COVER SHEET

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STI EDUCATION SERVICES GROUP, INC.

(Company's Full Name)

STI ACADEMIC CENTER ORTIGAS-CAINTA, ORTIGAS AVENUE EXTENSION, CAINTA RIZAL 1900

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

ARSENIO C. CABRERA, JR.	(632) 8137111
Contact Person	Company Telephone Number

0 3	3 1	Preliminary Information Statement	1st Thursday of September
Month	*Day*	FORM TYPE	*Month* *Day*
Fiscal Year			Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stocholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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STI

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SECURITIES AND EXCHANGE COMMISSION
RECEIVED
AUG 11 2017
MARKET REGULATION DEPT.
TIME: 2:15 pm

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO ALL STOCKHOLDERS:

Please be informed that the Annual Stockholders' Meeting of **STI EDUCATION SERVICES GROUP, INC.** ("STI ESG"), shall be held on 22 September 2017, 12:00 noon at STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal, for the following purposes:

1. Call to Order
2. Certificate of Notice and Quorum
3. Approval of the Minutes of the 9 September 2016 Annual Stockholders' Meeting
4. Management Report
5. Approval of Audited Financial Statements as of 31 March 2017
6. Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management, done in the ordinary course of business from 9 September 2016 up to 22 September 2017
7. Election of Directors
8. Appointment of External Auditor
9. Adjournment

The Board of Directors of STI ESG has fixed the RECORD DATE for stockholders entitled to vote at the Annual Meeting on 22 August 2017.

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

Registration starts at 11:00 a.m. on the date of the scheduled meeting. For your convenience in registering your attendance, please bring some form of identification, such as your Professional I.D., Passport or Driver's license.

Very truly yours,

ARSENIO C. CABRERA, JR.
Assistant Corporate Secretary

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AGENDA OF 2017 ANNUAL STOCKHOLDERS' MEETING

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2. Certificate of Notice and Quorum
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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [x] Preliminary Information Statement
   [   ] Definitive Information Statement

2. Name of Registrant as specified in its charter **STI Education Services Group, Inc.**

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

4. SEC Identification Number **0000113156**

5. BIR Tax Identification Code **000-143-457**

6. **STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal** **1990**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(632) 812-1784**

8. **22 September 2017, 12:00 p.m. at STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders **8 September 2017**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	**3,081,871,859**

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

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
    ____

PART I

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

Date of Meeting	:	22 September 2017
Time of Meeting	:	12:00 p.m.
Place of Meeting	:	STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal
Registrant's Mailing Address	:	STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal
Approximate Date on Which the Information Statement is First Sent Or Given to Security Holders	:	8 September 2017

Item 2. Dissenters' Right of Appraisal

There are no corporate matters or action that will entitle a stockholder to exercise a Right of Appraisal as provided in Title X of the Corporation Code.

However, any Stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in the following instances, as provided by the Corporation Code:

(1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence (Section 81);

(2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (Section. 81)

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

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

The appraisal right may be exercised by a dissenting stockholder who shall have voted against the proposed corporate action in the manner provided below:

(1) The dissenting stockholder shall make a written demand on the corporation for payment of the fair value of his shares within 30 days after the date on which the vote was taken. The failure of the stockholder to make the demand within the 30-day period shall be deemed a waiver of his appraisal right;

(2) If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of the corresponding certificate(s) of stock within 10 days after demanding payment for his shares, the fair value thereof, provided the Company has unrestricted retained earnings; and

(3) Upon payment of the agreed or awarded price, the stockholder shall transfer his shares to the corporation.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

(1) No director or officer of the Company since the beginning of the last fiscal year, nominee for election as director, or associate of the foregoing persons, have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.

(2) No director of the Company has informed it in writing that he/she intends to oppose any action to be taken by the Company at the meeting.

Market Price and Dividends of Registrant's Common Equity and Related Stockholder Matters

(1) Market Information

The Company has a total Authorized Capital Stock (ACS) of Five Billion Pesos (PhP5,000,000,000.00) divided into five billion (5,000,000,000) shares with a par value of One Peso (PhP1.00) each. Out of the ACS, three billion eighty-one million eight hundred seventy-one thousand eight hundred fifty-nine (3,081,871,859) shares have been subscribed and paid-up. The common shares of the Company are not traded in any market, nor are they subject to outstanding warrants to purchase, or securities convertible into common shares of the Company.

(2) Holders

Foreign ownership limit for STI ESG is forty percent (40%) of the issued and outstanding common shares, equivalent to 1,232,748,744 common shares. Total shares owned by foreign shareholders as of 31 July 2017 was 7,841,118, equivalent to 0.25% of the outstanding common shares of the Company.

As of 31 July 2017, there were fifty six (56) shareholders of the Company's outstanding capital stock. The Company has common shares only.

The following table sets forth the top 20 shareholders of the Company's common stock, the number of shares held, and the percentage of total shares outstanding held by each as of 31 July 2017.

STOCKHOLDER	NUMBER OF SHARES	% OF OWNERSHIP
STI EDUCATION SYSTEMS HOLDINGS, INC.	3,040,623,037	98.66%
PRUDENT RESOURCES, INC.	13,076,321	0.42%
GONZALES, FRANSCISCO B. JR.	8,873,692	0.29%
ROSSI, PURIFICACION G.	7,841,118	0.25%
PRUDENCIO, TOMAS J.	3,732,400	0.12%
SANTOS, MARIA LOURDES	1,725,000	0.06%
YOUNG, CAROLINA	1,651,828	0.05%
RAMOS, DULCE	1,155,447	0.04%
BUSTOS, FELIXBERTO	792,283	0.03%
JAYME, CESAR M, JR.	305,954	0.01%

DOMINGO, EMERITA R.	303,466	0.01%
VALERIO, MIKEL MS	241,279	0.01%
ZARASPE, ANACLETA	214,038	0.01%
MONES, REYNALDO A.	201,901	0.01%
HEIRS OF EDGAR SARTE	148,622	0.00%
RELLEVE, ALVIN K.	137,338	0.00%
PUBLICO, EDGARDO	122,080	0.00%
DUJUA, JOCELYN	115,532	0.00%
GARCIA, NOEL B.	83,190	0.00%
MADRIGAL, VICTORIA P.	63,384	0.00%

(3) Dividend Policy

The Company's Board is authorized to declare dividends. A cash dividend declaration does not require any further approval from the Company's shareholders. A stock dividend declaration requires the further approval of shareholders representing not less than two-thirds of the Company's outstanding capital stock.

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

Dividend History:

Declaration Date	Dividends per Share	Amount
20 September 2016	PhP0.27	PhP832.1 Million
9 September 2016	PhP0.08	PhP246.5 Million
4 September 2015	PhP0.08	PhP250.0 Million
4 September 2014	PhP0.08	PhP250.0 Million

On 4 September 2014, STI ESG's Board approved the cash dividend declaration amounting to PhP250.0 million, or PhP0.08 per share, in favor of the stockholders of record as at 31 August 2014. Such dividends were paid on 22 September 2014.

On 4 September 2015, STI ESG's Board approved the cash dividends declaration amounting to PhP250.0 million, or PhP0.08 per share, in favor of the stockholders of record as at 31 August 2015. Such dividends were paid on 16 September 2015.

On 9 September 2016, STI ESG's Board approved the cash dividends declaration amounting to PhP246.5 million, or PhP.08 per share, in favor of the stockholders of record as at 9 September 2016. Such dividends were paid on 15 September 2016. On 20 September 2016, STI ESG's Board also approved the cash dividends declaration amounting to PhP832.1 million, or PhP0.27 per share, in favor of stockholders of record as at 20 September 2016. The Company paid PhP431.5 million and PhP400.6 million dividends to its stockholders on 23 September 2016 and 3 November 2016, respectively.

(4) Recent Sales of Unregistered or Exempt Securities

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(1) Voting securities entitled to be voted at the meeting as of 31 July 2017

Title of Each Class	Number of Shares Outstanding	Number of Votes
Common Stock	3,081,871,859	One (1) vote per share

(2) Record date

Only stockholders of record on the books of the Company at the close of business on 22 August 2017 will be entitled to vote at the Annual Meeting.

(3) Election of directors and voting rights (Cumulative Voting)

In the election of the directors, each stockholder may vote the shares registered in his name in person or by proxy for as many persons as there are directors, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

(4) Security Ownership of Certain Record/Beneficial Owners and Management

(a) Security Ownership of Certain Record/Beneficial Owners as of 31 July 2017

As of 31 July 2017, the following stockholders are the only owners of more than 5% of the Company's voting capital stock, whether directly or indirectly, as record owner or beneficial owner.

Title of Class	Name and Address of Record Owner	Nature of Ownership	Citizenship	No. of Shares	% of Ownership
Common	STI Education Systems Holdings, Inc. 7/F STI Holdings Center, 6764 Ayala Avenue, Makati City	Direct Owner	Filipino	3,040,623,037	98.66%

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

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

Title of Class	Name of Beneficial Owner	No. of Shares & Nature of Ownership		Citizenship	% of Ownership
Common	Jesli A. Lapus (Independent Director and Chairman of the Board)	1	Direct	Filipino	00.00%
Common	Monico V. Jacob (Director, Vice Chairman and CEO)	2	Trustee	Filipino	00.00%
Common	Peter K. Fernandez (Director, President and COO)	1	Direct	Filipino	00.00%
Common	Eusebio H. Tanco (Director)	1	Direct	Filipino	00.00%
Common	Maria Vanessa Rose L. Tanco (Director)	1	Direct	Filipino	00.00%
Common	Joseph Augustin Eusebio L. Tanco (Director and VP for Investor Relations)	2	Direct	Filipino	00.00%
Common	Raul B. De Mesa (Director)	2	Direct	Filipino	00.00%
Common	Martin K. Tanco (Director)	1	Direct	Filipino	00.00%
Common	Rainerio M. Borja (Director)	2	Trustee	Filipino	00.00%
Common	Robert G. Vergara (Independent Director)	1	Trustee	Filipino	00.00%
Common	Joaquin E. Quintos IV (Independent Director)	1	Direct	Filipino	00.00%

(c) Voting Trust Holders of 5% or More

As of 31 July 2017, no person holds at least 5% or more of a class under a voting trust or similar agreement.

(d) Changes in Control

There is no arrangement entered into by STI ESG or any of its stockholders which may result in change of control of STI ESG.

Item 5. Directors and Executive Officers

(1) Directors and Executive Officers

The Company's Articles of Incorporation provides for eleven (11) members of the Board.

The term of office of the directors of the Company is one (1) year and they are to serve as such until the election and qualification of their successors.

The following are the incumbent members of the Board of Directors:

(a) Eusebio H. Tanco
(b) Monico V. Jacob
(c) Rainerio M. Borja

(d) Raul B. De Mesa
(e) Maria Vanessa Rose L. Tanco
(f) Joseph Augustin Eusebio L. Tanco
(g) Martin K. Tanco
(h) Peter K. Fernandez
(i) Joaquin E. Quintos IV
(j) Robert G. Vergara
(k) Jesli A. Lapus

Pursuant to Rule 38 of the Securities Regulation Code and Article IV of the Company's By-Laws, the nomination of all of the members of the Company's Board of Directors, including independent directors, shall be conducted by the Nomination Committee prior to the annual stockholders' meeting in accordance with the following procedure:

(1) All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity of the would-be nominees and shall be submitted to the Nominations Committee and the Corporate Secretary.

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

(3) After the nomination, the Nominations Committee shall prepare a Final List of Candidates to be submitted to the Board of Directors, which shall contain all the information regarding the background and experience of the nominees required to be ascertained and made known under the Securities Regulation Code and relevant rules and regulations.

(4) Said Final List of Candidates shall be disclosed in the reports required by law, rules and regulations to be submitted to the Securities Exchange Commission and all stockholders.

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

The Chairman of the Nominations Committee is Mr. Lapus. Messrs. Monico V. Jacob, Eusebio H. Tanco, and Joseph Augustin Eusebio L. Tanco are members of the Nomination Committee.

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

Candidate for Nomination as Director	Nominating Stockholder	Relationship	Citizenship
Monico V. Jacob	STI ESH	Chairman and CEO	Filipino
Eusebio H. Tanco	STI ESH	N/A	Filipino
Peter K. Fernandez	STI ESH	President and COO	Filipino
Raul B. De Mesa	STI ESH	N/A	Filipino
Maria Vanessa Rose L. Tanco	STI ESH	Director	Filipino
Joseph Augustin Eusebio L. Tanco	STI ESH	Director	Filipino
Martin K. Tanco	STI ESH	Director	Filipino
Rainerio M. Borja	STI ESH	Director	Filipino

Jesli A. Lapus	STI ESH	Independent Director	Filipino
Joaquin E. Quintos IV	STI ESH	Independent Director	Filipino
Robert G. Vergara	STI ESH	Independent Director	Filipino

The corresponding ages, citizenships, business experiences and directorships held for the past five (5) years of the incumbent directors who have been nominated to the Board for the ensuing year are set forth below:

Jesli A. Lapus, 67, Filipino, Independent Director

Mr. Lapus is currently the Chairman and Independent Director of STI ESG. He is also a member of the Executive Committee and the Chairman of the Nomination Committee of STI ESG. He was first elected as Chairman and Independent Director on September 25, 2013.

Mr. Lapus is also an Independent Director of STI Education Systems Holdings, Inc., Metropolitan Bank & Trust Company and Philippine Life Financial Assurance Corporation. He is a Governor of iACADEMY; Chairman of the Trust Banking Group of Metropolitan Bank and Trust Company, LBP Service Corporation, and Asian Institute of Management–Center for Tourism. He is also a Member of the Investment Committee of Philplans First, Inc. and Advisory Board Member of Radiowealth Finance Company, Inc.

A multi-awarded executive in the private sector (i.e., manufacturing, financial services and international trade), Mr. Lapus has successfully managed and turned around firms and a universal bank in attaining industry leaderships. He was Managing Director of Triumph International (Phils.) Inc., President of Pacific Products, Inc., CFO of the RAMCAR Group of Companies and formerly connected with Sycip Gorres Velayo & Co.

With a solid track record as a prominent professional executive in the private sector behind him, Mr. Lapus has the distinction of having served in the cabinets of three (3) Philippine Presidents namely: President Gloria Macapagal-Arroyo, President Fidel Ramos and President Corazon Aquino in the following capacities: Secretary, Department of Trade and Industry (2010); Secretary, Department of Education (2006-2010); President and CEO, The Land Bank of the Philippines (1992-1998); Undersecretary, Department of Agrarian Reform (1987-89).

Mr. Lapus earned his Doctor of Public Administration (honoris causa) from Polythechnic University of the Philippines; Master in Business Management from Asian Institute of Management; Investment Appraisal and Management from Harvard University, USA; Management of Transfer of Technology from INSEAD, France; Project Management from BITS, Sweden and Personal Financial Planning in UCLA, USA.

Monico V. Jacob, 72, Filipino, Director

Mr. Jacob is the Vice Chairman and CEO of STI ESG and a member of the Executive Committee, Compensation Committee, and Nomination Committee.

Mr. Jacob is also the President and CEO of STI Educations Systems Holdings, Inc., and a member of its Executive, Compensation and Compliance Committees.
Mr. Jacob is the President of STI West Negros University, Eximious Holdings, Inc. (Formerly, Capital Managers and Advisors, Inc.), Maestro Holdings, Inc. (formerly STI Investments, Inc.) and Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.)

Mr. Jacob is the Chairman of Philippine Life Financial Assurance Corporation, Philhealthcare, Inc., Total Consolidated Asset Management, Inc., and Global Resource for Outsourced Workers, Inc., and Rosehills Memorial Phils., Inc.

Mr. Jacob is also a non-Executive Director in Asian Terminals, Inc., and an Independent Director in Jollibee Foods Corp., Rockwell Land Corp., Phoenix Petroleum Philippines, Inc., 2Go Group, Inc., Lopez Holdings Corp., all publicly-listed companies. He also serves as a member of the board of directors of De Los Santos Medical Center and Information and Communications Technology (iACADEMY), Inc.,

Prior to his present positions, Mr. Jacob was the Chairman and CEO of Petron Corporation, and the Philippine National Oil Company (PNOC) and all of its subsidiaries. He also served as the General Manager of the National Housing Authority (NHA), and Chief Executive Officer of the Home Development Mutual Fund. He was also an Associate Commissioner for the Securities and Exchange Commission in 1986.

Prior to government, he was a Partner of the law firm Jacob Acaban Corvera Valdez and Del Castillo and was an active trial lawyer. Today, he is a partner in the law firm of Jacob & Jacob. His areas of specialization are energy, corporate law, corporate recovery and rehabilitation work, including receivership and restructuring advisory for companies.

Mr. Jacob is a member of the Management Association of the Philippines (MAP) of which he was President for 1998. He is also a member of the Integrated Bar of the Philippines.

Mr. Jacob finished his Bachelor of Arts degree with a Major in Liberal Arts from the Ateneo de Naga University in 1966 and his Bachelor of Laws degree from the Ateneo de Manila University in 1971.

Eusebio H. Tanco, 67, Filipino, Director

Mr. Tanco is the Chairman of the Executive Committee, and Compensation Committee, and is a Director of STI ESG. He is also a member of the Audit Committee, and the Nomination Committee.

Mr. Tanco is also Chairman of STI Holdings, and the Chairman of its Executive, Nomination and Compensation Committees.

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

Mr. Tanco is President of Total Consolidated Asset Management, Inc., Eujo Phils, Inc., Cement Center Inc., First Optima Realty Corp, Biolim Holdings and Management Corp (formerly Rescom Developers Inc.), Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.), Bloom with Looms Logistics, Inc. (formerly STMI Logistics, Inc.), Marbay Homes Inc., Global Resource for Outsourced Workers, Inc., Amina, Inc., and CEO of Classic Finance Inc.
Mr. Tanco is also a director in Maestro Holdings, Inc. (formerly STI Investments, Inc.), Philippine Life Financial Assurance Corp., Manila Bay Spinning Mills, Inc., United Coconut Chemicals, Inc., MB Paseo, Philippine Health Educators, Inc., iACADEMY, PhilhealthCare, Inc., Philippine Racing Club, Inc. and Leisure and Resorts World Corporation.

Mr. Tanco is a director of the Philippine Stock Exchange. He is also Chairman of the Philippine-Thailand Business Council and the Philippines-UAE Business Council. He likewise sits as a member of the Board of Trustees of Philippines, Inc. and member of the Philippine Chamber of Commerce and Industry.

Mr. Tanco earned his Master of Science in Economics degree from the London School of Economics and Political Science and his Bachelor of Science degree in Economics from the Ateneo de Manila University. He was also awarded a Doctorate of Humanities degree, honoris causa, from the Palawan State University.

Peter K. Fernandez, 53, Filipino, President and Chief Operating Officer

Mr. Fernandez is the President and Chief Operating Officer of STI ESG. Prior to this appointment, Mr. Fernandez served as Executive Vice President and Chief Operating Officer of STI ESG from 2004-2016. Prior to joining STI ESG, Mr. Fernandez was a member of the Asian Institute of Management faculty for four and a half years. Before joining AIM, Mr. Fernandez was a faculty member of the College of Computer Studies at the De La Salle University.

Mr. Fernandez earned a Bachelor of Science degree in Electronics and Communications Engineering and a Master of Business Administration degree from the De La Salle University.

Rainerio M. Borja, 54, Filipino, Director

Mr. Borja serves as a Director of STI ESG and a member of the Election Committee.

He is also a Director of STI Education Systems Holdings, Inc. and a member of its Executive and Nomination Committees. Mr. Borja is also a Director of PhilPlans, Inc. and Total Consolidated Asset Management Inc. He is also Chairman of the Board of Techzone Inc. and 88Gren Inc.

Mr. Borja is the President of the Asia region for Alorica, comprising more than 34,0000 people in the Philippines, as well as delivery centers in Australia and China, for a total of 24 sites. Under his leadership, the Asia teams provide distinct capabilities to offer low-cost, high quality solutions to clients across the globe.

Prior to this role, Mr. Borja was President of the Philippines and Australia for Expert Global Solutions, Inc. (EGS) for four (4) years prior to EGS' acquisition by Alorica in June 2016.

Before joining EGS in 2012, he spent 12 years as President of Aegis PeopleSupport Philippines, a start-up company that he helped grow to more than 13,000 employees. In 2004, the company achieved a major milestone by doing an Initial Public Offering (IPO) in the United States, and being listed in NASDAQ as the only Business Process Outsourcing (BPO) company with its entire operations handled in the Philippines. Mr. Borja also established the expansion of BPO to Philippine provinces, as well as to other regions, such as San Jose, Costa Rica.

Often credited as the "man behind the success of the call center and BPO industry" in the country, Mr. Borja is one of the founders and former chairman of the Information Technology and Business Process Association of the Philippines (IBPAP), formerly the Business Processing Association of the Philippines (BPA/P). He continues to support the industry by taking on leadership roles and sitting on the Board of Directors for both IBPAP and the Contact Center Association of the Philippines (CCAP). His opinions and contributions are highly valued by government and industry officials in the formulation of legislations and policies that govern the country's Information and Communications

Technology (ICT) and BPO industry. Being one of the country's BPO industry ambassadors who supported the industry's phenomenal growth to now being one of the country's major economic contributors, Mr. Borja was the first recipient of the Individual ICT Contributor Award in the Philippines in 2007.

Mr. Borja obtained his Bachelor of Science degree at the De La Salle University and Masters of Science in Economics units from the De La Salle Graduate School of Business and Economics.

Raul B. De Mesa, 75, Filipino, Director

Mr. De Mesa is a Director of STI ESG and a member of the Compensation and Audit Committee.

Mr. De Mesa served as the President and Chief Executive Officer of Bank of Commerce. Mr. De Mesa is a distinguished banker with substantial years of experience in the financial industry. Prior to Bank of Commerce, he has 37 years of banking experience, having occupied various positions in several banking institutions such as Security Bank, Manila Banking Corporation, Far East Bank & Trust Company. Mr. De Mesa is a Director at CAP Life Insurance Corporation. He served as a Director of Bank of Commerce. Mr. De Mesa served as an Independent Director of Liberty Telecoms Holdings Inc. since 2004.

Mr. De Mesa is presently the Chairman of the boards of Abacore Capital Holdings, Inc. and Prime Star Development Bank; and Chairman and President of RBM Holdings, Inc. and Pampanga Auto Sales, Inc. He is an independent director of Pride Resources Infrastructure Development Corporation, Montemaria Asia Pilgrims, Inc. and Philab Holdings Corporation. He is a Director of Commerce and Trade Insurance Brokerage, Inc. and Bancommerce Investment Corporation.

Joseph Augustin L. Tanco, 36, Filipino

Mr. Tanco is a Director and member of the Nomination Committee of STI ESG.

Mr. Tanco is also a Director of STI Holdings. He is likewise the Vice President for Investor Relations and a member of the Compensation Committee of STI Holdings.

Mr. Tanco is currently the President and Chief Executive Officer of Philippine Life Financial Assurance Corporation, PhilhealthCare, Inc. and Comm&Sense, Inc. He founded Comm&Sense, Inc., an integrated marketing and communications agency offering comprehensive services in the areas of creative design, event conceptualization and management, public relations and promotions, in 2005.

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

Furthermore, Mr. Tanco is an active member of the Junior Chamber International Philippines (JCI) where he was Chapter President of JCI Ortigas in 2012. He was Area Director for Individual for Metro Area 2 and National Chairman for Nothing but Nets in 2013 and National Chairman for The Outstanding Young Men (TOYM) in 2015. He also became a mentor for BS Entrepreneurship at the University of Asia and the Pacific in 2012.

Mr. Tanco is a graduate of the University of Asia and the Pacific with a Bachelor of Science degree in Entrepreneurial Management. He obtained his Master in Business Administration from the Ateneo Graduate School of Business.

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

Ms. Tanco is a Director of STI ESG.

Ms. Tanco is also a Director and member of the Nomination Committee of STI Holdings.

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

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

Martin K. Tanco, 52, Filipino, Director

Mr. Tanco is a Director of STI ESG.

He is also a Director of STI Education Systems Holdings, Inc. and is likewise a member of its Executive and Audit Committees.

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

Mr. Tanco earned his Bachelor of Science Degree in Electrical Engineering from the University of Southern California. He obtained his Master of Science degree in Electrical Engineering and Master in Business Administration from the University of Southern California.

Joaquin E. Quintos IV, 57, Filipino, Independent Director

Mr. Quintos was first elected as Independent Director on 20 October 2011.

Mr. Quintos has been a member of the senior leadership team of First Philippine Holdings Corporation, a publicly listed conglomerate engaged in energy, manufacturing, property, and construction businesses, since 2015. He is also a member of the board of several operating subsidiaries of the group.

Prior to this role, Mr. Quintos was President and CEO of Prople, a software and business process services company which he joined in 2009. Prior to Prople, Jajo had a successful 27-year career at IBM. During his stint at IBM, Mr. Quintos held various management and senior leadership positions in the Philippines, in IBM’s regional headquarters in Singapore, and finally in IBM’s corporate headquarters in New York. He retired from IBM Philippines in 2009 where he last served as Chairman and Country General Manager.

He is currently a member of the boards of Philippine American Life and General Insurance Company, iPeople, Skycable, Vicsal Investment, AB Capital Investment, and Energy Development Corp. He is alsoa member of the board of the Credit Information Corporation, the Philippines' central credit information registry. He is also a trustee of the Knowledge Channel Foundation.

Mr. Quintos was formerly the Chairman of Operation Smile Philippines and the Chairman of the ICT Panel of Republic of the Philippines Joint Congressional Committee on Science and Technology. He also previously served as the Chairman of De La Salle University Manila and Co-Chairman of De La Salle Philippines which oversees the unified administration of the network of 17 La Sallian institutions in the Philippines.

Mr. Quintos is a graduate of the University of the Philippines with a Bachelor of Science degree in Industrial Engineering, cum laude.

Robert G. Vergara, 57, Filipino, Independent Director

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

Mr. Vergara served as the President and General Manager as well as the Vice-Chairman of the Board of Trustees of the Government Service Insurance System from 2010 to October 2016.

Mr. Vergara was the Managing Director and Founding Partner of Cannizaro (Hong Kong) Limited and was a Limited Partner at Cannizaro Capital Partners LLP (United Kingdom) from 2006 to 2010. He previously served as a Principal at Morgan Stanley Dean Witter Asia Ltd. From 2002 to 2006, he was a Director of Lionhart (Hong Kong) Ltd and of IFM Asia Ltd.

Mr. Vergara obtained his Master in Business Administration in Finance, General Management and Corporate Strategy from Harvard Graduate School of Business Administration. He graduated Magna Cum Laude with a Bachelor of Science in Management Engineering and Mathematics from Ateneo de Manila University in 1982.

Yolanda M. Bautista, 65, Filipino, Treasurer

Ms. Bautista has served as the Chief Finance Officer and Treasurer of STI ESG since 2003.

Ms. Bautista is also the Treasurer of STI Holdings and a member of its Executive, Compensation and Compliance Committees.

Ms. Bautista is Chairman and President of Corporate Reference, Inc., Lakeview Realty, Inc. and Yellow Meadows Business Ventures, Inc.

Ms. Bautista serves as Director and Treasurer of Eximious Holdings, Inc. (Formerly, Capital Managers and Advisors, Inc.), Banclife Insurance Co., Inc., Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.), DLS-STI College, Inc., and Information and Communications Technology Academy (iACADEMY), Inc. She is also the Group Chief Finance Officer of Philippine Life Financial Assurance Corporation and Philhealthcare, Inc. as well as the Chief Finance Officer and Treasurer of STI ESG, STI West Negros University and Maestro Holdings, Inc.. Ms. Bautista is a Director of Attenborough Holdings Corp., Philippine Healthcare Educators, Inc., GROW Inc., Grow Vite Staffing Services, Inc. and Bloom with Looms Logistics, Inc. (Formerly: Southern Textiles Mills, Inc.) She serves as Treasurer of PhilPlans First, Inc., Aberlour Holding Company, Daven Holdings, Inc., Harbourside Holding Corporation, Maestro Holdings, Inc. (Formerly: STI Investments, Inc.), Morray Holdings, Inc., Kusang Loob Foundation, Inc., SG Holdings, Inc., Philippines First Condominium Corporation, Quantum Analytix, Inc., P & O Management Services Phils., Inc., TechGlobal Data Center, Inc., Techzone Condominium Corporation, Techzone Philippines, Inc. and Neschester Corporation. She is also Assistant Treasurer of Total Consolidated Asset Management, Inc.

Ms. Bautista is a Certified Public Accountant. She graduated Magna Cum Laude from the University of Sto. Tomas with a Bachelor of Science degree in Commerce, major in Accounting.

Florentino M. Herrera III, 65, Filipino, Corporate Secretary

Atty. Herrera was elected as director of the Company on 11 March 2005.

He is a member of the Philippine Bar, holds a Bachelor of Arts in Political Science degree and a Bachelor of Laws Degree (Cum Laude, Salutatorian) from the University of the Philippines.

He is a Senior Partner of Herrera Teehankee & Cabrera Law Offices.

He is presently the Director, Chairman and President of Amica Corporation, Andorra Holdings, Inc., Arpeggio International Resources Company, Inc., Bedarra Holdings, Inc., Bellagio Properties, Inc., Bellcore Holdings Corporation, Bellendorf Peak Resources, Inc., Certosa Resources, Inc., Domain Property Ventures, Inc., Dunes and Eagle Land Development Corp., Econolink Investments, Inc., Filgrow Corporation, Filsyn Corporation , Fontana Resources Corporation, Genshare Holdings Corporation, Hunter Valley Resources, Inc., Ipioneer Properties, Inc., Maseena Resources Corporation, Medlinks Resources, Inc., Pomona Properties, Inc., Pergamon Resources Corporation, Regent Resources, Inc., Saville Resources Corporation, Seabright Resources, Inc., Shindig, Inc., SRTC Development Corporation, Trans-Pacific Oriental Holding Company, Vassra Holdings, Inc., Viking Star Ventures, Inc. and Websphere Resources, Inc.

Atty. Herrera is the Director and Chairman of 911 Alarm, Inc., Media Star Holding Corporation, Owl Ventures & Development Condominium Corporation and San Juanico Property Ventures; and Director and Vice-Chairman of Mantrade Development Corporation.

He is the Director and President of Aeropartners, Inc. and Nabasan Subic Development Corporation, Director, Vice-President, and Treasurer of Marilag Corporation, Director and Corporate Secretary of La Regalade, Inc., Melrra Realty, Inc., Asia Outsourcing Philippines Holdings Inc., Infocom Technologies, Inc., Pacific Space International Development Corp., SPiTechnolgies, Inc. and SPi CRM, Inc.; and Director and Treasurer of Armada Capital, Inc. and North Point Resources.

Atty. Herrera is a member of the Board of Directors of Asian Alliance Holdings & Development Corporation, Beneficial Life Insurance, Comm&Sense, Inc., E. Zobel, Inc., FMF Development Corporation, GEOGRACE Resources Philippines, Philippine Airlines, Inc., Rizal Commercial Banking Corporation, Stargate Media Corporation Inc., United Coconut Chemiclas, Inc. and United Overseas Bank, Phils.; Corporate Secretary of Allianz-PNB Life Insurance Inc., BOC Holdings Corporation, Contex Corporation, Clement Textile International Corporation, Grassroots Film Production & Distribution, Inc., Lufthansa Technik Philippines, Inc., Macroasia Corporation, Medtecs International Corporation Ltd., Medtex Corporation, and Medtecs Materials Technology Corporation.

He is also the Treasurer of Corsair Resources, Inc., Fontalloro Resources, Inc., Long Trail Holdings, Inc. and Mountain Links Corporation.

Arsenio C. Cabrera, Jr., 56, Filipino, Assistant Corporate Secretary

Atty. Arsenio C. Cabrera, Jr. is the Assistant Corporate Secretary, General Counsel and Corporate Information Officer of STI ESG.

He was also elected Corporate Secretary and Chairman of the Compliance Committee of STI Holdings and is also its current Corporate Information Officer.

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

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

(2) Significant Employees

In general, the Company values its human resources. It expects the employees to do their share in achieving the Company's set objectives. There is no person in the Company who is not an executive officer but is expected to make significant contribution in the business of the Company.

(3) Family Relationships

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

Mr. Martin K. Tanco and Mr. Eusebio H. Tanco are cousins.

There are no other family relationships up to the 4^{th} civil degree, either by consanguinity or affinity among the current Directors other than those already disclosed in this report.

(4) Involvement in Certain Legal Proceedings

None of the above named directors and executive officers of the Company have been involved in any of the following events for the past five (5) years and up to the date of this SEC Form 20-IS:

(a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(b) any conviction by final judgment;

(c) being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

(d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

(5) Certain Relationships and Related Transactions

The Company has the following major transactions with related parties:

Land Held for Swap

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

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

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

As of 31 March 2015, TechZone has already completed the construction of the condominium units and has turned-over the units for retrofitting. As a result, the Company applied the "Condominium deposit" amounting to P396.3 million and recognized the total purchase price of the condominium units amounting to P560.0 million plus directly attributable costs amounting to P8.4 million, under the "Investment properties" account. The resulting difference, which amounted to P172.1 million, was accounted for as "Gain on exchange of land" in the 2015 consolidated statement of comprehensive income.

Consultancy Agreement with STI Education Systems Holdings, Inc.

The Company entered into an agreement with STI Education Systems Holdings, Inc. on the rendering of advisory services starting 1 January 2013.

Contract of Lease

STI ESG entered into a Contract of Lease with First Optima Realty Corporation on 7 January 2014. The contract covers lease of three (3) parcels of land in Poblacion, Lucena City, Quezon for a period of 25 years commencing on 1 January 2014 and expiring on 1 January 2039 for PhP 2.1 million per annum, exclusive of taxes.

Conversion of advances to equity

STI Taft

On 1 December 2015, the Board of STI Taft approved the application for an increase in authorized capital stock from 5,000 shares with PhP100 par value per share to 750,000 shares with PhP100 par value per share. Subsequently, STI Taft and the Company agreed to convert a portion of STI Taft's advances from STI ESG amounting to PhP49.0 million to deposit for future stock subscriptions. On 4 April 2016, the SEC approved STI Taft's increase in authorized capital stock to Php75.0 million. As at 31 March 2017, STI Taft became a 99.9%-owned subsidiary of STI ESG.

STI Dagupan

On 27 February 2015, the Board of STI Dagupan approved the application for an increase in authorized capital stock from PhP0.5 million to PhP35.0 million and the opening for subscription of 72,000 common shares with an aggregate par value of PhP7.2 million. Subsequently, STI ESG subscribed to 32,000 shares or an aggregate par value of PhP3.2 million. The Board of STI Dagupan also approved the equity conversion of STI Dagupan's advances from STI ESG amounting to PhP19.8 million. As at 31 March 2017, STI ESG's ownership over STI Dagupan increased from 77% to 99.9%.

Deed of Assignment of net assets

On 16 August 2016, STI Diamond entered into a Deed of Assignment with STI Novaliches whereby STI Diamond assigns, transfer and conveys in a manner absolute and irrevocable, and free and clear of all liens and encumbrances, unto STI Novaliches all their rights, title and interest in its assets and liabilities for a consideration of PhP75.7 million, payable in five (5) years. Consequently, the management contract between STI ESG and STI Diamond was terminated and as a result, the latter was derecognized as a subsidiary of STI ESG.

Deed of Assignment of net assets

On 18 May 2016, STI ESG entered into a Memorandum of Agreement to acquire for PhP20.0 million the net assets of an STI franchised school located in Santa Maria, Bulacan. On 31 May 2016, STI ESG made an initial deposit of PhP10.0 million for the planned acquisition. On 8 February 2017, STI ESG made an additional deposit of PhP8.0 million.

On 4 April 2017, STI ESG established STI College of Santa Maria, Inc. (STI Sta. Maria). On 23 May 2017, STI Sta. Maria entered into a Deed of Assignment with Halili Reyes Educational Institution, Inc. (HREI) where HREI assigned, transferred and conveyed in a manner absolute and irrevocable, and free and clear of all liens and encumbrances, to STI Sta. Maria all its rights, title and interest in its assets and liabilities for a price of PhP20.0 million. The assignment of the net assets shall retroact to 1 April 2017. On the same date, STI Sta. Maria paid the remaining balance of PhP2.0 million.

Joint Venture Agreement

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

On 21 April 2017, STI ESG, STI College Tanauan, Inc. (STI Tanauan), Mr. Tony Tan Caktiong (TTC) and Injap Investments, Inc. (Injap), referred collectively as the Joint Venture Parties, entered into an agreement to transform the 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 31 March 2017 and cash payments by the Joint Venture Parties.

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

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

On 21 June 2017, in separate meetings, the stockholders and the Board of STI Tanauan approved the increase in the authorized capital stock of the corporation from PhP1,000,000 divided into 10,000 shares with a par value of PhP100 to PhP75,000,000 divided into 750,000 shares with a par value of PhP100. 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 PhP15,000,000 to be distributed to stockholders of record as of 31 March 2017 based on the unrestricted retained earnings of STI Tanauan as shown in its audited financial statements as of 31 March 2017.

To date, there is no complaint received by the Company regarding related-party transactions.

Transactions with Promoters

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

Item 6. Compensation of Directors and Executive Officers

(1) The directors each receive per diems amounting to PhP15,000.00 for their attendance to board and committee meetings. There is no arrangement for compensation of directors.

