www.sti.edu

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management of **STI Education Services Group, Inc.** is responsible for the preparation and fair presentation of the interim consolidated financial statements as at September 30, 2016 and March 31, 2016 and for the six months ended September 30, 2016 and 2015, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the interim consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the interim consolidated financial statements and submits the same to the stockholders.

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

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

JAN 09 2017

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

Mr. Jesli A. Lapus	SC ID No. 47598
Mr. Monico V. Jacob	Passport No. EB4638151
Ms. Yolanda M. Bautista	SSS No. 03-2678038-9

KRISTIANNE S. MAGAT
NOTARY PUBLIC FOR MAKATI CITY
Appointment No. M-182
Commission Expires on December 31, 2017
Roll No. 64416
IBP LRN 013790 / 04-08-2015/Makati City
PTR No. 5323326/01-04-2016/Makati City
10F 8 Rockwell, Hidalgo corner Plaza Drive
Rockwell Center, Makati City

KRISTIANNE S. MAGAT
NOTARY PUBLIC
ROLL NO. 64416
MAKATI CITY, PHILIPPINES

Doc. No. 432;
Page No. 88;
Book No. II;
Series of 2017.

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	1	1	3	1	5	6

C O M P A N Y   N A M E

STI EDUCATION SERVICES GROUP, INC. (A Private Educational Institution) A Subsidiary of STI Education Systems Holdings, Inc.

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
AAFS	CRMD	NA

C O M P A N Y   I N F O R M A T I O N

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
65	September 17	September 30

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.*

SGV
Building a better working world

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

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

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
STI Education Services Group, Inc.
STI Academic Center Ortigas-Cainta
Ortigas Avenue Extension
Cainta, Rizal

We have audited the accompanying interim consolidated financial statements of STI Education Services Group, Inc. (a private educational institution) and its subsidiaries, which comprise the interim consolidated statements of financial position as at September 30, 2016 and March 31, 2016, and the interim consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the six months ended September 30, 2016 and 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with accounting principles generally accepted in the Philippines as described in Note 2 to the interim consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of the interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these interim consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the interim consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the interim consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the interim consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the interim consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the interim consolidated financial statements present fairly, in all material respects, the financial position of STI Education Services Group, Inc. and its subsidiaries as at September 30, 2016 and March 31, 2016, and their financial performance and their cash flows for the six months ended September 30, 2016 and 2015 in accordance with accounting principles generally accepted in the Philippines as described in Note 2 to the interim consolidated financial statements.

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

December 8, 2016

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

	2016	
	September 30	March 31
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 31 and 32)	**₱298,932,321**	₱542,171,072
Receivables (Notes 6, 31 and 32)	**805,512,806**	254,797,936
Inventories (Note 7)	**94,597,844**	36,217,214
Prepaid expenses and other current assets (Note 8)	**103,711,410**	86,940,605
Total Current Assets	**1,302,754,381**	920,126,827
Noncurrent Assets		
Property and equipment (Note 9)	**4,700,367,971**	4,645,498,508
Investment properties (Note 10)	**593,170,202**	607,485,266
Investments in and advances to associates and joint ventures (Notes 11, 12, 31 and 32)	**2,157,469,430**	1,906,554,260
Available-for-sale financial assets (Notes 13, 31 and 32)	**50,103,635**	50,023,635
Deferred tax assets - net (Note 26)	**25,809,820**	22,822,132
Goodwill, intangible and other noncurrent assets (Notes 14, 31 and 32)	**325,302,194**	357,664,755
Total Noncurrent Assets	**7,852,223,252**	7,590,048,556
TOTAL ASSETS	**₱9,154,977,633**	₱8,510,175,383
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of interest-bearing loans and borrowings (Notes 15, 31 and 32)	**₱435,800,000**	₱100,800,000
Accounts payable and other current liabilities (Notes 16, 31 and 32)	**725,609,340**	385,889,841
Unearned tuition and other school fees	**512,339,350**	53,225,896
Current portion of obligations under finance lease (Notes 25, 31 and 32)	**4,903,414**	5,729,488
Income tax payable	**6,739,156**	10,513,685
Total Current Liabilities	**1,685,391,260**	556,158,910
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Notes 15, 31 and 32)	**754,800,000**	775,200,000
Pension liabilities - net (Note 24)	**39,025,285**	38,143,366
Obligations under finance lease - net of current portion (Notes 25, 31 and 32)	**5,928,832**	7,313,184
Other noncurrent liabilities (Notes 17, 31 and 32)	**109,900,905**	31,364,795
Total Noncurrent Liabilities	**909,655,022**	852,021,345
Total Liabilities *(Carried Forward)*	**2,595,046,282**	1,408,180,255

	2016	
	September 30	March 31
Total Liabilities *(Brought Forward)*	**₱2,595,046,282**	₱1,408,180,255
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Notes 1 and 18)	**3,081,871,859**	3,081,871,859
Additional paid-in capital	**379,937,290**	379,937,290
Cumulative actuarial gain (Note 24)	**7,796,830**	7,796,830
Unrealized mark-to-market loss on available-for-sale financial assets (Note 13)	**(791,689)**	(871,689)
Other equity reserve (Notes 2 and 18)	**(28,837,819)**	(6,738,707)
Share in associates':		
Unrealized mark-to-market gain on available-for-sale financial assets (Note 11)	**126,427,672**	122,577,096
Cumulative actuarial loss (Note 11)	**(18,246,722)**	(18,246,722)
Other equity reserves (Note 11)	**728,649**	–
Retained earnings (Note 18)	**3,003,286,769**	3,539,890,986
Total Equity Attributable to Equity Holders of the Parent Company	**6,552,172,839**	7,106,216,943
Equity Attributable to Non-Controlling Interests	**7,758,512**	(4,221,815)
Total Equity	**6,559,931,351**	7,101,995,128
TOTAL LIABILITIES AND EQUITY	**₱9,154,977,633**	₱8,510,175,383

See accompanying Notes to the Interim Consolidated Financial Statements.

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

	Six Months Ended September 30	
	2016	2015
REVENUES		
Sale of services:		
Tuition and other school fees	**₱985,107,570**	₱850,915,633
Educational services (Note 1)	**82,230,652**	88,536,285
Royalty fees	**7,512,208**	8,028,454
Others	**14,767,512**	13,604,319
Sale of goods -		
Sale of educational materials and supplies	**95,430,445**	54,144,653
	1,185,048,387	1,015,229,344
COSTS AND EXPENSES		
Costs of educational services (Note 20)	**290,068,160**	276,490,581
Costs of educational materials and supplies sold (Note 21)	**79,304,971**	45,391,208
General and administrative expenses (Note 22)	**481,564,886**	491,092,613
	850,938,017	812,974,402
INCOME BEFORE OTHER INCOME AND INCOME TAX	**334,110,370**	202,254,942
OTHER INCOME (EXPENSES)		
Equity in net earnings of associates and joint ventures (Note 11)	**273,834,902**	157,661,510
Effect of derecognition of a subsidiary (Note 17)	**(60,829,455)**	–
Rental income (Notes 25 and 27)	**48,830,032**	22,278,142
Interest expense (Note 19)	**(25,444,194)**	(26,738,044)
Dividend income (Note 13)	**1,521,057**	1,336,296
Interest income (Note 19)	**1,426,952**	2,339,197
	239,339,294	156,877,101
INCOME BEFORE INCOME TAX	**573,449,664**	359,132,043
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)		
Current	**37,977,842**	29,651,113
Deferred	**(7,222,643)**	(11,618,307)
	30,755,199	18,032,806
NET INCOME *(Carried Forward)*	**542,694,465**	341,099,237

	Six Months Ended September 30	
	2016	2015
NET INCOME *(Brought Forward)*	**₱542,694,465**	₱341,099,237
OTHER COMPREHENSIVE INCOME (LOSS)		
Items to be reclassified to profit or loss in subsequent years:		
Share in associates' unrealized mark-to-market gain (loss) on available-for-sale financial assets (Note 11)	**3,850,576**	(326,027,898)
Unrealized mark-to-market gain (loss) on available-for-sale financial assets (Note 13)	**80,000**	(45,424)
	3,930,576	(326,073,322)
Items not to be reclassified to profit or loss in subsequent years:		
Share in associates' remeasurement loss on pension liability (Note 11)	**–**	(388,408)
	–	(388,408)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**3,930,576**	(326,461,730)
TOTAL COMPREHENSIVE INCOME	**₱546,625,041**	₱14,637,507
Net Income Attributable To		
Equity holders of the Parent Company	**₱542,050,936**	₱341,923,883
Non-controlling interests	**643,529**	(824,646)
	₱542,694,465	₱341,099,237
Total Comprehensive Income Attributable To		
Equity holders of the Parent Company	**₱545,981,512**	₱15,462,153
Non-controlling interests	**643,529**	(824,646)
	₱546,625,041	₱14,637,507
Basic/Diluted Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company (Note 28)	**₱0.18**	₱0.11

See accompanying Notes to the Interim Consolidated Financial Statements.

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

	Equity Attributable to Equity Holders of the Parent Company											
	Capital Stock (Notes 1 and 18)	**Additional Paid-in Capital**	**Cumulative Actuarial Gain** (Note 24)	**Unrealized Mark-to-Market Loss on Available-for-Sale Financial Assets** (Note 13)	**Other Equity Reserve** (Note 18)	**Share in Associates' Unrealized Mark-to-Market Gain on Available-for-Sale Financial Assets** (Note 11)	**Share in Associates' Cumulative Actuarial Loss** (Note 11)	**Share in Associates' Other Equity Reserves**	**Retained Earnings** (Note 18)	**Total**	**Equity Attributable to Non-Controlling Interests**	**Total Equity**
Balances 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	–	–	–	–	–	–	–	–	**542,050,936**	**542,050,936**	**643,529**	**542,694,465**
Other comprehensive income	–	–	–	**80,000**	–	**3,850,576**	–	–	–	**3,930,576**	–	**3,930,576**
Total comprehensive income	–	–	–	**80,000**	–	**3,850,576**	–	–	**542,050,936**	**545,981,512**	**643,529**	**546,625,041**
Dividends declared (Note 18)	–	–	–	–	–	–	–	–	**(1,078,655,153)**	**(1,078,655,153)**	–	**(1,078,655,153)**
Dilution of non-controlling interest (Note 18)	–	–	–	–	**(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 reserve (Note 11)	–	–	–	–	–	–	–	**728,649**	–	**728,649**	–	**728,649**
Balances at September 30, 2016	**₱3,081,871,859**	**₱379,937,290**	**₱7,796,830**	**(₱791,689)**	**(₱28,837,819)**	**₱126,427,672**	**(₱18,246,722)**	**₱728,649**	**₱3,003,286,769**	**₱6,552,172,839**	**₱7,758,512**	**₱6,559,931,351**

	Equity Attributable to Equity Holders of the Parent Company											
	Capital Stock (Notes 1 and 18)	Additional Paid-in Capital	Cumulative Actuarial Gain (Note 24)	Unrealized Mark-to-Market Loss on Available-for-Sale Financial Assets (Note 13)	Other Equity Reserve (Note 18)	Share in Associates' Unrealized Mark-to-Market Gain on Available-for-Sale Financial Assets (Note 11)	Share in Associates' Cumulative Actuarial Loss (Note 11)	Share in Associates' Other Equity Reserves	Retained Earnings (Note 18)	Total	Equity Attributable to Non-Controlling Interests	Total Equity
Balances 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	–	–	–	–	–	–	–	–	341,923,883	341,923,883	(824,646)	341,099,237
Other comprehensive loss	–	–	–	(45,424)	–	(326,027,898)	(388,408)	–	–	(326,461,730)	–	(326,461,730)
Total comprehensive income (loss)	–	–	–	(45,424)	–	(326,027,898)	(388,408)	–	341,923,883	15,462,153	(824,646)	14,637,507
Dividends declared (Note 18)	–	–	–	–	–	–	–	–	(250,000,000)	(250,000,000)	–	(250,000,000)
Balances at September 30, 2015	₱3,081,871,859	₱379,937,290	₱14,128,889	(₱577,209)	(₱1,899,137)	₱98,654,360	(₱19,196,573)	₱–	₱3,210,767,052	₱6,763,686,531	(₱12,102,576)	₱6,751,583,955

See accompanying Notes to the Interim Consolidated Financial Statements.

