

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

FS FOR FILING WITH SEC

AFTER THE BIR HAS DULY
STAMPED "RECEIVED."

SEC Registration Number

0 0 0 0 0 0 0 1 7 4 6

COMPANY NAME

S T I E D U C A T I O N S Y S T E M S H O L D I N G S
, I N C .

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

7 t h F l o o r , S T I H o l d i n g s C e n t e r
, 6 7 6 4 A y a l a A v e n u e , M a k a t i C i
t y

Form Type

A P F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N A

COMPANY INFORMATION

Company's Email Address

info@stiholdings.com.ph

Company's Telephone Number

(632) 844 9553

Mobile Number

N/A

No. of Stockholders

1,263

Annual Meeting (Month / Day)

Last Friday of September

Fiscal Year (Month / Day)

March 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Arsenio C. Cabrera, Jr.

Email Address

accabrera@htc-law.com.ph

Telephone Number/s

(632) 813-7111

Mobile Number

-

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.



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

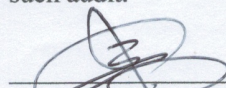
The management of **STI Education Systems Holdings, Inc.** (the Company) is responsible for the preparation and fair presentation of the parent company financial statements, including the schedules attached therein, for the years ended March 31, 2019 and 2018, in accordance with the Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatements, whether due to fraud or error.

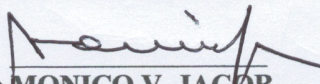
In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate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

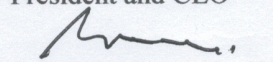
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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


EUSEBIO H. TANCO
Chairman of the Board


MONICO V. JACOB
President and CEO


YOLANDA M. BAUTISTA
Treasurer and CFO

Signed this 11th of July 2019

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

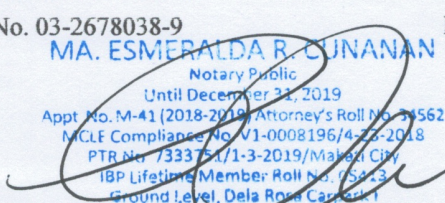
JUL 15 2019

MAKATI CITY

SUBSCRIBED AND SWORN to me this _____ day of _____, 2019 at _____ City. Affiants exhibited to me their respective Passport/SSS numbers/Drivers License Numbers and Tax Identification Numbers as follows:

<u>Name</u>	<u>Number</u>	<u>Date/Place of Issuance</u>
Eusebio H. Tanco	Passport No. PO992946B	11/03/19, DFA Manila
Monico V. Jacob	Passport No. EC7728486	05/17/16, DFA NCR East
Yolanda M. Bautista	SSS No. 03-2678038-9	Makati City

Doc/ No. 489
Page No. 99
Book No. XXXVIII
Series of 2019


MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2019
Appt. No. M-41 (2018-2019) Attorney's Roll No. 34562
MCLE Compliance No. V1-0008196/4-23-2018
PTR No. 7333751/1-3-2019/Makati City
IBP Lifetime Member Roll No. 75413
Ground Level, Dela Rosa Center
Dela Rosa St. Legaspi Village,
Makati City

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of STI Education Systems Holdings, Inc. (the Company), which comprise the parent company statements of financial position as at March 31, 2019 and 2018, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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



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

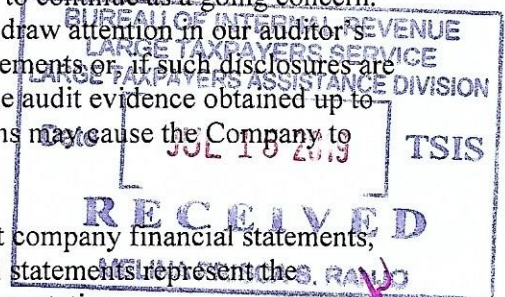
Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- 3 -

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

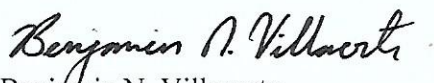
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

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

SYCIP GORRES VELAYO & CO.



Benjamin N. Villacorte

Partner

CPA Certificate No. 111562

SEC Accreditation No. 1539-AR-1 (Group A),

March 26, 2019, valid until March 25, 2022

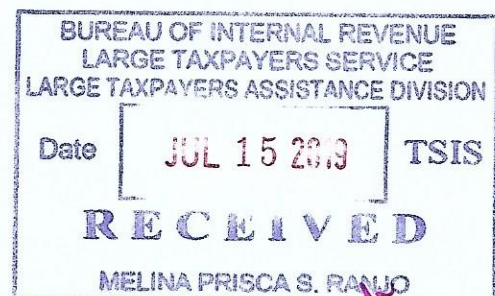
Tax Identification No. 242-917-987

BIR Accreditation No. 08-001998-120-2019,

January 28, 2019, valid until January 27, 2022

PTR No. 7332630, January 3, 2019, Makati City

July 11, 2019



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

	March 31	
	2019	2018
ASSETS		
Current Assets		
Cash (Notes 4, 17 and 18)	₱42,842,126	₱72,222,036
Advances (Notes 5, 17 and 18)	1,140,850	1,082,290
Other current assets (Note 6)	11,193,671	9,560,100
Total Current Assets	55,176,647	82,864,426
Noncurrent Assets		
Investments in subsidiaries (Note 7)	16,803,242,538	16,620,287,794
Investment properties (Note 8)	1,310,978,885	1,313,493,635
Property and equipment (Note 9)	793,203	663,571
Other noncurrent assets (Notes 10, 17 and 18)	2,093,554	1,966,391
Total Noncurrent Assets	18,117,108,180	17,936,411,391
TOTAL ASSETS	₱18,172,284,827	₱18,019,275,817
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 7, 11, 17 and 18)	₱136,879,101	₱161,648,538
Dividends payable (Notes 13, 17 and 18)	12,105,508	13,002,027
Total Current Liabilities	148,984,609	174,650,565
Noncurrent Liabilities		
Subscription payable (Notes 7, 12, 17 and 18)	64,000,000	64,000,000
Deferred tax liability (Note 15)	110,861,700	110,861,700
Obligation under finance lease	307,916	—
Total Noncurrent Liabilities	175,169,616	174,861,700
Total Liabilities	324,154,225	349,512,265
Equity		
Common stock (Note 13)	4,952,403,462	4,952,403,462
Additional paid-in capital	11,254,677,345	11,254,677,345
Fair value change in equity instruments at fair value through other comprehensive income (FVOCI) (Note 10)	361,098	—
Unrealized mark-to-market gain on available-for-sale (AFS) financial assets (Note 10)	329,558	—
Retained earnings (Note 13)	1,640,688,697	1,462,353,187
Total Equity	17,848,130,602	17,669,763,552
TOTAL LIABILITIES AND EQUITY	₱18,172,284,827	₱18,019,275,817

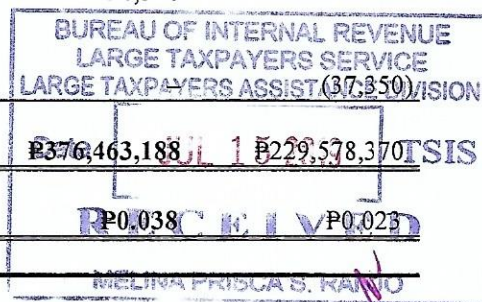
See accompanying Notes to Parent Company Financial Statements.