(2) The following table summarizes the aggregate compensation for the fiscal years ended 31 March 2015, 2016, and 2017. The amounts set forth in the table below have been prepared based on what the Company paid its directors and named executive officers as a group and other officers for the

fiscal years ended 31 March 2015, 2016, and 2017 and what the Company expects to pay for the fiscal year ended 31 March 2017-2018.

ANNUAL COMPENSATION

	Year Ended 31 March	Salaries and Bonus	Other Compensation
Chief Executive Officer and the Top Four Highly Compensated Officers*	2015	PhP19,915,075.00	None
	2016	PhP23,853,754.00	None
	2017	PhP26,955,603.00	None
	2018[1]	PhP30,998,944.00	None
Board of Directors	2015	PhP1,071,472.00	None
	2016	PhP1,775,882.00	None
	2017	PhP2,178,869.00	None

The compensation for board members comprises per diems.

Notes:
[1] Figures are estimated amounts.
[2] Named executives include: Monico V. Jacob (Vice Chairman and CEO), Peter K. Fernandez (President and COO), Engelbert L. De Guzman (VP for Communications and MIS), Wilfred S. Racadio (VP for Legal Affairs) and John Luis Fausto B. Tubongbanua (VP for Corporate and Information Services).
[3] There are no actions to be taken with regard to any bonus, profit sharing, or other compensation plan, contract or arrangement in which any director, nominee for election as a director, or executive officer of the Company will participate.
[4] There are no actions to be taken with regard to any pension or retirement plan in which any such person will participate.
[5] There are no actions to be taken with regard to the granting or extension to any such person of any option, warrant or right to purchase any securities.

Item 7. Independent Public Accountants

(1) The accounting firm of Sycip Gorres Velayo & Co. ("SGV") has been the Company's External Auditors for the past years (2010 up to the present). They were reappointed in the Annual Stockholders' Meeting held on 9 September 2016, as external auditors for the ensuing fiscal year.

A representative of SGV is expected to be present at the Annual Meeting of the Stockholders and will have the opportunity to make a statement if he or she so desires. The representative will also be available to respond to appropriate questions from the stockholders.

Pursuant to SRC Rule 68 (3) (b) (iv), as amended (Rotation of External Auditors), the Company has engaged Mr. Benjamin N. Villacorte of SGV as the Partner-in-charge of the Company. This is his second year of engagement for the Company.

(2) There has not been any disagreement between the Company and said accounting firm with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedure.

As stated in the 31 March 2017 "Statement of Management Responsibility for Financial Statements", SGV is the appointed independent auditors of the Company. SGV have examined the financial statements of the Company in accordance with Philippine Standards on Auditing and have expressed their opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

The Company's Audit Committee reviews and approves the scope of audit work of the external auditor and the amount of audit fees for a given year. With respect to services rendered by the external auditor other than the audit of financial statements, the scope of and payment for the same are subject to review and approval by the management.

Mr. Joaquin E. Quintos IV, Independent Director, is currently the Chairman of the Audit Committee, while Messrs. Eusebio H. Tanco, Raul B. De Mesa and Ms. Yolanda M. Bautista are its members.

The aggregate fees for the services rendered by SGV to the Company, particularly for the audit of the financial statements for the years ended 31 March 2017 and 31 March 2016 and the six-months ended 30 September 2016 and 2015 are shown below:

31 March 2017

	March 2017			
	Audit Fees	OPE	VAT	TOTAL
Audit	2,550,000.00	285,000.00	340,200.00	3,175,200.00
Others	-	-	-	-
Total	2,550,000.00	285,000.00	340,200.00	3,175,200.00

31 March 2016

	March 2016			
	Audit Fees	OPE	VAT	TOTAL
Audit	5,180,000.00	515,536.00	683,464.00	6,379,000.00
Others	-	-	-	-
Total	5,180,000.00	515,536.00	683,464.00	6,379,000.00

30 September 2016 and 2015

	September 2016 and 2015			
	Audit Fees	OPE	VAT	TOTAL
Audit	10,000,000.00	1,046,401.00	1,325,568.00	12,371,969.00
Others	800,000.00	11,250.00	97,350.00	908,600.00
Total	10,800,000.00	1,057,651.00	1,422,918.00	13,280,569.00

The Company has no disagreements with its independent auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

Item 8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other Than For Exchange

No action will be taken with respect to the authorization or issuance of any securities otherwise for exchange for outstanding securities of the Company.

Item 10. Modification or Exchange of Securities

There is no action to be taken with respect to the modification of any class of securities of the Company, or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

Item 12. Mergers, Consolidation, Acquisition and Similar Matters

No action will be taken with respect to any of the following: (a) the merger or consolidation of the Company into or with any other person or of any other person into or with the Company; (b) the acquisition by the Company or any of its security holders of securities of another person; (c) the acquisition by the Company of any other ongoing business or of the assets thereof; (d) the sale or other transfer of all or substantially all of the assets of the Company; or (e) the liquidation or dissolution of the Company.

Item 13. Acquisition or Disposition of Property

No action will be taken with respect to the acquisition or disposition by the Company of any property.

Item 14. Restatement of Accounts

No action will be taken with respect to the restatement of any asset, capital or surplus account of the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The Board of Directors of the Company recommends a vote for confirmation, ratification and approval of the minutes of the 9 September 2016 Annual Stockholders' Meeting. The Minutes of the 9 September 2016 Annual Stockholders' Meeting contained the following items:

1. Call to Order
2. Certificate of Notice and Quorum
3. Approval of the Minutes of the 17 September 2015 Annual Shareholders' Meeting
4. Presentation of Management Report
5. Approval of Audited Financial Statements as of 31 March 2016
6. Ratification of Legal Acts, Proceedings and Resolutions of the Board of Directors and of Management from 17 September 2015 up to 9 September 2016
7. Election of Directors
8. Appointment of External Auditor
9. Adjournment

Item 16. Matters Not Required to be Submitted

The Board of Directors and Management have the power to act as agents of the Company based on statute, charter, by-laws or in delegation of authority to an officer from the acts of the Board, formally expressed or implied from a habit or custom of doing business. In this regard, where an officer has been entrusted with the general management and control of the Company's business, that officer is considered to possess an implied authority to enter into any contract or do any other act which is necessary or appropriate for the conduct of the ordinary business of the Company.

The Board of Directors recommends a vote for approval, confirmation and ratification of all acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting on 9 September 2016 up to 22 September 2017. Said acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting on 9 September 2016 up to 22 September 2017 include, among others: (a) the appointment of officers; (b) approval of audited financial statements; (c) the opening, maintaining and updating of corporate bank accounts and the appointment of signatories; (d) application for credit line facilities and/or long term loans with various financial institutions, including renewal, extension, increase, or amendment thereof; (e) execution of contracts; (f) approval of budget; (g) acquisition of lands and schools; (h) construction and/or renovation of school facilities; (i) application for permits to offer various CHED, DepEd and TESDA programs and courses; (j) sale of the STI ESG's iACADEMY shares to STI Holdings; (k) issuance of Five Billion (PhP5,000,000,000.00) Fixed Rate Bonds in one or more tranches; (l) investment of the net proceeds of Three Billion Pesos (PhP3,000,000,000.00) Fixed Rate Bonds in short term placements; and (m) appointment of officers to represent STI ESG in court cases and proceedings.

Once the ratification has been given, all acts or transactions entered into by the Board of Directors and of Management since the Annual Stockholders' Meeting on 9 September 2016 up to the present become finally and absolutely binding and neither the Company nor individual stockholders nor strangers can afterwards sue to set them aside or otherwise attack their validity.

Item 17. Amendment of Charter, By-laws or Other Documents

No action will be taken at the Annual Stockholders' Meeting for any amendment of the Company's Articles of Incorporation, By-laws or other charter documents.

Item 18. Other Proposed Action

There is no action to be taken at the Annual Stockholders' Meeting with respect to any matter not specifically referred to above.

Item 19. Voting Procedures

(1) Vote required

Each common share entitles the holder to one vote. At each meeting of the stockholders, each stockholder entitled to vote on a particular question or matter shall be entitled to vote for each share of stock standing in his name in the books of the Company as of record date.

Pursuant to the By-Laws of the Company, stockholders owning a majority of all of the issued and outstanding stock of the Company present or represented by proxy and entitled to vote, shall form a quorum for the transaction of business and the vote of stockholders representing a majority of a quorum shall be required to approve any action submitted to the stockholders for approval.

(2) Method

The By-Laws provide that the voting must be by ballot or viva voce in the event no contest is raised at the sole discretion of the Chairman of the meeting.

Moreover, "every question [except the election of Director] submitted to a meeting shall be decided in the first instance by a show of hands, and in the case of an equality of votes, whether for the election of Directors, or otherwise, the same shall be decided by drawing of lots or in such other lawful manner as may be agreed upon in such meeting. Any person may demand a poll, and such poll shall be taken in such manner as the Chairman of the meeting directs."

The Secretary of the meeting, upon motion duly made and seconded, is instructed to count all votes represented at the meeting in favor of the nominees. Cumulative voting shall be followed.

The Company will seek the approval of the following:

(1) Approval of the Minutes of the Annual Stockholders' Meeting held on 9 September 2016

(2) Ratification of all acts of the Board of Directors and of Management from 9 September 2016 up to 22 September 2017

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

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

(5) Election of Directors

(6) Election of external auditor

Discussion on Compliance with Leading Practices on Corporate Governance

The Company adheres to the principles and practices of good corporate governance, as embodied in its Corporate Governance Manual and related SEC Circulars.

On 9 March 2011, the Company submitted to the SEC its Amended Manual on Corporate Governance dated 22 February 2011 incorporating the directory provisions of the Revised Code of Corporate Governance in order to comply with the adopted leading practices on good corporate governance.

On 18 July 2014, the Company submitted the Amended Manual on Corporate Governance dated 15 July 2014 in compliance with SEC Memorandum Circular No. 9.

There have been no deviations from the Company's Manual of Corporate Governance.

To ensure that the Company observes good corporate governance and management practices and assure shareholders that the Company conducts its business in accordance with the highest level of accountability, transparency and integrity, the Company has undertaken the continuous improvement and monitoring of its governance and management policies. The Company submits a Certificate of Compliance with the Manual on Corporate Governance on an annual basis to the SEC.

The Company ensures that it has at least two (2) independent directors, or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is higher, but in no case less than two (2).

The Company, through its Nominations Committee, ensures that all the nominees to the Board possess all the qualifications and none of the disqualifications provided for in the Company's By-Laws and Manual, the Corporation Code, Securities Regulation Code and other relevant laws, rules and regulations.

The Company also has an Audit Committee, which is tasked to review the Audited Financial Statements of the Company. The Chairman of the Audit Committee is an independent director, and each member thereof has at least an adequate understanding or competence of most of the Company's financial management systems and environment.

The Company consistently strives to raise its financial reporting standards by adopting and implementing prescribed Philippine Financial Reporting Standards.

STI EDUCATION SERVICES GROUP, INC., AS REGISTRANT, WILL PROVIDE WITHOUT CHARGE, UPON WRITTEN REQUEST, A COPY OF THE REGISTRANT'S ANNUAL REPORT ON SEC FORM 17-A. SUCH WRITTEN REQUESTS SHOULD BE DIRECTED TO THE OFFICE OF THE CORPORATE SECRETARY, 5TH FLOOR SGV II BUILDING, 6758 AYALA AVENUE, MAKATI CITY, PHILIPPINES.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 10 August 2017.

STI EDUCATION SERVICES GROUP, INC.
Issuer

ARSENIO C. CABRERA, JR.
Assistant Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ROBERT G. VERGARA**, Filipino, of legal age, with residence address at Apt 2157, Tower 9, Parkview, 88 Tai Tam Reservoir Road, Hong Kong SAR, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of STI Education Services Group, Inc. and have been an independent director since 27 July 2017.

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

Company/Organizations	Position/Relationship	Period of Service
STI Education Systems Holdings, Inc.	Independent Director	27 July 2017 to present
Cabanatuan Electric Corporation	Director	26th June 2010
SEA CREST Fund	Director	30th March 2009

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of STI Education Services Group, Inc. as provided for in Section 38 of the Securities and Exchange Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to the directors/officers/substantial shareholders of STI Education Services Group, Inc. other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service nor affiliated with a government agency or GOCC.

7. I shall inform the Corporate Secretary of STI Education Services Group, Inc. of any changes in the abovementioned information within five (5) days from its occurrence.

IN WITNESS WHEREOF, I have executed this Certificate of Independent Directors on this ______ day of ______________ 2017 at Makati City.

ROBERT G. VERGARA

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

JUL 27 2017

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

Doc. No. 52;
Page No. 12;
Book No. 190;
Series of 2017.
2017 Certification of Independent Director [RGVergara]/ACC Client(ACCBashdrive 2017)

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JESLI A. LAPUS**, Filipino, of legal age, with residence address at #3 Galaxy Street, Bel-Air Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of STI Education Services Group, Inc. and have been an independent director since 5 September 2013 to present.

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

Company/Organizations	Position/Relationship	Period of Service
STI Education Systems Holdings, Inc.	Independent Director	4 October 2013 to present
Philippine Life Financial Assurance Corporation	Independent Director	1 June 2012 to present
Information and Communications Technology Academy, Inc.	Member – Board of Governors/ Independent Director	9 December 2010 to present
Attenborough Holdings Corporation	Independent Director	11 March 2015 to present
PhilPlans First, Inc.	Member – Investment Committee	7 June 2011
Neschester Corporation	Independent Director	15 December 2016 to present
Metropolitan Bank and Trust Company	Independent Director	
LBP Service Corporation	Chairman	
Asian Institute of Management - Center for Tourism	Chairman	
Radiowealth Finance Co., Inc.	Advisory Board Member	

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of STI Education Services Group, Inc., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to the directors/officers/substantial shareholders of STI Education Services Group, Inc. other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service nor affiliated with a government agency or GOCC.

7. I shall inform the Corporate Secretary of STI Education Services Group, Inc. of any changes in the above-mentioned information within five (5) days from its occurrence.

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

JESLI A. LAPUS

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

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

Doc. No. 397;
Page No. 82;
Book No. I;
Series of 2017.

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JOAQUIN E. QUINTOS IV**, Filipino, of legal age, with residence address at Pacific Plaza Towers, 24C North, Fourth Avenue corner 25th Street, Fort Bonifacio, Taguig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of STI Education Services Group, Inc. and have been an independent director since 20 October 2011 to present.

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

Company/Organizations	Position/Relationship	Period of Service
First Philippine Holdings	Senior Vice President	2015 - Present
Energy Development Corp.	Board Director	2015 – Present
First Philippine Industrial Park	Board Director	2015 – Present
First Balfour	Board Director	2015 – Present
Thermaprime	Board Director	2015 – Present
First Philippine Electric Corp.	Board Director	2015 – Present
iPeople	Independent Director	2011 - Present
AB Capital & Investment Corp.	Independent Director	2013 – Present
Vicsal Investment, Inc.	Independent Director	2010 - Present
Philippine American Life and General Insurance Co.	Independent Director	2015 - Present
Skycable	Board Director	2011 - Present
Credit Information Corp.	Board Director	2011 - Present
Knowledge Channel Foundation	Board Trustee	2009 - Present
La Proteccion de la Infancia, Inc.	Board Trustee	2016 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of STI Education Services Group, Inc., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to the directors/officers/substantial shareholders of STI Education Services Group, Inc. other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall inform the Corporate Secretary of STI Education Services Group, Inc. of any changes in the above-mentioned information within five (5) days from its occurrence.

IN WITNESS WHEREOF, I have executed this Certificate of Independent Directors on this ______ day of AUG 0 3 2017 2017 at Makati City.

JOAQUIN E. QUINTOS IV

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

SUBSCRIBED AND SWORN to before me this AUG 0 3 2017 day of ______________ 2017 ~~at Makati City~~ QUEZON CITY, affiant personally appeared me and exhibited to me his Tax Identification No. 129-457-153.

Doc. No. 113;
Page No. 23;
Book No. 51;
Series of 2017.

JOEL G. GORDOLA
Notary Public
Commission expires until December 31, 2017
Adm. No. 059; Roll No. 25103
IBP No. 1058826 1/04/17; Q.C.
PTR No. 3593408; 1/03/17; Q.C.
TIN 126-768-809; MCLE No. V-0001531
Unit 1 # 878 Quirino Hiway, Gulod, Novaliches, Q.C.

SECRETARY'S CERTIFICATE

I, **ARSENIO C. CABRERA, JR**., Filipino, of legal age, with business office at 5th Floor SGV II Building, 6758 Ayala Avenue, Makati City, after being duly sworn in accordance with law, depose and state that:

1. I am the duly elected and qualified Assistant Corporate Secretary of **STI EDUCATION SERVICES GROUP, INC.** (the "Corporation"), a corporation duly organized and existing under the laws of the Philippines with principal office address at STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal.

2. I hereby certify that no director or officer of the Corporation is connected with any government agency or government instrumentalities.

3. The foregoing information is in accordance with the records of the Corporation.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 10th day of August 2017 at Makati City.

ARSENIO C. CABRERA, JR.
Assistant Corporate Secretary

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

SUBSCRIBED AND SWORN to before me this 10th day of August 2017 in Makati City, affiant exhibiting to me his Passport No. P0055009A issued on 26 August 2016 at DFA NCR South.

Doc. No. 121;
Page No. 23;
Book No. I;
Series of 2017.

JAY PAOLO C. ADALEM
Notary Public
Appointment No. M-313
Notary Public for Makati City
Until 31 December 2018
5/F SGV II BLDG., 6758 AYALA AVENUE
MAKATI CITY
ROLL OF ATTORNEYS NO. 66061
PTR No. 5926727 / Makati / 12 January 2017
IBP No. 1066713 / Caloocan Malabon
Navotas / 12 January 2017

MANAGEMENT REPORT

Group History and Structure

STI Education Services Group, Inc. ("STI ESG")

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

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

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

STI ESG embarked on strengthening its geographical presence nationwide as it aggressively constructed improved facilities. More STI ESG schools are now veering away from rented commercial complexes and have moved to bigger and better school-owned stand-alone campuses that are strategically located. All of the improved campuses house state-of-the-art facilities, spacious classrooms, top-of-the-line simulation laboratories, and recreational facilities conducive for high academic delivery. To date, there are fourteen (14) wholly-owned schools with renovated or newly built facilities. In addition, incentives were offered to franchisees to upgrade their facilities of which twelve (12) had responded so far.

STI ESG has centralized its efforts into academic quality and started investing in trainings on awareness, documentation, and internal quality audit to achieve the ISO 9001:2008 certification for its Learning Delivery System—composed of the courseware development process, the faculty certification process, and the faculty training process—which was awarded on February 5, 2015 by the ISO certifying body TÜV Rheinland Philippines Inc.

When the Department of Education (DepEd) announced the K to 12 program in 2013, STI ESG capitalized on its nationwide presence and ample facilities to implement the first-to-market approach of the Senior High School (SHS) program. In 2014, DepEd granted permit to offer early implementation of SHS to 92 private schools nationwide, 67 out of 92 schools or 73% are STI ESG schools which made STI ESG the largest pioneer in Senior High School.

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

STI ESG Network

As a testament to its growing presence nationwide, the STI ESG network has seventy-six (76) schools spread across Luzon, Visayas, and Mindanao and is comprised of sixty-four (64) STI-Branded Colleges and twelve (12) STI-Branded Education Centers. Likewise, of these seventy-six (76) schools, thirty-two (32) college campuses and five (5) education centers are wholly-owned while thirty-two (32) college campuses and seven (7) education centers are operated by franchisees.

Metro Manila (16)

Alabang	Global City	Muñoz-EDSA	Quezon Avenue
Caloocan	Las Piñas	Novaliches	Recto
Cubao	Makati	Parañaque	Shaw
Fairview	Marikina	Pasay	Taft

Northern and Central Luzon (18)

Alaminos	Cauayan	Malolos	Sta. Maria
Angeles	Dagupan	Meycauayan	Tarlac
Baguio	Ilagan	San Fernando, Pampanga	Tuguegarao
Balagtas	La Union	San Jose, Nueva Ecija	Vigan
Baliuag	Laoag		

Southern Luzon (19)

Bacoor	Legazpi	Puerto Princesa	Sta. Cruz
Balayan	Lipa	Rosario	Tagaytay
Batangas	Lucena	San Pablo	Tanauan
Calamba	Naga	Santa Rosa	Tanay
Dasmariñas	Ortigas-Cainta	Southwoods	

Visayas (8)

Bohol	Cebu	Iloilo	Maasin
Calbayog	Dumaguete	Kalibo	Ormoc

Mindanao (15)

Cagayan de Oro	General Santos	Pagadian	Tagum
Cotabato	Iligan	San Francisco	Valencia
Davao	Koronadal	Surigao	Zamboanga
Dipolog	Malaybalay	Tacurong	

Corporate Structure

STI ESG has a total Authorized Capital Stock (ACS) of Five Billion Pesos (₱5,000,000,000.00) divided into five billion (5,000,000,000) shares with a par value of One Peso (₱1.00) each. Out of the ACS, three billion eighty-one million eight hundred seventy-one thousand eight hundred fifty-nine (3,081,871,859) shares have been subscribed and paid-up. Of the total subscribed and paid-up capital stock, seven million eight hundred forty-one thousand one hundred eighteen (7,841,118) shares are foreign-owned.

In August 2009, STI ESG subscribed to a 20% interest in Maestro Holdings, Inc. (formerly, "STI Investments, Inc.") ("Maestro Holdings"). Maestro Holdings subsequently acquired a 100.0% interest in PhilPlans First, Inc. ("PhilPlans"), now a leading pre-need company, providing innovative pension, education, and life plans. PhilPlans later acquired a 65% interest in Rosehills Memorial Management, Inc., a company engaged in the operation and management of a memorial park, memorial and interment services, and sale of memorial products. Maestro Holdings also acquired a 99.89% interest in PhilhealthCare, Inc., a health maintenance organization that provides effective and quality health services, and operates through its own clinics and through nationwide accredited clinics and hospitals. In May 2012, Maestro Holdings acquired 70.0% of Philippine Life Financial Assurance Corp. (formerly, "Asian Life Financial Assurance Corp.") ("PhilLife"). PhilLife provides financial services, such as individual, family and group life insurance, investment plans, and loan privilege programs. In December 2015, Maestro Holdings subscribed to additional shares of PhilLife thus increasing its ownership to 70.6% as of March 31, 2016.

Merger of 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, and with STI ESG as the surviving entity. The Phase 1 merger was approved by 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, and with STI ESG as the surviving entity. The Phase 2 merger was approved by CHED and the SEC on July 18, 2011 and August 31, 2011, respectively.

On September 25, 2013, the Board) of STI ESG 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 of the date of this report, the amendment is pending approval by the SEC.

In addition, the Board 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, and with STI ESG as the surviving entity on September 25, 2013. On August 5, 2016, STI ESG filed the merger application for STI Taft and STI Dagupan. As of the date of this report, the application for merger is pending approval by the SEC.

To date, STI ESG's request for confirmatory ruling on the tax-free merger from the BIR is still pending.

Capital Market Infrastructure

STI ESG's ₱3.0 billion bond issue has been assigned by Philippine Rating Services Corporation (PhilRatings) an Issue Credit Rating of PRS Aa, which meant that the Company's proposed debt issue is of "high quality and is subject to very low credit risk."

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

On March 23, 2017, STI ESG listed its ₱3 Billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the Philippine Dealing and Exchange Corp. (PDEx) secondary market. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interest payments are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on a non-banking day, of each year commencing on June 23, 2017, until and including the relevant Maturity dates.

The ₱3.0 billion bond issue is the first tranche of its ₱5.0 billion fixed rate bonds program under its 3-year shelf registration with the SEC. The proceeds of the first tranche of the debt securities program have been earmarked for the expansion of STI ESG campuses, refinancing of short-term loans incurred for the acquisition of land, and other general corporate requirements (see Item 2 Properties/Campus Expansion).

Business Development

STI ESG is the largest subsidiary of STI Education Systems Holdings, Inc. ("STI Holdings"), a publicly-listed company. STI ESG is engaged in establishing, maintaining, and operating educational institutions. It derives its main revenues from the tuition and other school fees of its owned schools, and from the royalties, and other fees for various educational services provided to its franchised schools.

At present, STI ESG offers secondary and tertiary programs, as well as post-graduate and associate programs. The colleges of STI ESG offer associate/baccalaureate degrees and technical/vocational programs in the fields of Information and Communications Technology (ICT), Business and Management, Hospitality Management, Tourism Management, Arts and Sciences, Engineering, and Education. These programs are accredited by CHED and/or TESDA, as may be applicable. Also accredited by TESDA, the education centers of STI ESG offer technical/vocational courses for computer programming, computer technology, multimedia arts, and office administration, among others. In addition, all schools in the STI ESG network have been granted permit by DepEd to Senior High School ("SHS").

Enrollment

STI ESG had an average total enrollment of 69,896 for the first and second semesters of SY 2014–15. The average total enrollment continued to go up to 74,524 in SY 2015–16 which consequently attained a 6.62% increase. This steady increase continued in SY 2016–17 as the number of enrollees went up by 24.4% and reached an average total enrollment of 92,707.

In SY 2013–14, the total freshmen enrollees were 31,871 and grew by 3.52% in SY 2014–15. The number of enrollees continued to improve to 34,149 in SY 2015–16 attaining an increase of 8.13%. Total freshmen college enrollees reached 8,586 in SY 2016–17 notwithstanding the full implementation of the K to 12 program.

The average percentage of students retained in a semester from SY 2014–15 to SY 2015-16 is at 96%, which slightly improved to 97% in SY 2016–17. Meanwhile, the average percentage of students who migrated to the succeeding semester is at 91% in SY 2014–15 and 92% in SY 2015–16. In SY 2015–16, the migration rate improved to 94%.

In the previous years, significant increases in the enrollment are more evident in the degree programs of STI ESG compared to its technical/vocational programs. The share of associate and baccalaureate degree programs to technical/vocational programs improved from 81% and 16%, respectively, in SY 2014–15 to 85% and 12%, respectively, in SY 2015–16. The senior high school tracks and specializations posted a 3% share for both SY 2014–15 and SY 2015–16. Enrollment mix in SY 2016–2017 is 56%, 5% and 39% for associate and baccalaureate degree programs, technical/vocational programs and senior high school tracks and specializations, respectively.

Following the full implementation of the K to 12 program in SY 2016–17, the number of enrollees in the associate and baccalaureate degree programs and technical/vocational programs went down by 55% and 6%, respectively. The decline was mitigated by the population of senior high school which significantly increased from 1,577 to 37,571.

In SY 2014–15, STI ESG generated 12,280 graduates for the first and second semesters, and 12,672 in SY 2014–15. In SY 2016–17, there were 13,357 graduates for the first and second semesters.

Tuition Fee Increases

There was no increase in the tuition fees and other school fees in SY 2014–15. On the other hand, 5% increases were implemented in the tuition fees and other school fees in SY 2015–16 and SY 2016–17.

New Programs/Majors and Revised Curricula

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

Existing course offerings are likewise reviewed as needed. The streamlining of program curricula in response to the needs of the market and developments in the industry drives the rationalization of STI course offerings. In SY 2014–15, one program underwent program revisions. No programs were revised in SY 2015–16 and SY 2016–17.

STI ESG's Standardized Courseware

STI ESG develops courseware to ensure the standard delivery of courses across all campuses in the STI ESG network. These are sets of teaching materials used by the instructors which include the course syllabus with the course outline that sets the general objectives of the course, presentation slides, the class hand-outs and other materials for use throughout the duration of the course, with accompanying instructors' guides. The instructors' guides identify the specific objectives of each class session, the appropriate teaching methodologies to be used, and how the provided materials are to be used to achieve the set objectives. In SY 2011–12, the traditional courseware materials were converted to LCD versions and course delivery improved with the incorporation of multimedia materials.

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

In SY 2016–17, 87 courseware materials were developed and revised for Arts and Sciences, IT and Engineering, Business and Management, Tourism Management, and Hospitality Management. These courseware materials were embedded with activities leading toward attainment of the STI 4Cs — Character, Change-adept, being a good Communicator, and a Critical Thinker — the required skills and attitude of top industries worldwide. The materials were also Outcome-Based Education (OBE)- aligned with assessment tools, rubric, and performance tasks.

Standardized Periodical Examination

The Standardized Periodical Examination for the preliminary, midterms, pre-finals, and finals period, which used to be outsourced to a third party, is being developed by STI ESG's Academic Research Group starting in SY 2015–16. In its first year, the group developed 550 exams in the first semester and 523 exams in the second semester. For SY 2016–17, the group prepared 646 exams in the first semester and 538 exams in the second semester.

Milestones

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

International Organization for Standardization 9001:2008 (ISO 9001:2008)

In SY 2014–15, STI ESG received its ISO 9001:2008 certification for its Learning Delivery System. This system covers development of tertiary level courseware and curriculum, faculty training, and faculty certification. The network has worked to fulfill the requirements that included extensive research; training sessions on proper documentation and internal quality audit; documentation of policies, processes, and work instructions; and orientations given to STI ESG employees.

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

Senior High School Early Registration

To help prepare the incoming Grade 11 students in choosing the right track, DepEd released DepEd Order No. 41, series of 2015 titled "Senior High School Guidance Program and Early Registration." This aims to guide Grade 10 students or Senior High entrants in coming up with informed decisions regarding their choice of track and specialization for the Early Registration from October 19 to November 13, 2015.

STI ESG collaborated with DepEd and conducted career guidance and orientation seminars for Grade 10 students in various public and private high schools nationwide. During the registration period, all Grade 10 students in all public and private high schools were encouraged to submit their choice of school and SHS track to their respective class advisers. The Grade 10 class advisers in public schools were then tasked to register their students for SHS and submit the learners' preferences through the SHS registration module in the Learner Information System (LIS) of DepEd.

In addition, aligned with DepEd's objectives to assist students with their decisions, STI developed a tool called the Student's Career Opportunity and Personality Evaluator or SCOPE. It is a unique computerized program that would help Grade 10 students find the career that best fits their strengths, interests, and personalities. With the assistance of a Guidance Counselor, incoming Senior High students will get a free comprehensive report in less than 30 minutes that can assist them in making an important decision for their future.

As a result of STI ESG's marketing efforts in the early registration campaign for SHS, a total of 30,917 Grade 10 students registered with STI ESG with 37,571 officially enrolled for SY 2016–17.

Senior High School Graduation

STI ESG held its 1st Senior High School Graduation with 706 graduates from 36 campuses nationwide on April 8, 2016 at the STI Academic Center Global City in Taguig. The graduation ceremony was attended by the DepEd Regional Director for NCR, Dr. Ponciano Menguito, and DepEd Assistant Secretary for Curriculum and Instruction, Mr. Elvin Uy. Meanwhile, for SY 2016-17, 364 Grade 12 students marched to their Senior High School Graduation ceremony that was held within their respective schools.

Partnership with DepEd and other Educational Institutions

As the largest pioneer school in Senior High School, STI ESG was invited by DepEd to share to the NCR Regional Directors, Division Superintendents, and Division Assistant Superintendents its wealth of knowledge and experience in implementing the Senior High School program in its 76 campuses nationwide: DepEd NCR Conference Room in January 2015, TYTANA College in July 2015, Polytechnic University of the Philippines San Juan campus in October 2015, and Manila Ocean Park in Pasay City and

Roosevelt College in Marikina, both in November 2015. In addition, during the K to 12 Convergence at Lucent Hotel in June 2015, STI was given a plaque of recognition for being one of DepEd's partners in the latter's K to 12 anniversary celebration.

Ads Standards Council (ASC)

The Ads Standards Council is an organization that aims to promote truth and fairness in advertising through self-regulation. ASC also handles the screening of all advertising materials and settlement disputes regarding advertising content. In December 2015, a complaint was lodged in ASC against STI ESG for its claim of "Pioneering the Largest Network of Senior High Schools." After careful review, ASC ruled that the complaint against STI ESG was null and void.

Leaders Convention

Held at Henann Resort Alona Beach in Bohol from April 27 to 29, 2016, the 29th Annual STI Leaders' Convention tackled the ongoing implementation of the Senior High School program and its effect on the curriculum of the tertiary programs. Rhodora Angela Fernandez-Ferrer, Executive Director of Private Education Assistance Committee (PEAC) National Secretariat talked about their organization's role in DepEd's subsidy program for the incoming Senior High School students who opted to enroll in a non-DepEd school. Atty. Julito D. Vitriolo, on the other hand, discussed the current CHED Commissioners' *en banc* resolution on the curricular design for tertiary programs vis-à-vis Senior High School programs. The convention was attended by the STI ESG Executives, School Leaders, School Operations Managers, and Senior School Administrators.

PeopleSoft Campus Solutions (PSCS)

Oracle's PeopleSoft Campus Solutions is a student administration system that facilitates student admission, enrollment, assessment, and grading, among others. Paired with Report Services, a web-based application hosting the reportorial requirements of STI ESG, the PSCS was launched in SY 2015–16 to STI's network of campuses. It catered to both the college and senior high school students of STI ESG.

Available in real time, the STI schools are able to access numerous reports that they can also modify according to their own requirements. The reports are categorized into four (4) — Academics, Financials, Enrollment, and Government-mandated reports — using the SQL Server Reporting Services 2008 R2.

STI eLearning Management System

In SY 2015–16, STI ESG launched the STI eLearning Management System (eLMS), a software application running on Amazon cloud, to better manage the delivery of educational courses and/or training programs to its students. The curricular course materials aim to augment classroom learning while the extra-curricular course materials are prepared to further nurture student development. The STI eLMS features a built-in support for collaboration through various tools such as wikis, forums, and discussion groups; an internal messaging system with bidirectional support for emails and text messaging; and a built-in portfolio system which students can use to collect works to support learning and/or achievements. With STI eLMS, STI students can now complete their lessons at their own pace, wherever they are.

iLearn and Share

In SY 2015–16, STI ESG introduced iLearn and Share (iLS) activities to its Senior High School students. These are performance tasks wherein students are assessed based on their products and/or performance, which serve as proof of how well they understood and learned the task. Students can then apply their learnings to real life situations.

Education Centers Upgraded to Colleges

STI Colleges Laoag and Dipolog were granted college status by CHED in SY 2014–15 and STI College Dumaguete in SY 2015–16.

Faculty Achievements

In SY 2016–17, Accounting faculty members underwent a two-day training on the Certified Accounting Technician (CAT®) Level 3 where 10 faculty members successfully passed CAT® Level 3 examination and are eligible to become Certified Accounting Technicians. Select faculty members also underwent a five-day training on Huawei Certified Network Associate Certification where one faculty member passed the certification examination.

Meanwhile, Maria Ana Eloisa Sambahon of STI College Balayan has been recognized as a TESDA Assessor for Food and Beverage Services NC II. Moreover, Jay Tiabayan, a faculty member of STI College Lipa, placed 2nd in Photojournalism (Filipino) under the School Paper Advisers category in the Regional School Press Conference 2016.

Student Achievements

In SY 2016–17, two STI students were chosen as finalists of their respective regions and were included in the honorable list of Ten Outstanding Students of the Philippines: Mary Grace Glorydell Sayo, a BS Business Management student of STI College Baguio, and Brian Gomez, a BS Computer Science student of STI College Ortigas-Cainta. Former 2012 Mr. STI 2nd runner-up, Karan Singdole of STI College Santa Rosa, also competed in another pageant and successfully became the first winner of the Man of the Year Male Pageant held in Indonesia.

Grade 11 students of STI College Balayan and STI College Lipa, on the other hand, participated in the Divisional School Press Conference (DSCPC) 2016. From STI College Balayan, Marico Yamada won first place in Sports Writing (Filipino) and secured a place in the Regional School Press Conference 2016, Jerome Umandal placed 5th in the Science and Health Feature Writing (English), David Amiel Signo placed 7th in Sports Writing (English), and Lennox Rolly Evander Nioko placed 10th in the Editorial Writing (English). The following students of STI College Lipa also performed well in the DSPC: Roselyn Mosca placed 2nd in Photojournalism (Filipino), Jirmalyn Recio placed 2nd in Science and Health Feature Writing (English), Klarisse Joyce Lipit placed 4th in Copyreading (Filipino), and Ceejay Titular placed 4th in Editorial Cartooning (Filipino).

Students of STI College Lucena likewise stepped up and showed off their skills in various activities. Grade 11 students Arabylle Abuel, Rosalinda Perez, Angelica Gratuito, and Rowena Ricamara were chosen to participate in the 2nd MVP Future Thought Leaders' Summit 2016, a leadership program for the youth. Jonathan Dave Tena, a 4th year BSIT student, joined the Private Schools Athletic Association (PRISAA) and won the gold medal for the 400-meter freestyle, the silver medals for the 200-meter breast stroke, 200-meter back stroke, and 200-meter freestyle, and the bronze medal for the 50-meter freestyle.

STI's Hospitality Management students wowed the judges with their culinary skills in different cooking competitions. The team of Nilo De Paz, Macgil Bayog, and Shindler Guinte, all 2nd year Hospitality and Restaurant Services students of STI Calbayog, joined the 4th Tinapa 101 Cookfest and were declared champions. Students of STI College Muñoz-EDSA also joined the 4th Inter-School Culinary Competition with the theme *"Pasta Dish with a Twist"* where Jaymar Gultia, Jezzel Layug, and Ninia Camila took home the top prize.