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

	Six Months Ended September 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱573,449,664**	₱359,132,044
Adjustments to reconcile income before income tax to net cash flows:		
Depreciation and amortization (Notes 20 and 22)	**159,375,398**	153,752,521
Equity in net earnings of associates and joint ventures (Note 11)	**(273,834,902)**	(157,661,511)
Effect of derecognition of a subsidiary (Note 17)	**60,829,455**	–
Interest expense (Note 19)	**25,444,194**	26,738,044
Pension expense (Note 24)	**7,215,156**	6,351,050
Dividend income (Note 13)	**(1,521,057)**	(1,336,296)
Interest income (Note 19)	**(1,426,952)**	(2,339,197)
Provision for impairment loss on investments in and advances to associates and joint ventures (Note 11)	**1,045,467**	–
Operating income before working capital changes	**550,576,423**	384,636,655
Decrease (increase) in working capital		
Receivables	**(158,985,336)**	2,496,903
Inventories	**(58,380,630)**	(6,590,138)
Prepaid expenses and other current assets	**(22,450,985)**	(20,692,153)
Increase (decrease) in working capital		
Accounts payable and other current liabilities (Note 33)	**48,214,706**	(8,073,175)
Other noncurrent liabilities (Note 33)	**19,586,685**	17,609,635
Contributions to plan assets (Note 24)	**(155,032)**	(577,389)
Net cash generated from operations	**378,405,831**	368,810,338
Income and other taxes paid	**(39,100,965)**	(20,468,512)
Interest received	**1,426,952**	2,339,197
Net cash from operating activities	**340,731,818**	350,681,023
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 33)	**(267,846,380)**	(93,748,117)
Investment properties (Note 33)	**–**	(6,842,630)
Decrease (increase) in:		
Investments in and advances to associates and joint ventures (Note 33)	**(274,910,295)**	–
Intangible assets and other noncurrent assets (Note 33)	**34,368,550**	(61,194,635)
Dividends received	**2,889,835**	11,382,366
Proceeds from derecognition of a subsidiary – net of cash derecognized (Note 33)	**13,752,793**	–
Net cash used in investing activities	**(491,745,497)**	(150,403,016)

	Six Months Ended September 30	
	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availments of short-term loans	**₱1,080,000,000**	₱–
Dividends paid	**(678,011,809)**	(250,000,000)
Payments of:		
Short-term loans	**(485,000,000)**	–
Long-term debt (Note 15)	**(80,400,000)**	(108,000,000)
Obligations under finance lease	**(2,821,437)**	(2,973,624)
Proceeds from stock subscription (Note 33)	**100,000,000**	–
Interest paid	**(25,991,826)**	(26,975,187)
Net cash used in financing activities	**(92,225,072)**	(387,948,811)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(243,238,751)**	(187,670,804)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**542,171,072**	629,678,607
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱298,932,321**	₱442,007,803

See accompanying Notes to the Interim Consolidated Financial Statements.

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

1. **Corporate Information**

   a. General

STI Education Services Group, Inc. (STI, 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.

STI ESG is 99%-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 are covered by licensing agreements, which require courseware to be obtained from the Parent Company.

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, the Group 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 of today, all 76 schools in the STI ESG network have been granted the DepEd permit to offer Senior High School.

In June 2014, thirty-two (32) STI schools were able to pilot Senior High School with a total of 1,195 students. For SY 2015-16, thirty-six (36) STI schools offered Senior High School with total of 1,577 students.

The two (2) program tracks covered by the permit are the Academic and Technical–Vocational-Livelihood tracks. Under the Technical–Vocational-Livelihood Track, STI 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
Information and Communications Technology (ICT) Strand
Specializations:
- Computer Programming
- Animation
- Illustration
- Computer Hardware Servicing
- Broadband Installation

Home Economics Strand
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 Information and Communications Technology Academy, Inc. (iACADEMY's) permit to offer Senior High School. iACADEMY will be offering three tracks, as follows:

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

- ***Technical-Vocational Track***

  ICT Strand
  Specializations:
  - Computer Programming
  - Animation

  Home Economics Strand
  Specialization:
  - Fashion Design

- ***Arts and Design Track***

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 in iAcademy (see Note 18).

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.

As at December 8, 2016, the Parent Company's request for confirmatory ruling on the tax-free merger from the Philippine Bureau of Internal Revenue (BIR) is still pending.

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 December 8, 2016, 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. As at December 8, 2016, the Parent Company has not filed the application for approval of the merger with the CHED and the SEC.

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

The accompanying interim consolidated financial statements were approved and authorized for issue by the BOD of the Parent Company on December 8, 2016.

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

Basis of Preparation

The accompanying interim 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 interim 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.

These interim consolidated financial statements have been prepared for inclusion in the prospectus prepared for the planned bond offering of the Parent Company.

Statement of Compliance

The accompanying interim 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) 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 in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended March 31, 2016, 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 interim 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 September 30, 2016 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 interim consolidated financial statements.

Effective April 1, 2018

- PFRS 9, *Financial Instruments*

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 September 30, 2016 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 Financial Reporting Standards Council.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers (effective January 1, 2018)*
- IFRS 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 interim 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 interim 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 interim 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 interim 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 interim 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 interim 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 interim 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			
		September 30, 2016		March 31, 2016	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect
STI College Tuguegarao, Inc. (STI Tuguegarao)	Educational Institution	**100**	–	100	–
STI Caloocan [(a)]	Educational Institution	**100**	–	100	–
STI College Batangas, Inc. (STI Batangas)	Educational Institution	**100**	–	100	–
STI College Iloilo, Inc. (STI Iloilo)	Educational Institution	**100**	–	100	–
STI College Tanauan, Inc. (STI Tanauan)	Educational Institution	**100**	–	100	–
STI Lipa, Inc. (STI Lipa)	Educational Institution	**100**	–	100	–
STI College Pagadian, Inc. (STI Pagadian)	Educational Institution	**100**	–	100	–
STI College Novaliches, Inc. (STI Novaliches)	Educational Institution	**100**	–	100	–
STI Dagupan	Educational Institution	**100**	–	100	–
STI Taft [(b)]	Educational Institution	**100**	–	75	–
De Los Santos-STI College [(c)]	Educational Institution	**52**	–	52	–
STI College Quezon Avenue, Inc. (STI QA)[(d)]	Educational Institution	–	**52**	–	52
iACADEMY [(e)]	Educational Institution	–	–	100	–
STI Diamond [(a) (f)]	Educational Institution	–	–	100	–

[(a)] A subsidiary through a management contract (see Note 4)
[(b)] Converted advances to equity through issuance of shares (see Note 18)
[(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.
[(d)] A wholly-owned subsidiary of De Los Santos-STI College
[(e)] Ceased to be a subsidiary in September 2016 (see Note 18)
[(f)] Ceased to be a subsidiary in September 2016 (see Note 17)

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 September 30, 2016 and 2015 and March 31, 2016, except for the accounts of STI Dagupan, STI Tuguegarao, STI Diamond, 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 interim 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 interim 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 interim 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 (CGUs) 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 interim 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.

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 interim 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 interim consolidated statement of comprehensive income.

Other financial liabilities include interest-bearing loans and borrowings, 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 interim 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 interim 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. 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 period 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 interim 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 interim 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 interim 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 STI College Marikina, Inc. (STI Marikina) and Synergia Human Capital Solutions, Inc. (Synergia) 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 interim consolidated financial statements.

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

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

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

		Effective Percentage of Ownership			
		September 30, 2016		March 31, 2016	
Associate	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect
Accent Healthcare/STI-Banawe, Inc. (STI Accent) [a]	Medical and related services	**49**	–	49	–
STI College Alabang, Inc. (STI Alabang)	Educational Institution	**40**	–	40	–
Synergia[a]	Management Consulting Services	**30**	–	30	–
STI Marikina	Educational Institution	**24**	–	24	–
Maestro Holdings	Holding Company	**20**	–	20	–
Global Resource for Outsourced Workers, Inc. (GROW)	Recruitment Agency	**17**	**2**	17	2
STI Holdings (see Note 4)	Holding Company	**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 interim 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 interim 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 interim 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 interim 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 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 period 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 "Unearned tuition and other school fees" in the interim 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 interim 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 period 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 accounts for its retirement obligation 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 determines 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 recognizes 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.

Taxes

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefit of net operating loss carryover (NOLCO), 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 interim consolidated statement of financial position.

Operating Segment
For management purposes, the Group is organized into business units based on the geographical location of the students and assets. Financial information about operating segments is presented in Note 3.

Contingencies
Contingent liabilities are not recognized in the interim consolidated financial statements. These are disclosed in the notes to the interim consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the interim consolidated financial statements but disclosed in the notes to the interim consolidated financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period
Post year-end events that provide additional information about the Group's financial position at the financial reporting date (adjusting events) are reflected in the interim consolidated financial statements. Post period-end events that are not adjusting events are disclosed in the notes to the interim 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 interim consolidated financial statements.

On a consolidated basis, the Group's performance is evaluated based on net income for the period and EBITDA, defined as earnings before interest expense, interest income, provision for income tax, depreciation and amortization, equity in net earnings of associates and joint ventures and nonrecurring gains or losses (effect of derecognition of a subsidiary).

The following table shows the reconciliation of the interim consolidated net income to interim consolidated EBITDA:

	Six Months Ended September 30	
	2016	2015
Consolidated net income	**₱542,694,465**	₱341,099,237
Equity in net earnings of associates and joint ventures	**(273,834,902)**	(157,661,510)
Depreciation and amortization	**159,375,398**	153,752,521
Effect of derecognition of a subsidiary	**60,829,455**	–
Provision for income tax	**30,755,199**	18,032,806
Interest expense	**25,444,194**	26,738,044
Interest income	**(1,426,952)**	(2,339,197)
Consolidated EBITDA	**₱543,836,857**	₱379,621,901

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.

Seasonality of Operations

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 Senior High School. The revenue of the Group, which is mainly from tuition and other school fees, is recognized as income over the corresponding academic year to which they pertain. Accordingly, revenue is expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group.

Geographical Segment Data

The following table present revenue and income information for the six months ended September 30, 2016 and certain assets and liabilities information as at September 30, 2016 regarding geographical segments:

	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues	**₱813,971,175**	**₱40,818,444**	**₱262,627,877**	**₱27,859,872**	**₱39,771,019**	**₱1,185,048,387**
Results						
Income before other income and income tax	**₱206,246,191**	**₱11,132,208**	**₱104,889,124**	**₱5,682,453**	**₱6,160,394**	**₱334,110,370**
Equity in net earnings of associates and joint ventures	**273,834,902**	**–**	**–**	**–**	**–**	**273,834,902**
Interest expense	**(25,420,837)**	**–**	**(15,241)**	**(8,116)**	**–**	**(25,444,194)**
Interest income	**1,352,844**	**21,065**	**40,877**	**7,600**	**4,566**	**1,426,952**
Other expense	**(10,922,789)**	**61,680**	**353,993**	**18,750**	**10,000**	**(10,478,366)**
Income tax	**(30,755,199)**	**–**	**–**	**–**	**–**	**(30,755,199)**
Net Income	**₱414,335,112**	**₱11,214,953**	**₱105,268,753**	**₱5,700,687**	**₱6,174,960**	**₱542,694,465**
EBITDA						**₱543,836,857**
Assets and Liabilities						
Segment assets[(a)]	**₱5,392,057,859**	**₱79,862,891**	**₱1,047,647,078**	**₱81,266,518**	**₱147,086,391**	**₱6,747,920,737**
Goodwill	**223,777,646**	**–**	**–**	**–**	**–**	**223,777,646**
Investments in and advances to associates and joint ventures	**2,157,469,430**	**–**	**–**	**–**	**–**	**2,157,469,430**
Deferred tax assets	**24,649,085**	**559,794**	**451,984**	**68,270**	**80,687**	**25,809,820**
Total Assets	**₱7,797,954,020**	**₱80,422,685**	**₱1,048,099,062**	**81,334,788**	**₱147,167,078**	**₱9,154,977,633**
Segment liabilities[(b)]	**₱1,066,103,360**	**₱38,909,908**	**₱189,096,948**	**₱22,845,162**	**₱37,633,373**	**₱1,354,588,751**
Interest-bearing loans and borrowings	**1,190,600,000**	**–**	**–**	**–**	**–**	**1,190,600,000**
Pension liabilities	**16,450,196**	**6,226,658**	**11,238,802**	**1,510,340**	**3,599,289**	**39,025,285**
Obligations under finance lease	**10,518,797**	**–**	**221,181**	**92,268**	**–**	**10,832,246**
Total Liabilities	**₱2,283,672,353**	**₱45,136,566**	**₱200,556,931**	**₱24,447,770**	**₱41,232,662**	**₱2,595,046,282**
Other Segment Information						
Capital expenditures for property and equipment						**₱277,299,958**
Depreciation and amortization						**159,375,398**
Noncash expenses other than depreciation and amortization						**96,680,663**

[(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.*

The following tables present revenue and income information for the six months ended September 30, 2015 and certain assets and liabilities information as at March 31, 2016 regarding geographical segments:

	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues	₱705,684,091	₱41,362,148	₱208,271,900	₱22,246,865	₱37,664,340	₱1,015,229,344
Results						
Income before other income and income tax	₱116,024,920	₱9,613,874	₱70,108,850	₱919,086	₱5,588,212	₱202,254,942
Equity in net earnings of associates and joint venture	157,661,510	–	–	–	–	157,661,510
Interest expense	(26,226,822)	–	(434,183)	(77,039)	–	(26,738,044)
Interest income	2,223,825	22,038	79,926	8,090	5,318	2,339,197
Other income	23,397,543	–	199,245	17,650	–	23,614,438
Income tax	(18,032,806)	–	–	–	–	(18,032,806)
Net Income	₱255,048,170	₱9,635,912	₱69,953,838	₱867,787	₱5,593,530	₱341,099,237
EBITDA						₱379,621,901
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						153,752,521
Noncash expenses other than depreciation and amortization						35,574,715

[(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.*

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the interim 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 interim 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 interim consolidated financial statements.