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

	Years Ended March 31	
	2019	2018
REVENUES		
Dividend income (Note 7)	₱206,659,798	₱243,256,484
Advisory fee (Note 12)	18,580,000	18,000,000
	<u>225,239,798</u>	<u>261,256,484</u>
EXPENSES		
Outside services (Note 8)	14,142,716	12,471,400
Salaries and allowances	4,153,083	3,125,718
Rent (Note 12)	3,048,455	2,945,909
Depreciation and amortization (Notes 8 and 9)	2,882,941	5,002,470
Taxes and licenses	2,399,599	3,203,607
Transportation and travel	2,017,681	827,694
Utilities	1,730,801	1,204,749
Membership fees and dues (Note 12)	1,193,600	1,193,600
Supplies	658,909	446,059
Representation and entertainment	600,493	107,249
Meetings and conferences	594,647	232,141
Advertising and promotions	400,000	370,000
Communication	111,742	121,296
Miscellaneous	740,188	1,520,151
	<u>34,674,855</u>	<u>32,772,043</u>
OTHER INCOME (EXPENSE)		
Effect of merger of subsidiaries (Note 7)	182,954,744	—
Interest income (Note 4)	1,802,966	596,789
Interest expense	(15,105)	—
Others - net	1,526,225	912,745
	<u>186,268,830</u>	<u>1,509,534</u>
INCOME BEFORE INCOME TAX	376,833,773	229,993,975
PROVISION FOR CURRENT INCOME TAX (Note 15)	402,125	378,255
NET INCOME	376,431,648	229,615,720
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods -		
Fair value change in equity instruments at FVOCI (Note 10)	31,540	—
Other comprehensive income to be reclassified to profit or loss in subsequent periods -		
Unrealized market-to-market loss on AFS financial assets (Note 10)	(37,350)	—
TOTAL COMPREHENSIVE INCOME	₱376,463,188	₱229,578,370
Basic/Diluted Earnings Per Share (Note 14)	₱0.038	₱0.023

See accompanying Notes to Parent Company Financial Statements



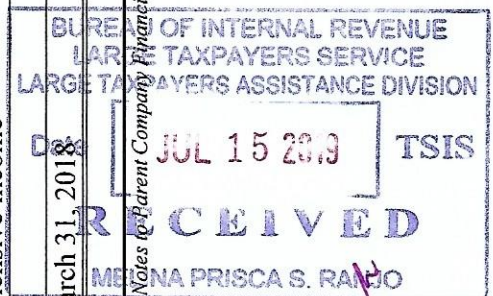
STI EDUCATION SYSTEMS HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

	Capital Stock (Note 13)	Additional Paid-in Capital	Fair Value Change in Equity Instruments at FVOCI (Note 10)	Unrealized Mark-to-market Gain on AFS Financial Assets (Note 10)	Retained Earnings (Note 13)	Total
Balance at April 1, 2018, as previously reported	₱4,952,403,462	₱11,254,677,345	₱-	₱329,558	₱1,462,353,187	₱17,669,763,552
Effect of adoption of PFRS 9 (Note 2)	-	-	329,558	(329,558)	-	-
Balance at April 1, 2018, as restated	4,952,403,462	11,254,677,345	329,558	-	1,462,353,187	17,669,763,552
Net income	-	-	-	-	376,431,648	376,431,648
Other comprehensive income	-	-	31,540	-	-	31,540
Total comprehensive income	-	-	31,540	-	376,431,648	376,463,188
Dividends	-	-	-	-	(198,096,138)	(198,096,138)
Balance at March 31, 2019	₱4,952,403,462	₱11,254,677,345	₱361,098	₱-	₱1,640,688,697	₱17,848,130,602
Balance at April 1, 2017	₱4,952,403,462	₱11,254,677,345	-	₱366,908	₱1,430,833,605	₱17,638,281,320
Net income	-	-	-	-	229,615,720	229,615,720
Other comprehensive loss	-	-	-	(37,350)	-	(37,350)
Total comprehensive income	-	-	-	(37,350)	229,615,720	229,578,370
Dividends	-	-	-	-	(198,096,138)	(198,096,138)
Balance at March 31, 2018	₱4,952,403,462	₱11,254,677,345	₱-	₱329,558	₱1,462,353,187	₱17,669,763,552

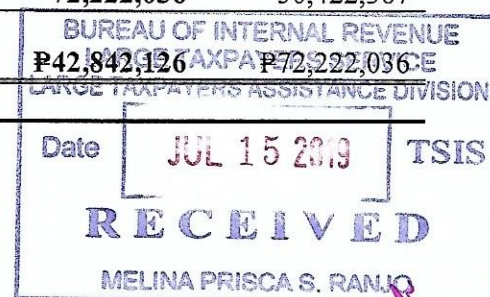
See accompanying Notes to Parent Company Financial Statements.



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

	Years Ended March 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱376,833,773	₱229,993,975
Adjustments to reconcile income before income tax to net cash flows:		
Dividend income (Note 7)	(206,659,798)	(243,256,484)
Effect of merger of subsidiaries (Note 7)	(182,954,744)	—
Depreciation and amortization (Notes 8 and 9)	2,882,941	5,002,470
Interest income (Note 4)	(1,802,966)	(596,789)
Operating loss before working capital changes	(11,700,794)	(8,856,828)
Decrease (increase) in:		
Advances	(58,560)	(4,409)
Other current assets	802,161	(18,515)
Increase (decrease) in accounts payable and other current liabilities	458,213	(3,748,858)
Net cash used in operations	(10,498,980)	(12,628,610)
Income taxes paid	(2,837,857)	(2,733,000)
Interest received	1,802,966	596,789
Net cash used in operating activities	(11,533,871)	(14,764,821)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	206,659,798	243,256,484
Acquisitions of:		
Property and equipment (Note 9)	(70,535)	(53,394)
Investment properties (Note 8)	—	(3,631,991)
Increase in other noncurrent assets	(95,623)	—
Payment of subscription payable (Note 7)	(25,227,650)	(5,000,000)
Net cash from investing activities	181,265,990	234,571,099
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Cash dividends declared (Note 7)	(198,992,657)	(198,006,609)
Obligation under finance lease (Note 9)	(119,372)	—
Cash used in financing activities	(199,112,029)	(198,006,609)
NET INCREASE (DECREASE) IN CASH	(29,379,910)	21,799,669
CASH AT BEGINNING OF YEAR	72,222,036	50,422,367
CASH AT END OF YEAR (Note 4)	₱42,842,126	₱72,222,036

See accompanying Notes to Parent Company Financial Statements.



STI EDUCATION SYSTEMS HOLDINGS, INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

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

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

The parent company financial statements have been approved and authorized for issuance by the Board of Directors (BOD) on July 11, 2019.

2. Summary of Significant Accounting Policies and Disclosures

Basis of Preparation

The accompanying parent company financial statements have been prepared under the historical cost basis, except for investments in equity securities that have been measured at fair value.

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

Statement of Compliance

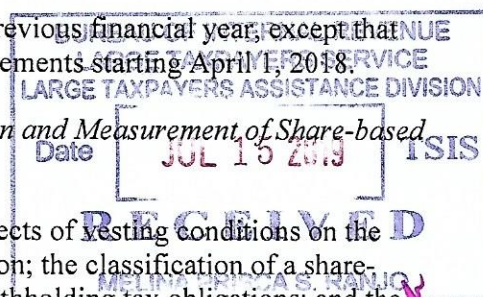
The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting April 1, 2018:

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

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



accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

The Company has no share-based payment transaction. Therefore, these amendments do not have any impact on the parent company financial statements.

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

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

The amendments are not applicable to the Company since it did not have activities that are predominantly connected with insurance or issue insurance contracts.

- *PFRS 9, Financial Instruments*

PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement*, for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied PFRS 9 using modified retrospective approach with an initial application date of April 1, 2018 and opted not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:

(a) Classification and measurement

Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortized cost or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

The assessment of the Company's business model was made at the date of initial application, April 1, 2018. The assessment of whether contractual cash flows on debt instruments are SPPI was based on the facts and circumstances at the initial recognition of the assets.