STI College Cotabato's BS Hospitality and Restaurant Management students Crystal Jade Abella and Sheila May Yap were also declared champions in the Mayor Guiani Culinary Cup 2016. In addition, BS Computer Engineering student Ramadin Uday won in the poster making competition of the Young Southeast Asian Leaders Initiative while Katherine Mae Cabrera, a BS Tourism Management student, was awarded with the 2nd runner-up title in the Mutya ng Kutabato 2016.

STI's BS Information Technology (BSIT) students also amazed their mentors in UnionBank's U:HAC 4.0 STI Edition, a 24-hour non-stop coding marathon. The group of Steven Lim, Exequiel Ponce, Carlo Cuevas, Julius Cervantes, and Willison Velasco of STI College Caloocan emerged as champions with their Union Mobile System app that seeks to eliminate long lines and queuing. On the other hand, STI College Muñoz-EDSA's Jonel Belandres, Erick John Reyes, and Ryan Amian placed 2nd for developing the Rising Farmers app; while Daniel Eduard Andal, Joshua Sahagun, and Renz Paolo Yedra of STI College Tanauan rounded up the top 3 for the app called Take Your Time. Students from STI College Makati also shown at the 6th IT Skills Olympics. Placing 3rd in .NET Programming category were Jeffrey Calara and King Anthony Retaga. Adrian Legaspi and Deejay Salva also placed 3rd in the Java Programming category.

Faculty Development and Certification

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

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

In SY 2013–14, the CBT focused on courses such as AMADEUS Basic Certification, Microcontroller System, HRM System, QuickBooks, Broadband Technology, Mobile Technology, Fundamentals of VB (using VBA), Advance Microcontroller System, Tour Guiding Services, Tourism Promotion Services, and Travel Services and had 403 participants nationwide. In SY 2014–15, there were 94 participants for the courses C# (C Sharp) Programming, QuickBooks, and Radio/TV Principles and Practices with Production. In addition, 65 faculty members underwent industry-provided trainings and certifications during SY 2014–15, on Amadeus Basic Certification, Max's Training Online, and TATA Group's Accounting and Finance Course.

On the other hand, in SY 2015–16, there were 155 participants in the Huawei Certified Network Associate (HCNA) Training and Gatessoft's Genesis Property Management System (PMS) and Point of Sales (POS) System. Trainings were likewise conducted to help improve the faculty members' knowledge of teaching methodologies and use of technology. Among these trainings were the STI eLMS with 72 participants; Outcome-Based Education for Tourism and Hospitality Management (THM) Program Heads with 69 participants; and Faculty Capacity Development for Senior High School Implementation which was attended by 145 Academic Heads and Assistant Principals.

For SY 2016–17, 140 SHS faculty members participated in the Faculty Capacity Development for Senior High School, 128 participants in the 21st Century Life Education in an OBE System for the tertiary faculty members, 58 participants in the Core Skills Professional Development Program conducted by the British

Council-Philippines, and 27 participants in QuickBooks which is in partnership with Waine's Software Technologies.

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

The number of FCCs granted by STI has continually increased from SY 2014–15 with 1,121 FCCs granted and 2,748 certificates released to 1,306 FCCs and 2,858 certificates in SY 2015–16, to 1,740 FCCs and 3,483 certificates in SY 2016–17.

In addition, STI ESG opened the Graduate Studies Assistance Program for Master in Information Technology for part-time full-load faculty members. This assistance program features a socialized tuition scheme based on the enrollee's capacity to pay thus the faculty member will only pay a portion of the tuition and other school fees for every semester. In SY 2015–16, 24 faculty members were enrolled during the second semester wherein seven (7) of them graduated in May 2016. All seven (7) graduates presented their capstone project paper in international conferences held in Bulacan and Baguio in April and May 2016. Their papers were also published in various recognized research journals. Mr. Augusto Malapit of STI College Dasmariñas received the 2nd Best Paper Award from the International Conference on Education, Psychology, and Social Science 2016.

Student Development

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

Halalan 2016

In partnership with ABS-CBN's advocacy arm Bayan Mo, iPatrol Mo (BMPM), STI students went through preparations such as workshops on citizen journalism and Voter's Ed prior to election. And on Election Day, the students became budding journalists as they received and verified reports about the ongoing elections via social media platforms such as Facebook and Twitter. The partnership between STI and broadcasting giant ABS-CBN has now spanned for almost two decades and has molded the students to be more aware and involved in shaping the country's future.

The STI National Youth Convention (STI NYC)

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

In SY 2014–15, there were 34,574 attendees at the STI NYC held in Baguio, Bacolod, Cebu, Cagayan de Oro, Davao, General Santos, Iloilo, Legazpi, and Metro Manila. As a means to continually improve the quality of the STI NYC, this year, the students were grouped per session according to their tracks, namely, ICT and Engineering; Business and Management; and Tourism and Hospitality Management. The topics are now more specialized to the track of the student-participant.

In SY 2015–16, the number of attendees increase to 39,467 with the convention still held in nine different areas with Legazpi replaced with Naga. Meanwhile, in SY 2016–17, there were 36,587 students who attended the STI NYC that was held in 12 venues: San Fernando in Pampanga, Legazpi, Baguio, Cebu, Kalibo, Bacolod, Sta. Rosa in Laguna, Pasay, North EDSA, Cagayan de Oro, Davao, and General Santos. However, due to the moratorium issued by CHED and DepEd on educational trips, the last three legs of the convention (namely, Cagayan de Oro, Davao, and General Santos) were cancelled.

Tagisan ng Talino (TNT)

The TNT is an annual academic competition that tests the competencies of students on impromptu speech, essay writing, programming, cooking, cake and table design, and general knowledge. Over the years, specific competitions comprising the TNT have been enhanced to ensure that the competitions' objectives are met.

For SY 2013–14, the participants numbered 909 students in eight (8) various competitions and increased to 933 in SY 2015–16. For SY 2016–17, the participants competing in the same categories reached 958.

Tagisan ng Sining (TNS)

The TNS is an annual competition that aims to challenge the students' artistry, creativity, and originality in the field of photography and music video making. In SY 2014–15, 149 students from STI campuses nationwide participated in the TNS. The number of participants significantly increased to 211 students in SY 2015–16 and then to 222 in SY 2016–17.

Talent Search

The STI Talent Search uncovers the innate talent of STIers nationwide — from singers and musicians to dancers and up-and-coming models. Every year, all STI campuses nationwide send a total of over 100 contestants to compete in nine (9) regional sites before advancing to the National Finals in events like the STI Singing Idol competition, Battle of the Bands, Hataw Sayaw Dance competition, and the search for Mr. and Ms. STI.

In SY 2014–15, the event had a delegation of 20,065 students to celebrate the founding anniversary of STI while in SY 2015–16, the attendees slightly increased to 21,177 students. In SY 2016–17, there were 23,308 who witnessed the commemoration of STI's 33rd Anniversary.

Student Leaders' Congress (SLC)

The SLC is a leadership program that nurtures outstanding student leaders from STI campuses nationwide. It aims to hone the leadership skills and potential of students to become catalysts for positive change in their communities. Held at the STI Academic Center Ortigas-Cainta in SY 2015–16, 40 delegates from the STI network of schools participated. In SY 2016–17, the SLC was once again held at STI Academic Center Ortigas-Cainta and the participants slightly increased to 47.

National Basketball Tournament (NBT)

To promote sportsmanship, camaraderie, and team spirit amongst students, STI conceptualized the National Basketball Tournament, a sports program for STI basketball teams nationwide. In SY 2014–15, STI College Global City won the 1st NBT while in SY 2015–16, STI West Negros University grabbed the championship title besting 51 teams. On its third year, 51 schools once again joined the tournament with STI College Santa Rosa declared as champions.

Women's Volleyball Challenge (WVC)

This is a sports program intended for the female students of STI. Aside from developing the physical attributes of the students, the WVC also aims to instill in them the value of discipline and further strengthen their character. In SY 2016–17, 24 schools joined the 1st WVC with STI College Sta. Maria besting all the other teams and recognized as the tournament's champions.

Post-Graduation Report

The STI Alumni Relations, Placement, and Linkages (STI APL) department conducts a survey of the graduating class to track employment rate 12 months after graduation. This is facilitated through each STI School's Alumni and Placement Office. For SY 2016–17, 52% of the surveyed graduates were employed within six months after graduation and 67% were employed after one year.

Interactive Career Assistance and Recruitment System (ICARES)

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

The ICARES is an exclusive job search system for STI graduates that facilitates the easy dissemination of STI's partners for their placement opportunities and provision of candidates (STI graduates) to fill in job openings. Partners for the job placement of STI graduates are enabled to post their job openings and request for lists of graduates through www.i-cares.com or the ICARES at no cost. Registration with ICARES is required for all graduating STI students. In SY 2014-15, 112 partners utilized the ICARES where 85 of its partners were able to post job vacancies on the ICARES website. These numbers increased in SY 2015–16 to 136 partners with 91 partners posting job opportunities on the website. In SY 2016–17, the partner companies went up to 163 with 131 utilizing the ICARES website.

On-the-ground school activities such as job fairs are conducted for recruitment purposes and to provide employment preparation seminars to graduating STI ESG students. 31 institutional partners participated in STI ESG job fairs in SY 2014–15, 34 in SY 2015-16, and 38 in SY 2016–17. Schools nationwide also have local partnerships within their community to provide more avenues available to graduating students.

The STI Distinguished Alumni Awards

SY 2014-15 marks the launch of the STI Distinguished Alumni Awards (STIDAA). STI ESG campuses nationwide nominated alumni who have received distinction and achievement in their chosen field. The winners — Jose Agustinho Salvador, Janice Lagundi, Felix Emradura, Michael Cunanan, and Edward Czar Aquino — were awarded on April 30, 2015 during the Achievers' Night of the 2015 STI Leaders' Convention held at the Boracay Regency Hotel Resort and Spa.

On its second year, another batch of exemplary alumni were recognized on April 28, 2016 at the Hennan Resort Alona Beach, Bohol. These are Raquel Gamboa, Benjamin Carbonell, and Julius Serrano.

On its third year, the STIDAA awarded a new group of alumni who stood out from the other nominees.

Elmar Dalope, Melmar Quejada, Gretchen Abaniel, Reggie Camoñas, Janine Pring, Matio Morales, Mark Ian Ignacio, and Lambert Armada were honored on April 20, 2017 at the Okada Manila.

Institutional Linkages

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

European Innovation, Technology, and Science Center Foundation (EITSC), initiative of the European Chamber of Commerce of the Philippines (ECCP)

EITSC's work immersion program aims to provide training opportunities to students and develop their skills as early as Senior High School in the fields of business, production, and services. Through this partnership, STI ESG's academic curricula will be aligned with the industry requirements to cultivate the student's core competencies.

Global Max's Services Pte. Ltd. (Max's)

STI ESG students will now be better equipped with the knowledge and skills needed in the industry upon graduation through the integration of Max's expertise in the industry with the courseware materials of HRM and HRS Programs, and through supervised training by Max's that will increase the chance of STI ESG students to become members of the organization upon graduation.

Following the partnership, student training is taken to a higher level as Max's online modules will be integrated with STI ESG's curriculum to incorporate industry-based practices. Max's will also provide STI ESG's HRM and HRS students with an OJT program that seeks to train the students in practical procedures and techniques on handling restaurant management operations, customer service orientation, cuisine-menu preparations, and other technical skills.

British Council

Outcome-Based Education (OBE) is essentially designed to focus on what the students should demonstrate and possess as knowledge, skills, and values after the completion of each course. In OBE, students should be able to shape themselves by starting with the desired end in mind and working backwards to innovate the learning activities and methods of assessment.

The British Council and STI ESG agreed to collaborate towards innovative learning by holding a training workshop for STI ESG's Content Developers for both tertiary and Senior High School to equip them with skills in improving STI ESG's OBE and their methods of assessing the students' OBE performance.

National Institute of Accounting Technicians (NIAT)

Through this partnership, STI ESG has earned the recognition of the business and accounting courses under the Bachelor of Science in Accounting Technology (BSAT) program, qualifying STI ESG students for the three-part CAT® licensure examinations without additional training that is required for BSAT graduates of non-recognized schools.

The recognition STI ESG received from NIAT not only acknowledges STI ESG's design of the BSAT program, but also helps propel the success of the accounting technology career of students undergoing the program. Passing each level of the exams confers an honorific that is recognized by the Institute of Certified Bookkeepers of UK, Institute of Certified Management Accountants (ICMA) in Australia, and Association of Accounting Technicians of UK, giving the passers a promising future abroad.

Department of Labor and Employment (DOLE)

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

Solaire Resort and Casino

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

Zuellig Pharma Asia Pacific Ltd. Phils.

Zuellig Pharma Asia Pacific Ltd. operates as a subsidiary of The Zuellig Group, Inc. The collaboration will provide internship opportunities to STI ESG students in any 4-year program from any STI ESG Campus.

The Asia Foundation

STI ESG, led by Atty. Monico V. Jacob, Chief Executive Officer, signed a Memorandum of Agreement (MOA) with Asia Foundation led by its Country Representative Dr. Steven Rood on August 19, 2015. The partnership is another milestone in STI's advocacy to empower the future through educational opportunities for public school teachers, students, and disadvantaged youths. In this collaboration, STI ESG was allocated with 66 US-produced reference books for the school's library. In return, Asia Foundation will match t h i s wi t h another set of reference books for donation to one public high school. STI ESG schools likewise each donated $132 to Asia Foundation to ensure the continuance of this program. Through this partnership, STI ESG was able to donate books to different schools in Metro Manila and South Luzon in SY 2015–16, and to schools in Northern Luzon and Mindanao in SY 2016–17.

Tiger Resort, Leisure & Entertainment, Inc.

Tiger Resort is the newest and largest gaming and entertainment destination in Asia. It is also the company behind Okada Manila, a casino resort and hotel complex located in the fast-rising Entertainment City. STI's partnership with Tiger Resort will open career opportunities for STI graduates as they get access to the resort's job openings while the students will be able to participate in its internship program. Tiger Resort will also review and assist in the curriculum and courseware development of STI’s Hospitality Management programs to ensure that these are up to date with current business practices and industry standards

Scholarships

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

Gift of Knowledge

To provide educational opportunities to deserving individuals who have no means of pursuing postsecondary education, STI ESG, through the STI Foundation for Leadership in Information Technology and Education, Inc. (STI Foundation), strengthens its partnership with various TV programs from different TV networks. There were 59 scholars registered through the TV programs in SY 2014–15, 22 scholars in SY 2015–16, and 53 scholars in SY 2016–17.

Sponsored Scholarship Programs

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

The STI Foundation and its partners were able to support 156 scholars nationwide in SY 2014–15, 169 scholars in SY 2015–16, and 187 scholars in SY 2016–17.

Community Extension and Outreach Programs

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

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

Alternative Learning System (ALS)

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

STI ESG then reached out to out-of-school youth aged 15 and above who still have not finished their secondary education and cannot afford to go through formal schooling. The ALS sessions are conducted every Saturday and employ blended and collaborative modes of instruction (face-to-face instructions), e-learning materials (e-Skwela), and performance-based assessment to prepare and equip the ALS learners with the knowledge required to pass the Accreditation and Equivalency (A&E) Test given by DepEd. In SY 2015–16, out of the 29 ALS Learners who took the A&E test, 12 passed the test and received certificates equivalent to high school diploma. Meanwhile, for SY 2016- 17, there are 169 ALS Learners currently preparing for the A&E test scheduled in October 2017.

The STI Mobile School

The STI Mobile School is a fleet of tourist-sized buses that have been converted into roving computer laboratories. Each bus is equipped with a state-of-the-art computer laboratory with internet access, multimedia computers, LCD monitors, sound system, and other top-of-the-line computer equipment. Since SY 2011–12 until SY 2016–17, the STI Mobile School has travelled to 1,171 sites and trained 164,667 participants nationwide. Today, a total of six mobile school buses travel across Luzon, Visayas, and Mindanao.

Adopt-a-School Program

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

STI Foundation extended assistance to various special community development projects, outreach programs, and humanitarian services in SY 2015–16 to help tackle the needs of the disadvantaged sectors and other organizations.

In support of the DepEd's back-to-school efforts, STI ESG, through its advocacy arm STI Foundation, donated over 1,400 sets of school uniforms to public schools in Mt. Pulag, Bukidnon, and Maguindanao. In addition, assorted books, uniforms, and merchandise items were donated to Department of Social Welfare and Development (DSWD) Region 4-A, Friendship Home Fr. Luis Amigo in Manila, Bantay Batas DASALKA in Antipolo, and Mandaluyong National High School. Moreover, the turnover of donations coincided with DepEd's Brigada Eskwela at Carlos L. Albert High School in Quezon City on May 20, 2015 where STI ESG employees volunteered along with other private partners including Meralco Foundation, Maynilad, and Samsung Foundation.

Lastly, STI Foundation collaborated with Caritas Manila's Segunda Mana Project in the latter's goal of generating in-kind donations such as clothes, toys, shoes, and others to be given away to the recipients of the Caritas Manila.

One Million Lapis Campaign

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

Business of Issuer

STI ESG and its subsidiaries, as educational institutions, derive its main revenues from tuition and other school fees from its owned schools and royalties and other fees for various educational services provided to franchised schools.

STI ESG's college campuses offer associate/baccalaureate degree and technical/vocational programs in ICT, arts and sciences, business and management, education, engineering, hospitality and tourism management, and healthcare. These programs are accredited by CHED and/or TESDA. The education centers of STI ESG offer technical/vocational diploma, certificate, and short-term courses for computer programming, computer technology, software applications, and office administration, among others. The programs in the education centers are accredited by TESDA. All 76 schools in the STI ESG network have also been granted DepEd permit to offer Senior High School.

STI ESG School Programs

BS in Computer Science
BS in Information Technology
BS in Information Technology major in Network Engineering
BS in Information Technology major in Digital Arts
BS in Accounting Technology
BS in Business Management major in Operations
BS in Office Administration
BS in Office Administration with Specialization in Customer Relations
BS in Real Estate Management
BS in Culinary Management
BS in Hotel and Restaurant Management
BS in Travel Management
BS in Tourism Management
BS in Computer Engineering
AB Communication
Bachelor of Secondary Education major in Mathematics
Bachelor of Secondary Education major in Computer Education
Master in Information Technology
3-year Hotel and Restaurant Administration
2-year Information Technology Program
2-year Associate in Computer Technology
2-year Hospitality and Restaurant Services
2-year Tourism and Events Management
2-year Computer and Consumer Electronics Program with Broadband Technology
2-year Multimedia Arts Program
Senior High School

Senior High School Program

In 2014, DepEd granted permit to offer Senior High School to 67 STI ESG schools. In June 2014, 32 STI ESG schools were able to pilot Senior High School with a total of 1,195 students. For SY 2015-16, four more schools started their Senior High School program and the total number of students increased to 1,577. In SY 2016-17, all 76 schools in the STI ESG network have been granted the DepEd permit to offer Senior High School and number of students significantly went up to 37,571.

The SHS tracks offered at STI schools are:

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

2. Technical-Vocational-Livelihood Track
 ICT Strand with specializations in:
o Computer Programming
o Animation
o Illustration
o Broadband Installation
o Computer Hardware Servicing
o Broadband Installation

 Home Economics Strand with specializations in:
o Commercial Cooking
o Cookery
o Bartending
o Food and Beverage Services
o Tour Guiding Services
o Travel Services
o Tourism Promotions Services
o Front Office Services
o Housekeeping

 Industrial Arts Strand with specialization in:
o Consumer Electronics Servicing

Professional Accreditations

International Organization for Standardization 9001:2008 (ISO 9001:2008)

In November 2014, STI ESG was recommended by the ISO certifying body TÜV Rheinland Philippines Inc. for ISO 9001:2008 certification. On February 5, 2015, STI ESG received the official ISO9001:2008 Certification for its Learning Delivery System. The ISO 9001:2008 certification is a milestone for the institution’s thrust towards academic excellence by reaching global standards in its learning delivery system.

Employees
STI ESG has 2,223 employees, 1,535 of whom are faculty members, 465 non-teaching personnel, and 223 employees from the main office. STI ESG provides employees with development programs that assist them in effectively carrying out their jobs and prepare them for career advancement.

	Function	Number of Employees
Main Office	Senior Management Managers Staff	13 63 147
	Sub-Total	**223**
STI Schools	Teaching personnel (wholly-owned schools) Non-teaching personnel (wholly—owned schools)	1,535 465
	Sub-Total	**2,000**
	TOTAL	**2,223**

Market for Company's Common Equity and Related Stockholder Matters

(1) Market Information

The Company has a total Authorized Capital Stock (ACS) of Five Billion Pesos (PhP5,000,000,000.00) divided into five billion (5,000,000,000) shares with a par value of One Peso (PhP1.00) each. Out of the ACS, three billion eighty-one million eight hundred seventy-one thousand eight hundred fifty-nine (3,081,871,859) shares have been subscribed and paid-up. The common shares of the Company are not traded in any market, nor are they subject to outstanding warrants to purchase, or securities convertible into common shares of the Company.

(2) Holders

Foreign ownership limit for STI ESG is forty percent (40%) of the issued and outstanding common shares, equivalent to 1,232,748,744 common shares. Total shares owned by foreign shareholders as of 31 July 2017 was 7,841,118, equivalent to 0.25% of the outstanding common shares of the Company.

As of 31 July 2017, there were fifty six (56) shareholders of the Company's outstanding capital stock. The Company has common shares only.

The following table sets forth the top 20 shareholders of the Company's common stock, the number of shares held, and the percentage of total shares outstanding held by each as of 31 July 2017:

NAME OF STOCKHOLDER	NUMBER OF SHARES	PERCENTAGE OF OWNERSHIP
STI EDUCATION SYSTEMS HOLDINGS, INC.	3,040,623,037	98.66%
PRUDENT RESOURCES, INC.	13,076,321	0.42%
GONZALES, FRANSCISCO B. JR.	8,873,692	0.29%
ROSSI, PURIFICACION G.	7,841,118	0.25%
PRUDENCIO, TOMAS J.	3,732,400	0.12%
SANTOS, MARIA LOURDES	1,725,000	0.06%
YOUNG, CAROLINA	1,651,828	0.05%
RAMOS, DULCE	1,155,447	0.04%
BUSTOS, FELIXBERTO	792,283	0.03%
JAYME, CESAR M, JR.	305,954	0.01%
DOMINGO, EMERITA R.	303,466	0.01%
VALERIO, MIKEL MS	241,279	0.01%
ZARASPE, ANACLETA	214,038	0.01%
MONES, REYNALDO A.	201,901	0.01%
HEIRS OF EDGAR SARTE	148,622	0.00%
RELLEVE, ALVIN K.	137,338	0.00%
PUBLICO, EDGARDO	122,080	0.00%
DUJUA, JOCELYN	115,532	0.00%
GARCIA, NOEL B.	83,190	0.00%
MADRIGAL, VICTORIA P.	63,384	0.00%

(3) Dividend Policy

The Company's Board is authorized to declare dividends. A cash dividend declaration does not require any further approval from the Company's shareholders. A stock dividend declaration requires the further approval of shareholders representing not less than two-thirds of the Company's outstanding capital stock.

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

Dividend History:

Declaration Date	Dividends per Share	Amount
20 September 2016	PhP0.27	PhP832.1 Million
9 September 2016	PhP0.08	PhP246.5 Million
4 September 2015	PhP0.08	PhP250.0 Million
4 September 2014	PhP0.08	PhP250.0 Million

On 4 September 2014, STI ESG's Board approved the cash dividend declaration amounting to PhP250.0 million, or PhP0.08 per share, in favor of the stockholders of record as at 31 August 2014. Such dividends were paid on 22 September 2014.

On 4 September 2015, STI ESG's Board approved the cash dividends declaration amounting to PhP250.0 million, or PhP0.08 per share, in favor of the stockholders of record as at 31 August 2015. Such dividends were paid on 16 September 2015.

On 9 September 2016, STI ESG's Board approved the cash dividends declaration amounting to PhP246.5 million, or PhP.08 per share, in favor of the stockholders of record as at 9 September 2016. Such dividends were paid on 15 September 2016. On 20 September 2016, STI ESG's Board also approved the cash dividends declaration amounting to PhP832.1 million, or PhP0.27 per share, in favor of stockholders of record as at 20 September 2016. The Company paid PhP431.5 million and PhP400.6 million dividends to its stockholders on 23 September 2016 and 3 November 2016, respectively.

(4) Recent Sales of Unregistered or Exempt Securities

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

Management's Discussion and Analysis of Financial Conditions and Results of Operations

This discussion summarizes the significant factors affecting the financial condition and operating results of STI ESG, the parent company, and its subsidiaries (hereafter collectively referred to as the "Group") for the fiscal years ended March 31, 2017 and 2016. The following discussion should be read in conjunction with the attached audited consolidated financial statements of the Group as of and for the year ended March 31, 2017 and for all the other periods presented.

Financial Condition

March 31, 2017 vs. 2016

The Group's total assets as at March 31, 2017 increased by ₱2,805.8 million to ₱11,316.0 million from last year's ₱8,510.2 million. This is mainly due to the increase in cash and cash equivalent by ₱2,338.1 million from the ₱3 Billion Fixed rate bond issuance which was partially offset by the loan payments for the period. Property and equipment likewise increased with the acquisition of EDSA, Pasay City properties, which will be the site of STI Academic Center Pasay-EDSA.

Cash and cash equivalents stood at ₱2,880.3 million as at March 31, 2017 or 431% higher than last year's ₱542.2 million. The increase was contributed largely by the proceeds from the retail bond offering in March 2017 and partly by cash generated from operations.

Receivables, which consist mainly of receivables from students, increased by P96.8 million or 38%. The balance is composed mostly of amounts expected to be collected as payment for tuition and other school fees from students and from DepEd. The increase is largely attributed to receivables from DepEd amounting to ₱50.0 million as at March 31, 2017, of which ₱38.9 million have been collected as of report date. Students who qualified for the DepEd Voucher Program are entitled to the government subsidy in amounts ranging from ₱8,750 to ₱22,500 per student per year. Under the Voucher Program, DepEd pays directly the schools where these students enrolled.

Inventories increased by 223% or ₱80.8 million as the schools increased their stock of uniforms and textbooks for Senior High School (SHS) students in preparation for the enrollment in the coming school year (SY).

Prepaid expenses increased by ₱23.0 million or 26% net of the input VAT which were applied to pay for the output VAT, substantially on the rent collected during the year. This is mainly due to the input value-added tax (VAT) recognized from the acquisition of EDSA, Pasay City properties, which will be the site of STI Academic Center Pasay-EDSA.

Property and equipment rose by ₱620.0 million, net of depreciation expense for the period amounting to ₱281.5 million, with the acquisition of EDSA, Pasay City properties for ₱552.4 million. This is also partly attributed to the related costs of construction of the school building, purchases of furniture, fixture and equipment for STI College Las Piñas which was completed in July 2016.

Investment properties declined by ₱28.6 million representing depreciation expense recognized for the period.

Investments in and advances to associates and joint ventures decreased by 18% as an associate registered declines in profit and in the market value of its investment in equities. The increase in the market value of the service assets of an associate softened the decline in profit. Inter-company receivables are generally settled in cash.

Deferred tax assets (DTA) decreased by ₱7.3 million primarily because of the effect of derecognition of a subsidiary, iACADEMY, which was acquired by STI Education Holdings, Inc. (STI Holdings), STI ESG's Parent Company, in September 2016 and because of the deferred tax liability (DTL) on the Re-measurement gains recognized as period adjustments based on the valuation report prepared by an independent actuary. The DTA was presented net of the DTL.

Pension assets amounting to ₱2.8 million is recognized resulting from re-measurement gains from improved valuation of the equity shares in the plan assets for the period.

Goodwill, intangible and other noncurrent assets slightly increased by ₱20.6 million or 6%.

Accounts payable and other current liabilities is slightly lower by 2% versus same period last year.

STI ESG availed of short term loans during the year amounting to ₱1,793.0 million with interest rates ranging from 3.25%-3.75%. Total payments within the year amount to ₱1,248.0 million leaving a short-term loan balance of ₱545.0 million as at March 31, 2017. The loan proceeds were used to finance the acquisition of the three parcels of land in EDSA, Pasay City and for working capital requirements.

Current and non-current portions of interest-bearing loans and borrowings declined by ₱60.0 million and ₱40.8 million, respectively, as principal payments were made during the period.

Payments were also made for finance lease obligations, bringing down the balance payable by ₱0.82 million and ₱0.84 million for current and non-current portions, respectively.

Unearned tuition and other school fees decreased by ₱23.6 million from ₱53.2 million as at March 31, 2016 to ₱29.6 million as at March 31, 2017. Previous year balance is higher because it includes the advance payments received by iACADEMY.

STI ESG listed its ₱3 Billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the PDEx secondary market on March 23, 2017. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7- year and 10-year tenors, respectively. Interest payments are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on a non-banking day, of each year commencing on June 23, 2017, until and including the relevant maturity dates. The Bonds Payable is carried in the books at ₱2,947 million, net of deferred finance charges, representing the bond issue costs with carrying value of ₱53.0 million as at March 31, 2017.
Other noncurrent liabilities increased by ₱84.8 million as advanced rent and rental deposits were received by STI ESG on its investment properties. In addition, accounts payable to STI Diamond with present value of ₱57.1 million, net of current portion of ₱3.7 million, was recognized in conveyance of its net assets to STI Novaliches in August 2016.

Income tax payable rose by ₱3.7 million reflecting the increase in the Group's taxable income.

Pension liabilities decreased by 84% to ₱6.1 million as of March 31, 2017 due to impact of re-measurement unrealized gains recognized based on actuarial reports

Unrealized mark-to-market loss on the Group's available-for-sale financial assets improved with the recognition of ₱0.8 million unrealized mark to market gain for the year substantially due to the higher market value of the Manulife shares held by STI ESG. On the other hand, the Group's share in associates' unrealized mark-to-market loss on available-for-sale financial assets is ₱49.4 million as at March 31, 2017 from an unrealized mark to market gain of ₱122.6 million of the same period last year, as the market values of certain equity shares declined as of the financial statements reporting date.

The equity conversion of STI ESG's advances of ₱49.0 million to STI Taft, which resulted in the dilution of non-controlling interests, gave rise to additional ₱11.3 million on the equity reserve account. Further, an additional ₱10.8 million was charged to the other equity reserve account as a result of the sale of iACADEMY to STI Holdings.

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

As at March 31, 2017, the Group's Cumulative actuarial gain increased by ₱28.0 million due to the impact of re-measurement unrealized gains recognized from improved market value of the investment in equity securities of the pension plan assets. Similarly, the Group's share in associates' Cumulative actuarial gain as at March 31, 2017 is ₱0.7 million from a share in associates' Cumulative actuarial loss of ₱18.2 million as at March 31, 2016, resulting from re-measurement unrealized gains recognized based on associates' actuarial reports for the year.

Retained earnings decreased by 13% or ₱477.1 million after declaration and payment of the dividends, net of the income earned for the period.

March 31, 2016 vs. 2015

STI ESG's total assets as at March 31, 2016 slightly decreased by ₱215.4 million to ₱8,510.2 million from ₱8,725.6 million as at March 31, 2015. This was mainly due to the effect of the decrease in Investment in associates and joint ventures amounting to ₱188.6 million and the reduction in Cash balance of ₱87.5million.

Cash and cash equivalents decreased by 14% from ₱629.7 million to ₱542.2 million as at March 31, 2016 and March 31, 2015, respectively, substantially due to the payment of the Current portion of long term loans amounting to ₱216.0 million and dividends paid by STI ESG in September 2015 amounting to ₱250.0 million.

Receivables, which consist mainly of receivables from students, increased by ₱18.5 million or 8%. This was lower than the 19% increase in revenues from tuition and other school fees indicating improvement in collection from students.

Inventories increased by 15% or ₱4.8 million as the schools increased their stock of uniforms in preparation for the enrollment in the coming SY 2015-2016. Procurement of marketing, educational and proware materials were also ramped up primarily for STI ESG's SHS program.

Prepaid expenses decreased slightly by 2% mainly due to decrease in input value-added tax (VAT), as the input VAT related to the acquisition of condominium units by STI ESG in exchange for its land was applied to pay for the output VAT on the rent collected during the year 2015-2016 for the lease of the said condominium units.

Property and equipment rose by ₱14.0 million net of depreciation expense for the period amounting to ₱286.6 million, as construction of the school building in STI College Las Piñas reached the half-way mark and construction activities in other campuses were completed. The additional classrooms in STI College Novaliches, STI College Caloocan and STI College Ortigas-Cainta were completed, as well as the gymnasium and warehouse in STI College Ortigas-Cainta. School equipment and furniture were also acquired for said schools.

Investment properties slightly decreased by 3% mainly due to depreciation.

Investments in and advances to associates and joint ventures decreased by 9% as an associate registered declines in the market value of its investment in equities. Inter-company receivables are generally settled in cash.

Deferred tax assets increased by ₱7.6 million mainly due to taxes paid on tuition and other school fees and rental income collected in advance. Following statutory regulations, income received or collected in advance are taxable in the same year said income was actually received. Unearned revenues include payments received from SHS students who registered for the SY 2016-2017.

Goodwill, intangible and other noncurrent assets rose by ₱40.1 million or 13% mainly due to the down payment made to a contractor for the STI Las Piñas campus construction project.

Accounts payable and other current liabilities declined by 33% or ₱191.5 million substantially due to payment to suppliers for completed expansion projects. Inter-company payables are generally settled in cash.

Current and non-current portions of interest-bearing loans and borrowings declined by ₱115.2 million and ₱100.8 million, respectively, as principal payments were made during the period.

Payments were also made for finance lease obligations, bringing down the payable balance by ₱1.8 million and ₱3.3 million for current and non-current portions, respectively.

Unearned tuition and other school fees increased by ₱32.6 million from ₱20.6 million as at March 31, 2015 to ₱53.2 million as at March 31, 2016. The increase is substantially due to the registration fees received from SHS students for SY 2016-2017.

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

Income tax payable rose by ₱7.5 million reflecting the increase in STI ESG's taxable income.

Pension liabilities increased by 39% to ₱38.1 million as of March 31, 2016 due to recognition of additional retirement obligations.

Unrealized mark-to-market losses on available-for-sale financial assets increased from ₱0.5 million as at March 31, 2015 to ₱0.9 million as at March 31, 2016, as market values of shares held declined.

STI ESG's share in its associates' unrealized mark-to-market gains on available-for-sale financial assets decreased by 71% as the market values of certain equity shares declined as at March 31, 2016.

Cumulative actuarial gain decreased by ₱6.3 million as adjustments were made on actuarial valuations based on experience.

Retained earnings increased by 14% or ₱421.0 million as a result of this year's net income earned less dividends declared.

Results of Operations

Years ended March 31, 2017 vs. 2016

STI ESG's gross revenues expanded further by 11% to ₱2,603.2 million in 2017. This was primarily driven by the remarkable increase in the total number of students of the Group, with the entry of SHS from 77,645 last year to 96,279 students this year or an increase of 24%.

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

	SY2016-2017	SY2015-2016	Increase(Decrease)	
STI Network			Enrollees	Percentage
Owned Schools	52,687	42,878	9,809	23%
Franchised Schools	43,592	34,767	8,825	25%
Total Enrollees	**96,279**	**77,645**	**18,634**	**24%**

Grouping the students in terms of government regulatory agencies supervising the programs, wherein CHED pertains to students enrolled in tertiary and post-graduate programs, TESDA students are those enrolled in technical-vocational programs while DepEd pertains to SHS, following are the numbers:

	SY2016-2017	%	SY2015-2016	%
CHED	53,016	55%	66,445	86%
TESDA	5,692	6%	9,623	12%
DEPED	37,571	39%	1,577	2%
Total	**96,279**	**100%**	**77,645**	**100%**

Tuition and other school fees increased by ₱163.5 million or 8%. While there was a remarkable increase in the total number of students of the Group, the related increase in revenues is lower. The revenue per student from a CHED enrollee is higher than the revenue per student from a DepEd enrollee. With the start of the K to 12 program for Grade 11 students, the number of CHED freshmen enrollees of the Group declined. This was outweighed by the significant increase in SHS enrollees, which brought an increase in the entire student population by 18,634.

Revenues from educational services and royalty fees increased by ₱14.9 million and by ₱3.2 million, respectively, mainly due to the increased collections of the franchised schools. Revenues from educational services are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students.

Sale of educational materials and supplies increased by more than double, largely due to increased sale of SHS uniforms and textbooks.

Other income decreased by 21% or ₱5.2 million substantially due to the ₱3.7 million receivables which were already written off and were subsequently collected by iACADEMY last year.

Cost of educational services slightly increased by 5% or ₱30.3 million from ₱654.8 million last year to ₱685.1 million mainly due to higher expenses directly associated with the increased number of students.

Cost of educational materials and supplies sold increased by ₱63.9 million concomitant with the increase in sale of uniforms and textbooks.

The Group posted lower General and administrative expenses from ₱977.4 million last year to ₱928.6 million this year. The highest decline was registered by advertising and promotions costs at ₱47.7 million decrease year-on-year. Most of the marketing activities for SHS were done in the months of October to November 2015 during the DepEd-mandated early registration period for SHS, unlike previously when such marketing costs were incurred April-May for tertiary.