<u>Judgments</u>
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 interim consolidated financial statements.

Determination of Control Arising from Management Contracts. The Parent Company has existing 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 17).

Significant Influence on Investment in an Associate. The Parent Company has an equity interest of 5.07% 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.

Classification of Interests in Joint Ventures. The Group classifies its interest in joint arrangements as either joint operations or joint ventures depending on its rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, management considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Management evaluated its involvement in its joint arrangements and assessed that it has joint control of PHEI and STI-PHNS and accounted for such entities as joint ventures based on the Group's rights to their net assets.

Operating Lease Commitments - Group as Lessee. The Group has entered into various operating lease agreements and has determined, based on evaluation of the terms and conditions of the arrangements, that it has not acquired significant risks and rewards of ownership of the leased assets because the lease agreements do not transfer to the Group the ownership over the leased assets at the end of the lease term and do not provide a bargain purchase option over the leased assets and accounts for these arrangements as operating leases.

Operating Lease Commitments - Group as Lessor. The Group has entered into lease agreements of various investment properties and has determined, that it retains all the significant risks and rewards of ownership of the leased assets because the lease agreements do not transfer ownership of the leased assets to the lessee at the end of the lease term and do not give the lessee a bargain purchase option over the leased assets. The Group accounts for these agreements as operating leases.

Finance Lease Commitments - Group as Lessee. The Group has entered into finance lease agreements covering its transportation equipment and has determined that it bears substantially all the risks and benefits incidental to ownership of the said properties which are on finance lease agreements.

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 interim 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 30).

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 period are discussed below.

Fair Value of Financial Instruments. The Group discloses for each class of financial instruments the fair value of that class of assets and liabilities in a way that permits it to be compared with the corresponding carrying amount in the interim consolidated statement of financial position. Significant components of fair value measurement are determined using verifiable objective evidence (i.e., interest rates, volatility rates), and timing and amount of changes in fair value would differ with the valuation methodology used.

The fair value information of financial instruments as at September 30, 2016 and March 31, 2016 are disclosed in Note 32.

Estimating Allowance for Impairment Loss on Loans and Receivables. The Group reviews its receivables at each reporting date to assess whether an allowance for impairment loss should be recorded in the interim 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, 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 ₱805.5 million and ₱254.8 million as at September 30, 2016 and March 31, 2016, respectively. Provision for impairment loss on receivables recognized in the interim consolidated financial statements amounted to ₱27.9 million and ₱29.2 million for the six months ended September 30, 2016 and 2015, respectively (see Notes 6 and 22).

Estimating Allowance for Inventory Obsolescence. The allowance for obsolescence relating to inventories consists of provision based on the aging of inventories and other factors that may affect recoverability of these assets. The allowance is established based on the excess of cost over net realizable value of inventories.

Inventories at net realizable value amounted to ₱94.6 million and ₱36.2 million as at September 30, 2016 and March 31, 2016, respectively. No provision for inventory obsolescence resulting from the excess of cost over net realizable value of inventories recognized for the six months ended September 30, 2016 and 2015 (see Note 7).

Impairment of AFS Financial Assets. The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20.0% or more of the original cost of investment, and "prolonged," as greater than six months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

No impairment loss on AFS financial assets was recognized in profit or loss for the six months ended September 30, 2016 and 2015. The carrying values of AFS financial assets amounted to ₱50.1 million and ₱50.0 million as at September 30, 2016 and March 31, 2016, respectively (see Note 13).

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.

There were no changes in the estimated useful lives of the Group's property and equipment, investment properties and intangible assets for the six months ended September 30, 2016 and 2015.

The carrying value of nonfinancial assets subject to depreciation and amortization are as follows:

	September 30, 2016	March 31, 2016
Property and equipment (see Note 9)	**₱3,164,165,651**	₱2,952,559,965
Investment properties (see Note 10)	**569,183,778**	583,498,842
Intangible assets (see Note 14)	**27,104,857**	34,131,854

Impairment of Nonfinancial Assets. An impairment review is performed whenever events or changes in circumstances indicate that the carrying amount of a nonfinancial asset may not be recoverable or that the previously recognized impairment loss may no longer exist or may have decreased. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business;
- significant negative industry or economic trends;
- the dividend exceeds the total comprehensive income of the associate and joint venture in the period the dividend is declared; or
- the carrying amount of the investment in an associate and joint venture in the parent company financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets, including associated goodwill.

At each financial reporting date, the Group assesses whether there are any indicators of impairment. Only if indicators of impairment are present will the Group perform the impairment testing.

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value-in-use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

While it is believed that the assumptions used in the estimation of fair values reflected in the interim consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable value and any resulting impairment loss would have a material adverse impact on the interim results of operations.

Nonfinancial assets that are subjected to impairment testing when impairment indicators are present are as follows:

	September 30, 2016	March 31, 2016
Property and equipment (see Note 9)	**₱4,700,367,971**	₱4,645,498,508
Investment properties (see Note 10)	**593,170,202**	607,485,266
Investments in and advances to associates and joint ventures (see Note 11)	**2,157,469,430**	1,906,554,260
Advances to suppliers (see Note 14)	**12,449,616**	53,072,904
Intangible assets (see Note 14)	**27,104,857**	34,131,854

Advances to associates and joint ventures, net of allowance for impairment loss, amounted to nil as at September 30, 2016 and March 31, 2016 (see Note 11). Provision for impairment in value of advances recognized in the interim consolidated financial statements amounted to

₱1.0 million and nil for the six months ended September 30, 2016 and 2015, respectively (see Notes 11 and 22).

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, 2016. 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, 2016 and 2015 showed that the CGUs recoverable amounts were greater than their carrying amounts, and there were no events during the six months ended September 30, 2016 and 2015 that would eliminate such difference, hence, the Group did not re-test for impairment of goodwill as at September 30, 2016 and 2015.

No provision for impairment in value was recognized for the six months ended September 30, 2016 and 2015. Goodwill, net of allowance for impairment loss, amounted to ₱223.8 million as at September 30, 2016 and March 31, 2016 (see Note 14).

Realizability of Deferred Tax Assets. Deferred tax assets are recognized for all carryforward benefits of NOLCO and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the carryforward benefits of NOLCO and deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Deductible temporary differences and unused carryforward benefits of NOLCO for which no deferred tax assets were recognized amounted to ₱68.7 million as at September 30, 2016 and March 31, 2016. Deferred tax assets recognized amounted to ₱26.0 million and ₱23.0 million as at September 30, 2016 and March 31, 2016, respectively (see Note 26).

Present Value of Pension Liabilities. The cost of the defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Pension liabilities recognized amounted to ₱39.0 million and ₱38.1 million as at September 30, 2016 and March 31, 2016, respectively (see Note 24).

5. Cash and Cash Equivalents

This account consists of:

	September 30, 2016	March 31, 2016
Cash on hand and in banks	**₱291,842,977**	₱540,097,246
Cash equivalents	**7,089,344**	2,073,826
	₱298,932,321	₱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 ₱0.6 million and ₱1.8 million for the six months ended September 30, 2016 and 2015, respectively (see Note 19).

6. Receivables

This account consists of:

	September 30, 2016	March 31, 2016
Tuition and other school fees	**₱780,626,197**	₱230,573,439
Educational services	**34,692,127**	35,641,080
Advances to officers and employees (see Note 27)	**22,990,859**	20,785,180
Rent and other related receivables (see Note 27)	**34,093,664**	29,395,914
Current portion of advances to associates, joint ventures and other related parties (see Note 27)	**143,571**	252,767
Others	**38,912,367**	23,232,867
	911,458,785	339,881,247
Less allowance for doubtful accounts	**105,945,979**	85,083,311
	₱805,512,806	₱254,797,936

The terms and conditions of the receivables are as follows:

a. Tuition and other school fees receivables are noninterest-bearing and are normally collected on or before the date of major examinations.

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

   Interest earned from past due accounts amounted to ₱0.8 million and ₱0.4 million for the six months ended September 30, 2016 and 2015, respectively (see Note 19).

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

d. Rent and other related receivables are normally collected within the next financial period.

e. For terms and conditions relating to advances to associates, joint ventures and other related parties, refer to Note 27.

f. Other receivables are expected to be collected within the next financial period.

The movements in the allowance for doubtful accounts as a result of individual and collective assessments are as follows:

	September 30, 2016		
	Tuition and Other School Fees	**Others**	**Total**
Balance at beginning of the period	**₱74,199,787**	**₱10,883,524**	**₱85,083,311**
Provisions (see Note 22)	**27,874,846**	**–**	**27,874,846**
Effect of derecognition of a subsidiary (see Notes 2 and 33)	**(7,012,178)**	**–**	**(7,012,178)**
Balance at end of the period	**₱95,062,455**	**₱10,883,524**	**₱105,945,979**

	March 31, 2016		
	Tuition and Other School Fees	Others	Total
Balance at beginning of the period	₱76,640,577	₱7,354,037	₱83,994,614
Provisions	67,046,653	3,529,487	70,576,140
Write-off	(69,487,443)	–	(69,487,443)
Balance at end of the period	₱74,199,787	₱10,883,524	₱85,083,311

As at September 30, 2016 and March 31, 2016, allowance for doubtful accounts amounting to ₱10.9 million relates to individually significant accounts under "Others" that were assessed as impaired. The remaining balance of ₱95.1 million and ₱74.2 million as at September 30, 2016 and March 31, 2016, respectively, relates to accounts under "Tuition and Other School Fees" that were collectively assessed as impaired.

7. **Inventories**

This account consists of:

	September 30, 2016	March 31, 2016
At net realizable value:		
Educational materials	**₱81,333,904**	₱29,965,380
Promotional materials	**10,895,871**	5,076,920
School materials and supplies	**2,368,069**	1,174,914
	₱94,597,844	₱36,217,214

The cost of inventories carried at net realizable value amounted to ₱105.3 million and ₱46.9 million as at September 30, 2016 and March 31, 2016, respectively. Allowance for inventory obsolescence amounted to ₱10.7 million as at September 30, 2016 and March 31, 2016. No provision for inventory obsolescence resulting from excess of cost over net realizable value of inventories was recognized for the six months ended September 30, 2016 and 2015.

Inventories charged to cost of educational materials and supplies sold amounted to ₱79.3 million and ₱45.4 million for the six months ended September 30, 2016 and 2015, respectively (see Note 21).

8. **Prepaid Expenses and Other Current Assets**

This account consists of:

	September 30, 2016	March 31, 2016
Prepaid taxes	**₱63,883,156**	₱72,206,752
Prepaid rent	**17,063,698**	6,115,222
Prepaid insurance	**6,334,101**	297,991
Prepaid license	**5,647,945**	–
Software maintenance cost	**3,175,075**	2,103,097
Excess contributions to CEAP	**3,046,710**	3,153,010
Others	**4,560,725**	3,064,533
	₱103,711,410	₱86,940,605

Prepaid taxes represent excess creditable withholding tax and input VAT which may be applied against other future internal revenue taxes. Most of the input VAT relates to the acquisition of office condominium units from Techzone Philippines, Inc. in March 2015.

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.

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 September 30, 2016. Most of these cover the period April 2016 to March 2017, in line with the school calendar, and are amortized over the remaining months of the respective contracts.

Prepaid license represents advance payment for the eLearning Management System and Microsoft license which shall be amortized over the school year.

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.

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.

9. **Property and Equipment**

The rollforward analyses of this account follows:

	September 30, 2016									
	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment (see Note 25)	Computer Equipment and Peripherals	Library Holdings	Construction in-Progress	Total
Cost, Net of Accumulated Depreciation and Amortization										
Balance at beginning of the period	**₱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	–	**167,087,861**	**28,068,987**	**21,891,183**	**9,275,610**	**3,252,302**	**29,073,385**	**1,622,622**	**17,125,280**	**277,397,230**
Disposal	–	–	–	–	–	**(132,300)**	–	–	–	**(132,300)**
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	–	**171,043,022**	–	–	**(7,130,975)**	–	–	–	**(163,912,047)**	–
Depreciation and amortization (see Notes 20 and 22)	–	**(70,971,981)**	**(23,159,684)**	**(12,843,347)**	**(12,372,347)**	**(4,450,730)**	**(12,715,396)**	**(4,079,572)**	–	**(140,593,057)**
Balance at end of the period	**₱1,530,686,496**	**₱2,879,132,142**	**₱115,671,860**	**₱76,945,025**	**₱23,581,495**	**₱11,240,984**	**₱42,578,338**	**₱15,015,807**	**₱5,515,824**	**₱4,700,367,971**
At September 30, 2016										
Cost	**₱1,530,686,496**	**₱3,481,747,686**	**₱411,594,880**	**₱230,161,476**	**₱219,364,799**	**₱55,882,485**	**₱369,007,998**	**₱100,468,510**	**₱5,515,824**	**₱6,404,430,154**
Accumulated depreciation and amortization	–	**602,615,544**	**295,923,020**	**153,216,451**	**195,783,304**	**44,641,501**	**326,429,660**	**85,452,703**	–	**1,704,062,183**
Net book value	**₱1,530,686,496**	**₱2,879,132,142**	**₱115,671,860**	**₱76,945,025**	**₱23,581,495**	**₱11,240,984**	**₱42,578,338**	**₱15,015,807**	**₱5,515,824**	**₱4,700,367,971**

The cost of fully depreciated property and equipment still used by the Group as at September 30, 2016 amounted to ₱787.2 million.