The classification and measurement requirements of PFRS 9 did not have a significant impact to the Company. The following are the changes in the classification of the Company's financial instruments:

- Cash and refundable deposits previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are classified and measured as financial assets at amortized cost beginning April 1, 2018.
- Quoted equity securities classified as AFS financial assets as at March 31, 2018 are classified and measured as equity instruments designated at FVOCI beginning April 1, 2018. The Company elected to irrevocably classify its listed equity investments under this category at the date of the initial application as it intends to hold the instruments as strategic investments for the foreseeable future. There were no impairment recognized in profit or loss for these investments in prior periods. Upon adoption of PFRS 9, the Company reclassified previously recognized cumulative fair value gain from "Unrealized mark-to-market gain" to "Fair value change in equity instruments at FVOCI" at the date of initial application.

The Company has not designated any financial liabilities as at FVPL. There were no changes in the classification and measurement of the Company's financial liabilities.

In summary, upon the adoption of PFRS 9, the Company had the following required or elected reclassifications:

PAS 39 Measurement Category	As at April 1, 2018	PFRS 9 Measurement Category		
		FVPL	Amortized Cost	FVOCI
Loans and receivables:				
Cash	₱72,222,036	₱—	₱72,222,036	₱—
Refundable deposits	1,272,366	—	1,272,366	—
AFS financial assets	694,025	—	—	694,025
Total	₱74,188,427	₱—	₱73,494,402	₱694,025

(b) *Impairment*

The adoption of PFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Company to recognize an allowance for ECL for all debt instruments not held at FVPL.

The adoption of PFRS 9 ECL approach, however, did not materially impact the recognized impairment on the Company's financial assets. Upon adoption of PFRS 9, the Company did not recognize an impairment on the Company's cash and refundable deposits as at March 31, 2019 and April 1, 2018.

▪ PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.



PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of April 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date.

The adoption of PFRS 15 did not have a material impact on the parent company financial statements as at April 1, 2018. Upon adoption of PFRS 15, there was no adjustment to the opening balance of retained earnings at the date of initial application.

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

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

The adoption of these amendments did not have any impact on the parent company financial statements.

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

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

The amendments did not have impact on the parent company financial statements since the Company's current practice is in line with the clarifications issued.

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

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are



multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

The adoption of these amendments did not have any impact on the parent company financial statements.

Standards Issued but Not Yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on the parent company financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective in fiscal year 2020

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

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are “solely payments of principal and interest on the principal amount outstanding” (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

These amendments have no impact on the parent company financial statements.

- PFRS 16, *Leases*

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

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

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

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



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

The Company is currently assessing the impact of adopting PFRS 16.

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

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

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

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

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

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

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

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

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Company does not have investment in associate and joint venture, the amendments will not have an impact on the parent company financial statements.



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

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

The interpretation specifically addresses the following:

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

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

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

▪ *Annual Improvements to PFRSs 2015-2017 Cycle*

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

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

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

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

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

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



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

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

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

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

The Company does not expect any effect of these amendments on its parent company financial statements upon adoption.

Effective in fiscal year 2021

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

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

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

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

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

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

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

Effective in fiscal year 2022

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of



insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

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

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

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

The amendments are not applicable to the Company since it does not have activities that are predominantly connected with insurance nor does it issue insurance contracts.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* – The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

The Company has not early adopted above standards. The Company continues to assess the impact of the above new, amended and improved accounting standards and interpretations effective subsequent to March 31, 2019 on the parent company financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the parent company financial statements when these amendments are adopted.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the parent company 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;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or



- 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 Company classifies all other liabilities as noncurrent.

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

Fair Value Measurement

The Company measures financial instruments at fair value at each financial reporting date.

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

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

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

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

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

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

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

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



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

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

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 maturities of up to three months or less from date of acquisition and are subject to an insignificant risk of change in value.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial Assets

Effective beginning April 1, 2018

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

As at March 31, 2019, the Company has cash and refundable deposits classified at amortized cost and investment in equity instruments designated at FVOCI. The Company has no financial asset at FVPL.

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)



- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

As at March 31, 2019, the Company has no financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments) and financial assets at FVPL.

a. *Financial Assets at Amortized Cost (Debt Instruments)*. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

This category includes the Company's cash and refundable deposits as at March 31, 2019.

b. *Financial Assets designated at FVOCI (Equity Instruments)*. Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Company elected to classify irrevocably its quoted equity securities under this category.

Impairment of financial assets. The Company recognizes as allowance for ECL for all debt instruments that are not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and refundable deposits, the Company applies a general approach in calculating ECL. The Company recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash and cash and refundable deposits since initial recognition.



Effective prior to April 1, 2018

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as financial assets at FVPL, loans and receivables, held-to-maturity investments (HTM), AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVPL, transaction costs that are attributable to the acquisition of the financial asset.

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

As at March 31, 2018, the Company has no HTM investments and financial assets at FVPL.

Subsequent Measurement. The subsequent measurement of financial assets depends on their classification as described below:

- a. *Loans and receivables.* Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. The EIR amortization is included in interest income in the profit or loss. The losses arising from impairment are recognized in profit or loss.

As at March 31, 2018, the Company's loans and receivables include cash and refundable deposits.

- b. *AFS Financial Assets.* AFS financial assets are those nonderivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial measurement, AFS investments are measured at fair value, with unrealized gains or losses being recognized as OCI until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously reported in OCI is included in profit or loss. Unquoted equity instruments whose fair value cannot be reliably measured are measured at cost.

As at March 31, 2018, the Company's AFS financial assets include quoted equity securities.

Impairment of Financial Assets. The Company assesses, at each financial reporting date, whether there is 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.

- a. *Financial Assets Carried at Amortized Cost.* The Company first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of



financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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

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

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

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

Applicable to All Periods Presented

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the parent company statement of financial position) when:

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



When the Company has transferred its 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 Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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 Company could be required to repay.

b. Financial liabilities

Initial recognition and measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

As at March 31, 2019 and 2018, the Company has no financial liabilities at FVPL or derivative liabilities designated as hedging instruments.

Subsequent measurement. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss 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 an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

As at March 31, 2019 and 2018, the Company's financial liabilities include accounts payable and other current liabilities, dividends payable, nontrade payable, subscription payable and obligation under finance lease which are classified as loans and borrowings.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

c. Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the parent company 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 Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.



Creditable Withholding Taxes (CWT)

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

Investment in Subsidiaries

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

Investment Properties

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

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

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

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

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

Property and Equipment

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

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



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

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

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

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

Impairment of Nonfinancial Assets

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

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



Equity

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

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

Revenue Recognition

Effective beginning April 1, 2018

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assesses whether it is acting as a principal or an agent in every revenue arrangement. It is acting as a principal when it has the primary responsibility for providing the goods or services. The Company 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).

Effective prior to April 1, 2018

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

There were no changes in the recognition of the Company's revenue upon adoption of PFRS 15.

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

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

Advisory Fee. Advisory fee is satisfied at a point in time and is recognized when the service is rendered.

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

Effect of merger of subsidiaries. Gain is recognized based on the difference between the fair value and carrying value of the asset given up in an exchange transaction which has commercial substance.

Other Income. Other income is recognized when earned.



Costs and Expenses

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

Provisions

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

Leases

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

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

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

Taxes

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

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

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



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

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

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

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

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

VAT. Revenue, expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; or
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from the taxation authority is included under the “Other current assets” account in the parent company statement of financial position.

