiary classes will be recognized in July this year. The Group recognized a net loss amounting to ₱246.4 million this quarter as against ₱80.1 million for the same period last year due to lower revenues recognized for the three-month period ended June 30, 2019 and recognition of depreciation expense of recently completed buildings.

Earnings before interest, taxes, depreciation and amortization or EBITDA, computed as net loss excluding benefit from income tax, depreciation and amortization, equity in net losses of associates and joint ventures, interest expense, interest income, and nonrecurring gains (losses), declined by ₱125.3 million to a negative ₱59.3 million for the three-month period ended June 30, 2019 from same period last year's ₱66.0 million. EBITDA margin decreased from 14% for the three-month period ended June 30, 2018 to a negative 17% for the same period this year.

II. FINANCIAL CONDITION

The Group's total assets as at June 30, 2019 amounted to ₱15,214.3 million, 3% or ₱439.4 million higher than the balance as at March 31, 2019. This was largely due to the ₱169.7 million increase in cash and cash equivalents mostly arising from collections received and ₱313.9 million increase in receivables, composed substantially of receivables due from students and from DepEd for tuition and other school fees of SHS students.

Cash and cash equivalents increased by 22% or ₱169.7 million representing collections of tuition and other school fees received from students enrolled in SY2019-2020.

Total receivables amounted to ₱816.3 million, up by ₱313.9 million from ₱502.4 million as at March 31, 2019, since the June 30, 2019 balance is composed mostly of amounts expected to be collected from students and from DepEd as payment for tuition and other school fees for the remaining months of the current school year. Students who qualified for the DepEd Voucher Program are entitled to the government subsidy in amounts ranging from ₱8,750 to ₱22,500 per student per year. Under the Voucher Program, DepEd directly pays the schools where these students enrolled. The balance as at March 31, 2019 on the other hand, includes accounts receivable from CHED amounting to ₱42.1 million, subsequently collected as at June 30, 2019.

Prepaid expenses increased by ₱11.8 million or 12% from ₱102.8 million to ₱114.6 million substantially due to increase in prepaid insurance.

Property and equipment decreased by ₱47.8 million from the March 31, 2019 balance of ₱9,963.9 million to ₱9,916.1 million as at June 30, 2019 as depreciation expenses for the three-month period ended June 30, 2019 were recognized.

Total current liabilities increased by ₱651.4 million to ₱2,096.1 million as at June 30, 2019 from ₱1,444.7 million as at March 31, 2019, mainly due to the ₱789.8 million increase in unearned tuition and other school fees. Unearned revenues will be recognized as income over the remaining months of the school year.

Total equity decreased by ₱246.6 million substantially due to the net loss incurred for the three-month period ended June 30, 2019.

III. TOP 5 KEY PERFORMANCE INDICATORS

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

		Three months ended June 30		
		2019	**2018**	**Remarks**
EBITDA margin	EBITDA divided by total revenues	(17%)	14%	EBITDA margin declined in 2019 as compared to the same period in 2018 mainly due to lower revenues in the first quarter ended June 30, 2019 arising from the shift in SY2019-2020 start of classes for tertiary students from June to July.
Gross profit margin	Gross profit divided by total revenues	26%	48%	Gross profit margin declined as direct costs increased while revenues declined for reason cited above.
Return on equity	Net loss attributable to equity holders of the Parent Company (annualized) divided by average equity attributable to equity holders of the Parent Company	(11%)	(4%)	Return on equity was lower in 2019 substantially due to lower revenues and increased expenses.

		Three months ended June 30		
		2019	2018	Remarks
Debt service cover ratio	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months	1.54	2.95	Debt service cover ratio for the periods presented has always been well above the minimum set by management and the lending bank. The bar is 1.10 of cash income (EBITDA) for every peso of loans and interest maturing within the next 12 months.
Debt-to-equity ratio	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.68	0.68	Debt-to-equity ratio was stable as no additional loans were availed during the period.