	March 31, 2016									
	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment (see Note 25)	Computer Equipment and Peripherals	Library Holdings	Construction in-Progress	Total
Cost, Net of Accumulated Depreciation and Amortization										
Balance at beginning of the 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	–	(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 the 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

Property and Equipment under Construction. As at September 30, 2016, the construction in-progress account includes costs incurred for the construction of basketball court and canteen in STI Las Piñas campus. The related costs amounted to ₱15.2 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects. The construction is expected to be completed in November 2016.

As at March 31, 2016, the construction in-progress account includes costs incurred for the construction of the STI Las Piñas campus. The related 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 except for the construction of the basketball court and canteen which is expected to be completed in November 2016.

Capitalized Borrowing Costs. Total borrowing costs capitalized as part of property and equipment amounted to nil and ₱0.6 million for the six months ended September 30, 2016 and 2015, respectively. The average interest capitalization rate is at 4.75% which is 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 ₱9.6 million and ₱14.7 million as at September 30, 2016 and March 31, 2016, respectively (see Note 25).

Collaterals
Transportation equipment, which were acquired under finance lease, are pledged as security for the related finance lease liabilities as at September 30, 2016 and March 31, 2016.

10. Investment Properties

The rollforward analyses of this account follow:

	September 30, 2016		
	Land	**Buildings**	**Total**
Cost:			
Balance at beginning and end of the period	**₱23,986,424**	**₱636,233,550**	**₱703,322,759**
Accumulated depreciation:			
Balance at beginning of the period	–	**52,734,708**	**95,837,493**
Depreciation (see Note 22)	–	**14,315,064**	**14,315,064**
Balance at end of the period	–	**110,152,557**	**110,152,557**
Net book value	**₱23,986,424**	**₱569,183,778**	**₱593,170,202**

	March 31, 2016		
	Land	Buildings	Total
Cost:			
Balance at beginning of the year	₱23,986,424	₱629,390,918	₱653,377,342
Additions	–	6,842,632	6,842,632
Balance at end of the year	23,986,424	636,233,550	660,219,974
Accumulated depreciation:			
Balance at beginning of the year	–	24,104,580	24,104,580
Depreciation	–	28,630,128	28,630,128
Balance at end of the year	–	52,734,708	52,734,708
Net book value	₱23,986,424	₱583,498,842	₱607,485,266

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 at March 31, 2016	₱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 at March 31, 2016	₱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.

As at September 30, 2016, management believes that there has been no significant change in the fair value of the investment properties.

Rental

Rental income earned from investment properties amounted to ₱36.3 million and ₱7.8 million for the six months ended September 30, 2016 and 2015, respectively (see Note 25). Direct operating expenses, including repairs and maintenance, arising from investment properties amounted to

₱0.4 million and ₱0.5 million for the six months ended September 30, 2016 and 2015, respectively.

11. Investments in and Advances to Associates and Joint Ventures

The details and movements in this account follow:

	September 30, 2016	March 31, 2016
Investments at Equity		
Cost:		
Balance at beginning of the period	**₱743,245,137**	₱673,261,937
Acquisition	**43,000**	69,983,200
Reversals	**(17,495,800)**	–
Balance at end of the period	**725,792,337**	743,245,137
Accumulated equity in net earnings:		
Balance at beginning of the period	**1,058,978,749**	1,015,974,623
Equity in net earnings	**273,834,902**	54,026,334
Dividends received	**(10,046,157)**	(11,022,208)
Balance at end of the period	**1,322,767,494**	1,058,978,749
Accumulated share in associates' other comprehensive income:		
Balance at beginning of the period	**104,330,374**	405,874,093
Unrealized mark-to-market (MTM) gain (loss) on AFS financial assets	**3,850,576**	(302,105,162)
Remeasurement gain on pension liability	**–**	561,443
Balance at end of the period	**108,180,950**	104,330,374
Accumulated share in associates' other equity reserves	**728,649**	–
	2,157,469,430	1,906,554,260
Advances (see Note 27)	**36,678,770**	35,633,303
Less allowance for impairment loss	**36,678,770**	35,633,303
	–	–
	₱2,157,469,430	₱1,906,554,260

Movements in the allowance for impairment in value of investments and advances are as follows:

	September 30, 2016	March 31, 2016
Balance at beginning of the period	**₱35,633,303**	₱35,163,889
Provision (see Note 22)	**1,045,467**	469,414
Balance at end of the period	**₱36,678,770**	₱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:

	September 30, 2016	March 31, 2016
Associates:		
Maestro Holdings	**₱1,647,774,658**	₱1,389,114,547
STI Holdings	**471,545,363**	481,740,744
STI Alabang	**18,365,648**	18,365,648
STI Accent	**36,678,770**	35,633,303
GROW	**13,378,065**	12,111,456
STI Marikina	**768,037**	144,045
Synergia	**46,969**	46,969
Joint venture -		
PHEI (see Note 12)	**5,590,690**	5,030,851
	2,194,148,200	1,942,187,563
Allowance for impairment loss:		
Associate -		
STI Accent	**36,678,770**	35,633,303
	₱2,157,469,430	₱1,906,554,260

Information about the 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:

	September 30, 2016	March 31, 2016
Current assets	**₱4,641,216,181**	₱4,534,835,461
Noncurrent assets	**42,278,600,116**	40,895,899,440
Current liabilities	**(5,336,189,113)**	(4,574,914,973)
Noncurrent liabilities	**(33,015,969,047)**	(33,586,087,750)
Total equity	**8,567,658,137**	7,269,732,178
Less equity attributable to equity holders of non-controlling interests	**328,784,847**	324,159,443
Equity attributable to equity holders of the parent company	**8,238,873,290**	6,945,572,735
Proportion of the Group's ownership	**20%**	20%
Carrying amount of the investment	**₱1,647,774,658**	₱1,389,114,547

	Six Months Ended September 30	
	2016	2015
Revenues	**₱6,572,005,012**	₱6,418,572,355
Expenses	**5,203,583,262**	5,629,674,364
Income from operations	**1,368,421,750**	788,897,991
Other comprehensive income (loss)	**20,045,966**	(1,633,695,897)
Total comprehensive income (loss)	**1,388,467,716**	(844,797,906)
Less total comprehensive income attributable to equity holders of non-controlling interests	**11,545,451**	12,415,044
Total comprehensive income (loss) attributable to equity holders of the parent company	**1,376,922,265**	(857,212,950)
Proportion of the Group's ownership	**20%**	20%
Share in total comprehensive income (loss)	**₱275,384,453**	(₱171,442,590)

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 interim consolidated statement of financial position.

In January 2016, Maestro Holdings entered into a Contract to Sell with Eujo Philippines, Inc.'s for the latter's sale of its equity interest in PhilLife. The contract price is set at ₱195.0 million subject to an adjustment based on 1.5x the audited book value per share of PhilLife as at December 31, 2015. Upon consummation of the sale, Maestro Holdings will increase its interest in PhilLife from 70.60% to 90.70%. As at December 8, 2016, the Deed of Absolute Sale of the shares has not been executed.

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 ₱297.8 million and ₱323.8 million for the six months ended September 30, 2016 and 2015, respectively. The increase in fair value for the six months ended September 30, 2016 relates to newly acquired lots in 2016.

The Group also shares in the increase in the fair value of service assets that are held in trust funds amounting to ₱240.5 million and ₱235.6 million for the six months ended September 30, 2016 and 2015, respectively. The related deferred tax liability on the increase in the fair value of the service assets-memorial lots and trust fund income amounted to ₱161.5 million and ₱167.8 million for the six months ended September 30, 2016 and 2015, respectively.

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 ₱131.5 million (net of ₱45.4 million) and ₱367.4 million as at September 30, 2016 and March 31, 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 ₱26.3 million and ₱73.5 million for the six months ended September 30, 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.

Condensed financial information of STI Holdings is as follows:

	September 30, 2016	March 31, 2016
Current assets	**₱549,466,595**	₱22,147,052
Noncurrent assets	**17,936,906,382**	17,306,913,668
Current liabilities	**(667,693,970)**	(376,507,448)
Noncurrent liabilities	**(177,861,700)**	(174,861,700)
Total equity	**17,640,817,307**	16,777,691,572
Less cumulative dividend income from STI ESG	**1,902,487,209**	838,269,146
Total equity, net of cumulative dividend income from STI ESG	**15,738,330,098**	15,939,422,426
Proportion of the Group's ownership	**5.07%**	5.07%
Equity attributable to equity holders of the parent company	**797,933,336**	808,128,717
Excess of carrying value of net assets over acquisition cost	**(326,387,973)**	(326,387,973)
Carrying amount of the investment	**₱471,545,363**	₱481,740,744

	Six Months Ended September 30	
	2016	2015
Revenues	**₱1,073,674,373**	₱255,666,114
Expenses	**12,510,785**	10,862,716
Income from operations	**1,061,163,588**	244,803,398
Other comprehensive income	**111,220**	82,170
Total comprehensive income	**1,061,274,808**	244,885,568
Less dividend income from the STI ESG	**1,064,218,063**	246,549,740
Total comprehensive loss attributable to equity holders of the parent company	**(2,943,255)**	(1,664,172)
Proportion of the Group's ownership	**5.07%**	5.07%
Share in total loss	**(₱149,223)**	(₱84,374)

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:

	September 30, 2016	March 31, 2016
Current assets	**₱89,237,118**	₱97,898,857
Noncurrent assets	**31,991,888**	40,206,299
Current liabilities	**(86,355,080)**	(91,631,271)
Noncurrent liabilities	**(13,081,133)**	(13,170,177)
	₱21,792,793	₱33,303,708

	Six Months Ended September 30	
	2016	2015
Revenues	**₱121,825,941**	₱91,831,627
Expenses	**108,811,573**	87,963,094
Total comprehensive income	**13,014,368**	3,868,533
Share in comprehensive income	**₱1,890,410**	₱2,214,781

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 September 30, 2016 and March 31, 2016, allowance for impairment loss on the Group's investment in STI Accent and related advances amounted to ₱16.5 million and ₱15.5 million, respectively.

For the terms and conditions relating to advances to associates and joint ventures, refer to Note 27.

12. Interests in Joint Ventures

PHEI

On March 19, 2004, STI, together with University of Makati (UMak) and another shareholder, incorporated PHEI in the Philippines. STI and UMak each owns 40.00% of the equity of PHEI with the balance owned by another shareholder. PHEI is envisioned as the College of Nursing of UMak. The following are certain key terms under the agreement signed in 2003 by STI and UMak:

a. STI shall be primarily responsible for the design of the curriculum for the Bachelor's Degree in Nursing (BSN) and Master's Degree in Nursing Informatics with such curriculum duly approved by the University Council of UMak;

b. UMak will allow the use of its premises as a campus of BSN while the premises of iACADEMY will be the campus of the post graduate degree; and

c. STI 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 and the stockholders of STI-PHNS approved the shortening of the corporate life of the company such that its corporate existence will end on June 30, 2017.

The Group's share in the net earnings of its joint ventures, which are individually immaterial, amounted to ₱0.6 million for both the six months ended September 30, 2016 and 2015. The unrecognized share in the net losses of the joint ventures, which are individually immaterial, amounted to ₱4.1 million as at September 30, 2016 and March 31, 2016.

13. **Available-for-Sale Financial Assets**

This account consists of:

	September 30, 2016	March 31, 2016
Quoted equity shares - at fair value	**₱3,041,120**	₱2,961,120
Unquoted equity shares - at cost	**47,062,515**	47,062,515
	₱50,103,635	₱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 interim 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 interim consolidated statements of financial position follows:

	September 30, 2016	March 31, 2016
Balance at beginning of the period	**(₱871,689)**	(₱531,785)
Unrealized MTM gain (loss) on AFS financial assets	**80,000**	(339,904)
Balance at end of the period	**(₱791,689)**	(₱871,689)

Dividend income earned from AFS financial assets amounted to ₱1.5 million and ₱1.3 million for the six months ended September 30, 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 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 Group then recognized a loss arising from the dilution amounting to ₱43.0 million in 2013. The carrying value of the investment in De Los Santos Medical Center amounted to ₱25.9 million as at September 30, 2016 and March 31, 2016.