Contingencies

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

Events after the Reporting Date

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



Earnings Per Share

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

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

Segment Reporting

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

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

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

Judgments

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

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

Estimates and Assumptions

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

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

Management is required to make estimates and assumptions to determine the future cash flows to be generated from the continued use and ultimate disposition of these assets in order to determine the value of these assets. While the Company believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the parent company financial



statements. Future adverse events may cause management to conclude that the affected assets are impaired and may have a material impact on the financial condition and results of operations of the Company.

Nonfinancial assets that are subject to impairment testing as at March 31, 2019 and 2018 are as follows:

	2019	2018
Investments in subsidiaries (see Note 7)	₱16,803,242,538	₱16,620,287,794
Investment properties (see Note 8)	1,310,978,885	1,313,493,635
Property and equipment (see Note 9)	793,203	663,571

No impairment loss was recognized for the years ended March 31, 2019 and 2018.

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

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

As at March 31, 2019 and 2018, unrecognized deferred tax assets arising from unused NOLCO and MCIT amounted to ₱12.0 million and ₱7.4 million, respectively (see Note 15).

4. Cash

	2019	2018
Cash on hand	₱5,000	₱5,000
Cash in banks	42,837,126	72,217,036
	₱42,842,126	₱72,222,036

Cash in banks earn interest at the prevailing bank deposit rates.

Interest income earned from cash in banks for the years ended March 31, 2019 and 2018 amounted to ₱1.8 million and ₱0.6 million, respectively.

5. Advances

	2019	2018
Advances to officers and employees (see Note 12)	₱834,213	₱980,425
Others	306,637	101,865
	₱1,140,850	₱1,082,290

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

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



6. Other Current Assets

	2019	2018
Creditable withholding taxes	₱7,147,878	₱4,712,146
Input VAT - net	3,963,188	4,767,427
Others	82,605	80,527
	₱11,193,671	₱9,560,100

7. Investments in Subsidiaries

The Company carries its investments in shares of stock of the following subsidiaries under the cost method:

			2019		2018
	Principal Place of Business	Percentage of Ownership	Cost	Percentage of Ownership	Cost
STI Education Services Group, Inc. (STI ESG)	Cainta, Rizal	98.7%	₱15,283,676,041	98.7%	₱15,283,676,041
STI West Negros University, Inc. (STI WNU)	Bacolod City, Negros Occidental	99.9%	592,398,926	99.9%	592,398,926
Information and Communications Technology Academy, Inc. (iACADEMY)	Makati	100.0%	782,167,571	100.0%	213,500,000
Attenborough Holdings Corp. (AHC)	Makati	100.0%	145,000,000	100.0%	145,000,000
Neschester Corporation (Neschester)	Makati	—	—	100.0%	385,712,827
			₱16,803,242,538		₱16,620,287,794

Movement in investment cost as at March 31, 2019 and 2018 follows:

	2019	2018
Balance at beginning of year	₱16,620,287,794	₱16,620,287,794
Addition due to merger of subsidiaries	182,954,744	—
Balance at end of year	₱16,803,242,538	₱16,620,287,794

STI ESG

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

As at March 31, 2019 and 2018, STI Holdings' ownership interest in STI ESG is approximately 98.66%.



On September 27, 2018 and September 19, 2017, the Company received cash dividends from STI ESG amounting to ₱0.06 per share or ₱182.4 million and ₱0.08 per share or ₱243.3 million, respectively.

STI WNU

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

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

As at March 31, 2018, the Company has unpaid subscription to STI WNU, recognized as subscription payable under “Accounts payable and other current liabilities” in the parent company statements of financial position amounting to ₱25.2 million (see Note 11). In December 2018, this was entirely settled by the Company to STI WNU.

On November 16, 2018, the Company received cash dividends from STI WNU amounting to ₱8.00 per share or ₱24.2 million.

iACADEMY

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

On September 27, 2016, STI Holdings purchased 100 million iACADEMY shares or 100% of iACADEMY’s issued and outstanding capital stock from STI ESG for a purchase price of ₱113.5 million. STI Holdings also subscribed to 100 million shares out of the 400 million increase in the authorized capital stock of iACADEMY, which was approved by the SEC on November 9, 2016, at an aggregate subscription price of ₱100.0 million. As at March 31, 2019 and 2018, iACADEMY is a wholly-owned subsidiary of STI Holdings.

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

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



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

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

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

On the same date, September 7, 2017, the BOG and stockholders of iACADEMY approved the increase in its authorized capital stock from ₱500.0 million to ₱1,000.0 million. The purpose of the increase in authorized capital stock is to issue sufficient shares to the Company pursuant to the plan of merger. The application for the increase in authorized capital stock was filed with the SEC on January 30, 2018 and was approved on April 10, 2018. On May 11, 2018, iACADEMY issued 494,896,694 shares to the Company in exchange for the net assets of Neschester as a result of the merger. Accordingly, the Company recognized an additional investment in iACADEMY amounting to ₱568.7 million, derecognized its investment in Neschester amounting to ₱385.7 million and recognized a gain amounting to ₱183.0 million, which is separately presented as “Effect of merger of subsidiaries” in the 2019 parent company statement of comprehensive income.

AHC

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

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

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

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

As at March 31, 2019 and 2018, the Company has unpaid subscription to AHC, presented as “Subscription payable” under noncurrent liability in the parent company statements of financial position, amounting to ₱64.0 million.

Neschester

On August 2, 2016, the Company subscribed to all of the unissued authorized capital stock of Neschester totaling to 670,000 common shares at a subscription price of ₱200.0 million. The Company also purchased all of the issued shares of Neschester from its former stockholders



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

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

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

8. Investment Properties

2019			
	Land and Land Improvements	Building and Improvements	Total
Cost			
Balance at beginning and end of year	₱1,289,399,135	₱29,124,000	₱1,318,523,135
Accumulated Depreciation and Amortization			
Balance at beginning of year	—	5,029,500	5,029,500
Depreciation and amortization	—	2,514,750	2,514,750
Balance at end of year	—	7,544,250	7,544,250
Net Book Value	₱1,289,399,135	₱21,579,750	₱1,310,978,885

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

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

As at March 31, 2019 and 2018, investment properties include parcels of land and buildings and improvements located in Quezon City and Davao City currently held by the Company for capital appreciation.

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



The Company engaged security services for the Quezon City and Davao properties, recorded under “Outside services” in the parent company statements of comprehensive income. Security services for the years ended March 31, 2019 and 2018 amounted to ₱8.9 million and ₱7.5 million, respectively.

Fair Value

As at March 31, 2019 and 2018, the fair values of the Company’s investment properties are as follows:

Quezon City properties	₱1,803,872,000
Davao property	353,619,000
	<u>₱2,157,491,000</u>

The fair values of these investment properties were determined in June 2018 by an independent professionally qualified appraiser. The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management assessed that the fair value of these properties at March 31, 2019 is not significantly different from the fair value determined as at March 31, 2018.

Land

Level 3 fair value of land has been derived using the market approach. The market 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, 2018	₱2,114,503,000
Total area (in square meters)	55,459
Fair value by square meters:	
Quezon City properties	14,357 sq. m. at ₱116,000 per sq. m. and 918 sq. m. at ₱104,000
Davao property	40,184 sq. m. at ₱8,800 sq. m.
Valuation technique	Market approach
Unobservable input	External factors – net price per square meter Internal factors – location, size, depth, influence, and time element
Relationship of unobservable inputs to fair value	The higher the price per square meter, the higher the fair value

Buildings and Improvements

Level 3 fair values of buildings and improvements have been derived using the cost approach. The cost approach is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is an equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay. As at March 31, 2019 and 2018, the fair value of the buildings and improvements amounted to ₱43.0 million.