IV. MATERIAL CHANGES IN BALANCE SHEET ACCOUNTS

Cash and cash equivalents increased by 22% or ₱169.7 million representing collections of tuition and other school fees from students enrolled for SY 2019-2020, net of payments made to suppliers and payment of interest expense on STI ESG's bonds.

Total receivables amounted to ₱816.3 million, up by ₱313.9 million from ₱502.4 million as at March 31, 2019. Receivables from students increased by ₱176.2 million from ₱398.0 million as at March 31, 2019 to ₱574.2 million as at June 30, 2019, largely pertaining to tuition and other school fees. The receivables from students are expected to be collected over the remaining months of the school year. Outstanding receivables from DepEd for the SHS qualified voucher recipients amounted to ₱336.2 million as at June 30, 2019, almost double the March 31, 2019 balance of ₱168.8 million. The vouchers are expected to be collected within 8-12 weeks from the date of submission of billing statements. The receivables balance as at March 31, 2019 includes accounts receivable from CHED amounting to ₱42.1 million which was subsequently settled as at June 30, 2019. On December 17, 2018, CHED, Unified Student Financial Assistance System for Tertiary Education Board ("UniFAST") and STI ESG signed a Memorandum of Agreement ("MOA") to avail of the Tertiary Education Subsidy ("TES") and Student Loan Program ("SLP") for its students under the 'Universal Access to Quality Tertiary Education Act ("UAQTEA")' and its Implementing Rules and Regulations ("IRR"). On the same date, STI WNU and iACADEMY executed separate memorandums of agreement with CHED and UniFAST with terms and conditions similar to that of STI ESG's MOA. Republic Act No. 10931 or the UAQTEA and its IRR provide among others that, to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who enroll in undergraduate and post-secondary programs of private Higher Education Institutions ("HEIs"). Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in State Universities and Colleges ("SUCs") or CHED-recognized Local Universities and Colleges ("LUCs") is ₱40.0 thousand. Students enrolled in select private HEIs who are qualified to receive the TES, are entitled to ₱60.0 thousand. The TES sharing agreement states that ₱40.0 thousand shall go to the TES student grantee and ₱20.0 thousand to the private HEI. The subsidy is for tuition and other related school fees and should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to Persons with Disabilities ("PWDs") and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under the Voucher and TES Programs, DepEd and CHED, respectively, pay directly the schools where these students enrolled.

Inventories declined by 5% or ₱8.0 million reflecting the decrease in stocks of tertiary and SHS uniforms and SHS textbooks resulting from the sales recognized for the three-month period ended June 30, 2019, net of purchases made during the same period.

Prepaid expenses increased by ₱11.8 million or 12% from ₱102.8 million to ₱114.6 million substantially due to increase in prepaid insurance. Prepaid insurance increased by ₱12.8 million from ₱1.0 million to ₱13.8 million due to renewal of fire insurance coverage on buildings, including equipment and furniture, health insurance coverage of employees and life and accident insurance of students. These insurance payments are recognized as expense over the period of their respective insurance coverages, which is normally within one year.

Property and equipment decreased by ₱47.8 million from the March 31, 2019 balance of ₱9,963.9 million to ₱9,916.1 million as at June 30, 2019, net of acquisitions/additions, as depreciation expenses for the three-month period ended June 30, 2019 were recognized for the newly completed buildings of STI Lipa, STI San Jose del Monte, STI Sta. Mesa and STI Pasay-EDSA as well as for iACADEMY Nexus building.

The construction-in-progress account as at June 30, 2019 includes costs related to the replacement of two (2) elevators at iACADEMY Plaza in Buendia Ave., Makati City amounting to ₱7.8 million as at June 30, 2019. These new elevators were completely installed and became operational in July 2019.

Deferred tax assets rose by 14% or ₱7.5 million due to taxes applicable to tuition and other school fees collected in advance. Following statutory regulations, tuition and other school fees which are collected in advance are subject to income tax upon receipt.