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

This account consists of:

	September 30, 2016	March 31, 2016
Goodwill	**₱223,777,646**	₱223,777,646
Deposits (see Note 25)	**38,949,006**	37,980,890
Intangible assets	**27,104,857**	34,131,854
Deferred charges	**14,585,958**	–
Advances to suppliers	**12,449,616**	53,072,904
Others	**8,435,111**	8,701,461
	₱325,302,194	₱357,664,755

Goodwill acquired through business combinations have been allocated to the following entities which are considered separate CGUs:

	September 30, 2016	March 31, 2016
STI Caloocan	**₱64,147,877**	₱64,147,877
STI Novaliches (see Note 17)	**21,803,322**	–
STI Taft	**19,030,844**	19,030,844
STI Tuguegarao	**13,638,360**	13,638,360
STI Lipa	**8,857,790**	8,857,790
STI Dagupan	**6,835,818**	6,835,818
STI Tanauan	**4,873,058**	4,873,058
STI Iloilo	**3,806,173**	3,806,173
STI Pagadian	**3,396,880**	3,396,880
STI Batangas	**2,585,492**	2,585,492
STI Diamond (see Note 17)	**–**	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 discussed in Note 17, the Group reallocated the associated goodwill to STI Novaliches as at September 30, 2016. The assets and liabilities of STI Diamond have all been transferred to STI Novaliches.

Management performs its annual impairment test every March 31 of each 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 approved by senior management. Management has determined, based on this analysis, that there are no impairment loss for the six months ended September 30, 2016 and 2015.

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 (see Note 25).

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:

	September 30, 2016	March 31, 2016
Cost, net of accumulated amortization:		
Balance at beginning of the period	**₱34,131,854**	₱34,044,303
Additions	**861,976**	4,644,542
Effect of derecognition of a subsidiary	**(3,421,696)**	–
Amortization (see Note 22)	**(4,467,277)**	(4,556,991)
Balance at end of the period	**₱27,104,857**	₱34,131,854
Cost	**₱38,379,055**	₱52,072,194
Accumulated amortization	**11,274,198**	17,940,340
Net carrying amount	**₱27,104,857**	₱34,131,854

Deferred Charges
Deferred charges pertain to specific incremental costs, such as, professional fees, that are directly related to the Company's bonds issuance.

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.

15. Interest-bearing Loans and Borrowings

This account consists of:

	September 30, 2016	March 31, 2016
Current portion:		
Short-term loans	**₱395,000,000**	₱–
Current portion of Corporate Notes Facility	**40,800,000**	100,800,000
	435,800,000	100,800,000
Noncurrent	**754,800,000**	775,200,000
	₱1,190,600,000	₱876,000,000

Short-term Loans
STI ESG availed of loans from Bank of the Philippine Islands, Security Bank and China Bank during the six months ended September 30, 2016 aggregating a total of ₱880.0 million, of which ₱485.0 million have been settled as at September 30, 2016. The proceeds from these loans were used to fund requirements for construction projects and working capital purposes.

Corporate Notes Facility
On March 20, 2014, STI ESG entered into a Corporate Notes Facility Agreement (Credit Facility Agreement) with China Banking Corporation (China Bank) granting STI ESG a credit facility amounting to ₱3.0 billion with a term of either 5 or 7 years. The facility is available in two tranches of ₱1.5 billion each. The net proceeds from the issuance of the notes 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 ₱80.4 million and ₱108.0 million as at September 30, 2016 and 2015, respectively.

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

Fiscal Year	Amount
2017	₱20,400,000
2018	40,800,000
2019	134,400,000
2020	240,000,000
2021	240,000,000
2022	120,000,000
	₱795,600,000

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 provides 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, to the extent that such will result in a breach of the required debt-to-equity and debt service cover ratios. As at September 30, 2016 and March 31, 2016, STI ESG has complied with the above covenants. STI ESG has also complied with the notice requirement under the loan agreements with the other creditor banks.

Breakdown of the Group's Credit Facility Agreement follows:

	September 30, 2016	March 31, 2016
Balance at beginning of the period	**₱876,000,000**	₱1,092,000,000
Repayments	**80,400,000**	216,000,000
Balance at end of the period	**795,600,000**	876,000,000
Less current portion	**40,800,000**	100,800,000
Noncurrent portion	**₱754,800,000**	₱775,200,000

Interest Expense
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.

Interest incurred on the loans amounted to ₱23.4 million and ₱26.0 million for the six months ended September 30, 2016 and 2015, respectively (see Note 19).

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

This account consists of:

	September 30, 2016	March 31, 2016
Accounts payable (see Note 27)	**₱172,562,028**	₱205,069,681
Dividends payable (see Notes 18 and 27)	**411,382,420**	–
Accrued expenses:		
Rent	**28,159,955**	36,041,503
Salaries, wages and benefits	**22,278,872**	15,180,463
School-related expenses	**20,073,239**	29,982,449
Contracted services	**18,715,799**	21,777,509
Interest	**6,597,520**	7,145,152
Utilities	**5,268,710**	7,114,805
Advertising and promotion	**4,458,974**	2,335,010
Others	**6,332,924**	7,523,916
Network events fund	**10,049,775**	5,736,238
Withholding taxes payable	**7,549,149**	6,550,383
Current portion of refundable deposits (see Note 27)	**1,100,533**	2,452,697
Subscription payable (see Notes 11 and 27)	**–**	17,495,800
Others (see Notes 17 and 27)	**11,079,442**	21,484,235
	₱725,609,340	₱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. Dividends payable to the stockholders are expected to be settled within the year.

c. Accrued expenses, network events fund, withholding taxes payable and other payables are expected to be settled within the next financial period.

d. Refundable deposits pertain to security deposits received from existing lease agreements and are expected to be settled within the next financial year.

e. 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).

f. For terms and conditions of payable to related parties, refer to Note 27.

17. Other Noncurrent Liabilities

	September 30, 2016	March 31, 2016
Payable to STI Diamond – net of current portion	**₱58,949,425**	₱–
Advance rent	**32,614,118**	18,132,912
Refundable deposit – net of current portion	**15,103,408**	11,036,239
Deferred lease liability	**3,233,954**	2,195,644
	₱109,900,905	₱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 interim consolidated statement of comprehensive income for the six months ended September 30, 2016, represents the present value of the purchase price. The total carrying value of the unpaid purchase price amounted to ₱60.8 million, of which, ₱1.9 million is classified as part of “Others” under the “Accounts payable and other current liabilities” account as at September 30, 2016 (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.

18. **Equity**

Capital Stock
The details of the number of common shares follow:

Authorized - ₱1 par value	5,000,000,000
Issued -	
Balance at beginning and end of period	3,081,871,859

Retained Earnings

a. On September 9, 2016, the Parent Company's 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 Parent Company's 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. Such dividends were fully settled as at December 8, 2016.

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. Consolidated retained earnings include undeclared retained earnings of subsidiaries and associates amounting to ₱1,596.9 million and ₱1,397.9 million as at September 30, 2016 and March 31, 2016, 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 ₱1,386.3 million and ₱2,126.8 million as at September 30, 2016 and March 31, 2016, 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 interim consolidated statement of financial position as at September 30, 2016.

STI Taft. On December 1, 2015, the BOD of STI Taft approved the application for an increase in authorized capital stock from 5,000 shares to 750,000 shares with ₱100 par value per share. On April 4, 2016, the SEC approved STI Taft's application for an increase in authorized capital stock. Consequently, the BOD of STI Taft also approved the conversion of STI Taft's advances from the Parent Company to equity amounting to ₱49.0 million. This transaction resulted in the dilution of the non-controlling interest and an equity adjustment of ₱11.3 million for the six months ended September 30, 2016. As at September 30, 2016, STI Taft became a wholly-owned subsidiary of STI ESG.

19. Interest Income and Interest Expense

Interest income is derived from the following sources:

	Six Months Ended September 30	
	2016	2015
Past due accounts receivable (see Note 6)	**₱796,726**	₱362,621
Cash in banks and cash equivalents (see Note 5)	**622,823**	1,768,467
Others	**7,403**	208,109
	₱1,426,952	₱2,339,197

Interest expense is incurred from the following sources:

	Six Months Ended September 30	
	2016	2015
Corporate notes facility (see Note 15)	**₱21,917,992**	₱25,958,165
Short-term loans (see Note 15)	**1,476,806**	–
Obligations under finance lease (see Note 25)	**1,706,497**	685,820
Others	**342,899**	94,059
	₱25,444,194	₱26,738,044

20. Costs of Educational Services

This account consists of:

	Six Months Ended September 30	
	2016	2015
Faculty salaries and benefits (see Note 23)	**₱118,478,683**	₱110,211,748
Depreciation and amortization (see Note 9)	**82,045,699**	82,655,792
Rental (see Note 25)	**46,863,854**	44,276,185
Student activities and programs	**39,112,951**	34,425,957
Courseware development costs	**521,028**	1,193,064
Others	**3,045,945**	3,727,835
	₱290,068,160	₱276,490,581

21. Costs of Educational Materials and Supplies Sold

This account consists of:

	Six Months Ended September 30	
	2016	2015
Educational materials and supplies	**₱64,538,213**	₱32,635,638
Promotional materials	**8,839,225**	7,246,053
School materials and supplies	**5,334,299**	4,927,033
Others	**593,234**	582,484
	₱79,304,971	₱45,391,208

22. **General and Administrative Expenses**

This account consists of:

	Six Months Ended September 30	
	2016	2015
Salaries, wages and benefits (see Notes 23 and 24)	**₱138,785,895**	₱134,916,860
Depreciation and amortization (see Notes 9, 10 and 14)	**77,329,699**	71,096,729
Light and water	**50,498,417**	50,595,694
Outside services	**38,624,717**	35,816,694
Rental (see Note 25)	**30,086,450**	24,282,111
Provision for impairment loss on:		
Receivables (see Note 6)	**27,874,846**	29,223,665
Investments in and advances to associates and joint ventures (see Note 11)	**1,045,467**	–
Professional fees	**28,107,499**	29,389,141
Taxes and licenses	**15,750,470**	9,308,466
Transportation	**11,295,430**	11,766,034
Repairs and maintenance	**9,412,228**	7,025,336
Entertainment, amusement and recreation	**9,049,970**	8,737,822
Meetings and conferences	**8,463,262**	7,961,338
Office supplies	**6,951,673**	6,798,162
Software maintenance	**5,175,712**	3,782,701
Insurance	**4,876,676**	5,525,288
Communication	**4,831,453**	4,653,386
Advertising and promotions	**2,949,910**	41,615,843
Association dues	**128,733**	191,809
Others	**10,326,379**	8,405,534
	₱481,564,886	₱491,092,613

23. **Personnel Costs**

This account consists of:

	Six Months Ended September 30	
	2016	2015
Salaries and wages	**₱226,471,008**	₱214,726,699
Pension expense (see Note 24)	**7,215,156**	6,351,050
Other employee benefits	**23,578,414**	24,050,859
	₱257,264,578	₱245,128,608

24. **Pension Plans**

Defined Benefit Plans

The Group (except De Los Santos-STI College and STI QA) has separate, 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 interim consolidated statements of comprehensive income and the pension liability recognized in the interim consolidated statements of financial position:

	Six Months Ended September 30	
	2016	2015
Pension expense (recognized under the "Salaries, wages and benefits" account):		
Current service cost	**₱6,154,674**	₱5,224,621
Net interest cost	**954,182**	620,461
	₱7,108,856	₱5,845,082

	September 30, 2016	March 31, 2016
Pension liabilities (recognized in the interim consolidated statements of financial position):		
Present value of defined benefit obligations	**₱126,573,794**	₱122,026,732
Fair value of plan assets	**(87,548,509)**	(83,883,366)
	₱39,025,285	₱38,143,366

	September 30, 2016	March 31, 2016
Changes in the present value of defined benefit obligations:		
Balance at beginning of year	**₱122,026,732**	₱112,409,175
Current service cost	**6,154,674**	11,208,413
Interest cost	**4,464,293**	5,482,809
Benefits paid	**–**	(1,877,286)
Actuarial loss (gain) on obligations	**–**	(5,196,379)
Effect of derecognition of a subsidiary	**(6,071,905)**	–
Balance at end of year	**₱126,573,794**	₱122,026,732

	September 30, 2016	March 31, 2016
Changes in the fair value of plan assets:		
Balance at beginning of year	**₱83,883,366**	₱84,870,920
Contributions	**155,032**	8,956,993
Interest income	**3,510,111**	4,172,064
Benefits paid	**–**	(1,877,286)
Actuarial loss on plan assets	**–**	(12,239,325)
Balance at end of year	**₱87,548,509**	₱83,883,366
Actual return (loss) on plan assets	**₱3,510,111**	(₱8,067,261)

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:

	September 30, 2016	March 31, 2016
Cash and cash equivalents	**42%**	36%
Short-term fixed income	**2%**	2%
Investments in:		
Equity securities	**51%**	58%
Debt securities	**4%**	4%
	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:

	September 30, 2016	March 31, 2016
Cash	**₱36,762,760**	₱29,781,242
Short-term fixed income	**2,177,000**	1,660,885
Investments in:		
Equity securities	**44,727,018**	48,627,116
Government securities	**3,837,143**	3,779,823
Others	**44,588**	34,300
	₱87,548,509	₱83,883,366

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 ₱0.64 and ₱0.57 per share as at September 30, 2016 and March 31, 2016, respectively.

Total gain from investments in equity securities of related parties amounted to ₱9.78 million and ₱4.89 million as at September 30, 2016 and March 31, 2016, 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 government of the Republic of the Philippines.