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

9. Property and Equipment

2019					
2019					
	Office Equipment	Leasehold Improvements	Furniture and Fixtures	Transportation Equipment	Total
Cost					
Balance at beginning of year	₱696,864	₱17,377,294	₱302,731	₱—	₱18,376,889
Additions	29,196	41,339	—	427,288	497,823
Balance at end of year	726,060	17,418,633	302,731	427,288	18,874,712
Accumulated Depreciation and Amortization					
Balance at beginning of year	668,349	16,742,894	302,075	—	17,713,318
Depreciation and amortization	38,404	252,438	656	76,693	368,191
Balance at end of year	706,753	16,995,332	302,731	76,693	18,081,509
Net Book Value	₱19,307	₱423,301	₱—	₱350,595	₱793,203

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

Property and equipment includes transportation equipment acquired through finance lease with carrying value amounting to ₱0.4 million

There were no temporarily idle property and equipment as at March 31, 2019 and 2018.

10. Other Noncurrent Assets

	2019	2018
Refundable deposits	₱1,272,366	₱1,272,366
Equity instruments at FVOCI	725,565	—
Deferred input VAT	95,623	—
AFS financial assets	—	694,025
	₱2,093,554	₱1,966,391

The movement in the balance of equity instruments at FVOCI for the year ended March 31, 2019 and AFS financial assets for the year ended March 31, 2018 are as follows:

	2019	2018
Balance at the beginning of the year	₱694,025	₱731,375
Fair value change	31,540	(37,350)
Balance at the end of the year	₱725,565	₱694,025



Below are the changes in the fair value on all investments in equity securities recognized as part of equity as at March 31, 2019 and 2018:

	2019	2018
Balance at beginning of year	₱329,558	₱366,908
Fair value change recognized in other comprehensive income	31,540	(37,350)
Balance at end of year	₱361,098	₱329,558

11. Accounts Payable and Other Current Liabilities

	2019	2018
Nontrade payables (see Notes 17 and 18)	₱67,000,000	₱67,000,000
Payable to AHC (see Notes 7 and 12)	63,778,000	63,778,000
Accrued expenses	3,241,003	3,847,458
Accounts payable (see Note 12)	2,597,187	1,712,754
Subscription payable to STI WNU (see Notes 7 and 12)	—	25,227,650
Others	262,911	82,676
	₱136,879,101	₱161,648,538

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

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

12. Related Party Transactions

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

Related party receivables and payables are generally settled in cash.



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

Category	Amount of Transactions for the Year		Outstanding Receivable (Payable)		Terms	Conditions
	2019	2018	2019	2018		
Subsidiaries						
STI ESG						
Advisory fee	₱14,400,000	₱14,400,000	₱—	₱—	30 days upon receipt of billings; Noninterest-bearing	Unsecured
Reimbursements	73,123	3,945	—	—	30 days upon receipt of billings; Noninterest-bearing	Unsecured
Dividends paid	10,008,658	10,008,658	—	—	Due and demandable; noninterest-bearing	Unsecured
Dividend received	182,437,382	243,249,844	—	—	Due and demandable; noninterest-bearing	Unsecured
STI WNU						
Advisory fee	3,600,000	3,600,000	—	—	30 days upon receipt of billings; Noninterest-bearing	Unsecured
Dividend received	24,215,776	—	—	—	Due and demandable; noninterest-bearing	Unsecured
Subscription payable (see Note 11)	(25,227,650)	(5,000,000)	—	(25,227,650)	Noninterest-bearing	Unsecured
AHC						
Payable to AHC (see Note 11)	—	—	(63,778,000)	(63,778,000)	Payable upon demand; noninterest-bearing	Unsecured
Subscription payable (see Note 7)	—	—	(64,000,000)	(64,000,000)	Noninterest-bearing	Unsecured
iACADEMY						
Advisory fee	580,000	—	—	—	30 days upon receipt of billings; Noninterest-bearing	Unsecured
Affiliates*						
Phil First Insurance Co., Inc.						
Rental and other charges (see Note 11)	4,196,532	3,961,159	(456,534)	(303,673)	30 days upon receipt of billings; Noninterest-bearing	Unsecured
Philippines First Condominium Corporation						
Association dues and other charges	336,868	472,702	(31,703)	(35,785)	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilCare						
Rental income and other charges	240,000	240,000	—	—	30 days upon receipt of billings; noninterest-bearing	Unsecured
HMO coverage	134,978	100,944	(11,741)	—	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilLife						
Rental income and other charges	300,000	300,000	—	—	30 days upon receipt of billings; noninterest-bearing	Unsecured
Officers and Employees						
Advances to officers and employees (see Note 5)	2,127,401	427,026	834,213	980,425	Liquidated within 1 month; Noninterest-bearing	Unsecured; no impairment
Others						
Rental income and other charges	300,000	300,000	—	—	30 days upon receipt of billings; noninterest-bearing	Unsecured
Advertising and promotion charges	400,000	370,000	(150,000)	(100,000)	30 days upon receipt of billings; Noninterest-bearing	Unsecured
			(₱127,593,765)	(₱152,464,683)		

*Affiliates are entities under common control of a majority shareholder

a. Business Advisory Agreement with STI ESG, STI WNU and iACADEMY

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



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

In September 2018, the Company and iACADEMY entered into an agreement for the Company to act as an adviser for the latter with monthly fee of ₱0.1 million.

Advisory fee earned for the years ended March 31, 2019 and 2018 amounted to ₱18.6 million and ₱18.0 million, respectively.

b. Compensation and Benefits of Key Management Personnel

The Company's directors did not receive any compensation from the Company, except for directors' fees paid for each board meeting attended. Key management compensation for the years ended March 31, 2019 and 2018 amounted to ₱3.4 million and ₱1.5 million, respectively.

13. Equity

a. Common Stock

Details as at March 31, 2019 and 2018 follow:

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

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

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

*Date when the registration statement covering such securities was rendered effective by the SEC.

**Date when the Company filed SEC form 10-1(k) (Notice of Exempt Transaction) with the SEC in accordance with the Securities Regulation Code and its Implementing Rules and Regulations.

***Date when the SEC approved the increase in authorized capital stock.

As at March 31, 2019 and 2018, the Company has a total number of shareholders on record of 1,263 and 1,259, respectively.

b. Retained Earnings

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

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



As at March 31, 2019 and 2018, long-outstanding unclaimed dividends amounting to ₱11.0 million and ₱11.9 million, respectively pertain to dividend declarations from 1998 to 2016. This is presented as part of “Dividends payable” account, separately presented in the parent company statements of financial position.

14. Basic/Diluted Earnings Per Share

The table below shows the summary of net income and weighted average number of common shares outstanding used in the calculation of earnings per share:

	2019	2018
Net income	₱376,431,648	₱229,615,720
Common shares at beginning and end of year	9,904,806,924	9,904,806,924
	₱0.038	₱0.023

The basic and diluted earnings per share are the same for the years ended March 31, 2019 and 2018 as there are no dilutive potential common shares.

15. Income Taxes

The provision for current income tax in 2019 and 2018 represent MCIT.

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

	2019	2018
Provision for income tax at statutory tax rate	₱113,050,132	₱68,998,193
Tax effects of:		
Dividend income	(61,997,939)	(72,976,945)
Effect of merger of subsidiaries	(54,886,423)	—
Change in unrecognized deferred tax assets	4,649,499	4,536,044
Income subjected to final tax	(540,890)	(179,037)
Nondeductible expenses	127,746	—
	₱402,125	₱378,255

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

Year Incurred	Expiry Date	NOLCO	MCIT
2019	2022	₱14,157,914	₱402,125
2018	2021	13,859,297	378,255
2017	2020	8,156,678	378,559
		₱36,173,889	₱1,158,939



As at March 31, 2019 and 2018, the Company did not recognize the related deferred tax assets as management believes that future taxable income will not be available to allow all or part of these deferred tax assets to be utilized since the Company's income mainly pertains to passive income which are not subject to income tax.