Rental income increased by ₱39.2 million or 63% due to the substantial occupancy of the investment properties owned by STI ESG.

Equity in net earnings of associates and joint ventures decreased by ₱212.8 million because of lower profits posted by an associate and the recognition of the impairment of certain investments in equities of an associate.

Interest expenses increased by ₱15.3 million due to short-term borrowings incurred for the acquisition of the EDSA, Pasay City properties and other short term loans availed for general corporate requirements.

STI Diamond and STI Novaliches executed in August 2016, a deed of assignment transferring the net assets of the former to the latter for a transfer price of ₱75.65 million payable in five (5) years. As a result, the management contract between STI ESG and STI Diamond was terminated and residual interest has been transferred. With this, STI Diamond was derecognized as a subsidiary of STI ESG for an amount equal to the present value of the related transfer price of ₱60.8 million.

Interest income slightly decreased by ₱1.8 million while dividend income slightly increased by ₱0.4 million.

Provision for income tax increased by ₱26.6 million as a result of the increase in taxable income from last year's level.

Fair values of the Group's investment in available-for-sale financial assets increased by ₱1.2 million from unrealized loss of ₱0.3 million last year to unrealized gain of ₱0.85 million this year due to favorable market conditions.

The Group on the other hand recognized its' share in associates' unrealized mark-to-market loss on available-for-sale financial assets of ₱171.9 million, lower by ₱130.2 million from last year's ₱302.1 million, as an associate recognized lower fair value losses on its investment in equities.

The Group's share in associates' re-measurement gain (loss) on pension liability improved by ₱18.4 million from ₱0.6 million last year to ₱19.0 million as an associate posted positive actuarial adjustments.

Similarly, the Group reported a re-measurement gain on pension liability of ₱28.0 million as at March 31, 2017 compared to re-measurement loss of ₱6.3 million in 2016, both figures net of income tax effect, largely due to the higher market value of the investment in equity securities of the pension plan assets.

Total comprehensive income rose to ₱478.7 million from last year's comprehensive income of ₱365.0 million due to the higher profits posted by STI ESG, the increase in market value of equities held by an associate compared with the same period last year and the re-measurement gain recognized attributable to higher market value of the investment in equity securities of the pension plan assets.

Earnings before interest, taxes, depreciation and amortization or EBITDA, computed as net income excluding provision for income tax, depreciation and amortization, effect of derecognition of a subsidiary, equity in net earnings (losses) of associates and joint ventures, interest expense, and interest income, increased by ₱246.7 million to ₱1,298.3 million from last year's ₱1,051.6 million or 23%. EBITDA margin likewise improved from 45% last year to 50% this year.

Years ended March 31, 2016 vs. 2015

The continuous increase in number of enrollees in STI ESG owned and franchised schools propelled revenue growth by 17% or ₱350.0 million, reaching ₱2,350.5 million in total revenues this year.

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

	SY2016-2017	SY2015-2016	Increase(Decrease)	
STI Network			Enrollees	Percentage
Owned Schools	42,878	39,404	3,474	9%
Franchised Schools	34,767	33,212	1,555	5%
Total Enrollees	**77,645**	**72,616**	**5,029**	**7%**

Tuition and other school fees increased by ₱328.5 million or 19% from SY 2014-2015's ₱1,726.5 million to ₱2,055.0 million for SY 2015-2016, due to the increase in the student enrollment by 7% or 5,029 enrollees and the average increase of 5% in tuition fees implemented by most schools . In addition, STI ESG's enrollment mix was more favorable in SY 2015-2016 than in SY 2014-2015, as enrollment leaned more towards STI network's CHED four-year programs than the two-year programs. Proportion of CHED:TESDA:DepEd students are 86:12:02 for SY 2015-2016 as against 82:16:02 for SY 2014-2015. The four-year CHED programs charge higher tuition and bring in more revenue per student.

Revenues from educational services and royalty fees increased by ₱4.9 million and by ₱0.5 million, respectively, mainly due to the increased collections of the franchised schools. Revenues from educational services are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students.

Sale of educational materials and supplies increased by 21% largely due to increased sale of uniforms.

Other revenues increased by 19% or P3.9 million largely due to the increase in number of students.
Cost of educational services increased by 13% or ₱76.9 million from ₱577.9 million last year to ₱654.8 million this year mostly due to the 21% or ₱28.2 million increase in depreciation expenses charged to direct cost. Faculty salaries and benefits increased by 12% largely due to the hiring of additional faculty members to handle the increased enrollment and the acquisition of the 5 schools from franchisees in October 2014.

Cost of educational materials and supplies sold increased by ₱10.8 million concomitant with the increase in sales.

General and administrative expenses rose by ₱67.6 million or 7% from ₱909.8 million last year to ₱977.4 million this year. Of the increase, ₱23.3 million was due to the increased depreciation charges substantially due to the depreciation expense recognized for the 4 floors of condominium units which were acquired by STI ESG in March 2015 in exchange for its land. The cost of advertising and promotions rose by ₱27.5 million as STI ESG stepped up its marketing campaign for both Tertiary and SHS programs.

Professional fees rose by ₱8.4 million substantially due to legal fees related to the acquisition of various schools. Salaries and employee benefits also increased by ₱12.0 million due to the addition of employees from the newly acquired schools in October 2014 and the filling up of plantilla positions.

Rental income increased by twice as much as the previous year or ₱32.0 million or as revenues from lease of condominium units owned by STI ESG were recognized as at March 31, 2016.

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

Equity in net earnings of associates and joint ventures decreased by 49% or ₱50.9 million as some associates generated lower profits as at March 31, 2016.

STI ESG recorded a net gain of ₱0.3 million from the disposal of transportation equipment last year.

Interest income continued to decline from P6.8 million in 2014 to ₱5.0 million in 2015 to ₱4.7 million in 2016 as bank interest rates on short-term placements remained low and cash balances were used to fully pay construction costs and other related capital expenditures.

On the other hand, interest expenses increased by ₱28.9 million due to the interest charges on the long term loans from China Bank which are now charged to operations with the completion of the projects funded by the principal amounts of the loans.

Provision for income tax rose by ₱4.0 million due to corresponding increase in taxable income.

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

Fair values of STI ESG’s investment in available-for-sale financial assets likewise declined, thus, from unrealized gain of ₱0.6 million, an unrealized loss of ₱0.3 million was shown in the report as at March 31, 2016.

STI ESG’s share in associates’ re-measurement gain (loss) on pension liability improved by ₱4.2 million from a loss of ₱3.6 million in March 2015 to a gain of ₱0.6 million, as at March 31, 2016, as several associates posted positive actuarial adjustments.

Meanwhile, STI ESG incurred re-measurement loss on pension liability of ₱7.0 million this year largely due to the decline in market value of the investment in equity securities of the pension plan assets.

Total comprehensive income decreased by ₱325.7 million due to unfavorable market conditions in the equities market which resulted in substantial unrealized mark-to-market losses as at March 31, 2016 as compared to same period in 2015.

Earnings before interest, taxes, depreciation and amortization or EBITDA, computed as net income excluding provision for income tax, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures, interest expense, interest income, gain on exchange of land and excess of fair value of net assets over acquisition cost from a business combination, increased by ₱280.1 million in March 2016 to ₱1,051.6 million from ₱771.5 million or 36%. EBITDA margin likewise improved from 39% to 45% as at March 31, 2015 and 2016, respectively.

Financial Highlights and Key Performance Indicators				
	March		**Increase (Decrease)**	
(in millions except margins, financial ratios and earnings per share)	**2017**	**2016**	**Amount**	**%**
Condensed Statements of Financial Position				
Total assets	11,316.0	8,510.2	2,805.8	33.0
Current assets	3,458.8	920.1	2,538.7	275.9
Cash and cash equivalents	2,880.3	542.2	2,338.1	431.2
Equity attributable to equity holders of the parent	6,483.6	7,106.2	(622.6)	(8.8)
Total liabilities	4,824.0	1,408.2	3,415.8	242.6
Current liabilities	1,013.8	556.2	457.6	82.3
Financial ratios				
Debt to equity ratio (1)	0.74	0.19	0.55	289.5
Current ratio (2)	3.41	1.65	1.76	106.7
Asset to equity ratio (3)	1.74	1.20	0.54	45.0
	March		**Increase (Decrease)**	
	2017	**2016**	**Amount**	**%**
Condensed Statements of Income				
Revenues	2,603.2	2,350.5	252.7	10.8
Direct costs (4)	800.5	706.3	94.2	13.3
Gross profit	1,802.7	1,644.2	158.5	9.6
Operating profit	874.1	666.8	207.3	31.1
Other income (expenses) - net	(177.8)	73.3	(251.1)	(342.6)
Income before income tax	696.3	740.2	(43.9)	(5.9)
Net income	602.8	673.3	(70.5)	(10.5)
EBITDA (5)	1,298.3	1,051.6	246.7	23.5
Net income attributable to equity holders of the parent company	601.5	671.0	(69.5)	(10.4)
Earnings per share (6)	0.20	0.22	(0.02)	(9.1)
Condensed Statements of Cash Flows				
Net cash from operating activities	1,039.3	812.4	226.9	27.9
Net cash used in investing activities	(1,246.9)	(372.8)	(874.1)	234.5
Net cash provided by (used in) financing	2,545.7	(527.1)	3,072.8	(583.0)

Financial Soundness Indicators				
	March		Increase (Decrease)	
	2017	2016	Amount	%
Liquidity Ratios				
Current ratio [2]	3.41	1.65	1.8	109.1
Quick ratio [7]	3.19	1.43	1.8	125.9
Cash ratio [8]	2.84	0.97	1.9	195.9
Solvency ratios				
Debt to equity ratio [1]	0.74	0.19	0.6	315.8
Asset to equity ratio [3]	1.74	1.20	0.5	41.7
Interest coverage ratio [9]	11.59	15.67	(4.1)	(26.2)
Debt service coverage ratio [10]	1.57	7.07	(5.5)	(77.8)
Profitability ratios				
EBITDA margin [11]	50%	45%	0.05	11.1
Gross profit margin [12]	69%	70%	(0.01)	(1.4)
Operating profit margin [13]	34%	28%	0.06	21.4
Net profit margin [14]	23%	29%	(0.06)	(20.7)
Return on equity[15]	9%	10%	(0.01)	(10.0)
Return on assets [16]	6%	8%	(0.02)	(25.0)

(1) Debt to equity ratio is measured as total liabilities excluding unearned tuition and other school fees divided by total equity

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

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

(4) Direct costs is calculated by adding the costs of educational services and educational materials and supplies sold.

(5) EBITDA is Net income excluding provision for income tax, interest expense, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures, interest income, effect of derecognition of a subsidiary, gain on exchange of land, excess of fair values of net assets acquired over acquisition cost, and excess of consideration received from collection of receivables.

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

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

(8) Cash ratio is measured as cash and cash equivalents divided by current liabilities.

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

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

(11) EBITDA margin is measured as EBITDA divided by total revenues.

(12) Gross profit margin is measured as gross profit divided by total revenues.

(13) Operating profit margin is measured as operating profit divided by total revenues.

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

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

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

Financial Risk Disclosure

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

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

As at March 31, 2017 and March 31, 2016, the Group's debt service coverage ratio is 11.57:1.00 and 7.07:1.00, respectively.

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

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

Interest rate risk - Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. While the Group's long term debt has a floating interest rate, the Group elected to have the interest rate repriced every year, thus minimizing the exposure to market changes in interest rates.

Capital Risk- The Group's objectives when managing capital are to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital using the debt-to-equity ratio, which is computed as the total of current and noncurrent liabilities, net of unearned tuition and other school fees, divided by total equity. The Group monitors its debt-to-equity ratio to keep it at a level acceptable to the companies in the Group and the lender bank. The Group's policy is to keep the debt-to-equity ratio at a level not exceeding 1.5:1.00.

As at 31 March 2017 and 31 March 2016, the Group's debt-to-equity ratio is 0.74:1.00 and 0.19:1.00, respectively.

Agreements/Commitments and Contingencies/Other Matters

a. There are no changes in accounting estimates used in the preparation of the audited consolidated financial statements for the current and prior financial periods.

b. On 3 June 2013, STI ESG executed a deed of pledge on all of its shares in De Los Santos Medical Center (formerly De Los Santos General Hospital) in favor of Neptune Stroika

Holdings, Inc., a wholly-owned subsidiary of Metro Pacific Investments Corporation (MPIC), to cover the indemnity obligations of STI ESG enumerated in its investment agreement entered into in 2013 with MPIC. The carrying value of the investment in De Los Medical Center amounted to ₽25.9 million as at 31 March 2017 and 2016.

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

d. There are no known trends, demands, commitments, events of uncertainties that will have an impact on STI ESG's liquidity except for the contingencies and commitments enumerated in Note 31 of Notes to Consolidated Financial Statements attached as Annex "A".

e. The various loan agreements entered into by STI ESG and the issuance of fixed rate bonds provide certain restrictions and conditions with respect to, among others, change in majority ownership and management and maintenance of financial ratios. STI ESG is fully compliant with all the covenants of the loan agreements. Please see Notes 15, 17 and 32 of the Notes to Consolidated Financial Statements of the Company attached as Annex "A".

f. The education landscape in the Philippines has changed with the introduction of the K to 12 program which in summary adds two (2) years prior to tertiary education. For the schools in the Philippines that offer tertiary education, similar to STI ESG this will mean two (2) academic years with significantly reduced and minimal incoming college freshmen students.

   This threat has been constructively converted into an opportunity by the Group. All 76 schools of STI ESG have been granted permits to offer SHS. Management is confident that all schools in the network are adequately prepared and ready to meet the challenges of the K to 12 program.

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

h. The Group's business is linked to the academic cycle. The academic cycle which is one academic year starts in the month of June and ends in the month of March, except for iACADEMY where the academic year starts in July for the tertiary level and August for the SHS and with both levels ending in June of each year. The core business and revenues of the Group, which are mainly from tuition and other school fees, are recognized as income over the corresponding academic year to which they pertain.

i. On 18 May 2016, STI ESG entered into a Memorandum of Agreement to acquire for ₽20.0 million the net assets of an STI franchised school located in Santa Maria, Bulacan. On 31 May 2016, STI ESG made an initial deposit of ₽10.0 million for the planned acquisition. On 8 February 2017, STI ESG made an additional deposit of ₽8.0 million.

   On 4 April 2017, STI ESG established STI College of Santa Maria, Inc. ("STI Sta. Maria"). On 23 May 2017, STI Sta. Maria entered into a Deed of Assignment with Halili Reyes Educational Institution, Inc. ("HREI") where HREI assigned, transferred and conveyed in a manner absolute and irrevocable, and free and clear of all liens and encumbrances, to STI Sta. Maria all its rights, title and interest in its assets and liabilities for a price of ₽20.0 million. The assignment of the net assets shall retroact to 1 April 2017. On the same date, STI Sta. Maria paid the remaining balance of ₽2.0 million (see Note 36).

j. On 16 August 2016, STI Diamond entered into a Deed of Assignment with STI Novaliches whereby STI Diamond assigns, transfer and conveys in a manner absolute and irrevocable, and free and clear of all liens and encumbrances, unto STI Novaliches all its rights, title and interest in its assets and liabilities for a consideration of ₱75.7 million, payable in five years. Consequently, the management contract between STI ESG and STI Diamond was terminated and as a result, the latter was derecognized as a subsidiary of STI ESG (see Note 18).

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

   On 5 July 2017, STI ESG executed a Deed of Absolute Sale with Abacus Global Technovisions, Inc. for the purchase of a parcel of land with an area of 2,873 square meters situated at Poblacion, City of Lipa, Province of Batangas for a total consideration of ₱86.2 million. On the same date, STI ESG executed Deeds of Absolute Sale with Asean Commodity Enterprises for the purchase of two parcels of lot aggregating to 349 square meters at Poblacion, City of Lipa, Province of Batangas for a total consideration of ₱10.5 million. This will be the site of the new STI Academic Center Lipa (see Notes 14 and 36).

l. On 23 March 2017, STI ESG listed its ₱3 Billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the PDEx secondary market. The ₱3.0 billion bond issue is the first tranche of STI ESG's ₱5.0 billion fixed rate bonds program under its 3-year shelf registration with the SEC. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interest payments are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on a non-banking day, of each year commencing on 23 June 2017, until and including the relevant Maturity dates (see Note 17).

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

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

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

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

   On 21 June 2017, in separate meetings, the stockholders and the Board of Directors (BOD) of STI Tanauan approved the increase in its authorized capital stock from ₱1.0 million divided into 10,000 shares with a par value of ₱100 to ₱75.0 million divided into 750,000 shares with a par value of ₱100. The increase will be funded through the declaration of stock dividends and cash subscriptions by the shareholders. In the same meeting, the stockholders and the BOD approved the declaration of 150,000 shares as stock dividends with an aggregate par value of ₱15.0 million to be distributed to stockholders of record as of March 31, 2017 based on the unrestricted retained earnings of STI Tanauan as shown in its audited financial statements as of March 31, 2017 (see Note 36).

SEC FORM 17-A

A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A WILL BE PROVIDED, WITHOUT ANY CHARGE, TO ANY STOCKHOLDER OF THE COMPANY UPON WRITTEN REQUEST ADDRESSED TO: ATTY. ARSENIO C. CABRERA, JR., CORPORATE SECRETARY, 5th FLOOR SGV II BUILDING, 6758 AYALA AVENUE, MAKATI CITY, METRO MANILA, PHILIPPINES 1229.

SIGNATURE

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

STI EDUCATION SERVICES GROUP, INC.
Issuer

ARSENIO C. CABRERA, JR.
Corporate Secretary

Date: 10 August 2017

www.sti.edu

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **STI Education Services Group, Inc.** and its subsidiaries (collectively referred to as "the Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended March 31, 2017 and 2016 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

JESLI A. LAPUS	**MONICO V. JACOB**	**YOLANDA M. BAUTISTA**
Chairman of the Board	*Vice Chairman and CEO*	*Chief Finance Officer*

Subscribed and Sworn to before me this JUL 1 2 2017, 2017 affiant(s) exhibiting to me their SSS ID/Passport, as follows:

Mr. Jesli A. Lapus	Passport No. EB9885998	26 Dec 2013, DFA Manila
Mr. Monico V. Jacob	Passport No. EC7728486	17May 2016 DFA NCR East
Ms. Yolanda M. Bautista	SSS No. 03-2678038-9	

ATTY. ROGELIO J. BOLIVAR
NOTARY PUBLIC IN QUEZON CITY
Adm. Not. Com. No. NP-060 1-12-17 until 12-31-2018
IBP O.R. No. 1038374 Jan. 2017 up to Dec. 2018
PTR O.R. No. 3881680 C 01-12-17
Roll No. 33862 / TIN #128-871-009
MCLE No. V-0019296 valid from 04/15/2016 until 04/14/2019 PASIG CITY
Address: 31-F Harvard St. Cubao, Q.C.

Doc. No. 371
Page No. 76
Book No. XVII
Series of 2017

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	1	1	3	1	5	6

COMPANY NAME

STI EDUCATION SERVICES GROUP, INC. (A Private Educational Institution) and SUBSIDIARIES

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

STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
–	(632) 812-1784	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
56	1st Thursday of September	March 31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

5/F, SGV II Building, 6758 Ayala Avenue, Makati City

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

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
STI Education Services Group, Inc.

Opinion

We have audited the consolidated financial statements of STI Education Services Group, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at March 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended March 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended March 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounting for Investment in an Associate

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

The disclosures on the Group's associates are included in Note 11 to the consolidated financial statements.

Audit response

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

Recoverability of Goodwill

Under PFRS, the Group is required to perform an impairment test on goodwill annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. As at March 31, 2017, the Group has goodwill attributable to each of the Group's cash-generating units that are expected to benefit from the business combination (i.e., each school operation) amounting to ₱223.8 million. The Group's recoverability test of goodwill is significant to our audit because the amount of goodwill is material to the consolidated financial statements. In addition, the assessment process involves significant management judgement about future market conditions and estimation based on assumptions such as discount rate, forecasted revenue growth, earnings before interest, taxes, depreciation and amortization (EBITDA) margins and weighted average cost of capital. The related disclosures on the Group's goodwill are included in Notes 4 and 14 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's impairment testing process and related controls. We involved our internal specialist to assist us in evaluating the assumptions and methodology used by the Group in its value-in-use calculation. These assumptions include the discount rate, forecasted revenue growth, EBITDA margins and weighted average cost of capital. We reviewed the basis and assumptions for estimates of free cash flows, in particular those relating to the forecasted revenue growth and EBITDA margins, which we compared against the available comparable market data in the published economic forecast as well as relevant industry outlook and historical trends. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of the goodwill.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended March 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended March 31, 2017 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte
Partner
CPA Certificate No. 111562
SEC Accreditation No. 1539-A (Group A),
March 3, 2016, valid until March 3, 2019
Tax Identification No. 242-917-987
BIR Accreditation No. 08-001998-120-2016,
February 15, 2016, valid until February 14, 2019
PTR No. 5908777, January 3, 2017, Makati City

July 6, 2017

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 32 and 33)	**₱2,880,282,731**	₱542,171,072
Receivables (Notes 6, 32 and 33)	**351,582,872**	254,797,936
Inventories (Note 7)	**116,996,843**	36,217,214
Prepaid expenses and other current assets (Note 8)	**109,928,549**	86,940,605
Total Current Assets	**3,458,790,995**	920,126,827
Noncurrent Assets		
Property and equipment (Note 9)	**5,265,472,706**	4,645,498,508
Investment properties (Note 10)	**578,855,139**	607,485,266
Investments in and advances to associates and joint ventures (Notes 11, 12 and 33)	**1,565,432,417**	1,906,554,260
Available-for-sale financial assets (Notes 13, 32 and 33)	**50,870,755**	50,023,635
Deferred tax assets - net (Note 27)	**15,567,668**	22,822,132
Pension assets (Note 25)	**2,763,398**	–
Goodwill, intangible and other noncurrent assets (Notes 14, 32 and 33)	**378,240,903**	357,664,755
Total Noncurrent Assets	**7,857,202,986**	7,590,048,556
TOTAL ASSETS	**₱11,315,993,981**	₱8,510,175,383
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of interest-bearing loans and borrowings (Notes 15, 32 and 33)	**₱585,800,000**	₱100,800,000
Accounts payable and other current liabilities (Notes 16, 32 and 33)	**379,232,249**	385,889,841
Unearned tuition and other school fees	**29,583,559**	53,225,896
Current portion of obligations under finance lease (Notes 26, 32 and 33)	**4,912,919**	5,729,488
Income tax payable	**14,253,404**	10,513,685
Total Current Liabilities	**1,013,782,131**	556,158,910
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Notes 15, 32 and 33)	**734,400,000**	775,200,000
Bonds payable (Note 17)	**2,947,028,638**	–
Pension liabilities - net (Note 25)	**6,087,953**	38,143,366
Obligations under finance lease - net of current portion (Notes 26, 32 and 33)	**6,473,749**	7,313,184
Other noncurrent liabilities (Notes 18, 32 and 33)	**116,206,632**	31,364,795
Total Noncurrent Liabilities	**3,810,196,972**	852,021,345
Total Liabilities *(Carried Forward)*	**4,823,979,103**	1,408,180,255

	March 31	
	2017	2016
Total Liabilities *(Brought Forward)*	**₱4,823,979,103**	₱1,408,180,255
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Notes 1 and 19)	**3,081,871,859**	3,081,871,859
Additional paid-in capital	**379,937,290**	379,937,290
Cumulative actuarial gain (Note 25)	**35,771,624**	7,796,830
Unrealized mark-to-market loss on available-for-sale financial assets (Note 13)	**(24,569)**	(871,689)
Other equity reserve (Notes 2 and 19)	**(28,837,819)**	(6,738,707)
Share in associates':		
Unrealized mark-to-market gain on available-for-sale financial assets (Note 11)	**(49,355,567)**	122,577,096
Cumulative actuarial loss (Note 11)	**733,002**	(18,246,722)
Other equity reserves (Note 11)	**728,649**	–
Retained earnings (Note 19)	**3,062,770,493**	3,539,890,986
Total Equity Attributable to Equity Holders of the Parent Company	**6,483,594,962**	7,106,216,943
Equity Attributable to Non-Controlling Interests	**8,419,916**	(4,221,815)
Total Equity	**6,492,014,878**	7,101,995,128
TOTAL LIABILITIES AND EQUITY	**₱11,315,993,981**	₱8,510,175,383

See accompanying Notes to the Consolidated Financial Statements.

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31		
	2017	2016	2015
REVENUES			
Sale of services:			
Tuition and other school fees	**₱2,218,526,769**	₱2,054,990,042	₱1,726,535,593
Educational services (Note 1)	**199,155,782**	184,262,754	179,365,691
Royalty fees	**19,148,926**	15,935,475	15,474,118
Others	**19,547,436**	24,729,695	20,814,326
Sale of goods -			
Sale of educational materials and supplies	**146,855,223**	70,590,636	58,329,349
	2,603,234,136	2,350,508,602	2,000,519,077
COSTS AND EXPENSES			
Cost of educational services (Note 21)	**685,074,007**	654,788,812	577,874,009
Cost of educational materials and supplies sold (Note 22)	**115,422,737**	51,534,700	40,728,817
General and administrative expenses (Note 23)	**928,632,504**	977,376,605	909,824,790
	1,729,129,248	1,683,700,117	1,528,427,616
INCOME BEFORE OTHER INCOME AND INCOME TAX	**874,104,888**	666,808,485	472,091,461
OTHER INCOME – net			
Equity in net earnings (loss) of associates and joint ventures (Note 11)	**(158,823,602)**	54,026,334	104,909,591
Rental income (Note 26 and 28)	**101,342,301**	62,185,211	30,192,570
Interest expense (Note 20)	**(65,759,044)**	(50,446,616)	(21,594,422)
Effect of derecognition of a subsidiary (Note 18)	**(60,829,455)**	–	–
Dividend income (Note 13)	**3,251,497**	2,830,674	1,470,766
Interest income (Note 20)	**2,926,266**	4,742,536	4,965,120
Gain (loss) on:			
Sale of investment in an associate (Note 11)	**154,260**	–	–
Sale of property and equipment	**(33,838)**	5,375	313,000
Exchange of land (Note 14)	**–**	–	172,137,167
Excess of fair values of net assets acquired over acquisition cost from a business combination (Note 35)	**–**	–	2,091,425
	(177,771,615)	73,343,514	294,485,217
INCOME BEFORE INCOME TAX	**696,333,273**	740,151,999	766,576,678
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	**93,582,485**	73,765,249	52,242,185
Deferred	**(88,803)**	(6,877,612)	10,694,594
	93,493,682	66,887,637	62,936,779
NET INCOME *(Carried Forward)*	**602,839,591**	673,264,362	703,639,899

	Years Ended March 31		
	2017	2016	2015
NET INCOME *(Brought Forward)*	**₱602,839,591**	₱673,264,362	₱703,639,899
OTHER COMPREHENSIVE LOSS			
Items to be reclassified to profit or loss in subsequent years:			
Share in associates' unrealized mark-to-market loss on available-for-sale financial assets (Note 11)	**(171,932,663)**	(302,105,162)	(9,403,235)
Unrealized mark-to-market gain (loss) on available-for-sale financial assets (Note 13)	**847,120**	(339,904)	613,664
	(171,085,543)	(302,445,066)	(8,789,571)
Items not to be reclassified to profit or loss in subsequent years:			
Remeasurement loss on pension liability (Note 25)	**31,083,105**	(7,042,946)	(562,684)
Tax effect (Note 27)	**(3,108,311)**	710,887	56,268
Share in associates' remeasurement gain (loss) on pension liability (Note 11)	**18,979,724**	561,443	(3,600,870)
	46,954,518	(5,770,616)	(4,107,286)
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(124,131,025)**	(308,215,682)	(12,896,857)
TOTAL COMPREHENSIVE INCOME	**₱478,708,566**	₱365,048,680	₱690,743,042
Net Income Attributable To			
Equity holders of the Parent Company	**₱601,534,658**	₱671,047,817	₱713,651,120
Non-controlling interests	**1,304,933**	2,216,545	(10,011,221)
	₱602,839,591	₱673,264,362	₱703,639,899
Total Comprehensive Income (Loss) Attributable To			
Equity holders of the Parent Company	**₱477,403,633**	₱362,832,135	₱700,754,263
Non-controlling interests	**1,304,933**	2,216,545	(10,011,221)
	₱478,708,566	₱365,048,680	₱690,743,042
Basic/Diluted Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company (Note 29)	**₱0.20**	₱0.22	₱0.23

See accompanying Notes to the Consolidated Financial Statements.

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES

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

	Equity Attributable to Equity Holders of the Parent Company											
	Capital Stock (Notes 1 and 19)	Additional Paid-in Capital	Cumulative Actuarial Gain (Note 25)	Unrealized Mark-to-market Gain (Loss) on Available-for-sale Financial Assets (Note 13)	Other Equity Reserve (Note 19)	Share in Associates' Unrealized Mark-to-market Gain (Loss) on Available-for-sale Financial Assets (Note 11)	Share in Associates' Cumulative Actuarial Gain (Loss) (Note 11)	Share in Associates' Other Equity Reserves (Note 11)	Retained Earnings (Note 19)	Total	Equity Attributable to Non-controlling Interests	Total Equity
Balance at April 1, 2016	**₱3,081,871,859**	**₱379,937,290**	**₱7,796,830**	**(₱871,689)**	**(₱6,738,707)**	**₱122,577,096**	**(₱18,246,722)**	**₱–**	**₱3,539,890,986**	**₱7,106,216,943**	**(₱4,221,815)**	**₱7,101,995,128**
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**601,534,658**	**601,534,658**	**1,304,933**	**602,839,591**
Other comprehensive income (loss)	**–**	**–**	**27,974,794**	**847,120**	**–**	**(171,932,663)**	**18,979,724**	**–**	**–**	**(124,131,025)**	**–**	**(124,131,025)**
Total comprehensive income	**–**	**–**	**27,974,794**	**847,120**	**–**	**(171,932,663)**	**18,979,724**	**–**	**601,534,658**	**477,403,633**	**1,304,933**	**478,708,566**
Dividend declaration	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,078,655,151)**	**(1,078,655,151)**	**–**	**(1,078,655,151)**
Acquisition of non-controlling interest through dilution (Note 19)	**–**	**–**	**–**	**–**	**(11,336,798)**	**–**	**–**	**–**	**–**	**(11,336,798)**	**11,336,798**	**–**
Effect of derecognition of a subsidiary under common control (Note 2)	**–**	**–**	**–**	**–**	**(10,762,314)**	**–**	**–**	**–**	**–**	**(10,762,314)**	**–**	**(10,762,314)**
Share in associates' other equity reserves (Note 11)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**728,649**	**–**	**728,649**	**–**	**728,649**
Balance at March 31, 2017	**₱3,081,871,859**	**₱379,937,290**	**₱35,771,624**	**(₱24,569)**	**(₱28,837,819)**	**(₱49,355,567)**	**₱733,002**	**₱728,649**	**₱3,062,770,493**	**₱6,483,594,962**	**₱8,419,916**	**₱6,492,014,878**
Balance at April 1, 2015	₱3,081,871,859	₱379,937,290	₱14,128,889	(₱531,785)	(1,899,137)	₱424,682,258	(₱18,808,165)	₱–	₱3,118,843,169	₱6,998,224,378	(₱11,277,930)	₱6,986,946,448
Net income	–	–	–	–	–	–	–	–	671,047,817	671,047,817	2,216,545	673,264,362
Other comprehensive income (loss)	–	–	(6,332,059)	(339,904)	–	(302,105,162)	561,443	–	–	(308,215,682)	–	(308,215,682)
Total comprehensive income	–	–	(6,332,059)	(339,904)	–	(302,105,162)	561,443	–	671,047,817	362,832,135	2,216,545	365,048,680
Dividend declaration	–	–	–	–	–	–	–	–	(250,000,000)	(250,000,000)	–	(250,000,000)
Acquisition of non-controlling interest through dilution (Note 19)	–	–	–	–	(4,839,570)	–	–	–	–	(4,839,570)	4,839,570	–
Balance at March 31, 2016	₱3,081,871,859	₱379,937,290	₱7,796,830	(₱871,689)	(₱6,738,707)	₱122,577,096	(₱18,246,722)	₱–	₱3,539,890,986	₱7,106,216,943	(₱4,221,815)	₱7,101,995,128
Balance at April 1, 2014	₱3,081,871,859	₱379,937,290	₱14,635,305	(₱1,145,449)	(₱1,899,137)	₱434,085,493	(₱15,207,295)	₱–	₱2,655,192,049	₱6,547,470,115	₱1,133,291	₱6,548,603,406
Net income	–	–		–	–	–	–	–	713,651,120	713,651,120	(10,011,221)	703,639,899
Other comprehensive income (loss)	–	–	(506,416)	613,664	–	(9,403,235)	(3,600,870)	–	–	(12,896,857)	–	(12,896,857)
Total comprehensive loss	–	–	(506,416)	613,664	–	(9,403,235)	(3,600,870)	–	713,651,120	700,754,263	(10,011,221)	690,743,042
Dividend declaration	–	–	–	–	–	–	–	–	(250,000,000)	(250,000,000)	–	(250,000,000)
Share of non-controlling interest on dividends declared by subsidiaries	–	–	–	–	–	–	–	–	–	–	(2,400,000)	(2,400,000)
Balance at March 31, 2015	₱3,081,871,859	₱379,937,290	₱14,128,889	(₱531,785)	(₱1,899,137)	₱424,682,258	(₱18,808,165)	₱–	₱3,118,843,169	₱6,998,224,378	(₱11,277,930)	₱6,986,946,448

See accompanying Notes to the Consolidated Financial Statements.

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended March 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱696,333,273**	₱740,151,999	₱766,576,678
Adjustments to reconcile income before income tax to net cash flows:			
Depreciation and amortization (Notes 21 and 23)	**319,508,317**	319,744,658	267,437,553
Equity in net (earnings) loss of associates and joint ventures (Note 11)	**158,823,602**	(54,026,334)	(104,909,591)
Interest expense (Note 20)	**65,759,044**	50,446,616	21,594,422
Effect of derecognition of a subsidiary (Note 18)	**60,829,455**	–	–
Movements in pension	**3,890,928**	3,562,165	3,106,574
Dividend income (Note 13)	**(3,251,497)**	(2,830,674)	(1,470,766)
Interest income (Note 20)	**(2,926,266)**	(4,742,536)	(4,965,120)
Provision for impairment loss on investments in and advances to associates and joint ventures (Note 11)	**1,643,844**	519,414	–
Loss (gain) on:			
Sale of investment in an associate (Note 11)	**(154,260)**	–	–
Sale of property and equipment (Note 9)	**33,838**	(5,375)	(313,000)
Exchange of land (Notes 10 and 14)	**–**	–	(172,137,167)
Excess of fair values of net assets acquired over acquisition cost from a business combination (Note 35)	**–**	–	(2,091,425)
Operating income before working capital changes	**1,300,490,278**	1,052,819,933	772,828,158
Decrease (increase) in:			
Receivables	**(111,270,588)**	(17,114,562)	90,902,219
Inventories	**(80,779,629)**	(4,804,840)	7,295,876
Prepaid expenses and other current assets	**(25,467,209)**	1,652,317	6,577,988
Increase (decrease) in:			
Accounts payable and other current liabilities (Note 34)	**15,716,533**	(190,521,868)	(149,384,048)
Other noncurrent liabilities (Note 34)	**27,724,525**	31,364,795	–
Net cash generated from operations	**1,126,413,910**	873,395,775	728,220,193
Income and other taxes paid	**(90,044,686)**	(65,692,767)	(52,591,769)
Interest received	**2,926,266**	4,742,536	4,965,120
Net cash from operating activities	**1,039,295,490**	812,445,544	680,593,544
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 34)	**(964,438,679)**	(281,345,489)	(1,055,816,211)
Investment properties (Note 34)	**–**	(6,360,205)	–
Subsidiaries, net of cash received (Note 34)	**–**	–	14,269,102
Decrease (increase) in:			
Investments in and advances to associates and joint ventures (Note 34)	**(275,461,705)**	(52,956,812)	959,873
Intangible assets and other noncurrent assets (Note 34)	**(38,107,197)**	(44,659,185)	(1,860,857)
Dividends received	**15,434,470**	12,484,104	12,492,973
Proceeds from derecognition of a subsidiary, net of cash disposed (Note 18)	**13,752,793**	–	–
Proceeds from sale of investment in an associate	**1,914,250**	–	–
Proceeds from sale of property and equipment	**51,000**	21,500	313,000
Net cash used in investing activities	**(1,246,855,068)**	(372,816,087)	(1,029,642,120)

(Forward)

	Years Ended March 31		
	2017	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	**(₱1,078,655,151)**	(₱250,000,000)	(₱250,000,000)
Payments of:			
Long-term debt (see Note 15)	**(100,800,000)**	(216,000,000)	(108,000,000)
Obligations under finance lease	**(4,875,483)**	(9,438,557)	(8,431,128)
Short-term loans	**(1,248,000,000)**	–	(580,000,000)
Interest paid	**(61,905,517)**	(51,698,435)	(13,197,451)
Proceeds from stock subscription (Note 19)	**100,000,000**	–	–
Proceeds from availments of:			
Long-term debt	**–**	–	1,200,000,000
Short-term loans	**1,993,000,000**	–	400,000,000
Proceeds from issuance of bonds	**3,000,000,000**	–	–
Payment of bond issuance costs	**(53,092,612)**	–	–
Net cash from (used in) financing activities	**2,545,671,237**	(527,136,992)	640,371,421
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,338,111,659**	(87,507,535)	291,322,845
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**542,171,072**	629,678,607	338,355,762
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱2,880,282,731**	₱542,171,072	₱629,678,607

See accompanying Notes to the Consolidated Financial Statements.