The expected contribution of the Group in 2017 is ₱8.9 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:

	September 30, 2016	March 31, 2016
Less than one year	**₱7,372,191**	₱8,777,303
More than one year to five years	**18,816,965**	13,711,921
More than five years to 10 years	**58,131,406**	66,636,372
More than 10 years to 15 years	**96,995,238**	93,591,936
More than 15 years to 20 years	**101,607,840**	116,287,634

The principal assumptions used in determining pension liabilities are shown below:

	April 1, 2016	April 1, 2015
Discount rate	**4%–5%**	4%–5%
Future salary increases	**5%**	5%–6%

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	
	September 30, 2016	March 31, 2016
Discount rates		
Increase by 1%	**(₱11,514,616)**	(₱13,421,569)
Decrease by 1%	**13,892,352**	16,258,710
Future salary increases		
Increase by 1%	**13,698,976**	16,032,261
Decrease by 1%	**(11,675,957)**	(13,581,775)
Employee turnover		
Increase by 10%	**(2,019,902)**	(2,575,973)
Decrease by 10%	**2,019,902**	2,575,973

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 September 30, 2016 and March 31, 2016, the Group is in compliance with the requirements of RA No. 7641.

As at September 30, 2016 and March 31, 2016, De Los Santos-STI College and STI QA have excess contributions to CEAP amounting to ₱3.0 million and ₱3.2 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 ₱0.1 million and ₱0.5 million for the six months ended September 30, 2016 and 2015, respectively.

Total pension expense recognized in profit or loss follows:

	Six Months Ended September 30	
	2016	2015
Defined benefit plans	**7,108,856**	5,845,082
Defined contribution plans	**106,300**	505,968
	7,215,156	6,351,050

25. **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 interim 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:

	September 30 2016	March 31, 2016
Within one year	**₱5,484,855**	₱6,837,640
After one year but not more than five years	**6,320,259**	7,288,804
Total minimum lease payments	**11,805,114**	14,126,444
Less amount representing interest	**972,868**	1,083,772
Present value of lease payments	**10,832,246**	13,042,672
Less current portion of obligations under finance lease	**4,903,414**	5,729,488
Noncurrent portion of obligations under finance lease	**₱5,928,832**	₱7,313,184

Interest incurred from finance lease amounted to ₱1.7 million and ₱0.7 million for the six months ended September 30, 2016 and 2015 respectively (see Note 19).

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.

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 ₱48.8 million and ₱22.3 million for the six months ended September 30, 2016 and 2015, respectively (see Notes 10 and 27).

Future minimum rental receivable for the remaining lease terms follow:

	September 30, 2016	March 31, 2016
Within one year	**₱82,069,747**	₱95,468,050
After one year but not more than five years	**268,446,219**	421,012,632
More than five years	–	168,112,875
	₱350,515,966	₱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 ₱77.0 million and ₱68.6 million for the six months ended September 30, 2016 and 2015, respectively (see Notes 20 and 22).

Certain subsidiaries also paid their lessors refundable 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).

Future minimum rental payables under the lease agreements follow:

	September 30, 2016	March 31, 2016
Within one year	**₱94,106,668**	₱78,388,743
After one year but not more than five years	**198,166,730**	261,001,421
More than five years	**254,528,789**	343,158,277
	₱546,802,187	₱682,548,441

26. **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:

	September 30, 2016	March 31, 2016
Deferred tax assets:		
Allowance for doubtful accounts	**₱10,508,721**	₱8,422,454
Unearned tuition and other school fees	**6,294,443**	5,322,590
Pension liabilities	**3,902,529**	3,814,337
Advance rent	**3,261,412**	1,813,291
Excess of:		
Cost over net realizable value of inventories	**1,065,590**	1,065,590
Rental under operating lease computed on a straight-line basis	**986,269**	2,593,014
	26,018,964	23,031,276
Deferred tax liability -		
Excess of fair values of net assets acquired over acquisition cost from a business combination	**209,144**	209,144
	₱25,809,820	₱22,822,132

Certain deferred tax assets of the Group were not recognized as September 30, 2016 and March 31, 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 as at September 30, 2016 and March 31, 2016:

NOLCO	₱67,808,506
Allowance for doubtful accounts	858,771
	₱68,667,277

As at September 30, 2016 and March 31, 2016, 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 ₱19.9 million and ₱18.8 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	Beginning	Addition	Applied/ Expired	End
December 31, 2013	December 31, 2016	₱1,382,082	₱–	₱–	1,382,082
March 31, 2014	March 31, 2017	20,542,811	–	–	20,542,811
March 31, 2015	March 31, 2018	16,638,328	–	–	16,638,328
March 31, 2016	March 31, 2019	–	29,245,285	–	29,245,285
		₱38,563,221	₱29,245,285	₱–	₱67,808,506

The reconciliation of the provision for income tax computed at the effect of the applicable statutory income tax rate to the provision for income tax as shown in the interim consolidated statements of comprehensive income is summarized as follows:

	Six Months Ended September 30	
	2016	2015
Provision for income tax at statutory income tax rate	**₱57,344,966**	₱35,913,204
Income tax effects of:		
Equity in net earnings of associates and joint ventures	**(27,383,490)**	(15,766,151)
Royalty fees already subjected to final tax	**(751,221)**	(802,845)
Dividend income	**(152,106)**	(133,630)
Interest income already subjected to final tax	**(62,282)**	(176,847)
Others	**1,759,332**	(1,000,925)
	₱30,755,199	₱18,032,806

Others pertain to the income tax effects of change in unrecognized deferred tax assets, expired NOLCO and other items.

27. Related Party Transactions

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

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

Related Party	Amount of Transactions During the Six Months Ended September 30 2016	2015	Outstanding Receivable (Payable) September 30, 2016	March 31, 2016	Terms	Conditions
Associates						
STI Accent						
Advances for various expenses and other charges	**₱1,045,467**	₱–	**₱36,678,770**	₱35,633,303	30 days upon receipt of billings; noninterest-bearing	Unsecured; impaired
GROW						
Rental income and other charges	–	73,095	**7,179,094**	7,239,094	30 days upon receipt of billings	Unsecured; no impairment
Advances for various expenses	–	–	**143,571**	143,571	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Holdings						
Advisory fees	**8,064,000**	8,064,000	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Dividends payable	**1,064,218,063**	246,653,915	**(395,280,995)**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Advances for various expenses	**312,262,512**	6,991,638	–	(41,166)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Maestro Holdings						
Subscription of common stock	–	–	–	(17,495,800)	Due and demandable; noninterest-bearing	Unsecured
STI Alabang						
Educational services and sale of educational materials and supplies	**9,065,442**	6,934,081	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
STI Marikina						
Educational services and sale of educational materials and supplies	**7,055,263**	5,477,131	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Joint Venture						
PHEI						
Advances for various expenses and other charges	–	300,000	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Affiliates*						
PhilCare						
Rental income and other charges	**9,258,778**	8,533,219	**3,508,672**	3,135,109	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**3,306,371**	3,456,304	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Phil First Insurance Co., Inc.						
Utilities and other charges	**102,950**	124,950	**4,057**	491,823	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	**3,820,803**	2,370,197	**(8,707)**	(8,707)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation						
Association dues and other charges	**6,456,413**	5,316,681	**(64,087)**	(376,179)	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilLife						
Rental income and other charges	**5,851,794**	10,920,013	–	1,127,989	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI WNU						
Advances for acquisition of investments	**1,194,015**	1,009,726	–	109,196	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Educational services and sale of educational materials and supplies	**4,219,158**	1,763,240	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
iAcademy						
Advances for various expenses	**100,411**	–	**97,272**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Other affiliates						
Rental income and other charges	**375,143**	311,744	**1,712,180**	1,406,655	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Officers and employees						
Advances for various expenses	**4,854,386**	5,829,588	**22,990,859**	20,785,180	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
	₱1,441,250,969	₱314,129,522	**(₱323,039,312)**	₱52,150,068		

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

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

	September 30, 2016	March 31, 2016
Advances to officers and employees (see Note 6)	**₱22,990,859**	₱20,785,180
Current portion of advances to associates, joint ventures and other related parties (see Note 6)	**143,571**	252,767
Rent and other related receivables (see Note 6)	**12,501,277**	13,400,670
Advances to associates and joint ventures (see Note 11)	**36,678,770**	35,633,303
Accounts payable (see Note 16)	**(72,794)**	(426,052)
Dividends payable (see Note 18)	**(395,280,995)**	
Subscriptions payable (see Note 16)	**–**	(17,495,800)
	(₱323,039,312)	₱52,150,068

Compensation and Benefits of Key Management Personnel
Compensation and benefits of key management personnel of the Group are as follows:

	Six Months Ended September 30	
	2016	2015
Short-term employee benefits	**₱22,630,787**	₱20,300,429
Post-employment benefits	**1,031,405**	848,369
	₱23,662,192	₱21,148,798

28. **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:

	Six Months Ended September 30	
	2016	2015
Net income attributable to equity holders of the Parent Company	**₱542,050,936**	₱341,923,883
Weighted average number of common shares outstanding:		
Common shares outstanding at beginning and end of period	**3,081,871,859**	3,081,871,859
Basic and diluted EPS on net income attributable to equity holders of the Parent Company	**₱0.18**	₱0.11

The basic and diluted earnings per share are the same for the six months ended September 30, 2016 and 2015 as there are no dilutive potential common shares.

29. 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 College 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 December 8, 2016, there has been no sale nor issuance of GOKs. Hence, pursuant to Section 17.2 (a) of the Securities Regulation Code (SRC), STI is not required to file the reports required under Section 17 of the SRC.

30. Contingencies and Commitments

<u>Contingencies</u>

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 a cancellation of the said BIR's assessment since the 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. 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 which 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 10 days from receipt of notice. As at December 8, 2016, 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.

   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 on October 19, 2015, which was docketed as LER-CN-10291-15.

   On October 20, 2015, a Bank Order to release was issued to one of the 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).

   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 the 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 the labor arbiter for the amount of ₱2.2 million, and (2) order the payment of separation pay in favor of the former employee instead of reinstatement as Chief Operating Officer of STI-Makati.

In the said Petition, the Parent Company asserted that the Writ of Execution was issued with undue haste when there were pending issues to be resolved by the labor arbiter with respect to the computation of the judgment award of the former employee. In addition, the 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 the 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 the 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.

In relation to the proceedings on the Petition for Certiorari filed by the former employee to the Court of Appeals and without prejudice to the mediation proceedings, the Parent Company will file a Rejoinder, and insist, among others, that the former employee show proof of the filing of her Motion for Reconsideration. Upon receipt of notice of the schedule of the initial mediation hearing, the Parent Company, through its authorized representative, shall attend/participate in the mediation proceedings, and decide on such matters to protect the interest of the Parent Company in the instant case.

Lastly, the pre-execution conference of the monetary award of the former employee is deemed suspended pending the transfer of the records of the case to a new labor arbiter and/or the resolution on the said Petition for Certiorari.

c. *Civil Action Case.* On April 25, 2006, the Parent Company filed a civil action against one of its franchisees, and its sureties for the collection of unpaid royalties, reimbursements for the costs and expenses of the education services rendered by the Parent Company and the share of the franchisee, in the cost and expenses for national advertising and promotion undertaken by the Parent Company for its network of schools, in the aggregate amount of ₱3.5 million. On September 16, 2014, the parties informed the Trial Court that they are pursuing a possible settlement of the case. On March 3, 2015, the parties informed the Court that they have agreed on the terms of the Compromise Agreement. On May 15, 2015, the parties entered into a Compromise Agreement and in the said agreement, defendants agreed to pay the Parent Company the amount of ₱1.5 million on or before May 2020 and the said amount represents the full and final settlements of all claims, demands and causes of action of the parties against each other in connection with and arising from the case. On May 21, 2015, the parties filed a Joint Motion to Approve Compromise Agreement with the Trial Court. On May 25, 2015, the Trial Court issued a "Decision" approving the "Compromise Agreement" dated May 15, 2015.

d. *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 (see Note 1), 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. Said Motion was scheduled for hearing on August 12, 2016.

   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.

   As at December 8, 2016, the case is pending resolution of the Trial Court.

e. 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) and (d), 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.

f. 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 December 8, 2016, 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 interim consolidated financial statements.

Commitments

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 September 30, 2016, the Group has contractual commitments and obligations for the construction of basketball court and canteen in STI Las Piñas aggregating ₱15.2 million, ₱5.3 million of which has been paid during the period.

As at March 31, 2016, the Group has contractual commitments and obligations for the construction of STI Las Piñas aggregating ₱290.0 million, ₱193.2 million of which has been paid during the year.

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.

31. 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 September 30, 2016 and March 31, 2016, the Group's current assets amounted to ₱1,302.8 million, and ₱920.1 million, respectively, while current liabilities amounted to ₱1,685.4 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 1.1:1.

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.