Goodwill, intangible and other noncurrent assets increased from ₱573.7 million as at March 31, 2019 to ₱574.1 million as at June 30, 2019. In January 2018, STI ESG entered into a contract to sell with a real estate developer for the acquisition of a lot in Iloilo City with a total area of 2,615 sq. m. for the price of ₱183.0 million plus value-added tax, less other applicable taxes. STI ESG made a down payment amounting to ₱67.5 million in January 2018, net of the ₱0.2 million reservation fee paid on November 29, 2017. The remaining balance in the amount of ₱128.1 million was paid without interest in eighteen (18) equal monthly installments of ₱7.1 million starting January 2018 up to June 2019. Consequently, STI ESG recognized an aggregate amount of ₱21.3 million deposit for asset acquisitions from April to June 30, 2019. The last installment for this Iloilo property was paid in June 2019. Documents for the transfer of ownership to STI ESG are being processed. The lot will be the future site of STI Iloilo. On February 15, 2019, STI ESG and the shareholders of NAMEI Polytechnic Institute, Inc. and NAMEI Polytechnic Institute of Mandaluyong, Inc. (collectively referred to as "NAMEI") entered into a share purchase agreement for the sale of approximately 92% of the 50,000 outstanding shares of NAMEI Polytechnic Institute, Inc. and 99% of the 10,000 outstanding shares of NAMEI Polytechnic Institute of Mandaluyong, Inc. Both shares have a par value of ₱10.0 each. In January 2019, STI ESG made a deposit of ₱14.0 million which was held in escrow with a law firm. This amount was treated as part of the purchase price at closing date. Another ₱36.0 million was paid on February 15, 2019. On the same date, STI ESG paid ₱10.0 million to NAMEI as deposit for future subscription in shares of NAMEI and another ₱10.0 million representing

STI ESG's share in the transaction costs and all other fees and expenses to be incurred under the agreement. In relation to this, STI ESG recognized ₱70.0 million as deposit for the purchase of shares of NAMEI as at March 31, 2019. On April 1, 2019, Deeds of Assignment were executed by the shareholders of NAMEI transferring and conveying ownership of 94% of NAMEI Polytechnic Institute, Inc. and 100% ownership of NAMEI Polytechnic Institute of Mandaluyong, Inc. to STI ESG. NAMEI thus became a subsidiary of STI ESG effective April 1, 2019. In view of this, STI ESG started consolidating the assets, liabilities and results of operations of NAMEI beginning April 1, 2019. The purchase price consideration has been allocated to the identifiable assets and liabilities of NAMEI based on the fair values at the date of acquisition resulting in excess of consideration amounting to ₱45.0 million. Thus, the deposits for asset acquisitions pertaining to NAMEI in the amount of ₱70.0 million was reversed. The identifiable assets and liabilities recognized in the unaudited interim condensed consolidated financial statements as at June 30, 2019 were based on a provisional assessment of the fair value of these assets and liabilities at the time of acquisition. Further, the Group is still assessing the valuation of the intangible assets acquired. The valuation has not been completed as at June 30, 2019. Noncurrent advances to suppliers increased by ₱5.8 million substantially attributed to payments made to contractors and suppliers for the design and construction of the basketball gymnasium and canteen in STI Sta. Mesa and acquisition of equipment and furniture for the recently completed school buildings.

Accounts payable and other current liabilities decreased by ₱127.0 million or 14% substantially due to payments made by STI ESG and iACADEMY to contractors for obligations related to construction works.

Unearned tuition and other school fees increased substantially by ₱789.8 million from ₱185.4 million as at March 31, 2019 to ₱975.2 million as at June 30, 2019. The unearned revenue will be recognized as income over the remaining months of the school year.

Income tax payable decreased by 93% to ₱0.9 million as at June 30, 2019 from ₱12.1 million as at March 31, 2019 due to lower taxable income.

Both current and noncurrent portions of obligations under finance lease declined by ₱0.2 million and ₱1.5 million, respectively, due to payments made during the period.

Pension liabilities increased by ₱3.2 million from ₱76.1 million to ₱79.3 million as at March 31, 2019 and June 30, 2019, respectively, representing additional retirement obligations recognized by the Group for the three-month period ended June 30, 2019.