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

a. General

STI Education Services Group, Inc. (STI ESG 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). The Parent Company was incorporated on June 2, 1983 and 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. The Group 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.

On March 23, 2017, the Parent Company issued the first tranche amounting to ₱3,000.0 million of its ₱5,000.0 million fixed rate bonds program under its 3-year shelf registration with the SEC which was listed through the Philippine Dealing and Exchange Corp. (PDEx) (see Note 17).

STI ESG is 98.7%-owned by STI Education Systems Holdings, Inc. (STI Holdings) which is the ultimate parent company of the Group. STI Holdings is a company incorporated in the Philippines and is listed in the Philippine Stock Exchange (PSE).

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

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

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

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

b. K to 12 Program

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

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

The two (2) program tracks covered by the permit are the Academic and Technical–Vocational–Livelihood Tracks. Under the Technical–Vocational–Livelihood Track, the Group offers three strands with various specializations.

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

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

<u>Home Economics Strand</u>
Specializations:
- Commercial Cooking
- Cookery
- Bartending
- Food and Beverage Services
- Tour Guiding Services
- Travel Services
- Tourism and Promotion Services
- Front Office Services
- Housekeeping

Industrial Arts Strand
Specialization:

- Consumer Electronics Servicing

On August 10, 2015, DepEd granted a permit to Information and Communications Technology Academy, Inc. (iACADEMY), a subsidiary of STI ESG until September 2016 to offer Senior High School. iACADEMY offers three tracks, as follows:

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

- ***Technical–Vocational Track***

  ICT Strand
  Specializations:
  - Computer Programming
  - Animation

  Home Economics Strand
  Specialization:
  - Fashion Design

- ***Arts and Design Track***
  - Media and Visual Arts

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

In September 2016, STI Holdings acquired 100% interest of iACADEMY from STI ESG (see Note 19).

c. Merger with Several Majority and Wholly-Owned Subsidiaries

On December 9, 2010, the Parent Company's stockholders approved the following mergers:

- Phase 1: The merger of three (3) majority-owned schools and fourteen (14) wholly-owned schools with the Parent Company, with the Parent Company 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 the Parent Company, with the Parent Company 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, the Board of Directors (BOD) of the Parent Company approved an amendment to the Phase 1 and 2 mergers whereby the Parent Company would issue shares at par value, to the stockholders of the non-controlling interests. In 2014, STI ESG issued 1.9 million additional shares at par value to the stockholders of one of the merged schools. As at July 6, 2017, the amendment is pending approval by the SEC.

Also on September 25, 2013, the BOD of the Parent Company approved the Phase 3 merger whereby STI College Taft, Inc. (STI Taft) and STI College Dagupan, Inc. (STI Dagupan) will be merged with the Parent Company, with the Parent Company as the surviving entity. On August 5, 2016, the Parent Company filed its application for merger with the SEC. As at July 6, 2017, said application for merger is still pending approval.

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

The registered office address of the Parent Company is STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta Rizal.

The accompanying consolidated financial statements were approved and authorized for issue by the BOD of the Parent Company on July 6, 2017.

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

Basis of Preparation

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

Statement of Compliance

The accompanying consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the Philippines which includes all applicable Philippine Financial Reporting Standards (PFRS) which include Philippine Accounting Standards (PAS) and Philippine Interpretations based on equivalent interpretations from the International Financial Reporting Interpretations Committee (IFRIC) adopted by the Philippine Financial Reporting Standards Council (FRSC) and accounting standards set forth in Pre-Need Rule 31, As Amended: Accounting Standards for Pre-Need Plans and Pre-Need Uniform Chart of Accounts, otherwise known as PNUCA, as required by the SEC for PhilPlans First, Inc. (PhilPlans). PhilPlans is a pre-need company and is a wholly-owned subsidiary of Maestro Holdings, Inc. (Maestro Holdings, formerly known as STI Investments, Inc.), an associate of the Parent Company.

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 PFRS that became effective beginning on April 1, 2016. The adoption of these new standards and amendments did not have any significant impact on the consolidated financial statements:

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

Standards Issued but Not Yet Effective
The standards and interpretations that are issued but not yet effective as at March 31, 2017 are listed below. The Group intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the consolidated financial statements.

Effective April 1, 2018

- PFRS 9, *Financial Instruments*
- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

Deferred

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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 effective subsequent to March 31, 2017 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

The following new standards issued by the International Accounting Standards Board have not yet been adopted by the FRSC.

- PFRS 15, *Revenue from Contracts with Customers (effective January 1, 2018)*
- PFRS 16, *Leases (effective January 1, 2019)*

The Group is currently assessing the impact of IFRS 15 and IFRS 16 and plans to adopt the new standards on their required effective dates once adopted locally.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when:

- It is expected to be realized or intended to be sold or consumed in the normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realized within twelve months after the reporting period, or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement
The Group measures financial instruments, such as AFS financial assets, at fair value at each reporting date. Also, the fair values of financial instruments measured at amortized cost and investment properties are disclosed in the notes to the consolidated financial statements.

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

Management determines the policies and procedures for both recurring fair value measurement and non-recurring measurement.

External valuers are involved for valuation of significant assets, such as investment property. Involvement of external valuers is decided upon annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Management, in conjunction with the Group's external valuers, also compares each change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company controls an investee, if and only if, the Parent Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company's voting rights and potential voting rights

The consolidated financial statements include the accounts of STI College of Kalookan, Inc. (STI Caloocan) and STI Diamond College, Inc. (STI Diamond), which are both non-stock corporations and controlled by the Parent Company by virtue of management contracts. STI Diamond was deconsolidated in September 2016.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the unrealized OCI deferred in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss

- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

The subsidiaries of the Parent Company, which are all incorporated in the Philippines, are as follows:

		Effective Percentage of Ownership					
		2017		2016		2015	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
STI College Tuguegarao, Inc. (STI Tuguegarao)	Educational Institution	**100**	**–**	100	–	100	–
STI Caloocan [(a)]	Educational Institution	**100**	**–**	100	–	100	–
STI College Batangas, Inc. (STI Batangas)	Educational Institution	**100**	**–**	100	–	100	–
STI College Iloilo, Inc. (STI Iloilo)	Educational Institution	**100**	**–**	100	–	100	–
STI College Tanauan, Inc. (STI Tanauan)	Educational Institution	**100**	**–**	100	–	100	–
STI Lipa, Inc. (STI Lipa)	Educational Institution	**100**	**–**	100	–	100	–
STI College Pagadian, Inc. (STI Pagadian)	Educational Institution	**100**	**–**	100	–	100	–
STI College Novaliches, Inc. (STI Novaliches)	Educational Institution	**100**	**–**	100	–	–	–
STI Dagupan[(b)]	Educational Institution	**100**	**–**	100	–	77	–
STI Taft [(b)]	Educational Institution	**100**	**–**	75	–	75	–
De Los Santos-STI College, Inc. (De Los Santos-STI College) [(c)]	Educational Institution	**52**	**–**	52	–	52	–
STI College Quezon Avenue, Inc. (STI QA)[(d)]	Educational Institution	**–**	**52**	–	52	–	52
iACADEMY [(e)]	Educational Institution	**–**	**–**	100	–	100	–
STI Diamond [(e)]	Educational Institution	**–**	**–**	100	–	100	–

[(a)] *A subsidiary through a management contract (see Note 4)*
[(b)] *Converted advances to equity through issuance of shares (see Note 19)*
[(c)] *On June 28, 2016, De Los Santos-STI College wrote the CHED advising the latter of the suspension of its operations for school years 2016-2017 and 2017-2018 as a result of the implementation of the Government's K to 12 program. In the same letter, De Los Santos-STI College requested that it be allowed to keep all of its existing permits and licenses for its academic programs. It also mentioned that the grant of such request would allow De Los Santos-STI College to immediately resume offering its academic programs to incoming freshmen students for its planned resumption of operation in SY 2018-2019. These academic programs are: BS Nursing, BS Radiologic Technology, BS Psychology, BS Physical Therapy, BS Hotel and Restaurant Management and BS Tourism. CHED, in a letter reply dated July 1, 2016, said that De Los Santos-STI College shall apply again for initial permits if it intends to offer the said programs in SY 2018-2019. De Los Santos-STI College shall request CHED for a reconsideration.*
[(d)] *A wholly-owned subsidiary of De Los Santos-STI College*
[(e)] *Ceased to be a subsidiary in September 2016 (see Notes 18 and 19)*

Accounting Policies of Subsidiaries. The separate financial statements of the subsidiaries are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at March 31 of each year, except for the accounts of STI Dagupan, STI Tuguegarao, STI Diamond (consolidated until September 2016), STI Caloocan and STI Iloilo, whose financial reporting dates end on December 31. Adjustments are made for the effects of significant transactions or events that occur between the financial reporting date of the above-mentioned subsidiaries and the financial reporting date of the Group's consolidated financial statements.

Non-Controlling Interests. Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Parent Company and are presented in profit or loss and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company.

On transactions with non-controlling interests without loss of control, the difference between the fair value of the consideration and the book value of the share in the net assets acquired or disposed is treated as an equity transaction and is presented as "Other equity reserve" within the equity section of the consolidated statement of financial position.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share in the acquiree's identifiable net assets. Acquisition-related costs are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* is measured at fair value with changes in fair value recognized in profit or loss. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured and is accounted for within equity upon settlement.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating unit (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

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

Financial Assets

Initial Recognition. Financial assets are classified as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates the designation of such assets at each financial year-end.

Financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way purchases) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group does not have financial assets at FVPL, HTM investments or derivatives.

Subsequent Measurement

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate, or EIR, method. This method uses an EIR that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest earned is recognized as "Interest income" in profit or loss. Assets in the category are included in the current assets except for maturities greater than 12 months after the end of the reporting period, which are classified as noncurrent assets.

The Group's cash and cash equivalents, receivables, and deposits (included under the "Goodwill, intangible and other noncurrent assets" account) are classified in this category.

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

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

The fair value of AFS financial assets consisting of any investments that are actively traded in organized financial markets is determined by reference to market closing quotes as at financial reporting date.

The Group's investments in club and ordinary shares are classified in this category.

Unlisted investments in shares of stock, for which no quoted market prices and no other reliable sources of their fair values are available, are carried at cost.

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Financial Assets Carried at Amortized Cost. The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

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

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

Impairment of Quoted AFS Financial Assets. In the case of equity investments classified as AFS financial assets, an objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in OCI under the "Unrealized mark-to-market gain (loss) on available-for-sale financial assets" account, is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed in profit or loss; increases in fair value after impairment are recognized directly in OCI.

Impairment of Unquoted AFS Financial Assets. If there is objective evidence that an impairment loss has been incurred in an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Financial Liabilities

Initial Recognition. Financial liabilities are classified as financial liabilities at FVPL, or as other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and in the case of other financial liabilities, net of directly attributable transaction costs which include the Parent Company's bond issuance costs, such as, taxes and various fees paid to investment banks, law firms, auditors, regulators, and so on.

The Group does not have financial liabilities at FVPL.

Subsequent Measurement

Other Financial Liabilities. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortization is included in the consolidated statement of comprehensive income.

Other financial liabilities include interest-bearing loans and borrowings, bonds payable, accounts payable and other current liabilities (excluding unearned tuition and other school fees, government and other statutory liabilities), obligations under finance lease, and other noncurrent liabilities (excluding advance rent and deferred lease liability).

Offsetting of Financial Instruments

Financial assets and liabilities are offset with the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value of educational materials is the selling price in the ordinary course of business, less estimated costs necessary to make the sale. Net realizable value of promotional and school materials and supplies is the current replacement cost.

Prepaid Expenses

Prepaid expenses are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months or within the normal operating cycle.

Creditable Withholding Taxes (CWT). CWT represents the amount of tax withheld by counterparties from the Group. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by Philippine taxation laws and regulations. CWT is presented as part of “Prepaid taxes” under the “Prepaid expenses and other current assets” account in the consolidated statement of financial position. CWT is stated at its estimated net realizable value.

Property and Equipment

Property and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment in value, excluding the costs of day-to-day servicing. The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred and the recognition criteria are met. Land is stated at cost less any impairment in value.

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

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

Buildings	20–25 years
Office and school equipment	5 years
Office furniture and fixtures	5 years
Leasehold improvements	5 years or terms of the lease agreement, whichever is shorter
Transportation equipment	5 years or terms of the lease agreement, whichever is shorter
Computer equipment and peripherals	3 years
Library holdings	3–5 years

The estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the periods and depreciation and amortization method are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged to current operations.

Construction in-progress represents structures under construction and is stated at cost less any impairment in value. This includes cost of construction and other direct costs, including any interest on borrowed funds during the construction period. Construction in-progress is not depreciated until the relevant assets are completed and become available for operational use.

Investment Properties

Investment properties include land and buildings held by the Group for capital appreciation and rental purposes. Buildings are carried at cost less accumulated depreciation and any impairment in value, while land is carried at cost less any impairment in value. The carrying amount includes the cost of constructing a significant portion of an existing investment property if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Depreciation of buildings is computed on a straight-line basis over 20–25 years. The asset's useful life and method of depreciation are reviewed and adjusted, if appropriate, at each financial year-end.

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

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

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

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the year less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalizable rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during the year shall not exceed the amount of borrowing costs incurred during that year.

Capitalization of borrowing costs commences when the activities necessary to prepare the asset for intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects, to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are expensed as incurred in the year in which they occur.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

The Group has interests in Philippine Healthcare Educators, Inc. (PHEI) and STI-PHNS Outsourcing Corporation (STI-PHNS), both joint ventures. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group’s interests in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group’s share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there is a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial reporting dates of the associates, joint ventures and the Parent Company are identical, except for Synergia Human Capital Solutions, Inc. (Synergia), Global Resource for Outsourced Workers, Inc. (GROW) and Maestro Holdings which have December 31 as their financial reporting date, and the associates' and joint ventures' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. Adjustments are made for the Group's share in the effects of significant transactions or events that occur between the financial reporting date of the above-mentioned associates and joint ventures and the financial reporting date of the Group's financial statements.

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss on its investment in associates and joint ventures. The Group determines at each financial reporting date whether there is any objective evidence that the investment in associates and joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and joint venture and its carrying value and recognizes the amount in profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The associates of the Group, which are all incorporated in the Philippines, are as follows:

		Effective Percentage of Ownership					
		2017		2016		2015	
Associate	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
Accent Healthcare/STI-Banawe, Inc. (STI Accent) [a]	Medical and related services	**49**	**–**	49	–	49	–
STI College Alabang, Inc. (STI Alabang)	Educational Institution	**40**	**–**	40	–	40	–
Synergia[a]	Management Consulting Services	**30**	**–**	30	–	30	–
STI Marikina	Educational Institution	**24**	**–**	24	–	24	–
Maestro Holdings	Holding Company	**20**	**–**	20	–	20	–
GROW	Recruitment Agency	**17**	**2**	17	2	17	2
STI Holdings (see Note 4)	Holding Company	**5**	**–**	5	–	5	–

[a] *Dormant entities*

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization in the case of intangible assets with finite lives, and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Group has assessed the intangible assets as having a finite useful life which is the shorter of its contractual term or economic life. Amortization is on a straight-line basis over the estimated useful lives of 3 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Impairment of Nonfinancial Assets
The carrying values of investments in and advances to associates and joint ventures, property and equipment, investment properties, intangible assets and advances to suppliers are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded securities or other available fair value indicators.

Impairment losses are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for assets previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognized in equity up to the amount of any previous revaluation.

For nonfinancial assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization (in the case of property and equipment, investment properties and intangible assets), had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the CGUs to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which the goodwill has been allocated, an impairment loss is recognized in the consolidated statement of comprehensive income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as at March 31 of each year.

Unearned Tuition and Other School Fees

Fees pertaining to the school year commencing after the financial reporting date are recorded under “Unearned tuition and other school fees” in the consolidated statement of financial position. Unearned tuition and other school fees are amortized over the related school term.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects a provision to be reimbursed, such as under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as “Interest expense”.

Capital Stock and Additional Paid-in Capital

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

Retained Earnings and Dividend on Common Stock of the Parent Company
The amount included in retained earnings includes profit attributable to the Parent Company's equity holders and reduced by dividends on capital stocks. Dividends on capital stocks are recognized as liability and deducted from equity when approved by the BOD of the Parent Company. Dividends that are approved after the financial reporting date are dealt with as an event after the financial reporting period.

Earnings per Share (EPS) Attributable to the Equity Holders of the Parent Company
EPS is computed by dividing net income attributed to equity holders of the Parent Company for the year by the weighted average number of shares issued and outstanding after giving retroactive effect to any stock split and stock dividend declaration, if any.

Diluted EPS is calculated by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive convertible common shares.

Revenue
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of the revenue can be measured reliably. The Group assesses whether it is acting as a principal or an agent in every revenue arrangements. It is acting as a principal when it has the primary responsibility for providing the goods or services. The Group also acts as a principal when it has the discretion in establishing the prices and bears inventory and credit risk. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and value-added tax (VAT).

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

Tuition and Other School Fees. Revenue from tuition and other school fees is recognized as income over the corresponding school term to which they pertain. Fees received pertaining to the school year commencing after the financial reporting date are recorded under the "Unearned tuition and other school fees" account in the consolidated statement of financial position. Unearned tuition and other school fees are amortized over the related school term.

Educational Services. Revenue is recognized as services are rendered.

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

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

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

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

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

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

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

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

Entity	Type of Plan
Parent Company	Funded, noncontributory defined benefit plan
Subsidiaries (except De Los Santos-STI College and STI QA)	Unfunded, noncontributory defined benefit plan
De Los Santos-STI College and STI QA	Funded, defined contribution plan

Defined Benefit Plans. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Defined Contribution Plan. De Los Santos-STI College and STI QA are members of the Catholic Educational Association of the Philippines Retirement Plan (CEAP). CEAP is a funded, noncontributory, defined contribution plan covering De Los Santos-STI College's and STI QA's qualified employees under which De Los Santos-STI College and STI QA pay fixed contributions based on the employees' monthly salaries. De Los Santos-STI College and STI QA, however, are covered under RA No. 7641, the Philippine Retirement Law, which provides for its qualified employees a defined benefit (DB) minimum guarantee. The DB minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641.

Accordingly, De Los Santos-STI College and STI QA account for their retirement obligations under the higher of the DB obligation relating to the minimum guarantee and the obligation arising from the defined contribution (DC) plan. For the DB minimum guarantee plan, the liability is determined based on the present value of the excess of the projected DB obligation over the projected DC obligation at the end of the reporting period. The DB obligation is calculated annually by a qualified independent actuary using the projected unit credit method. De Los Santos-STI College and STI QA determine the net interest expense (income) on the net DB liability (asset) for the period by applying the discount rate used to measure the DB obligation at the beginning of the annual period to the then net DB liability (asset), taking into account any changes in the net DB liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB plan are recognized in profit or loss.

The DC liability, on the other hand, is measured at the fair value of the DC assets upon which the DC benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the DC benefits. Remeasurements of the net DB liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. De Los Santos-STI College and STI QA recognize gains or losses on the settlement of a DB plan when the settlement occurs.

Leases

The determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset.

Group as a Lessee. Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against profit or loss.

Capitalized leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term.

Group as a Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

<u>Taxes</u>

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefit of net operating loss carryover (NOLCO), and to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of NOLCO can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transactions either in OCI or directly in equity.

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

VAT. Revenue, expenses and assets are recognized net of the amount of VAT, except:

- when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; or
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the "Prepaid expenses and other current assets" or "Accounts payable and other current liabilities" accounts in the consolidated statement of financial position.

<u>Operating Segment</u>
For management purposes, the Group is organized into business units based on the geographical location of the students and assets. Financial information about operating segments is presented in Note 3.

<u>Contingencies</u>
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

<u>Events after the Reporting Period</u>
Post year-end events that provide additional information about the Group's financial position at the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. **Segment Information**

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

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

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

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

The following table shows the reconciliation of the consolidated net income to consolidated EBITDA:

	2017	2016	2015
Consolidated net income	**₱602,839,591**	₱673,264,362	₱703,639,899
Depreciation and amortization	**319,508,317**	319,744,658	267,437,553
Equity in net earnings (loss) of associates and joint ventures	**158,823,602**	(54,026,334)	(104,909,591)
Provision for income tax	**93,493,682**	66,887,637	62,936,779
Interest expense	**65,759,044**	50,446,616	21,594,422
Effect of derecognition of a subsidiary	**60,829,455**	–	–
Interest income	**(2,926,266)**	(4,742,536)	(4,965,120)
Gain on exchange of land	–	–	(172,137,167)
Excess of fair values of net assets acquired over acquisition cost from a business combination	–	–	(2,091,425)
Consolidated EBITDA	**₱1,298,327,425**	₱1,051,574,403	₱771,505,350

Inter-Segment Transactions

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

Geographical Segment Data

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

	2017					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues	**₱1,734,939,538**	**₱97,241,868**	**₱612,961,825**	**₱64,203,761**	**₱93,887,144**	**₱2,603,234,136**
Results						
Income before other income and income tax	**₱581,025,420**	**₱26,150,744**	**₱239,436,678**	**₱13,396,440**	**₱14,095,606**	**₱874,104,888**
Equity in net earnings (loss) of associates and joint ventures	**(158,823,602)**	**–**	**–**	**–**	**–**	**(158,823,602)**
Interest expense	**(65,724,096)**	**–**	**(24,993)**	**(9,955)**	**–**	**(65,759,044)**
Effect of derecognition of a subsidiary	**(60,829,455)**	**–**	**–**	**–**	**–**	**(60,829,455)**
Other income	**103,820,586**	**78,310**	**766,625**	**20,536**	**28,163**	**104,714,220**
Interest income	**2,646,792**	**72,610**	**132,412**	**36,186**	**38,266**	**2,926,266**
Income tax	**(93,493,682)**	**–**	**–**	**–**	**–**	**(93,493,682)**
Net Income	**₱308,621,963**	**₱26,301,664**	**₱240,310,722**	**₱13,443,207**	**₱14,162,035**	**₱602,839,591**
EBITDA						**1,298,327,425**
Assets and Liabilities						
Segment assets[(a)]	**₱8,385,870,648**	**₱49,589,935**	**₱889,436,637**	**₱62,374,587**	**₱121,181,045**	**₱9,508,452,852**
Goodwill	**223,777,646**	**–**	**–**	**–**	**–**	**223,777,646**
Investments in and advances to associates and joint ventures	**1,565,432,417**	**–**	**–**	**–**	**–**	**1,565,432,417**
Pension assets	**2,763,398**	**–**	**–**	**–**	**–**	**2,763,398**
Deferred tax assets	**14,806,095**	**316,278**	**342,397**	**47,851**	**55,047**	**15,567,668**
Total Assets	**₱10,192,650,204**	**₱49,906,213**	**₱889,779,034**	**₱62,422,438**	**₱121,236,092**	**₱11,315,993,981**
Segment liabilities[(b)]	**₱450,172,482**	**₱17,560,937**	**₱41,425,419**	**₱6,633,721**	**₱23,483,285**	**₱539,275,844**
Interest-bearing loans and borrowings	**1,320,200,000**	**–**	**–**	**–**	**–**	**1,320,200,000**
Bonds payable	**2,947,028,638**	**–**	**–**	**–**	**–**	**2,947,028,638**
Pension liabilities	**4,801,402**	**666,374**	**429,565**	**149,779**	**40,833**	**6,087,953**
Obligations under finance lease	**11,214,647**	**–**	**172,021**	**–**	**–**	**11,386,668**
Total Liabilities	**₱4,733,417,169**	**₱18,227,311**	**₱42,027,005**	**₱6,783,500**	**₱23,524,118**	**₱4,823,979,103**
Other Segment Information						
Capital expenditures for property and equipment						**₱983,453,678**
Depreciation and amortization						**319,508,317**
Noncash expenses other than depreciation and amortization						**80,718,164**

(a) *Segment assets exclude goodwill, investments in and advances to associates and joint ventures and deferred tax assets.*

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

	2016					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues	₱1,626,031,601	₱97,832,577	₱487,930,698	₱52,526,870	₱86,186,856	₱2,350,508,602
Results						
Income before other income and income tax	₱459,430,973	₱22,486,144	₱172,009,167	₱4,488,728	₱8,393,473	₱666,808,485
Equity in net earnings of associates and joint ventures	54,026,334	–	–	–	–	54,026,334
Interest expense	(49,946,774)	(2,700)	(405,822)	(91,320)	–	(50,446,616)
Interest income	4,458,614	49,067	153,770	37,033	44,052	4,742,536
Other income	64,449,354	7,300	532,642	31,964	–	65,021,260
Income tax	(66,887,637)	–	–	–	–	(66,887,637)
Net Income	₱465,530,864	₱22,539,811	₱172,289,757	₱4,466,405	₱8,437,525	₱673,264,362
EBITDA						1,051,574,403
Assets and Liabilities						
Segment assets[(a)]	₱5,252,463,208	₱57,699,104	₱869,719,058	₱59,730,809	₱117,409,166	₱6,357,021,345
Goodwill	223,777,646	–	–	–	–	223,777,646
Investments in and advances to associates and joint ventures	1,906,554,260	–	–	–	–	1,906,554,260
Deferred tax assets	21,827,948	336,835	508,392	68,270	80,687	22,822,132
Total Assets	₱7,404,623,062	₱58,035,939	₱870,227,450	₱59,799,079	₱117,489,853	₱8,510,175,383
Segment liabilities[(b)]	₱398,165,158	₱24,127,746	₱36,852,985	₱5,885,854	₱15,962,474	₱480,994,217
Interest-bearing loans and borrowings	876,000,000	–	–	–	–	876,000,000
Pension liabilities	17,034,422	5,864,394	10,543,625	1,369,863	3,331,062	38,143,366
Obligations under finance lease	12,519,964	–	297,393	225,315	–	13,042,672
Total Liabilities	₱1,303,719,544	₱29,992,140	₱47,694,003	₱7,481,032	₱19,293,536	₱1,408,180,255
Other Segment Information						
Capital expenditures for property and equipment						₱300,595,557
Depreciation and amortization						319,744,658
Noncash expenses other than depreciation and amortization						83,674,892

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

	2015					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues	₱1,433,408,139	₱85,541,199	₱355,491,762	₱49,622,316	₱76,455,661	₱2,000,519,077
Results						
Income before other income and income tax	₱379,325,138	₱10,377,586	₱71,145,862	₱8,363,336	₱2,879,539	₱472,091,461
Gain on exchange of land	172,137,167	–	–	–	–	172,137,167
Equity in net earnings of associates and joint venture	104,909,591	–	–	–	–	104,909,591
Interest expense	(21,386,099)	–	(206,305)	(211)	(1,807)	(21,594,422)
Interest income	4,808,271	34,259	67,308	25,300	29,982	4,965,120
Other income	33,793,540	–	240,531	33,690	–	34,067,761
Income tax	(62,936,779)	–	–	–	–	(62,936,779)
Net Income	₱610,650,829	₱10,411,845	₱71,247,396	₱8,422,115	₱2,907,714	₱703,639,899
EBITDA						₱771,505,350
Assets and Liabilities						
Segment assets[(a)]	₱5,974,150,300	₱36,315,378	₱241,086,272	₱58,998,672	₱80,890,521	₱6,391,441,143
Goodwill	223,777,646	–	–	–	–	223,777,646
Investments in and advances to associates and joint ventures	2,095,160,653	–	–	–	–	2,095,160,653
Deferred tax assets	14,685,330	388,592	159,711	–	–	15,233,633
Total Assets	₱8,307,773,929	₱36,703,970	₱241,245,983	₱58,998,672	₱80,890,521	₱8,725,613,075
Segment liabilities[(b)]	₱489,199,373	₱47,874,157	₱43,923,211	₱6,149,169	₱13,790,561	₱600,936,471
Interest-bearing loans and borrowings	1,092,000,000	–	–	–	–	1,092,000,000
Pension liabilities	9,805,782	2,820,342	10,200,780	1,399,753	3,311,598	27,538,255
Obligations under finance lease	17,270,230	–	505,352	416,319	–	18,191,901
Total Liabilities	₱1,608,275,385	₱50,694,499	₱54,629,343	₱7,965,241	₱17,102,159	₱1,738,666,627
Other Segment Information						
Capital expenditures for property and equipment						₱1,291,645,137
Depreciation and amortization						267,437,553
Noncash expenses other than depreciation and amortization						83,862,279

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

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4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. The estimates used are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements, giving due consideration to materiality. Actual results could differ from such estimates.

The Group believes the following represents a summary of these significant judgments, estimates and assumptions and related impact and associated risks in its consolidated financial statements.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Determination of Control Arising from Management Contracts. The Parent Company has management contracts with STI Diamond and STI Caloocan. Management has concluded that the Parent Company, in substance, has the power to direct their relevant activities and has the means to obtain majority of the benefits of STI Diamond and STI Caloocan, both non-stock corporations, through the management contracts. Management has assessed that it has control of STI Diamond and STI Caloocan and accordingly, consolidates the two entities effective from the date control was obtained.

In August 2016, the management contract between the Parent Company and STI Diamond was terminated. Any rights to the residual interest in STI Diamond were transferred to an entity outside of the Group resulting in the deconsolidation of STI Diamond (see Note 18).

Significant Influence on an Associate. The Parent Company has an equity interest of 5.05% in STI Holdings. Management has assessed that it has significant influence by virtue of its pooling agreement with other stockholders of STI Holdings owning 31.12% of the voting stock of STI Holdings resulting in a total voting power of 36.19%. Under this agreement, the Parent Company and the stockholder will pool their shares in STI Holdings and vote as a block in all matters that would require a vote of the shareholders and the BOD. Accordingly, the Parent Company has the power to participate in the financial and operating policy decisions of STI Holdings and accounts for the said investment as an associate.

Contingencies. The Group is currently a party in a number of cases involving claims and disputes related to collection of receivables and labor cases. The Group's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside legal counsels handling defense in these matters and is based upon an analysis of potential results. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and are of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the consolidated financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 31).

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating Allowance for Impairment Loss on Loans and Receivables. The Group reviews its receivables and advances to associates and joint ventures and other related parties at each reporting date to assess whether an allowance for impairment loss should be recorded in the consolidated statement of financial position. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant receivables and advances, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the receivables and advances since it was granted or acquired.

Receivables, net of allowance for doubtful accounts, amounted to ₱351.6 million and ₱254.8 million as at March 31, 2017 and 2016, respectively. Provision for impairment loss on receivables recognized in the consolidated financial statements amounted to ₱66.1 million, ₱70.6 million and ₱71.3 million in 2017, 2016 and 2015, respectively (see Note 6).

Estimating Useful Lives of Nonfinancial Assets. Management determines the estimated useful lives and the related depreciation and amortization charges for its property and equipment, investment properties, excluding land, and intangible assets based on the period over which the property and equipment, investment properties and intangible assets are expected to provide economic benefits. Management's estimation of the useful lives of property and equipment, investment properties and intangible assets is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets while for intangible assets with a finite life, estimated useful life is based on the economic useful benefit of the intangible assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. A reduction in the estimated useful lives of property and equipment, investment properties and intangible assets would increase recorded expenses and decrease noncurrent assets.

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

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

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

	2017	2016
Property and equipment (see Note 9)	**₱3,152,009,843**	₱2,952,559,965
Investment properties (see Note 10)	**554,868,715**	583,498,842
Intangible assets (see Note 14)	**22,395,838**	34,131,854

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

Management is required to make estimates and assumptions to determine the future cash flows to be generated from the continued use and ultimate disposition of these assets in order to determine the value of these assets. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. Future adverse events may cause management to conclude that the affected assets are impaired and may have a material impact on the financial condition and results of operations of the Group. The carrying value of property and equipment, investment properties, investment in and advances to associates and joint ventures and intangible assets and other noncurrent assets are disclosed in Notes 9, 10, 11 and 14, respectively. There were no impairment loss in 2017, 2016 and 2015.

Goodwill. Acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date. It also requires the acquirer to recognize any goodwill as the excess of the acquisition cost over the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The Group's business acquisitions have resulted in goodwill which is subject to an annual impairment testing. This requires an estimation of the value in use of the CGUs to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The recoverable amounts of CGUs have been determined based on value in use calculations using cash flow projections covering a five-year period based on long-range plans approved by management.

Management used an appropriate discount rate for cash flows equal to the prevailing rates of return for a Group having substantially the same risks and characteristics. Management used the weighted average cost of capital wherein the source of the costs of equity and debt financing are weighted. The weighted average cost of capital is the overall required return on the Group. A discount rate of 10.0% was used as at March 31, 2017, 2016 and 2015. The Group's growth rates in extrapolating its cash flows beyond the period covered by its recent budgets ranged from 5.0% to 10.0%.

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

Impairment testing as at March 31, 2017, 2016 and 2015 showed that the CGUs recoverable amounts were greater than their carrying amounts, and there were no events during the years ended March 31, 2017, 2016 and 2015 that would eliminate such difference, hence, no provision for impairment in value was recognized in 2017, 2016 and 2015. Goodwill, net of allowance for impairment loss, amounted to ₱223.8 million as at March 31, 2017 and 2016 (see Note 14).

Pension Cost. The determination of the obligation and cost for pension benefits is dependent on the selection of certain assumptions provided by the Group to its actuaries in calculating such amounts. Those assumptions were described in Note 25 and included among others, discount rate and future salary increases. In accordance with Revised PAS 19, Employee Benefits, actual results that differ from the Group's assumptions are included in OCI and are not reclassified to profit or loss in subsequent periods. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other pension obligations.

The carrying values of pension assets and pension liabilities as at March 31, 2017 and 2016 are disclosed in Note 25 to the consolidated financial statements.

Deferred Tax Assets. Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Deferred tax assets recognized as at March 31, 2017 and 2016 are disclosed in Note 27 to the consolidated financial statements. Unrecognized deferred tax assets on net operating loss carry-over (NOLCO) and other losses of certain subsidiaries amounted to ₱75.0 million and ₱87.5 million as at March 31, 2017 and 2016, respectively. These losses relate to subsidiaries that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognize deferred tax assets on the tax losses carried forward.

5. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand and in banks	**₱2,172,952,624**	₱540,097,246
Cash equivalents	**707,330,107**	2,073,826
	₱2,880,282,731	₱542,171,072

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

Interest earned from cash in banks and cash equivalents amounted to ₱1.4 million, ₱2.8 million and ₱1.2 million in 2017, 2016 and 2015, respectively (see Note 20).

6. Receivables

This account consists of:

	2017	2016
Tuition and other school fees	**₱298,640,754**	₱230,573,439
Educational services	**47,862,238**	35,641,080
Rent, utilities and other related receivables (see Note 28)	**41,014,358**	29,395,914
Advances to officers and employees (see Note 28)	**19,497,646**	20,785,180
Current portion of advances to associates, joint ventures and other related parties (see Note 28)	**143,571**	252,767
Others	**23,958,533**	23,232,867
	431,117,100	339,881,247
Less allowance for doubtful accounts	**79,534,228**	85,083,311
	₱351,582,872	₱254,797,936

The terms and conditions of the receivables are as follows:

a. Tuition and other school fees include receivables from students and DepED. These receivables are noninterest-bearing and are normally collected on or before the date of major examinations while receivables from DepEd are expected to be collected within the year.

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

   Interest earned from past due accounts amounted to ₱1.5 million, ₱1.4 million and ₱2.9 million in 2017, 2016 and 2015, respectively (see Note 20).

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

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

e. For terms and conditions relating to advances to associates, joint ventures and other related parties, refer to Note 28.

f. Other receivables are expected to be collected within the next financial year.

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

	2017		
	Tuition and Other School Fees	**Others**	**Total**
Balance at beginning of year	**₱74,199,787**	**₱10,883,524**	**₱85,083,311**
Provisions (see Note 23)	**71,358,231**	**(5,254,102)**	**66,104,129**
Effect of derecognition of a subsidiary (see Notes 2 and 34)	**(7,012,178)**	**–**	**(7,012,178)**
Write-off	**(62,856,047)**	**(1,784,987)**	**(64,641,034)**
Balance at end of year	**₱75,689,793**	**₱3,844,435**	**₱79,534,228**

	2016		
	Tuition and Other School Fees	Others	Total
Balance at beginning of year	₱76,640,577	₱7,354,037	₱83,994,614
Provisions (see Note 23)	67,046,653	3,529,487	70,576,140
Write-off	(69,487,443)	–	(69,487,443)
Balance at end of year	₱74,199,787	₱10,883,524	₱85,083,311

As at March 31, 2017 and 2016 allowance for doubtful accounts amounting to ₱3.8 million and ₱10.9 million, respectively, relates to individually significant accounts under "Others" that were assessed as impaired. The remaining balance of ₱75.7 million and ₱74.2 million as at March 31, 2017 and 2016, respectively, relates to accounts under "Tuition and Other School Fees" that were collectively assessed as impaired.