	September 30, 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	**₱298,932,321**	**₱–**	**₱–**	**₱–**	**₱–**	**₱298,932,321**
Receivables*	**606,481,638**	**35,592,179**	**27,245,260**	**113,202,870**	**–**	**782,521,947**
Deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	**–**	**–**	**–**	**–**	**38,949,006**	**38,949,006**
AFS financial assets	**–**	**–**	**–**	**–**	**50,103,635**	**50,103,635**
	₱905,413,959	**₱35,592,179**	**₱27,245,260**	**₱113,202,870**	**₱89,052,641**	**₱1,170,506,909**
Financial Liabilities						
Other financial liabilities:						
Interest-bearing loans and borrowings:						
Principal	**₱–**	**₱–**	**₱–**	**₱435,800,000**	**₱754,800,000**	**₱1,190,600,000**
Interest	**–**	**–**	**–**	**25,707,864**	**96,343,396**	**122,051,260**
Accounts payable and other current liabilities**	**502,732,459**	**23,379,213**	**10,417,817**	**123,573,235**	**57,957,467**	**718,060,191**
Obligations under finance lease						
Principal	**–**	**870,487**	**439,875**	**3,593,053**	**5,928,831**	**10,832,246**
Interest	**–**	**106,854**	**52,213**	**400,974**	**412,826**	**972,867**
Other noncurrent liabilities***	**–**	**–**	**–**	**–**	**74,052,833**	**74,052,833**
	₱502,732,459	**₱24,356,554**	**₱10,909,905**	**₱589,075,126**	**₱989,495,353**	**₱2,116,569,397**

	March 31, 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
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	₱1,421,124,016

* *Excluding advances to officers and employees amounting to ₱23.0 million and ₱20.8 million as at September 30, 2016 and March 31, 2016, respectively.*
** *Excluding subscriptions payable and government and other statutory liabilities amounting to ₱7.5 million and ₱24.0 million as at September 30, 2016 and March 31, 2016, respectively.*
*** *Excluding advance rent and deferred lease liability amounting to ₱35.8 million and ₱20.3 million as at September 30, 2016 and March 31, 2016, respectively.*

The Group's current ratios are as follows:

	September 30, 2016	March 31, 2016
Current assets	**₱1,302,754,381**	₱920,126,827
Current liabilities	**1,685,391,260**	556,158,909
Current ratios	**0.773:1.000**	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 interim consolidated statements of financial position:

	September 30, 2016		March 31, 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)	**₱298,173,329**	**₱281,673,329**	₱541,382,280	₱524,882,280
Receivables*	**782,521,947**	**782,521,947**	234,012,756	234,012,756
Deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	**38,949,006**	**38,949,006**	37,980,890	37,980,890
AFS financial assets	**50,103,635**	**50,103,635**	50,023,635	50,023,635
	₱1,169,747,917	**₱1,153,247,917**	₱863,399,561	₱846,899,561

* *Excluding advances to officers and employees amounting to ₱23.0 million and ₱20.8 million as at September 30, 2016 and March 31, 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.

The table below shows the aging analysis of financial assets that are past due but not impaired:

	September 30, 2016				
	Neither Past Due	**Past Due but not Impaired**			
	Nor Impaired	**31 to 60 Days**	**61 to 90 Days**	**Impaired**	**Total**
Financial Assets					
Loans and receivables:					
Cash and cash equivalents (excluding cash on hand)	**₱298,173,329**	**₱–**	**₱–**	**₱–**	**₱298,173,329**
Receivables*	**606,481,638**	**35,592,179**	**140,448,130**	**105,945,979**	**888,467,926**
Deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	**38,949,006**	**–**	**–**	**–**	**38,949,006**
AFS financial assets	**50,103,635**	**–**	**–**	**–**	**50,103,635**
	₱993,707,608	**₱35,592,179**	**₱140,448,130**	**₱105,945,979**	**₱1,275,693,896**

	March 31, 2016				
	Neither Past Due	Past Due but not Impaired			
	Nor 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
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 ₱23.0 million and ₱20.8 million as at September 30, 2016 and March 31, 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 interim consolidated statements of comprehensive income and statements of changes in equity as at September 30, 2016 and March 31, 2016:

	Effect on Income Before Income Tax	
Increase/decrease in Basis Points (bps)	**September 30 2016**	March 31, 2016
+100 bps	**(₱8,160,000)**	(₱8,760,000)
-100 bps	**8,160,000**	8,760,000

<u>Capital Risk Management Policy</u>
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 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 1:1.

The Group considers its equity contributed by stockholders as capital.

	September 30, 2016	March 31, 2016
Capital stock	**₱3,081,871,859**	₱3,081,871,859
Additional paid-in capital	**379,937,290**	379,937,290
Retained earnings	**3,003,286,769**	3,539,890,986
	₱6,465,095,918	₱7,001,700,135

The Group's debt-to-equity ratios are as follows:

	September 30, 2016	March 31, 2016
Total liabilities	**₱2,595,046,282**	₱1,408,180,255
Total equity	**6,559,931,351**	7,101,995,128
Debt-to-equity ratio	**0.396:1.000**	0.198:1.000

The Group's asset-to-equity ratios shown below:

	September 30, 2016	March 31, 2016
Total assets	**₱9,154,977,633**	₱8,510,175,383
Total equity	**6,559,931,351**	7,101,995,128
Asset-to-equity ratio	**1.396:1.000**	1.198:1.000

No changes were made in the objectives, policies or processes as at September 30, 2016 and March 31, 2016.

32. Fair Value Information of Financial Instruments

The following tables set forth the carrying amounts and estimated fair values of the interim consolidated financial assets and liabilities recognized as at September 30, 2016 and March 31, 2016. There are no material unrecognized financial assets and liabilities as at September 30, 2016 and March 31, 2016:

			September 30, 2016		
	Carrying Amount	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
Loans and receivables –					
Deposits	**₱38,949,006**	**₱37,075,148**	**₱–**	**₱–**	**₱37,075,148**
AFS investments – quoted	**3,041,120**	**3,041,120**	**3,041,120**	**–**	**–**
	₱41,990,126	**₱40,116,268**	**₱3,041,120**	**₱–**	**₱37,075,148**
Financial Liabilities					
Other financial liabilities at amortized cost -					
Obligations under finance lease	**₱10,832,246**	**₱9,859,020**	**₱–**	**₱–**	**₱9,859,020**
Payable to STI Diamond – net of current portion	**58,949,425**	**73,650,147**	**–**	**–**	**73,650,147**
Refundable deposit – net of current portion	**15,103,408**	**15,280,427**	**–**	**–**	**15,280,427**
	₱84,885,079	**₱98,789,594**	**₱–**	**₱–**	**₱98,789,594**

			March 31, 2016		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Loans and receivables –					
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 deposit – net of current Portion	11,036,239	10,820,575	–	–	10,820,575
	₱24,078,911	₱23,201,963	₱–	₱–	₱23,201,963

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 at financial reporting date.

Deposits. The fair values of these instruments are computed by discounting the face amount using PDST-R2 rate of 1.79%-5.04% and 1.77%-5.04% as at September 30, 2016 and March 31, 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 4.03%-5.63% and 1.76%-9.50% as at September 30, 2016 and March 31, 2016, respectively.

For the period ended September 30, 2016 and March 31, 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.

33. Notes to the Interim 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 amounting to ₱2.0 million and ₱0.4 million for the six months ended September 30, 2016 and 2015 (see Note 9).

b. Unpaid progress billing for construction in-progress amounting to ₱7.6 million, and ₱15.0 million as at September 30, 2016 and 2015, respectively.

c. Reversal of subscriptions payable associated with the subscription by STI ESG over Maestro Holdings shares amounting to ₱17.5 million for the six months ended September 30, 2016 (see Note 11).

d. Derecognition of the net assets of iAcademy amounting to ₱124.3 million (see Note 2).

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 AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
STI Education Services Group, Inc.
STI Academic Center Ortigas-Cainta
Ortigas Avenue Extension
Cainta, Rizal

We have audited in accordance with Philippine Standards on Auditing, the interim consolidated financial statements of STI Education Services Group, Inc. and its subsidiaries as at September 30, 2016 and March 31, 2016 and for the six months ended September 30, 2016 and 2015, and have issued our report thereon dated December 8, 2016. 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 the Interim 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 states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

Benjamin N. Villacorte
Partner
CPA Certificate No. 111562
SEC Accreditation No. 1539-A (Group A),
March 3, 2016, valid until March 3, 2019
Tax Identification No. 242-917-987
BIR Accreditation No. 08-001998-120-2016,
February 15, 2016, valid until February 14, 2019
PTR No. 5321710, January 4, 2016, Makati City

December 8, 2016

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

INDEX TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016

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% per cent 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 September 30, 2016				

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 per cent 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	14,283	(67,508)		213,853	72,982	286,835
ANCHETA, CAROLINE GRACE	Senior School Administrator	-	664,554	(60,931)		355,941	247,682	603,623
BAUTISTA, TEODORO LLOYDON CALMA	VP-Academics	119,486	10,967	(41,760)		59,837	28,856	88,693
BUNDOC, RESTITUTO ODULIO	VP-School Operations	529,010	14,994	(95,124)		309,439	139,441	448,880
DANTES III, FERNANDO TUAZON	Academic Quality Manager	108,710	12,725	(35,107)		44,585	41,743	86,328
DIMAIN, STANLEY BARRIENTOS	School Operations Manager	189,131	6,402	(29,919)		103,157	62,457	165,614
DY, JOEL LAGAMAYO	School Operations Manager	352,995	7,409	(29,980)		207,502	122,922	330,424
GARRIDO, ARMEL ANGELO	Event Manager	246,489	7,597	(39,285)		91,576	123,225	214,801
IBARRA, MARIFE	School Administrator	157,821	11,306	(29,568)		46,060	93,499	139,559
JACOB, MONICO	Vice Chairman & CEO	-	630,952	(223,365)		407,587	-	407,587
LUZA, JUVEN DERIQUITO	Senior School Administrator	359,714	5,170	(28,137)		270,047	66,700	336,747
MAGANO, SHIELA ABAD	AVP-School Management	101,837	16,332	(47,135)		63,089	7,945	71,034
MANARANG, JENNIFER	Senior School Administrator	-	612,741	(16,304)		429,692	166,745	596,437
PEBENITO, VANNESA VILLAPANDO	Shs Development Manager	101,367	221,705	(323,072)		-	-	-
RACADIO, WILFRED	VP-Legal	172,683	6,447	(35,155)		60,603	83,372	143,975
SANTOS, MERLIZA	AVP-Finance	172,763	9,991	(30,772)		96,400	55,582	151,982
TUBONGBANUA, JUAN LUIS FAUSTO BUSTAMANTE	VP-CIS	194,339	8,656	(37,555)		87,371	78,069	165,440
Total		**3,146,405**	**2,262,231**	**(1,170,677)**	**-**	**2,846,739**	**1,391,220**	**4,237,959**

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	65,821,621	(62,857,130)		5,400,226	-	5,400,226
STI Dagupan	125,757	4,061,691	(3,834,046)		353,402	-	353,402
STI Novaliches	1,176,991	38,305,239	(36,860,273)		2,621,957	-	2,621,957
STI Taft	154,988	7,383,332	(3,507,902)		4,030,418	-	4,030,418
STI Tuguegarao	11,048,184	1,403,273	(607,216)		10,989,388	854,853	11,844,241
STI QA	14,241,948	5,395,849	(2,952,936)		489,866	16,194,995	16,684,861
STI Batangas	34,666,378	37,527,959	(26,570,191)		15,019,977	30,604,169	45,624,146
STI Pagadian	1,583,919	2,206,376	(734,820)		707,874	2,347,601	3,055,475
STI Iloilo	6,166,529	1,824,504	(1,572,111)		42,516	6,376,406	6,418,922
STI Tanauan	2,081,591	5,404,754	(7,054,405)		-	431,940	431,940
STI Lipa	3,906,253	4,097,960	(3,076,311)		4,810,914	116,988	4,927,902

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
Deposits	37,980,890	3,689,109	1,544,423	-	(1,176,570)	38,949,006
Intangible assets	34,131,854	861,976	4,467,277	-	(3,421,696)	27,104,857
Advances to suppliers	53,072,904	9,087,584	-	49,710,872	-	12,449,616
Deferred Charges	-	14,585,958	-	-	-	14,585,958
Other noncurrent assets	8,701,461	6,072,081	-	2,830,005	(3,508,426)	8,435,111
Total	**357,664,755**	**34,296,708**	**6,011,700**	**52,540,877**	**(8,106,692)**	**325,302,194**

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%	795,600,000	40,800,000	754,800,000

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 non current 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 per cent 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 September 30, 2016		

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 September 30, 2016				

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	-	3,081,871,840	19	-

Related Parties	
STI EDUCATION SYSTEMS HOLDINGS, INC.	3,040,623,037
PRUDENT RESOURCES, INC.	13,011,256
GONZALES, FRANSCISCO B. JR.(DECEASED)	8,873,692
ROSSI, PURIFICACION G.	7,841,118
PRUDENCIO, TOMAS J.	3,732,400
SANTOS, ELIAS V.(DECEASED)	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 MS	241,279
ZARASPE, ANACLETA	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
PAMBID, CHRISTINE JOY T.	41,296
ZAPANTA, PRISCILLA D.	37,500
HERBOSA, ARTURO ALFONSO J.	36,219
NANO, ANA BELEN N.	35,288
YU, ANNIE	30,434
VICTA, RUBEN R.	23,769
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
	3,081,871,840