Other noncurrent liabilities increased by ₱31.2 million substantially representing advance rent and security deposit from a new lessee in iACADEMY Plaza. This amount is net of the payments made by STI Novaliches to STI Diamond amounting to ₱3.5 million as a result of conveyance of the latter's net assets to the former in August 2016.

Retained earnings decreased by ₱240.0 million due to the net loss attributable to equity holders of the Parent Company recognized by the Group for the three-month period ended June 30, 2019.

V. MATERIAL CHANGES IN INCOME STATEMENT ACCOUNTS

Total revenues reached ₱343.0 million during the three-month period ended June 30, 2019, a decrease of ₱117.3 million from the same period last year.

Tuition and other school fees amounted to ₱211.5 million for the three-month period ended June 30, 2019, a decline of ₱99.8 million or 32% from same period last year substantially due to the shift of STI ESG and STI WNU in the start of the school calendar for tertiary classes from June of each year to July this school year. The revenue stream of the Group, which is mainly from tuition and other school fees, is recognized as income over the corresponding school term to which they pertain. Accordingly, revenues related to the tertiary enrolment will be recognized beginning July 2019 compared to last year when both SHS and Tertiary classes commenced in June 2018 and thus related revenues were recognized beginning June 2018.

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

Sale of educational materials and supplies decreased by 11% or ₱9.4 million year-on-year. The Group reported a decline in sale of the students' school uniforms partly due to timing difference and because of the decline in SHS enrollees.

Cost of educational services increased by 15% or ₱25.9 million from ₱172.3 million for the three-month period ended June 30 last year to ₱198.2 million for the same period this year. The cost of instructors' salaries and benefits increased by ₱8.2 million due to the costs related to NAMEI and STI San Jose del Monte which were consolidated to the Group beginning April 1, 2019 and due to costs of faculty members which were extended due to extension of classes up to April 15, 2019. iACADEMY contributed ₱2.2 million to the increase in instructors' salaries and benefits as its enrollment continued to increase. Depreciation expense increased by ₱19.5 million representing direct expense portion of depreciation expense recognized for the newly completed buildings of STI Lipa, STI San Jose del Monte, STI Sta. Mesa, STI Pasay-EDSA and iACADEMY Nexus building. Rent expense decreased by ₱3.5 million due to the transfer of STI Shaw to STI Sta. Mesa, and STI Taft and STI Makati to STI Pasay-EDSA.

Cost of educational materials and supplies sold decreased by 12% corresponding to the lower volume of sales.

General and administrative expenses increased by 8% from ₱296.7 million to ₱319.1 million for the three-month periods ended June 30, 2018 and 2019, respectively. The highest increase was registered by depreciation expense at ₱12.1 million due to depreciation expense recognized for the newly completed buildings of STI Lipa, STI San Jose del Monte, STI Sta. Mesa, STI Pasay-EDSA and iACADEMY Nexus building. Provision for doubtful accounts increased by ₱8.9 million representing estimated expected credit losses for the three-month period ended June 30, 2019 in accordance with PFRS 9. Light and water expenses increased by ₱3.9 million due to the costs of NAMEI and STI San Jose del Monte which were consolidated to the Group beginning April 1, 2019, and increase in kilowatt consumption of the schools more particularly those with newly constructed buildings namely STI Sta Mesa, STI Pasay-EDSA and STI Lipa. Costs of security, janitorial and other outside services increased by ₱2.8 million mainly due to the costs of NAMEI and STI San Jose del Monte.

The Group's operating loss for the three-month period ended June 30, 2019 amounted to ₱231.6 million from same period last year's operating loss of ₱74.1 million, substantially due to lower revenues.

Equity in net loss of associates amounted to ₱0.1 million and ₱0.9 million for the three-month periods ended June 30, 2019 and 2018, respectively.