7. Inventories

This account consists of:

	2017	2016
At net realizable value:		
Educational materials	**₱106,836,523**	₱29,965,380
Promotional materials	**8,040,073**	5,076,920
School materials and supplies	**2,120,247**	1,174,914
	₱116,996,843	₱36,217,214

The cost of inventories amounted to ₱127.7 million and ₱46.9 million as at March 31, 2017 and 2016, respectively. Allowance for inventory obsolescence amounted to ₱10.7 million as at March 31, 2017 and 2016. Provision for inventory obsolescence resulting from excess of cost over net realizable value of inventories amounted to nil in 2017 and 2016 and ₱0.3 million in 2015 (see Note 23).

Inventories charged to cost of educational materials and supplies sold amounted to ₱115.4 million ₱51.5 million and ₱40.7 million in 2017, 2016 and 2015, respectively. (see Note 22).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2017	2016
Prepaid taxes	**₱91,019,868**	₱72,206,752
Prepaid rent	**8,460,801**	6,115,222
Excess contributions to CEAP	**3,603,282**	3,153,010
Software maintenance cost	**3,289,983**	2,103,097
Prepaid insurance	**498,519**	297,991
Others	**3,056,096**	3,064,533
	₱109,928,549	₱86,940,605

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

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

Excess contributions to CEAP pertain to contributions made by De Los Santos-STI College and STI QA to CEAP which are already considered forfeited pension benefits of those employees who can no longer avail their pension benefits either because they did not meet the required tenure of ten years or they did not reach the retirement age of sixty when they left the service or when De Los Santos-STI College or STI QA 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 represents support and maintenance charges for the Group's accounting and enrollment systems which are amortized within one year from date of contract.

Prepaid insurance includes insurance coverage for fire and building, health coverage of employees and life and accident insurance of the students which was prepaid by the Group as at March 31, 2017.

9. Property and Equipment

The rollforward analyses of this account follows:

	2017									
	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment (see Note 26)	Computer Equipment and Peripherals	Library Holdings	Construction in-Progress	Total
Cost, Net of Accumulated Depreciation and Amortization										
Balance at beginning of year	**₱1,530,686,496**	**₱2,611,973,240**	**₱123,477,116**	**₱72,634,888**	**₱77,283,217**	**₱15,971,780**	**₱32,238,826**	**₱18,980,898**	**₱162,252,047**	**₱4,645,498,508**
Additions	**552,362,186**	**256,295,159**	**44,292,692**	**25,690,175**	**12,183,886**	**6,313,596**	**40,107,689**	**4,324,570**	**41,883,725**	**983,453,678**
Disposal	**–**	**–**	**(75,257)**	**(9,680)**	**–**	**(132,300)**	**–**	**–**	**–**	**(217,237)**
Effect of derecognition of a subsidiary	**–**	**–**	**(12,714,559))**	**(4,737,699)**	**(43,474,010)**	**(3,400,068)**	**(6,018,477)**	**(1,508,141)**	**(9,949,456)**	**(81,802,410)**
Reclassification	**–**	**170,903,140**	**–**	**–**	**(7,131,005)**	**–**	**–**	**–**	**(163,772,135)**	**–**
Depreciation and amortization (see Notes 21 and 23)	**–**	**(148,228,687)**	**(47,218,838)**	**(26,261,881)**	**(17,350,057)**	**(8,097,571)**	**(26,722,594)**	**(7,580,205)**	**–**	**(281,459,833))**
Balance at end of year	**₱2,083,048,682**	**₱2,890,942,852**	**₱107,761,154**	**₱67,315,803**	**₱21,512,031**	**₱10,655,437**	**₱39,605,444**	**₱14,217,122**	**₱30,414,181**	**₱5,265,472,706**
At March 31, 2017										
Cost	**₱2,083,048,682**	**₱3,570,815,102**	**₱426,472,115**	**₱233,817,629**	**₱292,975,343**	**₱58,650,955**	**₱379,252,649**	**₱103,244,292**	**₱30,414,181**	**₱7,178,690,948**
Accumulated depreciation and amortization	**–**	**679,872,250**	**318,710,961**	**166,501,826**	**271,463,312**	**47,995,518**	**339,647,205**	**89,027,170**	**–**	**1,913,218,242**
Net book value	**₱2,083,048,682**	**₱2,890,942,852**	**₱107,761,154**	**₱67,315,803**	**₱21,512,031**	**₱10,655,437**	**₱39,605,444**	**₱14,217,122**	**₱30,414,181**	**₱5,265,472,706**

The cost of fully depreciated property and equipment still used by the Group as at March 31, 2017 amounted to ₱826.6 million.

	2016									
	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment (see Note 26)	Computer Equipment and Peripherals	Library Holdings	Construction in-Progress	Total
Cost, Net of Accumulated Depreciation and Amortization										
Balance at beginning of year	₱1,530,686,496	₱2,674,436,952	₱125,543,337	₱85,567,533	₱86,388,152	₱22,339,075	₱39,581,343	₱23,465,907	₱43,467,820	₱4,631,476,615
Additions	–	38,497,012	46,272,218	11,671,343	17,225,044	4,289,329	17,673,462	4,427,191	160,539,958	300,595,557
Disposal	–	–	–	–	–	–	(16,125)	–	–	(16,125)
Reclassification	–	36,475,559	–	–	5,280,172	–	–	–	(41,755,731)	–
Depreciation and amortization (see Notes 21 and 23)	–	(137,436,283)	(48,338,439)	(24,603,988)	(31,610,151)	(10,656,624)	(24,999,854)	(8,912,200)	–	(286,557,539)
Balance at end of year	₱1,530,686,496	₱2,611,973,240	₱123,477,116	₱72,634,888	₱77,283,217	₱15,971,780	₱32,238,826	₱18,980,898	₱162,252,047	₱4,645,498,508
At March 31, 2016										
Cost	₱1,530,686,496	₱3,126,457,848	₱409,713,136	₱221,756,417	₱380,030,219	₱70,741,742	₱372,815,257	₱106,867,218	₱162,252,047	₱6,381,320,380
Accumulated depreciation and amortization	–	514,484,608	286,236,020	149,121,529	302,747,002	54,769,962	340,576,431	87,886,320	–	1,735,821,872
Net book value	₱1,530,686,496	₱2,611,973,240	₱123,477,116	₱72,634,888	₱77,283,217	₱15,971,780	₱32,238,826	₱18,980,898	₱162,252,047	₱4,645,498,508

The cost of fully depreciated property and equipment still used by the Group as at March 31, 2016 amounted to ₱710.2 million.

Additions

Acquisitions. In January 2017, STI ESG purchased three parcels of land in P. Celle corner EDSA, Pasay City with a combined land area of 3,911 square meters for a total cost of ₱552.4 million. This will be the site of the nine-storey STI Academic Center Pasay-EDSA which is expected to accommodate up to 12,400 senior high school and college students.

Property and Equipment under Construction. As at March 31, 2017, the construction in-progress account includes costs incurred for the construction of classrooms and faculty rooms in STI Batangas and the renovation works in STI Novaliches. The related contract costs amounted to ₱38.8 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects. The projects are expected to be completed by end of July 2017.

As at March 31, 2016, the construction in-progress account includes costs incurred for the construction of the STI Las Piñas campus. The related contract costs amounted to ₱497.9 million, inclusive of materials, cost of labor, overhead, equipment, furniture and fixtures and all other costs necessary for the completion of the project. The construction was completed in July 2016.

Capitalized Borrowing Costs. Total borrowing costs capitalized as part of property and equipment amounted to nil and ₱0.6 million in 2017 and 2016, respectively. The average interest capitalization rates were nil and 4.75% in 2017 and 2016, respectively, which were the effective rate of the general borrowings.

Finance Leases
Certain transportation equipment were acquired under finance lease agreements. The net book value of these equipment amounted to ₱10.4 million and ₱14.7 million as at March 31, 2017 and 2016, respectively (see Note 26).

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

10. Investment Properties

The rollforward analyses of this account follows:

		2017	
	Land	**Buildings**	**Total**
Cost -			
Balance at beginning and end of year	**₱23,986,424**	**₱636,233,550**	**₱660,219,974**
Accumulated depreciation:			
Balance at beginning of year	–	**52,734,708**	**52,734,708**
Depreciation (see Notes 23)	–	**28,630,127**	**28,630,127**
Balance at end of year	–	**81,364,835**	**81,364,835**
Net book value	**₱23,986,424**	**₱554,868,715**	**₱578,855,139**

	2016		
	Land	Buildings	Total
Cost:			
Balance at beginning of year	₱23,986,424	₱629,390,918	₱653,377,342
Additions	–	6,842,632	6,842,632
Balance at end of year	23,986,424	636,233,550	660,219,974
Accumulated depreciation:			
Balance at beginning of year	–	24,104,580	24,104,580
Depreciation (see Notes 23)	–	28,630,128	28,630,128
Balance at end of year	–	52,734,708	52,734,708
Net book value	₱23,986,424	₱583,498,842	₱607,485,266

The fair values of investment properties were determined by an independent professionally qualified appraiser. The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

Fair value as at March 31, 2017	₱46,860,000
Valuation technique	Sales comparison approach
Unobservable input	Net price per square meter
Relationship of unobservable inputs to fair value	The higher the price per square meter, the higher the fair value

The highest and best use of the land is commercial utility.

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

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

Fair value as at March 31, 2017	₱920,858,000
Valuation technique	Sales comparison approach
Unobservable input	Net price per square meter
Relationship of unobservable inputs to fair value	The higher the price per square meter, the higher the fair value

The highest and best use of the buildings is commercial utility.

Rental
Rental income earned from investment properties amounted to ₱83.9 million, ₱33.7 million and ₱6.5 million in 2017, 2016 and 2015, respectively (see Note 26). Direct operating expenses, including repairs and maintenance, arising from investment properties amounted to ₱0.8 million, ₱1.0 million and ₱1.6 million in 2017, 2016 and 2015, respectively.

11. Investments in and Advances to Associates and Joint Ventures

The details and movements in this account follow:

	2017	2016
Investments at Equity		
Cost:		
Balance at beginning of year	**₱743,245,137**	₱673,261,937
Acquisitions	**–**	69,983,200
Cancellation of subscription to Maestro Holdings	**(17,499,769)**	–
Disposal	**(1,759,990)**	–
Balance at end of year	**723,985,378**	743,245,137
Accumulated equity in net earnings:		
Balance at beginning of year	**1,058,978,749**	1,015,974,623
Equity in net earnings (loss)	**(158,823,602)**	54,026,334
Dividends received	**(10,814,192)**	(11,022,208)
Balance at end of year	**889,340,955**	1,058,978,749
Accumulated share in associates' other comprehensive income:		
Balance at beginning of year	**104,330,374**	405,874,093
Unrealized mark-to-market (MTM) loss on AFS financial assets	**(171,932,663)**	(302,105,162)
Remeasurement gain on pension liability	**18,979,724**	561,443
Balance at end of year	**(48,622,565)**	104,330,374
Share in associates' other equity reserves	**728,649**	–
	1,565,432,417	1,906,554,260
Advances (see Note 28)	**37,277,147**	35,633,303
Less allowance for impairment loss	**37,277,147**	35,633,303
	–	–
	₱1,565,432,417	₱1,906,554,260

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

	2017	2016
Balance at beginning of year	**₱35,633,303**	₱35,113,889
Provision for impairment (see Note 23)	**1,643,844**	519,414
Balance at end of year	**₱37,277,147**	₱35,633,303

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

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

	2017	2016
Associates:		
Maestro Holdings	**₱1,053,968,500**	₱1,389,114,547
STI Holdings	**469,608,919**	481,740,744
STI Alabang	**20,864,819**	18,365,648
GROW	**15,507,702**	12,111,456
STI Accent	**37,277,147**	35,633,303
STI Marikina	**–**	144,045
Synergia	**–**	46,969
Joint venture -		
PHEI (see Note 12)	**5,482,477**	5,030,851
	1,602,709,564	1,942,187,563
Allowance for impairment loss	**37,277,147**	35,633,303
	₱1,565,432,417	₱1,906,554,260

Information about associates and indirect associates and their major transactions are discussed below:

Maestro Holdings. Maestro Holdings is a holding company that holds investments in PhilPlans, PhilhealthCare, Inc. (PhilCare), Philippine Life Financial Assurance Corporation (PhilLife) and Banclife Insurance Co., Inc. (Banclife). PhilPlans is a leading pre-need company, providing innovative pension, education and life plans. It owns 65% of Rosehills Memorial Management, Inc. (RMMI), a company engaged in the operation and management of a memorial park, memorial and interment services and sale of memorial products. PhilCare is a Health Maintenance Organization (HMO) that provides effective and quality health services and operates through its own clinics and through nationwide accredited clinics and hospitals. PhilLife provides financial services, such as individual, family and group life insurance, investment plans and loan privilege programs. Banclife is formerly engaged in life insurance business in the Philippines. It ceased operations in March 2013.

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

Condensed financial information of Maestro Holdings is as follows:

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

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

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

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

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

As at December 31, 2016, Maestro Holdings paid a total of ₱178.9 million initial payments which are recognized under "Deposit for stock purchase" account. The payment of the balance of the purchase price amounting to ₱19.9 million shall be made within thirty days from the date of fulfillment of either of the agreed conditions precedent to the completion of the sale.

Upon consummation of the sale, Maestro Holdings will increase its interest in PhilLife from 70.60% to 90.70%.

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

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

STI Holdings. STI Holdings is a holding company whose primary purpose 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. In 2017, the Group disposed of a portion of its investment in STI Holdings, or 0.02% interest, resulting in a gain of ₱0.2 million.

Condensed financial information of STI Holdings is as follows:

	March 31		
	2017	2016	2015
Current assets	**₱60,182,112**	₱22,147,052	₱22,147,052
Noncurrent assets	**17,998,069,850**	17,306,913,668	17,306,913,668
Current liabilities	**(181,738,306)**	(376,507,448)	(376,507,448)
Noncurrent liabilities	**(174,861,700)**	(174,861,700)	(174,861,700)
Total equity	**17,701,651,956**	16,777,691,572	16,777,691,572
Less cumulative dividend income from STI ESG	**1,939,337,265**	838,269,146	838,269,146
Total equity, net of cumulative dividend income from STI ESG	**15,762,314,691**	15,939,422,426	15,939,422,426
Proportion of the Group's ownership	**5.05%**	5.07%	5.07%
Equity attributable to equity holders of the parent company	**795,996,892**	808,128,717	808,128,717
Excess of carrying value of net assets over acquisition cost	**(326,387,973)**	(326,387,973)	(326,387,973)
Carrying amount of the investment	**₱469,608,919**	₱481,740,744	₱481,740,744

	For the Years Ended March 31		
	2017	2016	2015
Revenues	**₱1,082,231,352**	₱812,128,025	₱263,395,981
Expenses	**24,447,355**	190,085,979	24,243,334
Income from operations	**1,057,783,997**	622,042,046	239,152,647
Other comprehensive loss	**-**	(37,350)	(39,085)
Total comprehensive income	**1,057,783,997**	622,004,696	239,113,562
Less dividend income from the STI ESG	**1,064,218,063**	246,653,915	246,665,535
Total comprehensive income (loss) attributable to equity holders of the parent company	**(6,449,055)**	375,350,781	(7,551,973)
Proportion of the Group's ownership	**5.05%**	5.07%	5.07%
Share in total income (loss)	**(₱325,677)**	₱19,030,285	(₱382,885)

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

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

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

STI Accent is engaged in providing medical and other related services. It ceased operations on June 20, 2012 after the contract of usufruct between STI Accent and Dr. Fe Del Mundo Medical Center Foundation Philippines, Inc. to operate the hospital and its related healthcare service businesses was rescinded in May 2012. Thus, the Group ceased the recognition of its share in the losses of STI Accent. As at March 31, 2017, 2016 and 2015, allowance for impairment loss on the Parent Company's investment in STI Accent and related advances amounted to ₱37.2 million, ₱35.6 million and ₱35.1 million, respectively.

For terms and conditions relating to advances to associates and joint ventures, refer to Note 28.

12. **Interests in Joint Ventures**

PHEI

On March 19, 2004, the Parent Company, together with the University of Makati (UMak) and another shareholder, incorporated PHEI in the Philippines. The Parent Company and UMak each owns 40.00% of the equity of PHEI with the balance owned by another shareholder. PHEI is envisioned as the College of Nursing of UMak. The following are certain key terms under the agreement signed in 2003 by the Parent Company and UMak:

a. The Parent Company shall be primarily responsible for the design of the curriculum for the Bachelor's Degree in Nursing (BSN) and Master's Degree in Nursing Informatics with such curriculum duly approved by the University Council of UMak;

b. UMak will allow the use of its premises as a campus of BSN while the premises of iACADEMY will be the campus of the post graduate degree; and the Parent Company will recruit the nursing faculty while UMak will provide the faculty for basic courses that are non-technical in nature.

STI-PHNS

On September 16, 2005, GROW and PHNS International Holdings, Inc., a company incorporated in Dallas, Texas, USA, entered into a Joint Venture Agreement (JVA). Under the JVA, the parties have agreed to incorporate a joint venture company in the Philippines and set certain terms with regard to capitalization, organization, conduct of business and the extent of their participation in the management of affairs of the joint venture company for the primary purpose of engaging, directly or indirectly, in the business of medical transcription and other related business in the Philippines. As a result of the JVA, the parties incorporated STI-PHNS where each have a 50.00% ownership of the outstanding capital stock of STI-PHNS.

A Deed of Assignment between GROW and STI was executed on May 5, 2006 to transfer all the rights of GROW in the JVA to the latter.

STI-PHNS ceased operations in 2014. On April 7, 2016, the BOD approved a resolution regarding the cessation of the STI-PHNS's business activities and the closure of its operations effective March 1, 2013. On the same date, the BOD approved the resolution to shorten the corporate term of STI-PHNS until June 30, 2017. On July 12, 2016, the amendment to STI-PHNS Articles of Incorporation for shortening of the corporate term was approved by the SEC

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

13. **Available-for-Sale Financial Assets**

This account consists of:

	2017	2016
Quoted equity shares - at fair value	**₱3,808,240**	₱2,961,120
Unquoted equity shares - at cost	**47,062,515**	47,062,515
	₱50,870,755	₱50,023,635

a. Quoted Equity Shares

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

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

	2017	2016
Balance at beginning of year	**(₱871,689)**	(₱531,785)
Unrealized MTM gain (loss) on AFS financial assets	**847,120**	(339,904)
Balance at end of year	**(₱24,569)**	(₱871,689)

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

b. Unquoted Equity Shares

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

c. Pledged Shares

On June 3, 2013, the Parent Company executed a deed of pledge on all of its De Los Santos Medical Center shares in favor of Neptune Stroika Holdings, Inc., a wholly-owned subsidiary of Metro Pacific Investments Corporation (MPIC), to cover the indemnity obligations of the Parent Company enumerated in its investment agreement entered into in 2013 with MPIC. The completion of MPIC's subscription resulted in the cessation of De Los Santos-STI Megaclinic and De Los Santos Medical Center as associates of the Group effective June 2013. Consequently, the Group's effective percentage ownership in De Los Santos Medical Center and De Los Santos - STI Megaclinic were diluted and such were reclassified to AFS financial assets. The carrying value of the investment in De Los Santos Medical Center amounted to ₱25.9 million as at March 31, 2017 and 2016.

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

This account consists of:

	2017	2016
Goodwill	**₱223,777,646**	₱223,777,646
Deposits for asset acquisitions	**72,764,000**	–
Rental deposits (see Note 26)	**39,555,558**	37,980,890
Intangible assets	**22,395,838**	34,131,854
Advances to suppliers	**17,258,087**	53,072,904
Others	**2,489,774**	8,701,461
	₱378,240,903	₱357,664,755

Goodwill

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

	2017	2016
STI Caloocan	**₱64,147,877**	₱64,147,877
STI Novaliches (see Note 18)	**21,803,322**	–
STI Taft	**19,030,844**	19,030,844
STI Tuguegarao	**13,638,360**	13,638,360
STI Lipa (see Note 35)	**8,857,790**	8,857,790
STI Dagupan	**6,835,818**	6,835,818
STI Tanauan (see Note 35)	**4,873,058**	4,873,058
STI Iloilo (see Note 35)	**3,806,173**	3,806,173
STI Pagadian (see Note 35)	**3,396,880**	3,396,880
STI Batangas (see Note 35)	**2,585,492**	2,585,492
STI Diamond (see Note 18)	**–**	21,803,322
Merged entities (see Note 1):		
STI Cubao	**28,327,670**	28,327,670
STI Global City	**11,360,085**	11,360,085
STI Edsa Crossing	**11,213,342**	11,213,342
STI Ortigas-Cainta	**7,476,448**	7,476,448
STI Meycauayan	**5,460,587**	5,460,587
STI Makati	**3,261,786**	3,261,786
STI Las Piñas	**2,922,530**	2,922,530
STI Kalibo	**2,474,216**	2,474,216
STI Naga	**2,305,368**	2,305,368
	₱223,777,646	₱223,777,646

As a result of the deconsolidation of STI Diamond as discussed in Note 18, the Group reallocated the associated goodwill to STI Novaliches as at March 31, 2017. The assets and liabilities of STI Diamond have all been transferred to STI Novaliches.

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

With regard to the assessment of value-in-use of the cash-generating units, management believes that a reasonably possible change in the assumptions would not cause the carrying values of the cash-generating units to materially exceed their recoverable amounts.

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

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

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

The rollforward analyses of this account follow:

	2017	2016
Cost, net of accumulated amortization:		
Balance at beginning of year	**₱34,131,854**	₱34,044,303
Additions	**1,104,037**	4,644,542
Effect of derecognition of a subsidiary	**(3,421,696)**	–
Amortization (see Note 21 and 23)	**(9,418,357)**	(4,556,991)
Balance at end of year	**₱22,395,838**	₱34,131,854
Cost	**₱38,559,362**	₱52,072,194
Accumulated amortization	**16,163,524**	17,940,340
Net carrying amount	**₱22,395,838**	₱34,131,854

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

Condominium Deposit
In March 2015, TechZone completed the construction of the condominium units and turned-over the units for retrofitting. As a result, the Group applied the "Condominium deposits" amounting to ₱396.3 million and recognized the total purchase price of the condominium units amounting to ₱560.0 million plus directly attributable costs amounting to ₱8.4 million under the "Investment properties" account (see Note 10). The resulting difference, which amounted to ₱172.1 million, was recorded as "Gain on exchange of land" in the 2015 consolidated statement of comprehensive income.

15. **Interest-bearing Loans and Borrowings**

This account consists of:

	2017	2016
Current portion:		
Short-term loans	**₱545,000,000**	₱–
Corporate notes facility	**40,800,000**	100,800,000
	585,800,000	100,800,000
Noncurrent	**734,400,000**	775,200,000
	₱1,320,200,000	₱876,000,000

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

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 ₱3,000.0 million with a term of either 5 or 7 years. The facility is available in two tranches of ₱1,500.0 million each. The net proceeds from the issuance of the notes shall be used for capital expenditures and other general corporate purposes.

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

In 2015, the Parent Company availed a total of ₱1,200.0 million loans with interest ranging from 4.34% to 4.75%. The Parent Company has made payments totaling to ₱100.8 million, ₱216.0 million and ₱108.0 million in 2017, 2016 and 2015, respectively.

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

Fiscal Year	Amount
2018	40,800,000
2019	134,400,000
2020	240,000,000
2021	240,000,000
2022	120,000,000
	₱775,200,000

An Accession Agreement to the Credit Facility Agreement was executed on December 16, 2014 among STI ESG, STI West Negros University (STI WNU), a company under common control with STI ESG, 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. By virtue of the Accession Agreement, a sub limit of ₱500.0 million was made available to STI WNU and UNLAD

Resources Development Corporation. 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 ₱1.5 billion.

The Credit Facility 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. The Parent Company was required to maintain a debt-to-equity ratio of not more than 1.0:1 and debt service cover ratio of not less than 1.1:1.

Breakdown of the Group's Credit Facility Agreement follows:

	2017	2016
Balance at beginning of year	**₱876,000,000**	₱1,092,000,000
Repayments	**100,800,000**	216,000,000
Balance at end of year	**775,200,000**	876,000,000
Less current portion	**40,800,000**	100,800,000
Noncurrent portion	**₱734,400,000**	₱775,200,000

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

a) change in interest rate of either (1) the 1-year Benchmark Rate plus a margin of 1.5% per annum which interest rate shall in no case be lower than 3.75% per annum or (2) the 3-month Benchmark Rate plus a margin of 1.5% per annum which interest rate shall in no case be lower than 3.5% per annum.

b) amendments on the required financial ratios, whereby STI ESG shall maintain the following ratios which shall be computed based on the consolidated financial statements:

   (1) Debt-to-equity ratio of not more than 1.5x, computed by dividing total debt by total equity. For the purpose of this computation, total debt shall exclude unearned tuition and other school fees;

   (2) Debt service cover Ratio of a minimum of 1.05x.

As at March 31, 2017 and 2016, STI ESG complied with the above covenants (see Note 17).

<u>Interest Expense</u>
Starting with interest period 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.

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

Interest incurred on the loans amounted to ₱58.8 million, ₱49.0 million and ₱20.1 million in 2017, 2016 and 2015, respectively (see Note 20).

16. Accounts Payable and Other Current Liabilities

This account consists of:

	2017	2016
Accounts payable (see Note 28)	**₱215,096,522**	₱205,069,681
Accrued expenses:		
Rent	**30,413,260**	36,041,503
School-related expenses	**24,709,631**	29,982,449
Contracted services	**18,525,456**	21,777,509
Salaries, wages and benefits	**13,630,726**	15,180,463
Interest	**10,877,429**	7,145,152
Advertising and promotion	**3,929,632**	2,335,010
Utilities	**4,469,615**	7,114,805
Others	**9,151,419**	7,523,916
Dividends payable	**12,365,576**	7,115,176
Withholding taxes payable	**8,044,859**	6,550,383
Network events fund	**7,801,487**	5,736,238
Student organization fund	**3,691,824**	2,659,861
Current portion of refundable deposits (see Note 28)	**1,413,374**	2,452,697
Subscriptions payable (see Notes 11 and 28)	**–**	17,495,800
Others	**15,111,439**	11,709,198
	₱379,232,249	₱385,889,841

The terms and conditions of the liabilities are as follows:

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

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

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

d. The subscription payable of ₱17.5 million pertains to the balance of subscription of the Parent Company to the shares of Maestro Holdings made in December 2015. The BOD of Maestro Holdings in its meeting in June 2016 approved the reduction of the shares opened for subscription to its stockholders. Correspondingly, the proportionate number of shares subscribed by the Parent Company was reduced, thus, the reversal of the subscription payable (see Note 11).

For terms and conditions of payable to related parties, refer to Note 28.

17. Bonds Payable

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

The bonds include an embedded derivative in the form of an early redemption option that gives the Company the option, but not the obligation, to redeem in whole (and not in part), the outstanding bonds before the relevant maturity date, based on a certain price depending on the fixed early redemption option dates. Management has assessed that the early redemption option is closely related to the bonds and would not require to be separated from the value of the bonds and accounted for as a derivative under PAS 39, Financial Instruments: Recognition and Measurement.

A summary of the terms of the Company's issued bonds is as follows:

Year Issued	**Interest Payable**	**Term**	**Interest Rate**	**Principal Amount**	**Carrying Value as at March 31, 2017**	**Features**
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	₱2,180,000,000	Callable on the 3rd month after the 5th anniversary of Issue Date and on the 6th anniversary of Issue Date
2017	Quarterly	10 years	6.3756%	820,000,000	820,000,000	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	₱3,000,000,000	

<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. The Parent Company is required to maintain a debt-to-equity ratio of not more than 1.5:1 and debt service cover ratio of not less than 1.05:1.

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

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

* *Excluding unearned tuition and other school fees*

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

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

Interest Expense
Interest expense associated with the bonds payable recognized in the consolidated statement of comprehensive income amounted to ₱4.5 million in 2017 (see Note 20).

18. Other Noncurrent Liabilities

	March 31	
	2017	2016
Payable to STI Diamond - net of current portion	**₱57,117,312**	₱–
Advance rent	**38,033,539**	18,132,912
Refundable deposit - net of current portion	**17,821,827**	11,036,239
Deferred lease liability	**3,233,954**	2,195,644
	₱116,206,632	₱31,364,795

On August 16, 2016, STI Diamond entered into a Deed of Assignment with STI Novaliches where STI Diamond assigned, transferred and conveyed in a manner absolute and irrevocable, and free and clear of all liens and encumbrances, to STI Novaliches all its rights, title and interest in its assets and liabilities for a price of ₱75.0 million, payable quarterly over five years. Consequently, the management contract between the Parent Company and STI Diamond was terminated. In addition, any rights to the residual interest in STI Diamond was transferred to an entity outside of the Group. As a result, STI Diamond was derecognized as a subsidiary of the Parent Company. The impact of ₱60.8 million, shown as "Effect of derecognition of a subsidiary" in the consolidated statement of comprehensive income the year ended March 31, 2017, represents the present value of the purchase price. The total carrying value of the unpaid purchase price amounted to ₱60.8 million, of which, ₱3.7 million is recorded as part of "Others" under the "Accounts payable and other current liabilities" account as at March 31, 2017 (see Note 16).

Advance rent pertains to advance rentals which have not been earned by the Group as these collections apply to periods more than one year after the reporting date.

Refundable deposits are held by the Group throughout the term of the lease and are refunded in full to the lessee at the end of the lease term if the lessee has performed fully and observed all of the conditions and provisions in the lease. Refundable deposits are presented in the statements of financial position at amortized cost. The difference between the fair value at initial recognition and the notional amount of the refundable deposit is charged to "Deferred lease liability" and amortized on a straight-line basis over the respective lease term.

19. **Equity**

Capital Stock

The details of the number of common shares follow:

	2017	2016
Authorized - ₱1 par value	**5,000,000,000**	5,000,000,000
Issued and outstanding -	**₱3,081,871,859**	₱3,081,871,859

Retained Earnings

a. On September 9, 2016, the BOD approved the cash dividends declaration amounting to ₱246.5 million, or ₱0.08 per share, in favor of the stockholders of record as at September 9, 2016. Such dividends were paid on September 15, 2016. On September 20, 2016, the BOD also approved the cash dividends declaration amounting to ₱832.1 million, or ₱0.27 per share, in favor of stockholders of record as at September 20, 2016. The Company paid ₱431.5 million and ₱400.6 million dividends to its stockholders on September 23, 2016 and November 3, 2016, respectively.

b. On September 4, 2015, the Parent Company's BOD approved the cash dividends declaration amounting to ₱250.0 million, or ₱0.08 per share, in favor of the stockholders of record as at August 31, 2015. Such dividends were paid on September 16, 2015.

c. On September 4, 2014, the Parent Company's BOD approved the cash dividends declaration amounting to ₱250.0 million, or ₱0.08 per share, in favor of the stockholders of record as at August 31, 2014. Such dividends were paid on September 22, 2014.

d. Consolidated retained earnings include undeclared retained earnings of subsidiaries and associates amounting to ₱1,222.4 million, ₱1,397.8 million and ₱1,250.8 million as at March 31, 2017, 2016 and 2015, respectively. The Parent Company's retained earnings available for dividend declaration, computed based on the guidelines provided in the SEC Memorandum Circular No. 11, amounted to ₱1,840.3 million, ₱2,126.8 million and ₱1,886.3 million as at March 31, 2017, 2016 and 2015, respectively.

Other Equity Reserve

iACADEMY. On September 27, 2016, the Parent Company entered into a deed of sale with STI Holdings wherein the Parent Company sells, assigns, transfer and delivers in full its absolute title over the shares of iACADEMY. The difference between the consideration of ₱113.5 million and the carrying value of net assets of iACADEMY of ₱124.3 million, or equivalent to ₱10.8 million, is recognized under the "Other equity reserve" account in the consolidated statement of financial position as at March 31, 2017. The carrying value of the net assets of iACADEMY includes the ₱100.0 million capital infusion made by STI Holdings prior to the sale of iACADEMY.

STI Taft. On December 1, 2015, the BOD of STI Taft approved the application for an increase in authorized capital stock from 5,000 shares with ₱100 par value per share to 750,000 shares with ₱100 par value per share. On the same date, the BOD of STI Taft approved the conversion of STI Taft's advances from STI ESG amounting to ₱49.0 million to deposit for future stock subscriptions. On April 4, 2016, the SEC approved STI Taft's increase in authorized capital stock to ₱75.0 million. Consequently, the deposit for future stock subscriptions was reclassified as part of the investment cost. As at March 31, 2017, STI Taft became a 99.9%-owned subsidiary of STI ESG. This transaction resulted in the dilution of the non-controlling interest and an equity adjustment of ₱11.3 million for the year ended March 30, 2017. As at March 31, 2017, STI Taft became a 99.9%-owned subsidiary of STI ESG.

STI Dagupan. On February 27, 2015, the BOD of STI Dagupan approved the application for an increase in authorized capital stock from ₱0.5 million to ₱35.0 million and the opening for subscription of 72,000 common shares with an aggregate par value of ₱7.2 million. Subsequently, the Parent Company subscribed to 32,000 shares or an aggregate par value of ₱3.2 million. The BOD of STI Dagupan also approved the equity conversion of STI Dagupan's advances from the Parent Company amounting to ₱19.8 million. This transaction resulted in the dilution of non-controlling interest and an equity adjustment of ₱4.8 million in 2016. The Parent Company's ownership over STI Dagupan increased from 77% to 99.9%.

20. Interest Income and Interest Expense

Sources of interest income are as follows:

	2017	2016	2015
Cash and cash equivalents (see Note 5)	**₱1,403,947**	₱2,753,538	₱1,235,325
Past due accounts receivable (see Note 6)	**1,472,985**	1,406,303	2,932,047
Others	**49,334**	582,695	797,748
	₱2,926,266	₱4,742,536	₱4,965,120

Sources of interest expense are as follows:

	2017	2016	2015
Interest-bearing loans and borrowings (see Note 15)	**₱58,785,842**	₱48,984,156	₱20,052,952
Obligations under finance lease (see Note 26)	**2,036,422**	1,161,535	1,541,470
Bonds payable (see Note 17)	**4,472,631**	–	–
Others	**464,149**	300,925	–
	₱65,759,044	₱50,446,616	₱21,594,422

21. Cost of Educational Services

This account consists of:

	2017	2016	2015
Faculty salaries and benefits (see Note 24)	**₱271,080,196**	₱250,747,384	₱223,483,147
Depreciation and amortization (see Note 9)	**168,327,086**	162,440,199	134,201,333
Student activities and programs	**121,682,251**	117,964,371	96,710,642

(Forward)

	2017	2016	2015
Rental (see Note 26)	**₱93,126,841**	₱91,951,494	₱91,069,758
School materials and supplies	**14,594,294**	13,710,777	12,882,747
Software Maintenance	**9,432,849**	7,171,434	2,357,907
Courseware development costs	**1,520,966**	4,038,111	4,774,173
Others	**5,309,524**	6,765,042	12,394,302
	₱685,074,007	₱654,788,812	₱577,874,009

22. Cost of Educational Materials and Supplies Sold

This account consists of:

	2017	2016	2015
Educational materials and supplies	**₱102,029,585**	₱37,535,662	₱27,116,580
Promotional materials	**12,049,699**	12,565,817	11,883,014
Others	**1,343,453**	1,433,221	1,729,223
	₱115,422,737	₱51,534,700	₱40,728,817

23. General and Administrative Expenses

This account consists of:

	2017	2016	2015
Salaries, wages and benefits (see Notes 24 and 25)	**₱255,378,490**	₱261,488,568	₱249,161,013
Depreciation and amortization (see Notes 9, 10 and 14)	**151,181,231**	157,304,459	133,236,220
Light and water	**98,246,671**	95,573,938	104,804,310
Outside services	**75,898,762**	73,405,009	67,446,331
Provision for impairment loss on:			
Receivables (see Note 6)	**66,104,129**	70,576,140	71,311,793
Investments in and advances to associates and joint ventures (see Note 11)	**1,643,844**	519,414	–
Professional fees	**60,091,566**	64,690,552	56,259,843
Rental (see Note 26)	**49,367,253**	48,163,542	48,329,651
Taxes and licenses	**29,782,373**	22,327,299	37,276,959
Transportation	**27,405,277**	25,988,621	24,621,224
Advertising and promotions	**9,696,496**	57,429,955	29,967,782
Repairs and maintenance	**19,011,030**	16,194,971	13,075,832
Meetings and conferences	**17,540,659**	16,525,716	15,890,272
Entertainment, amusement and recreation	**15,823,078**	13,145,577	12,135,802
Office supplies	**12,076,308**	12,731,947	10,893,655
Insurance	**9,714,872**	10,013,303	6,734,301
Communication	**9,284,957**	10,363,335	10,309,518
Software maintenance	**2,203,386**	1,666,137	679,200
Association dues	**235,457**	311,242	3,169,757
Excess of cost over net realizable value of inventories (see Note 7)	**–**	–	296,127
Others	**17,946,665**	18,956,880	14,225,200
	₱928,632,504	₱977,376,605	₱909,824,790

24. **Personnel Costs**

This account consists of:

	2017	2016	2015
Salaries and wages	**₱463,303,974**	₱448,959,749	₱411,949,322
Pension expense (see Note 23)	**12,970,192**	12,579,338	12,254,359
Other employee benefits	**50,184,520**	50,696,865	48,440,479
	₱526,458,686	₱512,235,952	₱472,644,160

25. **Pension Plans**

Defined Benefit Plans
The Group (except De Los Santos-STI College and STI QA) has separate, funded, noncontributory, defined benefit pension plans covering substantially all of its faculty and regular employees. The benefits are based on the faculties' and employees' salaries and length of service.