Directors, officers and employees	
CU ERNEST LAWRENCE (Trustee of E. H. Tanco)	2
BORJA, RAINERIO M. (Trustee of E.H.Tanco)	2
JACOB, MONICO V. (Trustee of E.H.Tanco)	2
TANCO, JOSEPH AUGUSTIN L.	2
DE MESA, RAUL M.	2
VILLA, JESUS S. (Trustee for AADC)	2
TANCO, MARTIN K.	1
LAPUS, JESLI A.	1
TANCO, MA. VANESSA ROSE L.	1
TANCO, EUSEBIO H.	1
QUINTOS, JOAQUIN E. (Trustee of E.H. Tanco)	1
ABAYA, RAMON C. (Trustee of E. H. Tanco)	1
FERNANDEZ, PETER K.	1
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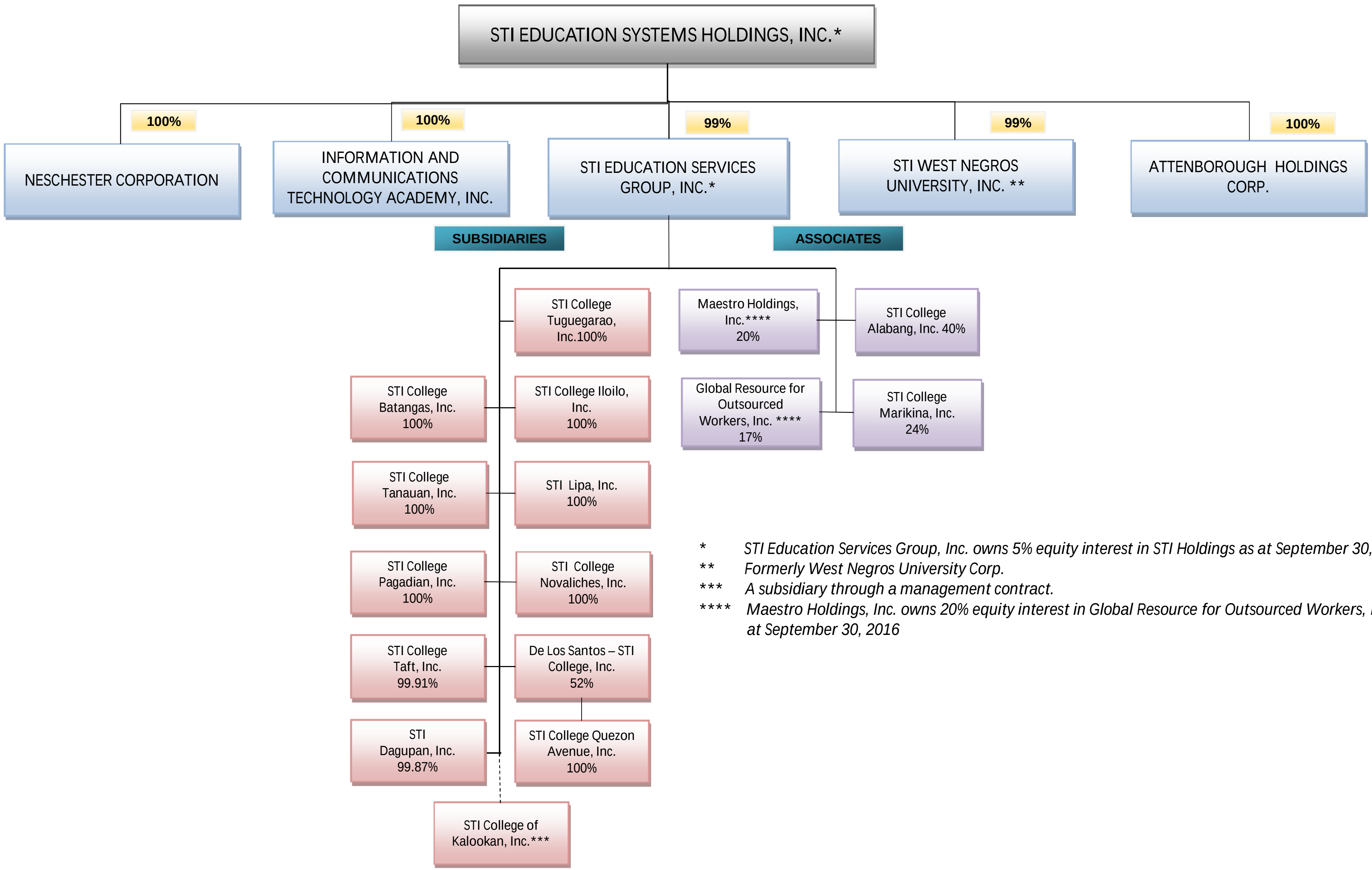
STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

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	342,959,797
Add (deduct):	
Unrealized foreign exchange loss – net of effects of cash and cash equivalents	-
Movement of recognized deferred tax assets for the year	(4,801,019)
Net income actually realized during the year	338,158,778
Less: Dividends declared during the year	(1,078,655,151)
Retained earnings available for dividend declaration, end	1,386,325,180
Reversal of appropriations	-
Total RE, end available for dividend - Parent	**1,386,325,180**

STI EDUCATION SERVICES GROUP, INC.

MAP OF RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY,
MIDDLE PARENT, SUBSIDIARIES OR CO-SUBSIDIARIES, AND ASSOCIATES
SEPTEMBER 30, 2016



* *STI Education Services Group, Inc. owns 5% equity interest in STI Holdings as at September 30, 201(*

** *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. a at September 30, 2016*

STI EDUCATION SERVICES GROUP, INC.

Schedule K. Financial Soundness Indicators

SEPTEMBER 30, 2016 AND 2015

	September 30		Increase (Decrease)	
	2016	2015	Amount	%
Liquidity Ratios				
Current ratio [2]	0.77	1.03	(0.26)	-25%
Quick ratio [9]	0.66	0.88	(0.22)	-25%
Cash ratio [10]	0.18	0.47	(0.29)	-62%
Solvency ratios				
Debt to equity ratio [1]	0.32	0.23	0.09	39%
Asset to equity ratio [3]	1.40	1.26	0.14	11%
Debt service coverage ratio [11]	2.52	3.38	(0.86)	-25%
Interest coverage ratio[12]	23.54	14.43	9.11	63%
Profitability ratios				
EBITDA margin [13]	46%	37%	0.09	24%
Gross profit margin [7]	69%	68%	0.01	1%
Net profit margin [14]	46%	34%	0.12	35%
Return on equity annualized)[8]	16%	10%	0.06	60%

(1) Debt to equity ratio is measured as total liabilities exluding 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, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures, interest expense, interest income, and effect of derecognition of a subsidiary.

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

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

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

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

(11) Debt service coverage ratio is measured as EBITDA divided by total principal and interest due for the next twelve

(12) Interest coverage ratio is measured as net income before income tax and interest expense divided by interest expense

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

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

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

September 30, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2016		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	☐	☐	☒	☐
	Amendment to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'	☐	☐	☒	☐
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: Share-based Payment – Definition of Vesting Condition	☐	☐	☒	☐
PFRS 3 (Revised)	Business Combinations	☒	☐	☐	☐
	Business Combinations – Accounting for Contingent Consideration in a Business Combination	☒	☐	☐	☐
	Business Combinations – Scope Exceptions for Joint Arrangements	☒	☐	☐	☐

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2016		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PFRS 4	Insurance Contracts	☐	☐	☒	☐
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	☐	☐	☒	☐
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	☐	☐	☒	☐
	Amendment to PFRS 5: Changes in Methods 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: Disclosures - 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	☐	☐	☐	☒
	Financial Instruments – New hedge accounting requirements	☐	☐	☐	☒

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as at September 30, 2016**		**Adopted**	**Not Adopted**	**Not Applicabl e**	**Not Early Adopted**
PFRS 10	Consolidated Financial Statements	☒	☐	☐	☐
	Amendments to PFRS 10: Investment Entities	☐	☐	☒	☐
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	☐	☐	☒	☐
	Amendments to PFRS 10: Applying the Consolidated Exception	☐	☐	☒	☐
PFRS 11	Joint Arrangements	☒	☐	☐	☐
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	☐	☐	☒	☐
PFRS 12	Disclosure of Interests in Other Entities	☒	☐	☐	☐
	Amendments to PFRS 12: Investment Entities	☐	☐	☒	☐
PFRS 13	Fair Value Measurement	☒	☐	☐	☐
	Amendment to PFRS 13: Short-term Receivables and Payables	☒	☐	☐	☐
	Amendment to PFRS 13: Fair Value Measurement - 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: Presentation of Financial Statements – Disclosure Initiative	☐	☐	☒	☐
PAS 2	Inventories	☒	☐	☐	☐
PAS 7	Statement of Cash Flows	☒	☐	☐	☐
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	☒	☐	☐	☐
PAS 10	Events after the Reporting Period	☒	☐	☐	☐
PAS 11	Construction Contracts	☐	☐	☒	☐

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2016		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PAS 12	Income Taxes	☒	☐	☐	☐
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	☒	☐	☐	☐
PAS 16	Property, Plant and Equipment	☒	☐	☐	☐
	Amendment to PAS 16: Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation	☐	☐	☒	☐
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	☐	☐	☒	☐
	Amendment to PAS 16: Agriculture - Bearer Plants	☐	☐	☒	☐
PAS 17	Leases	☒	☐	☐	☐
PAS 18	Revenue	☒	☐	☐	☐
PAS 19 (Revised)	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	☒	☐	☐	☐
	Employee Benefits (Amended)	☒	☐	☐	☐
	Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)	☒	☐	☐	☐
	Employee Benefits – Regional Market Issue Regarding Discount Rate	☐	☐	☒	☐
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	☐	☐	☒	☐
PAS 21	The Effects of Changes in Foreign Exchange Rates	☒	☐	☐	☐
	Amendment: Net Investment in a Foreign Operation	☐	☐	☒	☐
PAS 23 (Revised)	Borrowing Costs	☒	☐	☐	☐
PAS 24 (Revised)	Related Party Disclosures	☒	☐	☐	☐
	Amendments to PAS 24: Key Management Personnel	☒	☐	☐	☐
PAS 26	Accounting and Reporting by Retirement Benefit Plans	☐	☐	☒	☐
PAS 27 (Amended)	Separate Financial Statements	☒	☐	☐	☐
	Amendments to PAS 27: Investment Entities	☐	☐	☒	☐
	Amendments to PAS 27: Equity Method in Separate Financial Statements	☐	☐	☒	☐

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2016		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PAS 28 (Amended)	Investments in Associates and Joint Ventures	☒	☐	☐	☐
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	☐	☐	☒	☐
	Amendments to PAS 28: Investment Entities: Applying Consolidation Exception	☐	☐	☒	☐
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	☒	☐	☐	☐
PAS 33	Earnings per Share	☒	☐	☐	☐
PAS 34	Interim Financial Reporting	☒	☐	☐	☐
	Amendments to PAS 34: Disclosure of Information ‘Elsewhere in the Interim Financial Report’	☒	☐	☐	☐
PAS 36	Impairment of Assets	☒	☐	☐	☐
	Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)	☒	☐	☐	☐
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	☒	☐	☐	☐
PAS 38	Intangible Assets	☒	☐	☐	☐
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	☐	☐	☒	☐
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and 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	☐	☐	☒	☐

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2016		Adopted	Not Adopted	Not Applicabl e	Not Early Adopted
PAS 39 *(cont'd)*	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	☐	☐	☒	☐
	Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)	☐	☐	☒	☐
PAS 40	Investment Property	☒	☐	☐	☐
	Amendments to PAS 40	☒	☐	☐	☐
PAS 41	Agriculture	☐	☐	☒	☐
	Amendments to PAS 41: Bearer Plants	☐	☐	☒	☐
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	☐	☐	☒	☐

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at September 30, 2016		Adopted	Not Adopted	Not Applicable	Not Early Adopted
IFRIC 12	Service Concession Arrangements	☐	☐	☒	☐
IFRIC 13	Customer Loyalty Programmes	☐	☐	☒	☐
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	☒	☐	☐	☐
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement	☒	☐	☐	☐
IFRIC 15	Agreements for the Construction of Real Estate	☐	☐	☒	☐
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	☐	☐	☒	☐
IFRIC 17	Distributions of Non-cash Assets to Owners	☐	☐	☒	☐
IFRIC 18	Transfers of Assets from Customers	☐	☐	☒	☐
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	☐	☐	☒	☐
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	☐	☐	☒	☐
IFRIC 21	Levies	☐	☐	☒	☐
SIC-7	Introduction of the Euro	☐	☐	☒	☐
SIC-10	Government Assistance - No Specific Relation to Operating Activities	☐	☐	☒	☐
SIC-12	Consolidation - Special Purpose Entities	☐	☐	☒	☐
	Amendment to SIC - 12: Scope of SIC 12	☐	☐	☒	☐
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	☐	☐	☒	☐