Interest expenses increased by ₱19.6 million year-on-year, from ₱53.7 million to ₱73.3 million. Capitalization of interest on iACADEMY's loan ceased on August 31, 2018 and subsequent accruals/payments were all charged to expense, resulting to ₱14.2 million increase in iACADEMY's interest expense this year vs. same period last year. Interest rate on long term loans, inclusive of gross receipts tax, of STI ESG, STI WNU and iACADEMY, also increased from a low of 4.40% to a high of 7.92%.

Interest income declined by ₱5.1 million from last year's ₱9.3 million to ₱4.2 million for the three-month period ended June 30 this year as cash balances were used to pay suppliers and contractors.

Rental income increased by ₱3.1 million year-on-year attributed to the rental income generated from the lease of STI ESG's condominium units.

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

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

Benefit from income tax amounting to ₱18.6 million was recognized for the three-month period ended June 30, 2019 due to the net loss recognized for the period.

Net loss of ₱246.4 million was recorded for the first three months this year, as against ₱80.1 million net loss for the same period last year.

Fair values of the Group's investment in available-for-sale financial assets declined by ₱0.2 million for the three-month period ended June 30, 2018. For the same period this year, unrealized fair value loss on equity instruments designated at FVOCI amounted to ₱0.1 million.

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

Total comprehensive loss of ₱246.6 million was incurred for the three-month period ended June 30, 2019, a decline of ₱145.5 million compared to ₱101.1 million for the same period last year.

Core income, computed as the consolidated income after income tax derived from the Group's main business of education and other recurring income, amounted to negative ₱246.3 million for the three-month period ended June 30, 2019 compared to the same period last year of negative ₱79.4 million.

VI. FINANCIAL RISK DISCLOSURE

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

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

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

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

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

As at June 30, 2019 and 2018, the Group's debt service cover ratios are 1.54:1.00 and 2.95:1.00, respectively. As at March 31, 2019, the Group's debt service cover ratio is 1.70:1.00.

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

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

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

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

Capital risk – The Group aims to achieve an optimal capital structure to reduce its cost of capital in pursuit of its business objectives, which include maintaining healthy capital ratios and strong credit ratings, maximizing shareholder value and providing benefits to other stakeholders. The Group likewise aims to ensure that cash is available to support its operations and all other projects undertaken by the Group and to maintain funds on a long-term basis.

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

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

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

VII. AGREEMENTS/COMMITMENTS AND CONTINGENCIES/OTHER MATTERS

a. There are no changes in accounting estimates used in the preparation of unaudited interim condensed consolidated reports for the current and prior financial periods.

b. Except as provided in Note 26 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A," the Group has no other financial and capital commitments.

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

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

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

b. There are no known trends, demands, commitments, events of uncertainties that will have an impact on the Group's liquidity, net sales/revenues/income from continuing operations, except for the contingencies and commitments enumerated in Note 26 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A".

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

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

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

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

g. The Group's business is linked to the academic cycle. The academic cycle, which is one academic year, starts in the month of June and ends in the month of March, except as discussed in previous paragraphs where STI ESG accepted a second batch of college freshmen enrollees for SY 2018-2019 which began in August 2018 and ended in May 2019. The start of the school calendar of tertiary students for SY 2019-2020 of both STI ESG and STI WNU has been shifted to mid-July 2019 with the school year ending in April 2020. STI WNU's classes for its School of Basic Education ("SBE") and SHS of both schools still start in June. iACADEMY starts its school calendar every July for tertiary level and August for SHS and ends in June and May, respectively. The revenues of the Group, which are mainly from tuition and other school fees, are recognized as income over the corresponding academic year to which they pertain. Accordingly, revenue is expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group.

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

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

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

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

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

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

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

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

i. On December 17, 2018, the CHED, UniFAST and STI ESG signed a memorandum of agreement to avail of the TES and SLP for its students under the UAQTEA and its IRR. On the same date, STI WNU and iACADEMY executed separate memorandums of agreement with CHED and UniFAST with terms and conditions similar to that of STI ESG's MOA. The Republic Act No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who shall enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations of the UNIFAST, enrolled in SUCs or CHED recognized LUCs is ₱40.0 thousand. Students enrolled in select private HEIs who are qualified to receive the TES are entitled to ₱60.0 thousand as subsidy for Tuition and other related school fees. The TES sharing agreement states that ₱40.0 thousand goes to the TES student grantee and ₱20.0 thousand to the private HEI. This grant should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to PWDs and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under the Voucher and TES Programs, DepEd and CHED, respectively, pay directly the schools where these students enrolled.