Under the existing regulatory framework, RA No. 7641 (Retirement Pay Law) requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Retirement benefits are payable in the event of termination of employment due to: (i) early, normal, or late retirement; (ii) physical disability; (iii) voluntary resignation; or (iv) involuntary separation from service. For plan members retiring under normal, early or late terms, retirement benefit is equal to a percentage of final monthly salary for every year of credited service.

In case of involuntary separation from service, benefit is determined in accordance with the Termination Pay provision under the Philippine Labor Code or similar legislation on involuntary termination.

The funds are administered by a trustee bank under the supervision of the Board of Trustees of the plan. The Board of Trustees is responsible for investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (Investment policy). The Board of Trustees implements the Investment policy in accordance with the investment strategy, as well as various principles and objectives.

The following tables summarize the components of the Group's net pension expense recognized in the consolidated statements of comprehensive income and the pension liability recognized in the consolidated statements of financial position:

	2017	2016	2015
Pension liabilities	**₱6,087,953**	₱38,143,366	₱27,538,255
Pension assets	**(2,763,398)**	–	–
	₱3,324,555	₱38,143,366	₱27,538,255

	2017	2016	2015
Pension expense (recognized under the "Salaries, wages and benefits" account):			
Current service cost	**₱11,079,632**	₱11,208,413	₱10,385,890
Net interest cost	**1,652,579**	1,310,745	1,106,938
	₱12,732,211	₱12,519,158	₱11,492,828
Pension liabilities (assets) (recognized in the consolidated statements of financial position):			
Present value of defined benefit obligations	**₱133,237,145**	₱122,032,569	₱112,415,012
Fair value of plan assets	**(129,912,590)**	(83,889,203)	(84,876,757)
	₱3,324,555	₱38,143,366	₱27,538,255
Changes in the present value of defined benefit obligations:			
Balance at beginning of year	**₱122,032,569**	₱112,415,012	₱98,750,312
Current service cost	**11,079,632**	11,208,413	10,385,890
Interest cost	**6,258,996**	5,482,809	4,535,095
Benefits paid	**(2,156,395)**	(1,877,286)	(1,467,268)
Actuarial loss (gain) on obligations	**2,094,248**	(5,196,379)	210,983
Effect of derecognition of a subsidiary	**(6,071,905)**	–	–
Balance at end of year	**₱133,237,145**	₱122,032,569	₱112,415,012
Changes in the fair value of plan assets:			
Balance at beginning of year	**₱83,889,203**	₱84,876,757	₱74,875,478
Contributions	**10,396,012**	8,956,993	8,392,091
Interest income	**4,606,417**	4,172,064	3,428,157
Benefits paid	**(2,156,395)**	(1,877,286)	(1,467,268)
Actuarial gain (loss) on plan assets	**33,177,353**	(12,239,325)	(351,701)
Balance at end of year	**₱129,912,590**	₱83,889,203	₱84,876,757
Actual return (loss) on plan assets	**₱38,730,703**	(₱8,067,261)	₱3,076,456

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The major categories of the Group's total plan assets as a percentage of the fair value of the total plan assets are as follows:

	2017	2016	2015
Cash and cash equivalents	**9%**	36%	35%
Short-term fixed income	**29%**	2%	1%
Investments in:			
Equity securities	**59%**	58%	60%
Debt securities	**3%**	4%	4%
	100%	100%	100%

The plan assets of the Group are maintained by Union Bank of the Philippines and United Coconut Planters Bank.

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

	2017	2016	2015
Cash	**₱12,054,721**	₱29,787,079	₱29,533,380
Short-term fixed income	**37,375,570**	1,660,885	1,209,000
Investments in:			
Equity securities	**76,885,722**	48,627,116	50,388,198
Government securities	**3,596,577**	3,779,823	3,722,112
Others	**–**	34,300	24,067
	₱129,912,590	₱83,889,203	₱84,876,757

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

Investments in Equity Securities. Investments in equity securities pertain to investment in shares of STI Holdings, the ultimate parent company, which has a fair value of ₱0.50, ₱0.57 and ₱0.71 per share as at March 31, 2017, 2016 and 2015, respectively.

Total gain from investments in equity securities of related parties amounted to ₱41.9 million, ₱4.9 million and ₱14.7 million in 2017, 2016 and 2015, respectively.

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

Investments in Government Securities. Investments in government securities include treasury bills and fixed-term treasury notes with maturities ranging from one to thirteen years and bear interest rates ranging from 5.9% to 9.0%. These securities are fully guaranteed by the Government of the Republic of the Philippines.

The expected contribution of the Group in 2018 is ₱9.6 million.

Management performs an Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans. The Group's current strategic investment strategy consists of 58% of equity instruments, 2% of short-term fixed income, 4% of debt instruments and 36% of cash and cash equivalents.

The average duration of the defined benefit obligation at the end of the period is 18 years.

Shown below is the maturity analysis of the undiscounted benefit payments:

	Amount
Less than one year	₱19,368,664
More than one year to five years	16,070,625
More than five years to 10 years	74,591,335
More than 10 years to 15 years	111,982,810
More than 15 years to 20 years	142,555,468
More than 20 years	386,406,168

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

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

	Effect on Present Value of DBO		
	2017	2016	2015
Discount rates			
Increase by 1%	**(₱12,536,721)**	(₱13,421,569)	(₱11,085,661)
Decrease by 1%	**15,079,321**	16,258,710	13,384,956
Future salary increases			
Increase by 1%	**14,862,020**	16,032,261	13,173,394
Decrease by 1%	**(12,711,470)**	(13,581,775)	(11,216,745)
Employee turnover			
Increase by 10%	**2,083,508**	(2,575,973)	(2,056,676)
Decrease by 10%	**(2,083,508)**	2,575,973	2,056,676

Defined Contribution Plans
De Los Santos-STI College and STI QA have funded, noncontributory defined contribution plan (De Los Santos Plan) covering all regular and permanent employees and is a participating employer in CEAP Retirement Plan. The De Los Santos Plan has a defined contribution format wherein the obligation is limited to specified contributions to the De Los Santos Plan and the employee's contribution is optional.

De Los Santos-STI College and STI QA's contributions consist of future service cost and past service cost. Future service cost is equal to 4.00% of employee's monthly salary from the date an employee becomes a member in CEAP. Past service cost is equal to 5.00% of the employees' average monthly salary for a 12 month period, immediately preceding the date of De Los Santos-STI College and STI QA's participation in CEAP, multiplied by the number of years of past service amortized over 10 years. Future service refers to the periods of covered employment on or after the date of De Los Santos-STI College and STI QA's participation in CEAP. Past service refers to the continuous service of an employee from the date the employee met the requirements for membership in the retirement plan to the date of acceptance of De Los Santos-STI College and STI QA as a Participating Employer in CEAP Retirement Plan. In addition, De Los Santos-STI College and STI QA give the employee an option to make a personal contribution to the fund at an amount not to exceed 4.00% of his monthly salary. De Los Santos-STI College and STI QA then provide an additional contribution of 1.00% of the employee's contribution based on the latter's years of tenure. Although the De Los Santos Plan has a defined contribution format, the Group regularly monitors compliance with RA No. 7641. As at March 31, 2017, 2016 and 2015, the Group is in compliance with the requirements of RA No. 7641.

As at March 31, 2017, 2016 and 2015, De Los Santos-STI College and STI QA have excess contributions to CEAP amounting to ₱3.6 million, ₱3.2 million and ₱3.0 million, respectively. These excess contributions are classified as prepaid expense and will be offset against De Los Santos-STI College and STI QA's future required contributions to CEAP (see Note 8).

Philippine Interpretations Committee Q&A No. 2013-03 requires De Los Santos-STI College's defined contribution plan to be accounted for as defined benefit plan due to the minimum retirement benefits mandated under RA No. 7641. Actuarial valuation of De Los Santos-STI College's pension is performed every year-end. Based on the latest actuarial valuation, the minimum retirement benefit provided under RA No. 7641 exceeded the accumulated contribution and earnings under the Plan, however, the amount is not significant.

Pension expense recognized by De Los Santos-STI College and STI QA amounted to ₱0.2 million, ₱0.1 million and ₱0.8 million in 2017, 2016 and 2015, respectively.

Total pension expense recognized in profit or loss follows:

	2017	2016	2015
Defined benefit plans	**₱12,732,211**	₱12,519,158	₱11,492,828
Defined contribution plans	**237,981**	60,180	761,531
	₱12,970,192	₱12,579,338	₱12,254,359

26. **Leases**

a. Finance Lease

The Group acquired various transportation equipment under various finance lease arrangements. These are included as part of transportation equipment under the “Property and equipment” account in the consolidated statements of financial position.

Future annual minimum lease payments under the lease agreements, together with the present value of the minimum lease payments follow:

	2017	2016
Within one year	**₱5,508,520**	₱6,837,640
After one year but not more than five years	**6,958,783**	7,288,804
Total minimum lease payments	**12,467,303**	14,126,444
Less amount representing interest	**1,080,635**	1,083,772
Present value of lease payments	**11,386,668**	13,042,672
Less current portion of obligations under finance lease	**4,912,919**	5,729,488
Noncurrent portion of obligations under finance lease	**₱6,473,749**	₱7,313,184

Interest incurred from finance lease amounted to ₱2.0 million, ₱1.2 million and ₱1.5 million in 2017, 2016 and 2015, respectively (see Note 20).

b. Operating Lease

As Lessor
The Group entered into several lease agreements, as lessors, on their buildings and condominium units under operating lease agreements with varying terms and periods. All leases are subject to annual repricing based on a pre-agreed rate.

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

The Group also earns rental income from concessionaires and for the occasional use of some of the Group’s properties primarily used for school operations such as gymnasiums.

Total rental income amounted to ₱101.3 million, ₱62.2 million and ₱30.2 million in 2017, 2016 and 2015, respectively (see Notes 10 and 28).

Future minimum rental receivable for the remaining lease terms follow:

	2017	2016
Within one year	**₱95,191,676**	₱95,468,050
After one year but not more than five years	**281,130,922**	421,012,632
More than five years	**–**	168,112,875
	₱376,322,598	₱684,593,557

As Lessee

The Group leases land and building spaces where the corporate office and schools are located, under operating lease agreements with varying terms and periods. The lease rates are subject to annual repricing based on a pre-agreed rate.

On May 13, 2016, the Parent Company and BDO Unibank, Inc. (BDO Unibank), the trustee bank of PhilPlans, entered into an agreement for the lease of a property in Calamba, Laguna. The term of the lease is 25 years starting July 2016 with a monthly rental of ₱0.4 million. The annual rental shall be subject to a 3% escalation every three years starting on the fourth year of the lease term. Under the terms of the lease agreement, the Parent Company is required to make an upfront payment of ₱7.4 million as well as one (1) year advance rent.

Total rental expense charged to operations amounted to ₱142.5 million, ₱140.1 million and ₱139.4 million in 2017, 2016 and 2015, respectively (see Notes 21 and 23).

Certain subsidiaries also paid their lessors rental deposits equivalent to several months of rental payments as security for its observance and faithful compliance with the terms and conditions of the agreement (see Note 14).

The lease arrangement related to the land leased by De Los Santos-STI College for its school operations was terminated effective March 31, 2015. Thus, accrued rent related to the lease amounting to ₱1.4 million was reversed and De Los Santos-STI College no longer expects any future minimum lease payments on the lease agreement.

Future minimum rental payables under the lease agreements follow:

	2017	2016
Within one year	**₱106,923,531**	₱78,388,743
After one year but not more than five years	**160,473,611**	261,001,421
More than five years	**240,226,634**	343,158,277
	₱507,623,776	₱682,548,441

27. **Income Tax**

All domestic subsidiaries qualifying as private educational institutions are subject to tax under RA No. 8424, "An Act Amending the National Internal Revenue Code, as amended, and For Other Purposes" which was passed into law effective January 1, 1998. Title II Chapter IV - Tax on Corporation - Sec 27(B) of the said Act defines and provides that: a "Proprietary Educational Institution" is any private school maintained and administered by private individuals or groups with an issued permit to operate from DepEd, or CHED, or TESDA, as the case may be, in accordance with the existing laws and regulations and shall pay a tax of ten percent (10.00%) on its taxable income.

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

	2017	2016
Deferred tax assets:		
Allowance for doubtful accounts	**₱7,867,546**	₱8,422,454
Unearned tuition and other school fees	**2,958,356**	5,322,590
Pension liabilities	**608,795**	3,814,337
Excess of:		
Rental under operating lease computed on a straight-line basis	**1,246,057**	2,593,014
Cost over net realizable value of inventories	**1,065,590**	1,065,590
Advance rent	**3,803,354**	1,813,291
	17,549,697	23,031,276
Deferred tax liabilities:		
Excess of fair values of net assets acquired over acquisition cost from a business combination	**(209,144)**	(209,144)
Pension assets	**(276,340)**	–
Bond issue cost	**(1,496,545)**	–
	(1,982,029)	(209,144)
	₱15,567,668	₱22,822,132

Certain deferred tax assets of the Group were not recognized as at March 31, 2017 and 2016 as it is not probable that future taxable profits will be sufficient against which these can be utilized.

The following are the deductible temporary differences and unused NOLCO for which no deferred tax assets were recognized:

	2017	2016
NOLCO	**₱53,770,417**	₱67,808,506
Allowance for doubtful accounts	**858,771**	858,771
	₱54,629,188	₱68,667,277

As at March 31, 2017, 2016 and 2015, the Group also did not recognize any deferred tax assets on the provision for impairment losses on investment in and advances to an associate and goodwill aggregating to ₱20.4 million, ₱18.8 million and ₱18.2 million, respectively, because management does not expect to generate enough capital gains against which these capital losses can be offset.

The details of the Group's NOLCO are as follows:

Year Incurred	Expiry Dates	Amount
December 31, 2013	December 31, 2016	₱1,382,082
March 31, 2014	March 31, 2017	20,542,811
March 31, 2015	March 31, 2018	16,638,328
March 31, 2016	March 31, 2019	29,245,285
March 31, 2017	March 31, 2020	8,973,765
		76,782,271
Less:		
Expired in 2017		21,924,893
Applied in 2017		1,086,961
		₱53,770,417

The reconciliation of the provision for income tax on income before income tax computed at the effect of the applicable statutory income tax rate to the provision for income tax as shown in the consolidated statements of comprehensive income is summarized as follows:

	2017	2016	2015
Provision for income tax at statutory income tax rate	**₱69,633,327**	₱74,015,200	₱76,657,668
Income tax effects of:			
Equity in net earnings(loss) of associates and joint ventures	**15,882,360**	(5,402,633)	(10,490,959)
Royalty fees subjected to final tax	**(1,914,893)**	(1,593,548)	(1,547,412)
Dividend income	**(325,150)**	(283,067)	(147,077)
Interest income already subjected to final tax	**(140,395)**	(275,354)	(123,533)
Effect of derecognition of a subsidiary	**6,082,946**	–	–
Others	**4,275,487**	427,039	(1,411,908)
	₱93,493,682	₱66,887,637	₱62,936,779

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

28. Related Party Transactions

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

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

	Amount of Transactions During the Year		Outstanding Receivable (Payable)			
Related Party	**2017**	2016	**2017**	2016	**Terms**	**Conditions**
Associates						
STI Accent						
Advances for various expenses and other charges	**₱1,643,844**	₱519,414	**₱37,277,147**	₱35,633,303	30 days upon receipt of billings; noninterest-bearing	Unsecured; impaired
Maestro Holdings						
Subscription of common stock	**–**	69,983,200	**–**	(17,495,800)	Due and demandable; noninterest-bearing	Unsecured; no impairment
GROW						
Rental income and other charges	**–**	–	**7,139,094**	7,239,094	30 days upon receipt of billings	Unsecured; no impairment
Advances for various expenses	**30,708**	54,539	**143,571**	143,571	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Holdings						
Advisory fees	**16,128,000**	16,128,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Advances for various expenditures	**324,615**	1,272,004	**–**	(41,166)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

(Forward)

Related Party	Amount of Transactions During the Year 2017	2016	Outstanding Receivable (Payable) 2017	2016	Terms	Conditions
STI Alabang						
Educational services and sale of educational materials and supplies	**₱17,539,509**	₱14,272,901	**₱1,124,509**	₱–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Marikina Educational services and sale of educational materials and supplies	**15,404,214**	11,140,869	**31,789**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; No impairment
Joint Venture						
PHEI						
Advances for various expenses	**–**	575,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*						
PhilCare						
Rental income and other charges	**18,210,903**	17,284,807	**3,562,049**	3,135,109	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**3,306,371**	3,514,745	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Phil First Insurance Co., Inc.						
Utilities and other charges	**214,505**	221,243	**–**	491,823	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	**4,540,984**	3,594,606	**–**	(8,707)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Philippines First Condominium Corporation						
Association dues, utilities and other charges	**12,296,975**	1,317,782	**–**	(376,179)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
PhilLife						
Rental income and other charges	**5,851,794**	14,367,302	**–**	1,127,989	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI WNU						
Educational services and sale of educational materials and supplies	**10,066,781**	1,659,653	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Advances for various expenses	**2,653,983**	21,236,416	**–**	109,196	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
iACADEMY						
Advances for various expenses	**978,577**	–	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Officers and employees						
Advances for various expenses	**16,954,041**	12,753,872	**19,497,646**	20,785,180	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others						
Rental income and other charges	**3,089,245.00**	641,286	**1,972,716**	1,376,788	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
			₱70,748,521	₱52,120,201		

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

Related party receivables and payables are generally settled in cash.

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

	2017	2016
Educational services	**₱1,156,299**	₱–
Current portion of advances to associates, joint ventures and other related parties (see Note 6)	**143,571**	252,767
Advances to officers and employees (see Note 6)	**19,497,646**	20,785,180
Rent, utilities and other related receivables (see Note 6)	**12,673,858**	13,370,803
Advances to associates and joint ventures (see Note 11)	**37,277,147**	35,633,303
Accounts payable (see Note 16)	**–**	(426,052)
Subscriptions payable (see Note 16)	**–**	(17,495,800)
	₱70,748,521	₱52,120,201

Condominium Deposits
As discussed in Note 14, the Parent Company's BOD approved the transfer of the land to TechZone, in exchange for condominium units to be developed by TechZone. Subsequent to the transfer, the land was reclassified as "Condominium deposits" under the "Goodwill, intangible and other noncurrent assets" account in the consolidated statements of financial position. In March 2015, the Group reclassified the condominium deposits amounting to ₱396.3 million to the "Investment Properties" account.

Compensation and Benefits of Key Management Personnel
Compensation and benefits of key management personnel of the Group are as follows:

	2017	2016	2015
Short-term employee benefits	**₱41,104,402**	₱36,622,357	₱30,946,190
Post-employment benefits	**2,053,780**	1,724,890	1,473,432
	₱43,158,182	₱38,347,247	₱32,419,622

29. Basic and Diluted EPS on Net Income Attributable to Equity Holders of the Parent Company

The table below shows the summary of net income and weighted average number of common shares outstanding used in the calculation of EPS:

	2017	2016	2015
Net income attributable to equity holders of the Parent Company	**₱601,534,658**	₱671,047,817	₱ 713,651,120
Weighted average number of common shares outstanding:			
Common shares outstanding at beginning and end of year	**3,081,871,859**	3,081,871,859	3,081,871,859
Effect of subscriptions and treasury shares during the year	–	–	–
	₱3,081,871,859	₱3,081,871,859	₱3,081,871,859
Basic and diluted EPS on net income attributable to equity holders of the Parent Company	**₱0.20**	₱0.22	₱0.23

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

30. STI Gift of Knowledge Certificates (GOKs)

On December 9, 2002, the BOD of the Parent Company approved the offer for sale and issue of up to ₱2.0 billion worth of GOKs.

The STI GOKs are noninterest-bearing certificates that entitle the holders or any designated scholars to redeem academic units in any member of the STI Group or equivalent academic units in any STI school on certain designated redemption dates or, to require STI to pay in cash the par value of the outstanding STI GOKs on designated graduation dates. The redemption dates range from the SY 2004–2005 to six years from date of issue of the STI GOKs. The graduation dates range from between four to ten years from issue date. A total offer size of 2,409,600 academic units for the entire STI Group or its equivalent units in any STI school will be offered at serial redemption dates at their corresponding par values.

In 2003, the SEC issued an Order of Registration and a Certificate of Permit to Sell Securities for the said STI GOKs.

The Parent Company is planning to amend the terms of the GOKs to conform with future business strategies.

As at July 6, 2017, there has been no sale nor issuance of GOKs. Hence, pursuant to Section 17.2 (a) of the Securities Regulation Code (SRC), STI ESG is not required to file the reports required under Section 17 of the SRC.

31. Contingencies and Commitments

Contingencies

a. *Tax Assessment Case*. The Parent Company 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 the Parent Company 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, the Parent Company 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 the Parent Company'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, the Parent Company received a copy of the Commissioner of Internal Revenue's (CIR) Motion for Reconsideration dated May 8, 2013. The Parent Company 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, the Parent Company 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 the Parent Company's Petition for Review and ordered the cancellation of the BIR assessment for the fiscal year ending March 31, 2003. On April 21, 2015, the CIR filed a Motion for Reconsideration with the CTA En Banc. On July 3, 2015, the Parent Company 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, the Parent Company 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, the Parent Company 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, the Parent Company 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, the Parent Company, 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 (10) days from receipt of notice. On November 25, 2016, the CIR filed its reply to the Parent Company's comment. As of the date of the report, the case is pending resolution by the Supreme Court.

b. *Labor Case.* 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 the Parent Company. On August 13, 2014, the Parent Company received the Supreme Court's decision dated July 9, 2014 annulling the decision of the Court of Appeals and ordered that the Parent Company reinstate the former employee to her former position and pay the exact salary, benefits, privileges and emoluments which the current holder of the position is receiving and should be paid backwages from the date of the former employee's dismissal until fully paid, with legal interest. On August 28, 2014, the Parent Company filed its Motion for Reconsideration and on November 17, 2014, the Supreme Court issued a resolution which denied with finality the Parent Company's Motion for Reconsideration. On January 5, 2015, the Parent Company filed an Omnibus Motion and requested to move the case for review by the Supreme Court En Banc. On May 22, 2015, the Parent Company received a notice from the Supreme Court which denied the Parent Company's Omnibus Motion. As a result of the decision, the Parent Company recognized provision amounting to ₱3.0 million representing the estimated compensation to be made to the former employee. On October 20, 2015, a Bank Order to release was issued to one of Parent Company's depository banks for the release of the garnished amount of ₱2.2 million. The bank released the garnished amount to the National Labor Relations Commission (NLRC).

The garnished amount was put on hold for fifteen (15) days because of the filing of the Parent Company'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, the Parent Company 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, the Parent Company 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. The Parent Company averred that an order of separation pay in lieu of reinstatement should be issued in favor of the former employee.

On October 28, 2015, the Parent Company 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, the Parent Company alleged that the actions of the labor arbiter showed partiality and bias in favor of the former employee.

On October 29, 2015, the Parent Company filed a Motion to Consolidate with the NLRC. In the said Motion, the Parent Company 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 the Parent Company. In the said Comment/Opposition, the former employee averred that (a) the Writ of Execution was issued pursuant to the Supreme Court's Decision dated July 9, 2014 and (b) the acts of labor arbiter were above-board.

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

On March 29, 2016, the Parent Company received the former employee's Motion for Reconsideration. In the Motion for Reconsideration, the former employee questioned the guide issued by the NLRC and the inhibition of the labor arbiter.

On April 19, 2016, the Parent Company filed a Motion for Leave (To Admit Comment and/or Opposition with Manifestation). In the Comment and/or Opposition, the Parent Company defended the guide issued by the Sixth Division of the NLRC and the inhibition on the labor arbiter by, among others, asserting that the former employee's grounds for reconsideration of the Decision are based on misleading allegations, and misquoted orders and pleadings of the Corporation. The Parent Company also manifested to that (1) it would no longer seek the cancellation of the Writ of Execution provided that any legal effect thereof on the judgment award shall be recognized and applied therein, and (2) the appropriate labor arbiter commence with the computation of the separation pay in lieu of reinstatement.

On July 1, 2016, the Parent Company received the Resolution of the NLRC, which denied the former employee's Motion for Reconsideration.

On September 6, 2016, the Parent Company received the Petition for Certiorari filed by the former employee to the Court of Appeals wherein she questioned the Decision dated February 29, 2016 and Resolution dated June 28, 2016 issued by the NLRC. In the Petition, the former employee reiterated all her grounds in the Motion for Reconsideration filed to the NLRC.

On September 26, 2016, the Parent Company filed its Comment/Opposition Ad Cautelam. In the said Comment/Opposition, the Parent Company reiterated its arguments raised against the former employee's Motion for Reconsideration. In addition, the Parent Company raised that (a) the issue on annulment of the Writ of Execution should be deemed moot because the Parent Company has already manifested that it would no longer enforce said decision, and (b) the former employee should show proof that the Motion for Reconsideration was actually filed to the NLRC within the period allowed by law or otherwise, the Petition should be denied due to non-exhaustion of administrative remedies.

Upon filing of extension to file Reply to the Comment/Opposition Ad Cautelam of the Parent Company, the former employee filed her Reply thereto on October 19, 2016.

On October 24, 2016, the Court of Appeals referred the case for mediation with the Philippine Mediation Center-Court of Appeals. Based on the relevant rules, the mediator assigned in the instant case has an extendible thirty (30) days to complete the mediation proceeding. Should the parties fail to settle the instant case, the case shall be referred to the Court of Appeals for resolution.

Both parties attended the mediation hearing wherein both parties provided their respective settlement amount wherein the former employee rejected the last proposal made by STI ESG. Considering that both parties failed to amicably settle, the mediation proceedings was terminated.

On April 11, 2017, STI ESG received the Court of Appeals' Resolution which required both parties to file their respective Memoranda within a non-extendible period of fifteen (15) days from receipt thereof or until April 26, 2017.

In compliance with the aforesaid Resolution the Parent Company filed its Memorandum on April 26, 2017.

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

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

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

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

To date, there is no notice that the case has already been referred to the new labor arbiter and/or filing of any Motion for Reconsideration by the former employee on the aforesaid Decision.

c. *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. On March 31, 2016, the Parent Company received the Plaintiffs' Comment/Opposition to Motion to Dismiss with Motion to Declare Defendant in Default (Motion). On April 8, 2016, the Court required the Parent Company and the Plaintiffs to file their respective Position Papers to the Motion to Dismiss and the Plaintiffs' Motion until April 13, 2016. On April 12, 2016, the Parent Company received the Plaintiff's Position Paper. The Parent Company, on April 13, 2016, filed its Position Paper.

On April 14, 2016, the Parent Company filed a Manifestation with an attached Position Paper.

On August 2, 2016, the Parent Company received the Plaintiffs' Motion to Resolve, which seeks for the resolution of all pending incidents.

On August 11, 2016, the Parent Company filed a Comment dated August 10, 2016 to the Plaintiffs' Motion to Resolve. In the Comment, the Parent Company also moved for the resolution of all pending incidents including the Motion to Dismiss filed by the Parent Company, and reiterated the propriety of the dismissal of the instant case.

On August 12, 2016, the hearing on the Motion to Resolve proceeded wherein the Parent Company reiterated its Motion(s) to Dismiss, and moved for the resolution of all pending incidents in the instant case. The Trial Court then ordered that all of the pending incidents shall be resolved.

On February 28, 2017, the Defendants received the Resolution of the Trial Court wherein it denied the Defendants' Motion to Dismiss.

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

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

On March 17, 2017, the Defendants filed and served in open court their Reply and/or Comment/Opposition Ad Cautelam (Reply) to the Plaintiffs' Comment with Motion. In the Reply, the Defendants asserted that under the relevant provisions of the Rules of Court and jurisprudence, a motion for reconsideration is allowed to be filed after the denial of a motion to dismiss. Consequently, the filing of the Answer is deemed suspended while the Joint Motion for Reconsideration Ad Cautelam is pending for resolution.

Upon receipt of the Plaintiffs' Reply on April 3, 2017, the Defendants filed the Joint Rejoinder wherein they asserted that the Reply is a reiteration of the Plaintiffs' baseless argument that a motion for reconsideration is prohibited.

With the filing of the aforesaid pleadings, the Joint Motion and Plaintiffs' Motion to Declare Defendants in Default are submitted for resolution.

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

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

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

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

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

On June 19, 2017, the Trial Court issued its Order referring the parties to Court-Annexed Mediation on July 14, 2017.

Both parties are required to participate in the said mediation hearing. Should the parties fail to amicably settle the instant case, the case shall undergo Judicial Dispute Resolution before the Trial Court as part of the pre-trial proceedings.

e. *Criminal Case.* A complaint for qualified theft was filed by the Company against its former school accounting supervisor and acting school accountant (former supervisor/accountant). In the complaint, the Parent Company 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 the Company providing additional addresses of the former supervisor/accountant where the summons could be served.

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

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

To date, there is no resolution issued by the Office of the City Prosecutor of Taguig City.

f. Due to the nature of the Parent Company's business, it is 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 the Parent Company by reason of their faculty contract. Except as discussed in (b), (c), (d) and (e), the Parent Company is not engaged in any legal or arbitration proceedings (either as plaintiff or defendant), including those which are pending or known to be contemplated and its BOD has no knowledge of any proceedings pending or threatened against the Parent Company or its franchises or any facts likely to give rise to any litigation, claims or proceedings which might materially affect its financial position or business. Management and its legal counsels believe that the Parent Company has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions and proceedings, if any, will not have a material adverse impact on the Parent Company's consolidated financial position and results of operations.

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

   As at July 6, 2017, the cases are pending before the labor arbiter.

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

<u>Commitments</u>

a. Financial Commitments

   The Parent Company has a ₱65.0 million domestic bills purchase lines from various local banks specifically for the purchase of local and regional clearing checks. Interest on drawdown from such facility is waived except when drawn against returned checks to which the interest shall be the prevailing lending rate of such local bank. This facility is substantially on a clean basis except for a ₱5.0 million line which calls for the surety of a major shareholder.

b. Capital Commitments

   As at March 31, 2017, the Group has contractual commitments and obligations for the construction of classrooms and faculty rooms in STI Batangas and for the renovation works in STI Novaliches aggregating ₱38.8 million of which ₱24.5 million has been paid in 2017.

   As at March 31, 2016, the Group has contractual commitments and obligations for the construction of the STI Las Piñas campus aggregating ₱290.0 million. Unpaid balances as at March 31, 2017 and 2016 amounted to ₱16.7 million and ₱96.8 million, respectively.

   As at March 31, 2015, the Group has contractual commitments and obligations for the construction of a gymnasium, a warehouse and additional classrooms in Ortigas-Cainta, and the construction of additional classrooms in campuses located in Novaliches and Caloocan aggregating ₱98.5 million. Unpaid balances as at March 31, 2017 and 2016 amounted to nil and ₱0.3 million, respectively.

c. Others

   The Group, as an educational institution, is subject to CHED Memorandum Order No. 13, Series of 1998, otherwise known as the "Guidelines on the Procedure to be Followed by Higher Education Institutions (HEIs) Intending to Increase their Tuition Fees, Effective Beginning SY 1998–1999," which states that 70.00% of the proceeds derived from the tuition fee increase for the current school year should be used for the payment of increase in salaries and wages, allowances and other benefits of its teaching and non-teaching personnel and other staff, except those who are principal stockholders of the HEIs.

32. **Financial Risk Management Objectives and Policies**

The principal financial instruments of the Group comprise cash and cash equivalents and interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise working capital and major capital investment financing for the Group's school operations. The Group has various other financial assets and liabilities such as receivables and accounts payable and other current liabilities which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Parent Company's BOD and management reviews and agrees on the policies for managing each of these risks as summarized as follows.

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

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

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

As at March 31, 2017 and 2016, the Group's current assets amounted to ₱3,458.8 million and ₱920.1 million, respectively, while current liabilities amounted to ₱1,013.8 million and ₱556.2 million, respectively.

As part of the Group's liquidity risk management program, management regularly evaluates the projected and actual cash flow information.

In relation to the Group's interest-bearing loans and borrowings the debt service coverage ratio, based on the consolidated financial statements of the Group is also monitored on a regular basis. The debt service coverage ratio is equivalent to the consolidated EBITDA divided by total principal and interests due for the next twelve months. The Group monitors its debt service coverage ratio to keep it at a level acceptable to the Group and the lender bank. The Group's policy is to keep the debt service coverage ratio not lower than 1.05:1.

The tables below summarize the maturity profile of the Group’s financial assets held for liquidity purposes and other financial liabilities based on undiscounted contractual payments.

	2017					
	Not Yet Due	**Less than 2 Months**	**2 to 3 Months**	**3 to 12 Months**	**More than 1 Year**	**Total**
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	₱2,880,282,731	₱–	₱–	₱–	₱–	₱2,880,282,731
Receivables*	120,120,873	54,938,381	27,772,956	129,253,016	–	332,085,226
Rental deposits (included as part of the “Goodwill, intangible and other noncurrent assets” account)					39,555,558	39,555,558
AFS financial assets					50,870,755	50,870,755
	₱3,000,403,604	₱54,938,381	₱27,772,956	₱129,253,016	₱ 90,426,313	₱3,302,794,270
Financial Liabilities						
Other financial liabilities:						
Bonds payable						
Principal	₱–	₱–	₱–	₱–	₱3,000,000,000	₱3,000,000,000
Interest				178,905,220	1,230,271,080	1,409,176,300
Interest-bearing loans and borrowings:						
Principal	–	–	–	585,800,000	734,400,000	1,320,200,000
Interest	–	–	–	38,777,000	79,142,000	117,919,000
Accounts payable and other current liabilities**	149,993,714	51,083,983	4,168,977	165,940,716	–	371,187,390
Obligations under finance lease						
Principal	–	–	–	4,912,919	6,473,749	11,386,668
Interest	–	–	–	594,642	485,992	1,080,634
Other noncurrent liabilities***	–	–	–	–	17,821,827	17,821,827
	₱149,993,714	₱51,083,983	₱4,168,977	₱ 974,930,497	₱5,068,594,648	₱6,248,771,819

	2016					
	Not Yet Due	Less than 2 Months	2 to 3 Months	3 to 12 Months	More than 1 Year	Total
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	₱542,171,072	₱–	₱–	₱–	₱–	₱542,171,072
Receivables*	58,664,428	38,759,266	21,492,838	115,096,225	–	234,012,757
Rental deposits (included as part of the “Goodwill, intangible and other noncurrent assets” account)	–	–	–	–	37,980,890	37,980,890
AFS financial assets	–	–	–	–	50,023,635	50,023,635
	₱600,835,500	₱38,759,266	₱21,492,838	₱115,096,225	₱88,004,525	₱864,188,354
Financial Liabilities						
Other financial liabilities:						
Interest-bearing loans and borrowings:						
Principal	₱–	₱–	₱–	₱100,800,000	₱775,200,000	₱876,000,000
Interest	–	–	–	41,574,341	118,517,183	160,091,524
Accounts payable and other current liabilities**	130,674,829	12,165,770	24,854,952	194,148,107	–	361,843,658
Obligations under finance lease						
Principal	–	–	–	5,729,488	7,313,184	13,042,672
Interest	–	–	–	640,886	442,886	1,083,772
Other noncurrent liabilities***	–	–	–	–	11,036,239	11,036,239
	₱130,674,829	₱12,165,770	₱24,854,952	₱342,892,822	₱912,509,492	₱1,423,097,865

* *Excluding advances to officers and employees amounting to ₱19.5 million and ₱20.8 million as at March 31, 2017 and 2016, respectively.*
** *Excluding subscriptions payable and government and other statutory liabilities amounting to ₱8.0 million and ₱24.0 million as at March 31, 2017and 2016, respectively.*
*** *Excluding advance rent and deferred lease liability amounting to ₱41.3 million and ₱20.3 million as at March 31, 2017 and 2016, respectively*

The Group's current ratios are as follows:

	2017	2016
Current assets	**₱3,458,790,995**	₱920,126,827
Current liabilities	**1,013,782,131**	556,158,910
Current ratios	**3.412:1.000**	1.654:1.000

Credit Risk

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

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

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and AFS financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. At financial reporting date, there is no significant concentration of credit risk.