As at March 31, 2019 and 2018, the Company recognized deferred tax liability amounting to ₱110.9 million pertaining to the excess of fair value over the dacion price of the properties received through dacion (see Note 8).

16. Commitments and Contingencies

iACADEMY Bridge Loan

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

Corporate Surety Granted to STI WNU

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

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

In December 2014, the Company issued a Surety Agreement in favor of China Bank to secure STI WNU's ₱300.0 million long-term loan and ₱5.0 million credit line. The ₱5.0 million credit line has not been availed. As at March 31, 2019 and 2018, STI WNU's outstanding long-term loan amounted to ₱119.0 million and ₱182.0 million, respectively.

Contingencies

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

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



On March 13, 2015, Dr. Helena Z. Benitez (HZB) filed a Creditor-Initiated Petition for Rehabilitation of PWU in RTC Manila (“PWU Rehabilitation Case”). The PWU Rehabilitation Case was raffled to Branch 46 of the RTC Manila (“Rehabilitation Court”). On March 26, 2015, the Company filed a Notice of Claim with the Rehabilitation Court.

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

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

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

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

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

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

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

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

Pursuant to the MOA, on March 31, 2016, the Company and Unlad entered into the Deeds wherein Unlad transfers four parcels of land in Quezon City and a parcel of land in Davao to the Company for a total dacion price of ₱611.0 million and ₱300.0 million, respectively, for the settlement of the outstanding loans of PWU and Unlad amounting to ₱303.9 million and ₱280.4 million, respectively.

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

- (i) *Complaint filed by the Heirs of the Family of Villa-Abrille relative to Unlad’s Davao Property.* On October 21, 2015, the Company and AHC each received copies of the Complaint filed by the Heirs of Carlos Villa-Abrille, Heirs of Luisa Villa-Abrille, Heirs of Candelaria V.A. Tan, Heirs of Adolfo V.A. Lim, Heirs of Saya V.A. Lim Chiu, Heirs of Guinga V.A. Lim Lu, Heirs of Rosalia V.A. Lim Lua, Heirs of Lorenzo V.A. Lim, and Heirs of Fermin Abella against the Philippine Women’s Educational Association (“PWEA”), Unlad, the Company, and AHC for cancellation of certificate of title, reconveyance of real



property, declaration of nullity of real estate mortgage, damages, and attorney's fees. The subject matter of the case is Unlad's property located in Davao City.

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

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

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

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

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

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

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



prohibited act; and (b) there is no allegation that the subject property shall not be used by the Parent Company and AHC for educational purpose.

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

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

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

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

On August 1, 2017, the Company and AHC received the Resolution of the Court of Appeals. In the Resolution, the Court of Appeals, among others, (a) noted the filing of the Omnibus Motion, and (b) required Plaintiffs' to file their Comment thereto within ten (10) days from their receipt of the Resolution.

The Plaintiffs filed their Comment with Motion to declare the Company and AHC to have deemed waived their right to file their Appellees' Brief. In the said Comment with Motion, Plaintiffs invoked the liberal application of the *Rules of Court* to excuse the defects in their Appellants' Brief. Moreover, Plaintiffs moved that the Company and AHC be declared to have waived their right to file their Appellants' Brief because the period to file the same has lapsed.

On September 15, 2017, the Company and AHC filed a Motion to Admit Reply with Comment/Opposition. In the said Reply with Comment/Opposition, they asserted that the defects in the Plaintiffs' Appellants' Brief are inexcusable. Moreover, the filing of the Omnibus Motion to seek the dismissal of the Appeal suspends the period to file an Appellees' Brief until its resolution.

On October 19, 2017, the Company and AHC received the Court of Appeals' Resolution, which dismissed the Plaintiffs' appeal based on defects in their Appellants' Brief. On November 21, 2017, the Company and AHC received the Plaintiffs-Appellants' Omnibus Motion (1) for reconsideration to the dismissal of the appeal and (2) admit the amended Appellants' Brief. In the Omnibus Motion, Plaintiff asserted that the appeal should be reinstated because they have cured all the defects in their Appellants' Brief.



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

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

On July 16, 2018, the Court of Appeals issued a Resolution wherein it submitted the Plaintiffs' appeal for decision.

On August 6, 2018, the Court of Appeals issued the Decision wherein it denied the appeal of the Plaintiffs. The Court of Appeals affirmed the dismissal of the complaint of the Plaintiffs on the ground of res judicata and failure to state a cause of action. The Plaintiffs then filed their Motion for Reconsideration dated August 31, 2018. In the Motion for Reconsideration, Plaintiffs insisted that their complaint could not be dismissed on the ground of failure to state a cause of action. They averred that the allegations in the complaint showed that their cause of action is the lack of authority of Unlad to mortgage the subject property in favor of Company and AHC due to the invalid transfer of the same by PWEA to Unlad.

After the Court of Appeals required the defendants to file their comment to the Motion for Reconsideration, the Company and AHC filed their Comment and Opposition dated November 6, 2018. In the Comment and Opposition, the Company and AHC primarily asserted that Plaintiffs are barred and/or prohibited to question the transfer of subject property from PWEA to Unlad on the ground of res judicata and prescription.

On December 14, 2018, the Court of Appeals denied the aforesaid Motion for Reconsideration filed by the Plaintiffs.

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

As at July 11, 2019, the Company and AHC have not received any Resolution from the Supreme Court in relation to the Petition for Review of the Plaintiffs.



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

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

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

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

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

Based on the rules of the PDRCI, the Respondents in the arbitration case need not file their Response until full payment of the Claimant. Based on said circumstances, the Company, AHC and EHT filed an Entry of Appearance with Manifestation (“Manifestation”). In the Manifestation, they informed the PDRCI that the filing of their Response shall be deferred until full payment of the provisional advance of cost by the Claimant as required under the PDRCI Rules. Likewise, they manifested that the Claimant should be compelled to pay said fees in order for the PDRCI and/or the arbitral tribunal to be constituted to rule on the defenses and/or claim to be raised by the Company, AHC and EHT.

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

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

As at July 11, 2019, the case remains suspended based on the aforesaid reason.



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

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

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

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

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

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

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



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

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

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

The parties complied with the aforesaid order and proceeded to participate in the mediation hearings. During said hearings, the Company, through counsel, manifested that it rejects the Petitioner's proposal, and moved to terminate the mediation hearing. Upon said motion, the Court-Annexed Mediation was terminated.

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

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

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

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

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

On February 9, 2018, the Company and AHC received the Decision dated January 19, 2018, which dismissed the case. In the Decision, the Trial Court held that the Plaintiff failed to establish fraud or bad on the part of the Defendants.



Consequently, the Trial Court concluded that it cannot contravene the agreement among the Company, Unlad, PWU and AHC to amicably settle the outstanding obligations of PWU and Unlad to AHC and the Company.

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

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

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

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

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

As at July 11, 2019, the appeal of the Petitioner and Motion to Cancel Lis Pendens of the Company are pending for resolution by the Court of Appeals.

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

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

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



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

- (1) The defendant should be Philippine Women's College of Davao, Inc.;
- (2) PWC-Davao has been in an open, notorious and peaceful possession of the Subject Premises since in or about the 1950's and not by mere tolerance of or any contract with the Company;
- (3) The proceedings should be suspended in light of the pending derivative suit filed by Mr. Conrado Benitez II; and
- (4) The Company came to court with unclean hands when it allegedly took possession of the Property sans the Subject Premises.