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

Financial Highlights and Key Performance Indicators

(in millions except margins, financial ratios and earnings per share)	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)	Increase (Decrease) Amount	%
Condensed Statements of Financial Position				
Total assets	15,214.3	14,774.9	439.4	3
Current assets	2,744.8	2,257.4	487.4	22
Cash and cash equivalents	947.0	777.3	169.7	22
Equity attributable to equity holders of the parent company	8,390.5	8,630.7	(240.2)	(3)
Total liabilities	6,733.4	6,047.4	686.0	11
Current liabilities	2,096.1	1,444.7	651.4	45
Financial ratios				
Debt-to-equity ratio (1)	0.68	0.67	0.01	1
Current ratio (2)	1.31	1.56	(0.25)	(16)
Asset–to-equity ratio (3)	1.79	1.69	0.10	6

	(Unaudited)			
	Three months ended June 30		Increase (Decrease)	
	2019	2018	Amount	%
Condensed Statements of Income				
Revenues	343.0	460.3	(117.3)	(25)
Direct costs (4)	255.5	237.7	17.8	7
Gross profit	87.5	222.6	(135.1)	(61)
Operating expenses	319.1	296.7	133.2	16
Operating loss	(231.6)	(74.1)	(157.5)	213
Other expenses - net	(33.4)	(14.4)	(19.0)	132
Loss before income tax	(265.0)	(88.5)	(176.5)	199
Net loss	(246.4)	(80.1)	(166.3)	208
EBITDA (5)	(59.3)	66.0	(125.3)	(190)
Core income (loss) (6)	(245.6)	(79.4)	(166.2)	209
Net loss attributable to equity holders of the parent company	(240.0)	(77.7)	(162.3)	209
Earnings (Loss) per share (7)	(0.024)	(0.008)	(0.016)	200

	(Unaudited)			
	Three months ended June 30		Increase (Decrease)	
	2019	2018	Amount	%
Condensed Statements of Cash Flows				
Net cash from operating activities	284.3	151.0	133.3	88
Net cash used in investing Activities	(67.0)	(169.9)	102.9	(61)
Net cash from (used in) financing activities	(47.6)	328.4	(376.0)	(114)

Financial Soundness Indicators

	(Unaudited)			
	As at/three months ended June 30		Increase (Decrease)	
	2019	2018	Amount	%
Liquidity Ratios				
Current ratio [2]	1.31	1.86	(0.55)	(30)
Quick ratio [8]	0.84	1.44	(0.60)	(42)
Cash ratio [9]	0.45	0.90	(0.45)	(50)
Solvency ratios				
Debt-to-equity ratio [1]	0.68	0.68	0	0
Asset-to-equity ratio [3]	1.79	1.83	(0.04)	(2)
Debt service cover ratio [10]	1.54	2.95	(1.41)	(48)
Interest coverage ratio [11]	(2.61)	(0.65)	(1.96)	302
Profitability ratios				
EBITDA margin [12]	(17%)	14%	(31)	(221)
Gross profit margin [13]	26%	48%	(22)	(46)
Operating profit (loss) margin [14]	(68%)	(16%)	(52)	325
Net profit (loss) margin [15]	(72%)	(17%)	(55)	324
Return on equity (annualized) [16]	(11%)	(4%)	(7)	175
Return on assets (annualized) [17]	(7%)	(2%)	(5)	250

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

[2] *Current ratio is measured as current assets divided by current liabilities.*

[3] *Asset-to-equity ratio is measured as total assets divided by total equity.*

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

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

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

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

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

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

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

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

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

[13] *Gross profit margin is measured as gross profit divided by total revenues*

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

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

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

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