Credit Risk Exposures. The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position:

	2017		2016	
	Gross Maximum Exposure(1)	**Net Maximum Exposure(2)**	Gross Maximum Exposure(1)	Net Maximum Exposure(2)
Financial Assets				
Loans and receivables:				
Cash and cash equivalents (excluding cash on hand)	**₱2,879,521,739**	**₱2,863,021,739**	₱541,382,280	₱524,882,280
Receivables*	**332,085,226**	**332,085,226**	234,012,756	234,012,756
Advances to associates and joint ventures (included as part of the "Investments in and advances to associates and joint ventures" account)	-	-	20,166,002	20,166,002
Rental deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	**39,555,558**	**39,555,558**	37,980,890	37,980,890
AFS financial assets	**50,870,755**	**50,870,755**	50,023,635	50,023,635
	₱3,302,033,278	**₱3,285,533,278**	₱883,565,563	₱867,065,563

* *Excluding advances to officers and employees amounting to ₱19.5 million and ₱20.8 million as at March 31, 2017 and 2016, respectively.*
(1) *Gross financial assets before taking into account any collateral held or other credit enhancements or offsetting arrangements.*
(2) *Gross financial assets after taking into account any collateral held or other credit enhancements or offsetting arrangements or insurance in case of bank deposits.*

The credit quality of neither past due nor impaired financial assets were determined as follows:

a. *Cash and cash equivalents.* These financial assets are classified based on the nature of the counterparty and the Group's internal rating system. Cash and cash equivalents are held by banks that have good reputation and low probability of insolvency.
b. *Receivables.* These are current receivables with no default in payment.
c. *Rental deposits.* These financial assets are classified as high grade since the counterparties are not expected to default in settling their obligations.

The table below shows the aging analysis of financial assets that are past due but not impaired:

	2017				
	Neither Past Due Nor Impaired	**Past Due but not Impaired 31 to 60 Days**	**61 to 90 Days**	**Impaired**	**Total**
Financial Assets					
Loans and receivables:					
Cash and cash equivalents (excluding cash on hand)	**₱2,879,521,739**	**₱–**	**₱–**	**₱–**	**₱2,879,521,739**
Receivables*	**120,120,873**	**54,938,381**	**157,025,972**	**79,534,228**	**411,619,454**
Rental deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	**39,555,558**	**-**	**-**	**--**	**39,555,558**
AFS financial assets	**50,870,755**	**-**	**-**	**-**	**50,870,755**
	₱ 3,090,068,925	**₱ 54,938,381**	**₱ 157,025,972**	**₱79,534,228**	**₱ 3,381,567,506**

	2016				
	Neither Past Due Nor Impaired	Past Due but not Impaired 31 to 60 Days	61 to 90 Days	Impaired	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents (excluding cash on hand)	₱541,382,280	₱–	₱–	₱–	₱541,382,280
Receivables*	58,664,428	38,759,266	136,589,062	85,083,311	319,096,067
Rental deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	37,980,890	–	–	–	37,980,890
AFS financial assets	50,023,635	–	–	–	50,023,635
	₱688,051,233	₱38,759,266	₱136,589,062	₱85,083,311	₱948,482,872

** Excluding advances to officers and employees amounting to ₱19.5 million and ₱20.8 million as at March 31, 2017 and 2016 respectively.*

Interest Rate Risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing loans and borrowings with floating interest rate as it can cause a change in the amount of interest payments.

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

The following table demonstrates the sensitivity, to a reasonably possible change in interest rates, with all other variables held constant, of the consolidated statements of comprehensive income and statements of changes in equity as at March 31, 2017, 2016 and 2015:

	Effect on Income Before Income Tax		
Increase/decrease in Basis Points (bps)	**2017**	2016	2015
+100 bps	**(₱37,752,000)**	(₱8,760,000)	(₱10,920,000)
-100 bps	**37,752,000**	8,760,000	10,920,000

Capital Risk Management Policy
The Group's objectives when managing capital are to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group monitors capital using the debt-to-equity ratio which is computed as the total of current and noncurrent liabilities, net of unearned tuition and other school fees, divided by total equity. The Group monitors its debt-to-equity ratio to keep it at a level acceptable to the Group and the lender bank. The Group's policy is to keep the debt-to-equity ratio at a level not exceeding 1.5:1.

The Group considers its equity contributed by stockholders as capital.

	2017	2016
Capital stock	**₱3,081,871,859**	₱3,081,871,859
Additional paid-in capital	**379,937,290**	379,937,290
Retained earnings	**3,062,770,493**	3,539,890,986
	₱6,524,579,642	₱7,001,700,135

The Group's debt-to-equity ratios are as follows:

	2017	2016
Total liabilities*	**₱4,794,395,544**	₱1,354,954,359
Total equity	**6,492,014,878**	7,101,995,128
Debt-to-equity ratio	**0.739:1.000**	0.191:1.000

**Excluding unearned tuition and other school fees*

The Group's asset-to-equity ratios shown below:

	2017	2016
Total assets	**₱11,315,993,981**	₱8,510,175,383
Total equity	**6,492,014,878**	7,101,995,128
Asset-to-equity ratio	**1.743:1.000**	1.198:1.000

No changes were made in the objectives, policies or processes in 2017 and 2016.

33. Fair Value Information of Financial Instruments

The following tables set forth the carrying amounts and estimated fair values of consolidated financial assets and liabilities recognized as at March 31, 2017 and 2016. There are no material unrecognized financial assets and liabilities as at March 31, 2017 and 2016:

			2017		
	Carrying Amount	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
Loans and receivables:					
Rental deposits	**₱39,555,558**	**₱39,274,985**	**₱–**	**₱–**	**₱39,274,985**
AFS investments – quoted	**3,808,240**	**3,808,240**	**3,808,240**		
	₱43,363,798	**43,083,225**	**₱3,808,240**	**₱–**	**₱39,274,985**
Financial Liabilities					
Other financial liabilities at amortized cost -					
Obligations under finance lease	**₱11,386,668**	**₱7,267,415**	**₱–**	**₱–**	**₱7,267,415**
Refundable deposits	**19,235,201**	**17,369,983**	**–**	**–**	**17,369,983**
	₱30,621,869	**₱24,637,398**	**₱–**	**₱–**	**24,637,398**

			2016		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Loans and receivables:					
Rental deposits	₱37,980,890	₱37,071,899	₱–	₱–	₱37,071,899
AFS investments – quoted	2,961,120	2,961,120	2,961,120	–	–
	₱40,942,010	₱40,033,019	₱2,961,120	₱–	₱37,071,899
Financial Liabilities					
Other financial liabilities at amortized cost -					
Obligations under finance lease	₱13,042,672	₱12,381,388	₱–	₱–	₱12,381,388
Refundable deposits	13,488,936	9,780,959			9,780,959
	₱26,531,608	₱22,162,347	₱–	₱–	₱22,162,347

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

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

Rental Deposits. The fair values of these instruments are computed by discounting the face amount using PDST-R2 rate of 2.68%-5.01% and 1.77%-5.04% as at March 31, 2017 and 2016, respectively.

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

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

Obligations under Finance Lease. The fair values of obligations under finance are computed based on discounted present value of lease payments using 2.42%-4.26% and 1.76%-9.50% as at March 31, 2017 and 2016 respectively.

Refundable Deposits. The fair values of obligations under finance are computed based on discounted present value of lease payments using 2.82%-4.25% and 2.93%-3.46% as at March 31, 2017 and 2016 respectively.

In 2017 and 2016, there were no transfers between Level 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

34. Notes to the Consolidated Statements of Cash Flows

The Group's material non-cash investing and financing activities pertain to the following:

a. Acquisitions of property and equipment under finance lease recorded under the "Property and equipment" account in the consolidated statements of financial position amounting to ₱4.6 million, ₱4.3 million and ₱7.3 million in 2017, 2016 and 2015, respectively (see Note 9).

b. Unpaid progress billing for construction in-progress amounting to ₱14.3 million, ₱15.0 million and ₱228.6 million as at March 31, 2017, 2016 and 2015, respectively (see Note 9).

c. Unpaid additions to investment properties for the construction of school buildings amounting to ₱0.5 million as at March 31, 2016 (see Note 10).

d. Uncollected dividends from De Los Santos Medical Center amounting to ₱1.4 million as at March 31, 2016 (see Note 13).

e. Unpaid dividends to non-controlling interests of a subsidiary amounting to nil as at March 31, 2017 and 2016 and ₱2.4 million as at March 31, 2015.

f. Unpaid subscriptions payable to Maestro Holdings amounting to and ₱17.5 million as at March 31, 2016. (see Note 16).

g. Acquisition of net assets of STI Tagum in exchange for the settlement of receivable from GITEC amounting to ₱2.1 million in 2015 (see Note 35).

h. Acquisition of the outstanding capital stock of STI Pagadian in exchange for the settlement of the debt of GITEC amounting to ₱6.3 million in 2015 (see Note 35).

i. Unpaid liability related to the derecognition of STI Diamond as a subsidiary amounting to ₱60.8 million as at March 2017.

j. Reversal of subscription payable associated with the subscription by STI ESG over Maestro Holdings shares amounting to ₱17.5 million in 2016.

k. Derecognition of the net assets of iACADEMY amounting to ₱124.3 million (see Note 19).

35. Business Combinations

The Group entered into the following business combinations in 2015:

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

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

STI Pagadian. In October 2014, Gillamac Information Technology Center Inc. (GITEC, a franchisee), the shareholders of GITEC and STI ESG entered into a deed of assignment whereby GITEC assigned its rights over the outstanding capital stock of STI Pagadian in exchange for the settlement of its debt to the Parent Company. In addition, the Parent Company also assumed the subscriptions payable of the shareholders of GITEC amounting to ₱15.0 million (see Note 14).

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

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

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

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

The purchase price allocation was finalized in 2016.

The carrying values of the financial assets and liabilities and other assets recognized at the date of acquisition approximate their fair values due to the short-term nature of the transactions.

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

36. **Events after the Reporting Period**

a. On May 18, 2016, STI ESG entered into a Memorandum of Agreement to acquire for ₱20.0 million the net assets of an STI franchised school located in Santa Maria, Bulacan. On May 31, 2016, STI ESG made an initial deposit of ₱10.0 million for the planned acquisition. On February 8, 2017, STI ESG made an additional deposit of ₱8.0 million.

   On April 4, 2017, STI ESG established STI College of Santa Maria, Inc. (STI Sta. Maria). On May 23, 2017, STI Sta. Maria entered into a Deed of Assignment with Halili Reyes Educational Institution, Inc. (HREI) where HREI assigned, transferred and conveyed in a manner absolute and irrevocable, and free and clear of all liens and encumbrances, to STI Sta. Maria all its rights, title and interest in its assets and liabilities for a price of ₱20.0 million. The assignment of the net assets shall retroact to April 1, 2017. On the same date, STI Sta. Maria paid the remaining balance of ₱2.0 million.

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

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

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

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

   On June 21, 2017, in separate meetings, the stockholders and the BOD of STI Tanauan approved the increase in the authorized capital stock of the corporation from ₱1,000,000 divided into 10,000 shares with a par value of ₱100 to ₱75,000,000 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 ₱15,000,000 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.

c. On June 27, 2017, the BOD of STI ESG approved the disposition of its 20% stake in Maestro Holdings in whole or in part, subject to compliance with all regulatory requirements for the disposal of the said shares. The rationale for this disposition is to enable STI ESG to focus on its core business of offering educational services.

d. On July 5, 2017, STI ESG executed a Deed of Absolute Sale with Abacus Global Technovisions, Inc. for the purchase of a parcel of land with an area of 2,873 square meters situated at Poblacion, City of Lipa, Province of Batangas for a total consideration of ₱86.2 million. On the same date, STI ESG executed Deeds of Absolute Sale with Asean Commodity Enterprises for the purchase of two parcels of lot aggregating to 349 square meters at Poblacion, City of Lipa, Province of Batangas for a total consideration of ₱10.5 million. This will be the site of the new STI Academic Center Lipa (see Note 14).

SGV
Building a better working world

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ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
STI Education Services Group, Inc.
5/F, SGV II Building,
6758 Ayala Avenue,
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of STI Education Services Group, Inc. (the Company) and Subsidiaries as at March 31, 2017, and 2016 and for each of the three years in the period ended March 31, 2017, included in this Form 17-A and have issued our report thereon dated July 6, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

Benjamin N. Villacorte
Partner
CPA Certificate No. 111562
SEC Accreditation No. 1539-A (Group A),
March 3, 2016, valid until March 3, 2019
Tax Identification No. 242-917-987
BIR Accreditation No. 08-001998-120-2016,
February 15, 2016, valid until February 14, 2019
PTR No. 5908777, January 3, 2017, Makati City

July 6, 2017

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017

Schedule	Content
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D	Intangible Assets – Other Assets
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STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Schedule A. Financial Assets

(e.g., Loans and Receivables, Fair Value Through Profit or Loss, Held to Maturity Investments, Available for Sale Securities). This schedule shall be filed in support of the caption of each class of Financial Assets if the greater of the aggregate cost or the aggregate market value of FVPL as of the end of reporting period constitute 5% percent or more of total current assets.

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period period	Income received and accrued
The Group has no financial assets at Fair Value Through Profit or Loss as at March 31, 2017				

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)

This schedule shall be filed with respect to each person among the directors, officers, employees, and principal stockholders (other than related parties) from whom an aggregate indebtedness of more than P100,000 or one percent of total assets, whichever is less, is owed. For the purposes of this schedule, exclude in the determination of the amount of indebtedness all amounts receivable from such persons for purchases subject to usual terms, for ordinary travel and expense advances and for other such items arising in the ordinary course of business.

Name and Designation of debtor		Balance at beginning of period	Additions	Amounts collected	Amounts Written-off	Current	Not Current	Balance at end of period
AGUDO, REDJER RANESES	Senior School Administrator	340,060	21,261	(136,382)	-	224,939	-	224,939
ANCHETA, CAROLINE GRACE	Senior School Administrator	-	676,309	(142,271)	-	534,038	-	534,038
BAUTISTA, TEODORO LLOYDON CALMA	VP-Academics	119,486	28,092	(90,355)	-	57,223	-	57,223
BUNDOC, RESTITUTO ODULIO	VP-School Operations	529,010	882,507	(1,017,976)	-	393,541	-	393,541
CARBONEL, ANA	HROD Head	-	490,691	(262,141)	-	228,550	-	228,550
DANTES III, FERNANDO TUAZON	Academic Quality Manager	108,710	17,634	(64,431)	-	61,913	-	61,913
DIMAIN, STANLEY BARRIENTOS	School Operations Manager	189,131	21,416	(70,722)	-	139,825	-	139,825
DY, JOEL LAGAMAYO	School Operations Manager	352,995	19,738	(65,875)	-	306,858	-	306,858
GARRIDO, ARMEL ANGELO	Event Manager	246,489	20,694	(76,399)	-	190,784	-	190,784
IBARRA, MARIFE	School Administrator	157,821	16,889	(58,634)	-	116,076	-	116,076
JIMENEZ, ARIEL	Senior School Administrator	-	1,371,411	(784,267)	-	587,144	-	587,144
LUZA, JUVEN DERIQUITO	Senior School Administrator	359,714	15,261	(62,218)	-	312,757	-	312,757
MAGANO, SHIELA ABAD	AVP-School Management	101,837	36,257	(98,599)	-	39,495	-	39,495
MANARANG, JENNIFER	Senior School Administrator	-	642,733	(118,721)	-	524,012	-	524,012
PEBENITO, VANNESA VILLAPANDO	Shs Development Manager	101,367	251,429	(352,796)	-	-	-	-
RACADIO, WILFRED	VP-Legal	172,683	19,928	(76,351)	-	116,260	-	116,260
SANGALANG, AMIEL	VP-Finance	-	445,425	(154,711)	-	290,714	-	290,714
SANTOS, MERLIZA	AVP-Finance	172,763	21,014	(71,970)	-	121,807	-	121,807
SIBBALUCA, BRANDON	Research Head-IT and Engineering	-	216,881	(37,621)	-	179,260	-	179,260
TUBONGBANUA, JUAN LUIS FAUSTO BUSTAMANTE	VP-CIS	194,339	18,709	(77,770)	-	135,278	-	135,278
Total		**3,146,405**	**5,234,279**	**(3,820,210)**	**-**	**4,560,474**	**-**	**4,560,474**

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

This schedule shall be filed with respect to each related party (e.g., subsidiary) the balances of receivable from which are eliminated during the consolidation of the financial statements.

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
STI Caloocan	2,435,735	147,820,857	(140,591,939)	-	9,664,653	-	9,664,653
STI Dagupan	125,757	6,905,363	(7,031,120)	-	-	-	-
STI Novaliches	1,176,991	102,671,967	(97,149,933)	-	6,699,025	-	6,699,025
STI Taft	154,988	14,117,936	(14,272,924)	-	-	-	-
STI Tuguegarao	11,048,184	2,388,556	(929,921)	-	11,478,500	1,028,319	12,506,819
STI Quezon Avenue	14,241,948	10,752,748	(9,682,147)	-	1,061,001	14,251,548	15,312,549
STI Batangas	34,666,378	52,670,755	(29,451,870)	-	13,310,316	44,574,947	57,885,263
STI Pagadian	1,583,919	3,566,996	(141,553)	-	1,322,611	3,686,751	5,009,362
STI Iloilo	6,166,529	3,319,503	(2,555,322)	-	486,627	6,444,083	6,930,710
STI Tanauan	2,081,591	9,163,639	(11,245,230)	-	-	-	-
STI Lipa	3,906,253	8,837,549	(10,993,372)	-	1,125,305	625,125	1,750,430

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Schedule D. Intangible Assets - Other Assets

This schedule shall be filed in support of the caption Intangible Assets in the balance sheet

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)*	Ending balance
Goodwill	223,777,646	-	-	-	-	223,777,646
Refundable deposits	37,980,890	4,487,017	1,553,779	176,000	(1,182,570)	39,555,558
Property deposits	-	72,764,000	-	-	-	72,764,000
Intangible assets	34,131,854	1,104,037	9,418,357	-	(3,421,696)	22,395,838
Advances to suppliers	53,072,904	77,145,658	-	112,960,475	-	17,258,087
Other noncurrent assets	8,701,461	249,211	-	2,952,473	(3,508,425)	2,489,774
Total	**357,664,755**	**155,749,923**	**10,972,136**	**116,088,948**	**(8,112,691)**	**378,240,903**

** other changes refer to transactions related to the sale of iACADEMY. STI Holdings acquired 100% interest of iACADEMY from STI ESG in September 2016 (see Note 19).*

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Schedule E. Long Term Debt

This schedule shall be filed in support of the caption Long-Term Debt in the balance sheet.

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
China Banking Corporation - Bank loans: Maturity Date / Interest Rate July 31, 2021 / 4.75%*	3,000,000,000	40,800,000	734,400,000
Fixed rate bonds series 7-year bond due 2024 and series 10-year bond due 2027/Interest rates are 5.8085% and 6.3756%, respectively**	3,000,000,000	-	2,947,028,638

**interest bearing loans and borrowings presented in the Statement of Financial Position amounting to ₱1,320.2 million includes short term loans amounting to ₱545.0 million*

***presented net of bond issue costs with carrying value of ₱53.0 million in the Statements of Financial Position*

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

This schedule shall be filed to list the total of all noncurrent Indebtedness to Related Parties included in the balance sheet. This schedule may be omitted if:

(i) The total Indebtedness to Related Parties included in such balance sheet does not exceed five percent of total assets as shown in the related balance sheet at either the beginning or end of the period; or

(ii) There have been no changes in the information required to be filed from that last previously reported.

Name of related party	Balance at beginning of period	Balance at end of period
The Group has no long-term loans from related parties as at March 31, 2017		

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Schedule G. Guarantees of Securities of Other Issuers

This schedule shall be filed with respect to any guarantees of securities of other issuing entities by the issuer for which the statement is filed.

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
The Group does not have guarantees of securities of other issuing entities as at March 31, 2017				

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Schedule H. Capital Stock

This schedule shall be filed in support of caption Capital Stock in the balance sheet.

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common Stock	5,000,000,000	3,081,871,859	-	3,081,871,843	16	-

Related Parties	
STI EDUCATION SYSTEMS HOLDINGS, INC.	3,040,623,037
PRUDENT RESOURCES, INC.	13,076,321
GONZALES, FRANSCISCO B. JR. (DECEASED)	8,873,692
ROSSI, PURIFICACION G.	7,841,118
PRUDENCIO, TOMAS J.	3,732,400
SANTOS, MARIA LOURDES	1,725,000
YOUNG, CAROLINA	1,651,828
RAMOS, DULCE	1,155,447
BUSTOS, FELIXBERTO	792,283
JAYME, CESAR M, JR.	305,954
DOMINGO, EMERITA R.	303,466
VALERIO, MIKEL M.S.	241,279
ZARASPE, ANACLETA C.	214,038
MONES, REYNALDO A.	201,901
HEIRS OF EDGAR SARTE	148,622
RELLEVE, ALVIN K.	137,338
PUBLICO, EDGARDO	122,080
DUJUA, JOCELYN	115,532
GARCIA, NOEL B.	83,190
MADRIGAL, VICTORIA P.	63,384
LAO, ERIENE C.	63,384
PAULINO, MA. LUZ LOURDES M.	55,061
ANSALDO, LYDIA V.	53,876
CANTOS, LOLITA	53,185
LIMJOCO, ALEX	47,603
ZAPANTA, PRISCILLA D.	37,500
HERBOSA, ARTURO ALFONSO J.	36,219
NANO, ANA BELEN N.	35,288
YU, ANNIE	30,434
BRAVO, MELINDA C.	16,517
DE LEON, AURORA F.	7,923
GOPALAN, MA. LOURDES	6,155
CAPAROS, VILMA	6,155
PASCUA, ARNOLD F.	3,648
BALAN, ARIEL KELLY D.	3,169
BASA, VIRGILIO T.	1,857
DE LEON, MA. LOIDA	1,367
DE LEON, ROSANO	1,367
VILLASEÑOR, CELSO A.	1,330
TOLENTINO, RUFINO (DECEASED)	738
MONSOD, CHRISTIAN S.	714
BARTOLOME, ARSENIO M., III	410
DAYCO, ROLANDO P.	30
VILLA, JESUS S. (Trustee for AADC)	2
ABAYA, RAMON C.	1
TOTAL	**3,081,871,843**

Directors, officers and employees	
CU ERNEST LAWRENCE (Trustee)	2
BORJA, RAINERIO M. (Trustee)	2
JACOB, MONICO V. (Trustee)	2
TANCO, JOSEPH AUGUSTIN L.	2
DE MESA, RAUL M.	2
TANCO, MARTIN K.	1
LAPUS, JESLI A.	1
TANCO, MA. VANESSA ROSE L.	1
TANCO, EUSEBIO H.	1
QUINTOS, JOAQUIN E. (Trustee)	1
FERNANDEZ, PETER K.	1
	16

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

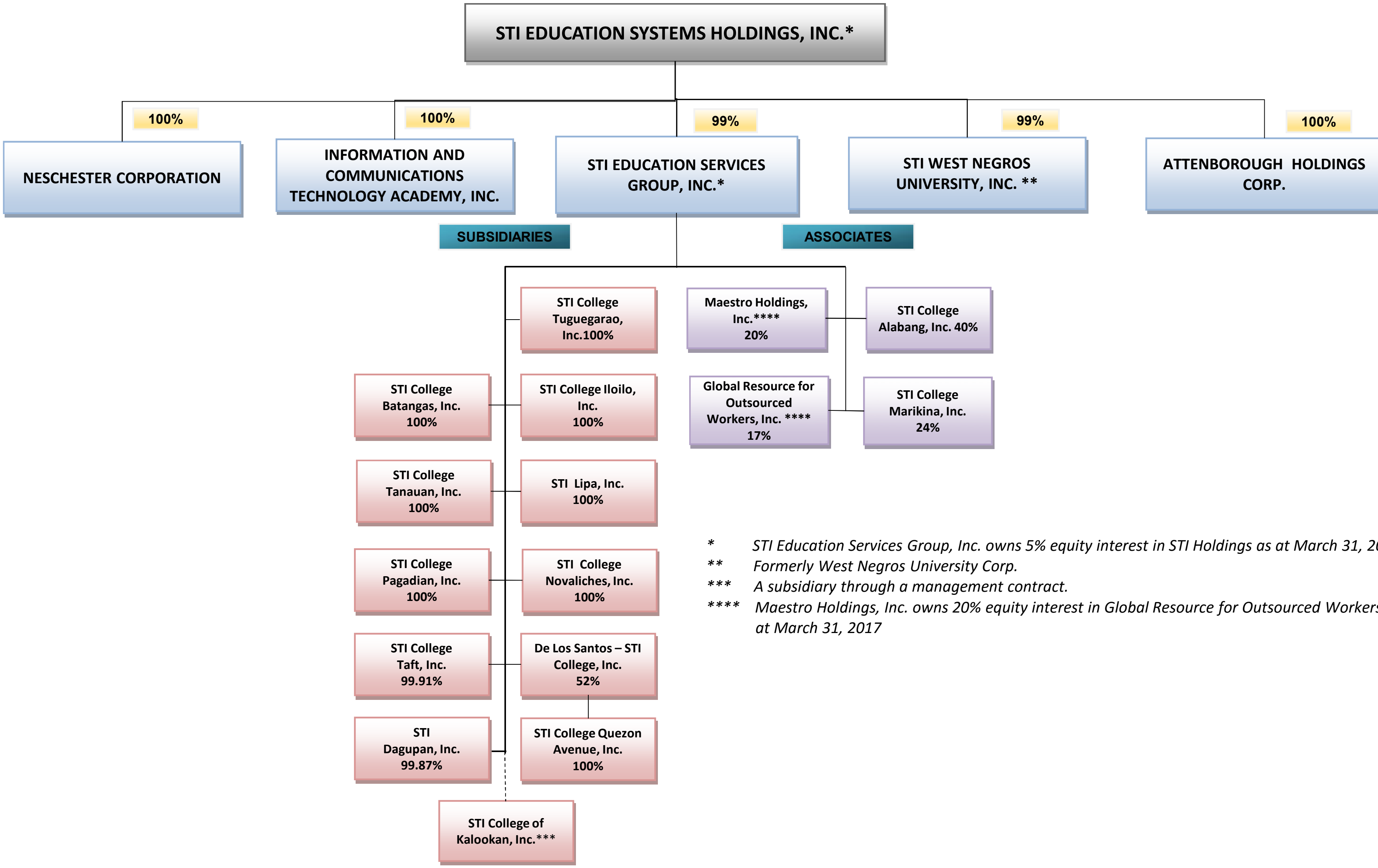
Schedule I – Retained Earnings Available For Dividend Declaration

Unappropriated retained earnings, beginning	2,142,047,044
Adjustment:	
Remeasurement loss on defined benefit plan from previous years	-
Deferred tax assets, beginning	(15,225,491)
Retained earnings, beginning, as adjusted to amount available for dividend declaration, beginning	2,126,821,553
Add: Net income actually realized during the year	
Net income during the year closed to retained earnings	776,950,770
Add (deduct):	
Unrealized foreign exchange loss – net of effects of cash and cash equivalents	-
Movement of recognized deferred tax assets for the year	3,196,595
Net income actually realized during the year	780,147,365
Less: Dividends declared during the year	(1,078,655,151)
Retained earnings available for dividend declaration, end	1,828,313,767
Reversal of appropriations	-
Total RE, end available for dividend - Parent	**1,828,313,767**

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Schedule J. Map of Relationships Between and among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, and Associates

MARCH 31, 2017



* *STI Education Services Group, Inc. owns 5% equity interest in STI Holdings as at March 31, 2017.*

** *Formerly West Negros University Corp.*

*** *A subsidiary through a management contract.*

**** *Maestro Holdings, Inc. owns 20% equity interest in Global Resource for Outsourced Workers, Inc.*
at March 31, 2017

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
(A Private Educational Institution)

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS
MARCH 31, 2017

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PFRS 4	Insurance Contracts			✓	
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓	
	Amendment to PFRS 4: Applying PFRS 9 with PFRS 4			✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓	
	Changes in Method of Disposal			✓	
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓	
PFRS 7	Financial Instruments: Disclosures	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓			
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓			
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓			
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓			
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures				✓
	Amendments to PFRS 7: Servicing Contracts			✓	
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓	
PFRS 8	Operating Segments	✓			
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓	
PFRS 9	Financial Instruments				✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures				✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PFRS 10	Consolidated Financial Statements			✓	
	Amendments to PFRS 10: Investment Entities			✓	
	Amendments to PFRS 10: Sale or Contribution of Assets Between and Investor and its Associate of Joint Venture			✓	
	Amendments to PFRS 10: Applying the Consolidation Exception			✓	
PFRS 11	Joint Arrangements	✓			
	Amendments to PFRS 10: Investment Entities			✓	
PFRS 12	Disclosure of Interests in Other Entities	✓			
	Amendments to PFRS 12: Investment Entities			✓	
	Amendments to PFRS 12: Clarification of the Scope of the Standard			✓	
PFRS 13	Fair Value Measurement	✓			
	Amendment to PFRS 13: Short-term Receivables and Payables	✓			
	Amendment to PFRS 13: Portfolio Exception			✓	
PFRS 14	Regulatory Deferral Accounts			✓	
PFRS 15	Revenue from Contracts with Customers				✓
PFRS 16	Leases				✓
Philippine Accounting Standards					
PAS 1 (Revised)	Presentation of Financial Statements	✓			
	Amendment to PAS 1: Capital Disclosures	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓	
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓			
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	✓			
	Amendments to PAS 1: Disclosure Initiative	✓			
PAS 2	Inventories	✓			
PAS 7	Statement of Cash Flows	✓			
	Amendment to PAS 7: Disclosure Initiative	✓			
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓			
PAS 10	Events after the Reporting Date	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PAS 11	Construction Contracts			✓	
PAS 12	Income Taxes	✓			
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓			
	Amendment to PAS 12: Recognition of Deferred Tax for Unrealized Losses				✓
PAS 16	Property, Plant and Equipment	✓			
	Amendment to PAS 16: Classification of Servicing Equipment			✓	
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓	
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation			✓	
	Amendment to PAS 16: Bearer Plants				✓
PAS 17	Leases	✓			
PAS 18	Revenue	✓			
PAS 19	Employee Benefits	✓			
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓			
PAS 19 (Amended)	Employee Benefits	✓			
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓	
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate			✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓	
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓	
	Amendment: Net Investment in a Foreign Operation			✓	
PAS 23 (Revised)	Borrowing Costs	✓			
PAS 24 (Revised)	Related Party Disclosures	✓			
	Amendments to PAS 24: Key Management Personnel			✓	
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓	
PAS 27	Consolidated and Separate Financial Statements	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PAS 27 (Amended)	Consolidated and Separate Financial Statements	✓			
	Amendments to PAS 27: Investment Entities			✓	
PAS 28	Investments in Associates	✓			
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓			
	Amendments to PFRS 10: Sale or Contribution of Assets Between and Investor and its Associate of Joint Venture			✓	
	Amendment to PAS 28: Applying the Consolidation Exception			✓	
	Amendment to PAS 28:Measuring an Associate or Joint Venture at Fair Value			✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓	
PAS 31	Interests in Joint Ventures	✓			
PAS 32	Financial Instruments: Disclosure and Presentation	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓	
	Amendment to PAS 32: Classification of Rights Issues			✓	
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓			
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓	
PAS 33	Earnings per Share	✓			
PAS 34	Interim Financial Reporting	✓			
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓			
	Amendments to PAS 34: Disclosure of Information Elsewhere in the Interim Financial Report	✓			
PAS 36	Impairment of Assets	✓			
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PAS 38	Intangible Assets	✓			
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓	
	Amendments to PAS 38: Clarification of acceptable methods of amortization			✓	
PAS 39	Financial Instruments: Recognition and Measurement	✓			
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓			
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓	
	Amendments to PAS 39: The Fair Value Option			✓	
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓	
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓			
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓	
	Amendment to PAS 39: Eligible Hedged Items			✓	
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓	
PAS 40	Investment Property	✓			
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property			✓	
	Amendment to PAS 40: Transfers of Investment Property				✓
PAS 41	Agriculture			✓	
	Amendment to PAS 41: Bearer Plants			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable	Not Early Adopted
Philippine Interpretations					
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓	
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓	
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*			✓	
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓	
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓	
IFRIC 7	*Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies*			✓	
IFRIC 8	*Scope of PFRS 2*			✓	
IFRIC 9	Reassessment of Embedded Derivatives			✓	
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓	
IFRIC 10	*Interim Financial Reporting and Impairment*			✓	
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓	
IFRIC 12	Service Concession Arrangements			✓	
IFRIC 13	Customer Loyalty Programmes			✓	
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓	
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓	
IFRIC 17	Distributions of Non-cash Assets to Owners			✓	
IFRIC 18	Transfers of Assets from Customers			✓	
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓	
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓	
IFRIC 21	Levies			✓	
SIC-7	Introduction of the Euro			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable	Not Early Adopted
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓	
SIC-12	Consolidation - Special Purpose Entities			✓	
	Amendment to SIC - 12: Scope of SIC 12			✓	
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓	
SIC-15	Operating Leases - Incentives			✓	
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓	
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓	
SIC-29	Service Concession Arrangements: Disclosures.			✓	
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓	
SIC-32	Intangible Assets - Web Site Costs			✓	

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Schedule L. Financial Highlights and Key Performance Incdicators

(in millions except margins, financial ratios and earningsper share)	March 2017	March 2016	Increase (Decrease) Amount	Increase (Decrease) %
Condensed Statements of Financial Position				
Total assets	11,316.0	8,510.2	2,805.8	33.0
Current assets	3,458.8	920.1	2,538.7	275.9
Cash and cash equivalents	2,880.3	542.2	2,338.1	431.2
Equity attributable to equity holders of the parent	6,483.6	7,106.2	(622.6)	(8.8)
Total liabilities	4,824.0	1,408.2	3,415.8	242.6
Current liabilities	1,013.8	556.2	457.6	82.3
Financial ratios				
Debt to equity ratio (1)	0.74	0.19	0.55	289.5
Current ratio (2)	3.41	1.65	1.76	106.7
Asset to equity ratio (3)	1.74	1.20	0.54	45.0

(in millions except margins, financial ratios and earningsper share)	March 2017	March 2016	Increase (Decrease) Amount	Increase (Decrease) %
Condensed Statements of Income				
Revenues	2,603.2	2,350.5	252.7	10.8
Direct costs (4)	800.5	706.3	94.2	13.3
Gross profit	1,802.7	1,644.2	158.5	9.6
Operating profit	874.1	666.8	207.3	31.1
Other income-net	(177.8)	73.3	(251.1)	(342.6)
Income before income tax	696.3	740.2	(43.9)	(5.9)
Net income	602.8	673.3	(70.5)	(10.5)
EBITDA (5)	1,298.3	1,051.6	246.7	23.5
Net income attributable to equity holders of the parent company	601.5	671.0	(69.5)	(10.4)
Earnings per share (6)	0.20	0.22	(0.02)	(9.1)
Condensed Statements of Cash Flows				
Net cash from operating activities	1,039.3	812.4	226.9	27.9
Net cash used in investing activities	(1,246.9)	(372.8)	(874.1)	234.5
Net cash provided by (used in) financing activities	2,545.7	(527.1)	3,072.8	(583.0)

(in millions except margins, financial ratios and earningsper share)	March 2017	March 2016	Increase (Decrease) Amount	Increase (Decrease) %
Financial Soundness Indicators				
Liquidity Ratios				
Current ratio (2)	3.41	1.65	1.8	109.1
Quick ratio (7)	3.19	1.43	1.8	125.9
Cash ratio (8)	2.84	0.97	1.9	195.9
Solvency ratios				
Debt to equity ratio (1)	0.74	0.19	0.6	315.8
Asset to equity ratio (3)	1.74	1.20	0.5	41.7
Interest coverage ratio (9)	11.59	15.67	(4.1)	(26.2)
Debt service coverage ratio (10)	1.57	7.07	(5.5)	(77.8)
Profitability ratios				
EBITDA margin (11)	50%	45%	0.05	11.1
Gross profit margin (12)	69%	70%	(0.01)	(1.4)
Operating profit margin (13)	34%	28%	0.06	21.4
Net profit margin (14)	23%	29%	(0.06)	(20.7)
Return on equity (15)	9%	10%	(0.01)	(10.0)
Return on assets (16)	6%	8%	(0.02)	(25.0)

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

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

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

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

(5) *EBITDA is Net income excluding provision for income tax, interest expense, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures, effect of derecognition of a subsidiary, interest income, gain on exchange of land and excess of fair values of net assets acquired over acquisition cost.*

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

(7) *Quick ratio is measured as current assets less inventories and prepayments divided by current liabilities.*

(8) *Cash ratio is measured as cash and cash equivalents divided by current liabilities.*

(9) *Interest coverage ratio is measured as Net income excluding provision for income tax and interestexpense divided by interest expense.*

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

(11) *EBITDA margin is measured as EBITDA divided by total revenues.*

(12) *Gross profit margin is measured as gross profit divided by total revenues.*

(13) *Operating profit margin is measured as operating profit divided by total revenues.*

(14) *Net profit margin is measured as net income after income tax divided by total revenues.*

(15) *Return on equity is measured as net income attributable to equity holders of the parent Companydivided by average equity attributable to equity holders of the parent company.*

(16) *Return on assets is measured as net income divided by average total assets.*

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Schedule M. - Use of Proceeds (Fixed Rate Bonds-₱3 Billion)
Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027
(in PhP million)

	Amount
Proceeds of the Fixed Rate Bonds	**3,000**
Disbursements:	
Underwriting Fees	19
Professional Fees and Other Expenses	19
Deposit on the purchase of Lipa properties	39
Payment of Loans incurred for the purchase of EDSA properties	383
Payment of Loans incurred for working capital requirements	100
Total Disbursements as of March 31, 2017	**559**
Cash Balance as of March 31, 2017	**2,441**