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

As at July 11, 2019, the Company has not received any notice and/or order from the Trial Court.

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

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

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

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



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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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



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

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

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

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

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

Meanwhile, the Agustin filed their (a) Motion for Execution Pending Appeal dated September 5, 2018 and (b) Comment and Opposition to The Notice of the Appeal on September 21, 2018 and (c) Supplemental Comment and opposition to the Notice of Appeal dated September 24, 2018 (collectively, opposition to notice of appeal).

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

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

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

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

While the record of the case was still with the Trial Court, the Company immediately filed the Urgent Motion for Reconsideration with alternative prayer for Motion to Stay Discretionary Execution Pending Appeal dated December 14, 2018 ("Motion(s)"). While the said Motions was pending, the Company also sent a letter to the Provincial Sheriff of the



Regional Trial Court of Bacolod City to inform them of the aforesaid pending Motion(s) and reminded them that such incident necessarily required them to suspend any action to enforce the Writ of Execution.

After due hearing by the Trial Court on the Urgent Motion for Reconsideration with alternative al Court on the Motions, the Trial court (a) denied the Urgent Motion for Reconsideration but granted the Motion to Stay Discretionary Execution Pending Appeal upon posting of a supersedeas bond amounting to ₱100.0 million (the “Stay Order”).

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

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

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

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

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

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

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

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

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

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

Based on the Motion for Extension of Time to File Appellant’s Brief, the Company sought an additional forty-five (45) days from June 24, 2019 or until August 8, 2019 to file the Appellant’s Brief.



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

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

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

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

As at July 11, 2019, the Company will wait for the appropriate Notice/Resolution by the Court of Appeals on the Petition for Certiorari filed by the Agustins.

17. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash. The main purpose of these financial assets is to support the Company's operations. The Company has various other financial assets and liabilities such as refundable deposits, equity instruments at FVOCI, AFS financial assets, accounts payable and other current liabilities, dividends payable and subscription payable which arise directly from its operations.

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

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

As at March 31, 2019 and 2018, the Company's financial assets which are all neither past due nor impaired are classified as high grade.

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

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

	Gross Maximum Exposure		Net Maximum Exposure*	
	2019	2018	2019	2018
Cash in banks	₱42,837,126	₱72,217,036	₱41,837,126	₱70,717,036
Refundable deposits**	1,272,366	1,272,366	1,272,366	1,272,366
Equity instruments at FVOCI**	725,565	—	725,565	—
AFS financial assets**	—	694,025	—	694,025
Total	₱44,835,057	₱74,183,427	₱43,835,057	₱72,683,427

*Net financial assets after taking into account insurance on bank deposits

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



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

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

2019				
	Due within 3 Months	Due from 3 to 6 Months	More than 6 Months	Total
Financial assets:				
Cash	₱42,842,126	₱—	₱—	₱42,842,126
Refundable deposits	1,272,366	—	—	1,272,366
Equity instruments at FVOCI	—	—	725,565	725,565
	₱44,114,492	₱—	₱725,565	₱44,840,057
Financial liabilities:				
Accrued expenses				
Payable to AHC	₱63,778,000	₱—	₱—	₱63,778,000
Accrued expense	3,241,003	—	—	3,241,003
Accounts payable	2,597,187	—	—	2,597,187
Nontrade payable	67,000,000	—	—	67,000,000
Dividends payable	12,105,508	—	—	12,105,508
Subscription payable*	—	—	64,000,000	64,000,000
	₱148,721,698	₱—	₱64,000,000	₱212,721,698
2018				
	Due within 3 Months	Due from 3 to 6 Months	More than 6 Months	Total
Financial assets:				
Cash	₱72,222,036	₱—	₱—	₱72,222,036
Refundable deposits	1,272,366	—	—	1,272,366
AFS financial assets	—	—	694,025	694,025
	₱73,494,402	₱—	₱694,025	₱74,188,427
Financial liabilities:				
Accounts payable	₱1,712,754	₱—	₱—	₱1,712,754
Accrued expenses	3,847,458	—	—	3,847,458
Payable to AHC	63,778,000	—	—	63,778,000
Nontrade payable	67,000,000	—	—	67,000,000
Dividends payable	13,002,027	—	—	13,002,027
Subscription payable*	—	—	89,227,650	89,227,650
	₱149,340,239	₱—	₱89,227,650	₱238,567,889

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

As at March 31, 2019 and 2018, the Company's current ratios are as follows:

	2019	2018
Current assets	₱55,176,647	₱82,864,426
Current liabilities	148,984,609	174,650,565
Current ratio	0.370:1.000	0.474:1.000



Capital Risk Management

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

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

As at March 31, 2019 and 2018, the Company's debt-to-equity ratios are as follows:

	2019	2018
Total liabilities	₱324,154,225	₱349,512,265
Total equity	17,848,130,602	17,669,763,552
Debt-to-equity ratio	0.018:1.000	0.020:1.000

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

	2019	2018
Total assets	₱18,172,284,827	₱18,019,275,817
Total equity	17,848,130,602	17,669,763,552
Asset-to-equity ratio	1.018:1.000	1.020:1.000

There were no changes in the Company's approach to capital risk management for the years ended March 31, 2019 and 2018.

Changes in liabilities arising from financing activities

The changes in the Company's liabilities arising from financing activities follows:

	2019				
	April 1, 2018	Cash Flow	Finance Lease Additions	Dividend Declaration	March 31, 2019
Dividends payable	₱13,002,027	(₱198,992,657)	₱-	₱198,096,138	₱12,105,508
Obligation under finance lease	-	(119,372)	427,288	-	307,916
	₱13,002,027	(₱199,112,029)	₱427,288	₱198,096,138	₱12,413,424

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



18. Fair Value Information of Financial Instruments

The carrying values of the Company's financial assets and liabilities, except for equity instruments at FVOCI and AFS financial assets, approximate their fair values as at March 31, 2019 and 2018 due to short-term nature and/or maturities of these financial instruments.

As at March 31, 2019 and 2018, the Company's equity instruments at FVOCI and AFS financial assets, respectively, are measured at fair value based on quoted market prices under Level 1 fair value hierarchy.

For the years ended March 31, 2019 and 2018, there were no transfers among levels 1, 2 and 3 fair value measurements.

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

19. Segment Information

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

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

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

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

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



The following table shows the reconciliation of the consolidated net income to consolidated EBITDA in 2019 and 2018:

	2019	2018
Consolidated net income	₱284,120,255	₱502,818,019
Depreciation and amortization	468,539,399	398,836,776
Equity in net losses (earnings) of associates and joint ventures	(3,190,368)	222,036,414
Provision for income tax	42,957,044	77,808,677
Interest expense	228,817,821	219,411,899
Interest income	(21,114,324)	(28,527,141)
Consolidated EBITDA	₱1,000,129,827	₱1,392,384,644

Inter-Segment Transactions

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



Geographical Segment Data

The following tables present revenue and income information and certain assets and liabilities information regarding geographical segments in 2019 and 2018:

2019							
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Reconciliations/ Adjustments	Total
Revenues							
External revenue	₱1,650,592,929	₱114,476,219	₱629,889,898	₱283,519,333	₱74,108,083	(₱2,527,346,664)	₱225,239,798
Results							
Income before other income and income tax	₱155,381,328	(₱2,696,212)	₱211,826,170	₱45,931,802	(₱14,013,932)	(₱205,864,213)	₱190,564,943
Equity in net losses of associates and joint ventures	3,190,368	—	—	—	—	(3,190,368)	—
Effect of merger of subsidiaries	182,954,744	—	—	—	—	—	182,954,744
Interest income	19,590,541	51,912	539,087	909,292	23,492	(19,311,358)	1,802,966
Interest expense	(221,185,668)	—	(121)	(7,632,032)	—	228,802,716	(15,105)
Other income	129,900,900	128,000	1,192,602	4,132,594	(192,824)	(133,635,047)	1,526,225
Provision for income tax	(38,753,061)	—	—	(4,203,983)	—	42,554,919	(402,125)
Net Income	₱231,079,152	(₱2,516,300)	₱213,557,738	₱39,137,673	(₱14,183,264)	(₱90,643,351)	₱376,431,648
EBITDA							₱194,974,109
2018							
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Reconciliations/ Adjustments	Total
Revenues							
External revenue	₱1,881,164,072	₱137,130,546	₱682,081,346	₱294,336,309	₱87,958,673	(₱2,821,414,462)	₱261,256,484
Results							
Income before other income and income tax	₱548,633,149	₱17,897,080	₱257,182,223	₱55,546,214	(₱4,910,736)	(₱645,863,489)	₱228,484,441
Equity in net losses of associates and joint ventures	(222,036,414)	—	—	—	—	222,036,414	—
Interest income	27,812,300	71,317	167,874	448,301	27,349	(27,930,352)	596,789
Interest expense	(210,981,377)	—	(9,164)	(8,421,358)	—	219,411,899	—
Effect of derecognition of a subsidiary	—	—	—	—	—	—	—
Other income	115,634,997	60,000	1,243,528	2,138,909	122,504	(118,287,193)	912,745
Provision for income tax	(73,170,026)	—	—	(4,638,651)	—	77,430,422	(378,255)
Net Income	₱185,892,629	₱18,028,397	₱258,584,461	₱45,073,415	(₱4,760,883)	(₱273,202,299)	₱229,615,720
EBITDA							₱234,399,655



The following tables present certain assets and liabilities information regarding geographical segments as of March 31, 2019 and 2018:

	2019						
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Reconciliations/ Adjustments	Total
Assets and Liabilities							
Segment assets ^(a)	₱11,959,731,960	₱108,113,352	₱933,535,224	₱595,586,649	₱140,418,589	₱4,434,899,053	₱18,172,284,827
Investments in and advances to associates and joint ventures	44,178,391	—	—	—	—	(44,178,391)	—
Pension assets - net	—	—	—	—	—	—	—
Noncurrent asset held for sale	716,586,558	—	—	—	—	(716,586,558)	—
Goodwill	208,519,102	—	—	15,681,232	—	(224,200,334)	—
Deferred tax assets - net	39,532,541	894,713	843,452	11,211,469	41,842	(52,524,017)	—
Total Assets	₱12,968,548,552	₱109,008,065	₱934,378,676	₱622,479,350	₱140,460,431	₱3,397,409,753	₱18,172,284,827
Segment liabilities ^(b)	₱1,056,192,729	₱31,643,191	₱86,971,535	₱40,079,723	₱32,398,502	(₱1,034,301,071)	₱212,984,609
Interest-bearing loans and borrowings	1,393,710,270	—	—	119,000,000	—	(1,512,710,270)	—
Bonds payable	2,957,954,254	—	—	—	—	(2,957,954,254)	—
Pension liabilities - net	25,616,583	5,614,191	10,616,437	31,972,566	2,231,945	(76,051,722)	—
Obligations under finance lease	18,415,114	—	—	37,049	—	(18,144,247)	307,916
Deferred tax liabilities - net	234,956,192	—	—	—	—	(124,094,492)	110,861,700
Total Liabilities	₱5,686,845,142	₱37,257,382	₱97,587,972	₱191,089,338	₱34,630,447	(₱5,723,256,056)	₱324,154,225
Other Segment Information							
Capital expenditure -							
Property and equipment						₱1,968,458,849	₱497,823
Depreciation and amortization						468,539,399	2,882,941
Noncash expenses other than depreciation and amortization						103,975,125	—

^(a) Segment assets exclude investments in and advances to associates and joint ventures, net pension assets, goodwill and net deferred tax assets.

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



2018

	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Reconciliations/ Adjustments	Total
Assets and Liabilities							
Segment assets ^(a)	₱11,439,012,452	₱132,951,846	₱922,464,706	₱683,618,491	₱151,714,860	₱4,689,513,462	₱18,019,275,817
Investments in and advances to associates and joint ventures	41,871,654	—	—	—	—	(41,871,654)	—
Pension assets - net	53,474,883	—	—	—	—	(53,474,883)	—
Noncurrent asset held for sale	716,586,558	—	—	—	—	(716,586,558)	—
Goodwill	225,554,342	—	—	15,681,232	—	(241,235,574)	—
Deferred tax assets - net	24,899,250	916,408	345,862	6,693,489	42,971	(32,897,980)	—
Total Assets	₱12,501,399,139	₱133,868,254	₱922,810,568	₱705,993,212	₱151,757,831	₱3,603,446,813	₱18,019,275,817
Segment liabilities ^(b)	₱894,382,099	₱50,474,180	₱100,258,912	₱40,286,714	₱37,542,887	(₱884,294,227)	₱238,650,565
Interest-bearing loans and borrowings	1,056,608,112	—	—	182,000,000	—	(1,238,608,112)	—
Bonds payable	2,951,879,134	—	—	—	—	(2,951,879,134)	—
Pension liabilities - net	10,500,694	39,293	400,120	31,504,743	10,607	(42,455,457)	—
Obligations under finance lease	21,512,977	—	—	249,296	—	(21,762,273)	—
Deferred tax liabilities - net	235,730,783	—	—	—	—	(124,869,083)	110,861,700
Total Liabilities	₱5,170,613,799	₱50,513,473	₱100,659,032	₱254,040,753	₱37,553,494	(₱5,263,868,286)	₱349,512,265
Other Segment Information							
Capital expenditure -							
Property and equipment						₱1,906,079,177	₱53,394
Depreciation and amortization						393,834,302	5,002,470
Noncash expenses other than depreciation and amortization						101,270,162	—

^(a) Segment assets exclude investments in and advances to associates and joint ventures, net pension assets, goodwill and net deferred tax assets.

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



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

In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year ended March 31, 2019:

VAT

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

	Gross amount	Output VAT
Advisory services	₱18,580,000	₱2,229,600
Others	1,490,511	178,861
Total	₱20,070,511	₱2,408,461

VAT arising from domestic purchases of goods and services for the year ended March 31, 2019 are detailed as follows:

	Amount
Input VAT	
Beginning of year	₱4,767,427
Current year's domestic purchases/payments for:	
Domestic purchases of services	1,596,247
Goods other than capital goods	7,975
	6,371,649
Claimed against output VAT	(2,408,461)
Balance at the end of year	₱3,963,188

Withholding Taxes

The amount of withholding taxes paid/accrued for the year ended March 31, 2019 is as follows:

	Paid	Accrued
Final withholding taxes on dividends	₱14,851,552	₱-
Expanded withholding taxes	490,537	34,767
Withholding taxes on compensation	625,187	62,028
	₱15,967,276	₱96,795

Other Taxes and Licenses

The breakdown of other taxes and licenses recognized as part of "Taxes and licenses" account for the year ended March 31, 2019 are as follows:

	Amount
Real property taxes	₱1,051,259
Annual listing maintenance fee	782,480
License and permit fees	469,503
Community tax	10,500
BIR annual registration fee	500
Others	85,357
	₱2,399,599

Status of Tax Assessment and Court Cases

The Company has no outstanding final assessment notice from the BIR as at March 31, 2019. There were also no outstanding tax cases nor litigation and/or prosecution in courts or bodies outside the BIR as at March 31, 2019.

